NEW ISSUE - FULL BOOK-ENTRY **Ratings: See "RATINGS" herein**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to SMUD, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2026 Series P Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2026 Series P Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2026 Series P Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2026 Series P Bonds. See "TAX MATTERS."

$125,000,000
ELECTRIC REVENUE BONDS, 2026 SERIES P
(GREEN BONDS)

Dated: Date of Delivery **Due: September 15, as shown on the inside cover**

The Electric Revenue Bonds, 2026 Series P (the "2026 Series P Bonds") will be issued pursuant to the provisions of Resolution No. 6649 of the Sacramento Municipal Utility District ("SMUD"), as amended and supplemented, and will be payable from the Net Revenues of the Electric System of SMUD, as described herein. The 2026 Series P Bonds are being issued to (i) finance and refinance certain improvements and additions to SMUD's Electric System and (ii) pay certain costs associated with the issuance of the 2026 Series P Bonds. See "PLAN OF FINANCE."

The 2026 Series P Bonds will mature in the years and amounts as shown on the inside cover. Interest on the 2026 Series P Bonds will accrue at the rates set forth on the inside cover and be payable semiannually on each March 15 and September 15, commencing September 15, 2026.

The 2026 Series P Bonds are subject to redemption prior to maturity as described herein. See "THE 2026 SERIES P BONDS – Redemption Provisions."

The 2026 Series P Bonds have been designated as "Green Bonds." Kestrel has provided an independent external review and opinion that the 2026 Series P Bonds conform with the four core components of the International Capital Market Association Green Bond Principles, and therefore qualify for Green Bonds designation. See "DESIGNATION OF 2026 SERIES P BONDS AS GREEN BONDS" herein and APPENDIX G – "SECOND PARTY OPINION" hereto for more information.

The 2026 Series P Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository (the "Securities Depository") for the 2026 Series P Bonds. Individual purchases of interests in the 2026 Series P Bonds may be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2026 Series P Bonds. Principal and interest are payable directly to the Securities Depository by U.S. Bank Trust Company, National Association, Trustee and Paying Agent. Upon receipt of payments of principal and interest, the Securities Depository will in turn remit such principal and interest to the Securities Depository's Direct Participants (as such term is herein defined) for subsequent disbursement to the purchasers of interests in the 2026 Series P Bonds, as described herein. See APPENDIX C – "BOOK-ENTRY SYSTEM."

The principal of and interest on the 2026 Series P Bonds, together with the debt service on other Parity Bonds (as defined herein), are payable exclusively from and secured by a pledge of the Net Revenues of the Electric System of SMUD. Neither the credit nor the taxing power of SMUD or the State of California is pledged to the payment of the 2026 Series P Bonds.

The information presented on this cover page is for general reference only and is qualified in its entirety by reference to the entire Official Statement and the documents summarized and described herein.

The 2026 Series P Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the validity of the 2026 Series P Bonds and certain other legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to SMUD. Certain legal matters will be passed on for the Underwriters by their counsel, Nixon Peabody LLP, San Francisco, California. It is expected that the 2026 Series P Bonds will be available for delivery through the facilities of DTC on or about July 14, 2026.

Goldman Sachs & Co. LLC

Barclays	**BofA Securities**	**J.P. Morgan**
Morgan Stanley	**PNC Capital Markets LLC**	**Wells Fargo Corporate & Investment Banking**

June 30, 2026

SACRAMENTO MUNICIPAL UTILITY DISTRICT
Sacramento, California

$125,000,000
ELECTRIC REVENUE BONDS, 2026 SERIES P

MATURITY SCHEDULE

Due (September 15)	Principal Amount	Interest Rate	Yield	CUSIP[1]
2029	$11,120,000	5.00%	2.29%	786005N87
2030	11,875,000	5.00	2.37	786005N95
2031	11,420,000	5.00	2.44	786005P28
2032	13,990,000	5.00	2.54	786005P36
2033	16,000,000	5.00	2.60	786005P44
2034	8,155,000	5.00	2.67	786005P51
2035	7,850,000	5.00	2.75	786005P69
2036	8,240,000	5.00	2.86[C]	786005P77
2037	11,530,000	5.00	2.93[C]	786005P85
2038	12,105,000	5.00	3.01[C]	786005P93
2039	12,715,000	5.00	3.11[C]	786005Q27

[C] Priced to call date of September 15, 2035.

[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers have been assigned by an independent company not affiliated with SMUD or the Underwriters and are included solely for the convenience of the registered owners of the applicable 2026 Series P Bonds. Neither SMUD nor the Underwriters are responsible for the selection or uses of these CUSIP® numbers, and no representation is made as to their correctness on the applicable 2026 Series P Bonds or as included herein. The CUSIP® number for a specific maturity is subject to being changed after the execution and delivery of the 2026 Series P Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2026 Series P Bonds.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
Sacramento, California

BOARD OF DIRECTORS

Dave Tamayo, President
Rob Kerth, Vice President
Brandon Rose
Nancy Bui-Thompson
Gregg Fishman
Rosanna Herber
Heidi Sanborn

OFFICERS AND EXECUTIVES[1]

Paul Lau, Chief Executive Officer and General Manager
Frankie McDermott, Chief Operating Officer
Scott Martin, Chief Financial Officer
Brandy Bolden, Chief Customer Officer
Suresh Kotha, Chief Information Officer
Jose Bodipo-Memba, Chief Diversity Officer
Laura Lewis, Chief Legal and Government Affairs Officer and General Counsel
Lora Anguay, Chief Zero Carbon Officer
Jennifer Restivo, Treasurer
George Vaughn, Interim Controller

SPECIAL SERVICES

ORRICK, HERRINGTON & SUTCLIFFE LLP
Bond Counsel

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION
Trustee and Paying Agent

BAKER TILLY US, LLP, Madison, Wisconsin
Independent Accountants

PFM FINANCIAL ADVISORS LLC, Philadelphia, Pennsylvania
Municipal Advisor

KESTREL, Hood River, Oregon
Green Bonds External Reviewer

[1] Paul Lau has announced his intent to retire in the summer of 2026. Frankie McDermott has announced his intent to retire on September 1, 2026. See "INTRODUCTION – Independent Governance" in Appendix A to this Official Statement for more information.

No dealer, broker, salesperson or other person has been authorized by SMUD or the Underwriters to give any information or to make any representations with respect to the 2026 Series P Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the 2026 Series P Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from SMUD and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriters. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of SMUD since the date hereof. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The 2026 Series P Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The 2026 Series P Bonds have not been registered or qualified under the securities laws of any state.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. SMUD does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access website. SMUD maintains a website and social media accounts. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2026 Series P Bonds. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

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OFFICIAL STATEMENT

Relating to

SACRAMENTO MUNICIPAL UTILITY DISTRICT

$125,000,000
ELECTRIC REVENUE BONDS, 2026 SERIES P

INTRODUCTION

This Official Statement, including the cover page and Appendices attached hereto, describes the Sacramento Municipal Utility District ("SMUD"), a political subdivision of the State of California (the "State"), and its $125,000,000 Electric Revenue Bonds, 2026 Series P (the "2026 Series P Bonds"), in connection with the sale by SMUD of the 2026 Series P Bonds. The 2026 Series P Bonds are being issued to (i) finance and refinance certain improvements and additions to SMUD's Electric System and (ii) pay certain costs associated with the issuance of the 2026 Series P Bonds. See "PLAN OF FINANCE."

The 2026 Series P Bonds are part of an Electric Revenue Bond authorization of SMUD and are issued pursuant to Resolution No. 6649 (the "Master Resolution") adopted in 1971, as amended and supplemented, and applicable California law, including Article 6a of Chapter 6 of the Municipal Utility District Act (Public Utilities Code Sections 12850 to 12860) (the "Act"), the Revenue Bond Law of 1941 (Government Code Section 54300 *et seq*.) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (Government Code Section 53580 *et seq*.). The issuance of the 2026 Series P Bonds was authorized on June 18, 2026, by the Board of Directors of SMUD by a Sixty-Ninth Supplemental Resolution (the "Sixty-Ninth Supplemental Resolution") supplemental to the Master Resolution. The Master Resolution and all supplemental resolutions, including the Sixty-Ninth Supplemental Resolution, are collectively referred to herein as the "Resolution." See APPENDIX D ─ "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

The 2026 Series P Bonds and other bonds issued on a parity therewith pursuant to the Resolution are collectively referred to herein as the "Bonds." The Bonds, together with other Parity Bonds (as defined herein), are payable solely from the Net Revenues of the Electric System. See "SECURITY FOR THE BONDS." As of May 31, 2026, Bonds in the aggregate principal amount of $1,908,940,000 were outstanding under the Resolution.

The issuance of the 2026 Series P Bonds is a component of a plan of finance (the "Plan of Finance") that includes the issuance of SMUD's Subordinated Electric Revenue Bonds, 2026 Series G (the "2026 Subordinated Bonds") to finance and refinance certain improvements and additions to SMUD's Electric System, including by paying all of the outstanding principal amount of SMUD's commercial paper notes at maturity. The issuance of the 2026 Series P Bonds is not contingent upon the implementation of the other components of the Plan of Finance, and SMUD is not obligated to implement any of the components of the Plan of Finance. If the Plan of Finance is implemented in whole, then upon completion of the Plan of Finance, Bonds in the aggregate principal amount of $2,033,940,000 are expected to be outstanding under the Resolution. See "PLAN OF FINANCE."

Although the Resolution establishes an "Electric Revenue Bond Reserve Fund" (the "Reserve Fund"), the Reserve Fund does *not* secure and will *not* be available to pay debt service on the 2026 Series P Bonds. The Reserve Fund secures all Bonds issued prior to January 1, 2004 that are currently outstanding (and not otherwise deemed to be paid and discharged under the Resolution) and may secure additional Bonds issued in the future.

U.S. Bank Trust Company, National Association serves as trustee and paying agent under the Resolution (in such capacities, the "Trustee" and the "Paying Agent" respectively).

From time to time, SMUD issues Subordinated Electric Revenue Bonds (the "Subordinated Bonds") pursuant to Resolution No. 85-11-1 of SMUD, adopted on November 7, 1985, as amended and supplemented (the "Subordinate Resolution"). As of May 31, 2026, Subordinated Bonds in the aggregate principal amount of $432,020,000 were outstanding. The Subordinated Bonds are payable solely from the Net Subordinated Revenues of the Electric System and are subordinate in right of payment to the prior payment of principal of and interest on the Bonds (including the 2026 Series P Bonds). If the Plan of Finance is implemented in whole, then upon completion of the Plan of Finance, Subordinated Bonds in the aggregate principal amount of $557,020,000 are expected to be outstanding under the Subordinate Resolution. See "PLAN OF FINANCE."

SMUD also issues commercial paper notes (the "Notes") from time to time. As of May 31, 2026, Notes in the principal amount of $50,000,000 were outstanding. SMUD issued an additional $50,000,000 of Notes in June 2026. Currently, Notes in the aggregate principal amount of $400,000,000 may be outstanding at any one time, but SMUD reserves the right to increase or decrease the aggregate principal amount of the Notes that may be outstanding at any one time in the future. The Notes are secured by letters of credit issued by commercial banks. The Notes (and SMUD's obligations to repay drawings under the letters of credit) are payable solely from available revenues of SMUD's Electric System and are subordinate in right of payment to the prior payment of principal of, premium if any, and interest on the Bonds (including the 2026 Series P Bonds) and the Subordinated Bonds. Drawings under the letters of credit, to the extent not repaid immediately from the proceeds of commercial paper or other available SMUD funds, are repayable with interest over a period of five years. The letters of credit currently expire in March of 2027 and September of 2028. SMUD expects to pay all $100,000,000 principal amount of the Notes outstanding as of the date of delivery of the 2026 Series P Bonds with proceeds of the 2026 Subordinated Bonds. See "PLAN OF FINANCE."

SMUD has also entered into two revolving credit agreements with commercial banks and issued its taxable and tax-exempt revolving notes thereunder (collectively, the "Revolving Credit Facilities"). As of the date of this Official Statement, no principal amount was outstanding under the Revolving Credit Facilities. Currently, the aggregate principal amount that can be outstanding under the Revolving Credit Facilities at any one time is limited to $150,000,000. However, SMUD reserves the right to increase or decrease the aggregate principal amount that can be outstanding at any one time under the Revolving Credit Facilities in the future. SMUD also has the option to have letters of credit issued under the Revolving Credit Facilities. The amount available to be drawn by SMUD under the Revolving Credit Facilities is reduced by the stated amount of the letters of credit issued and outstanding under the Revolving Credit Facilities. SMUD currently has plans to have a letter of credit issued under one of the Revolving Credit Facilities in the stated amount of approximately $5 million. SMUD's payment obligations under the Revolving Credit Facilities are payable solely from available revenues of SMUD's Electric System and are subordinate in right of payment to the prior payment of principal of, premium if any, and interest on the Bonds (including the 2026 Series P Bonds) and the Subordinated Bonds. The current terms of the Revolving Credit Facilities expire in March 2029 and April 2029.

SMUD is responsible for the acquisition, generation, transmission and distribution of electric power to its service area, which includes most of Sacramento County and small portions of Placer and Yolo counties. For the year ended December 31, 2025, SMUD served a population of approximately 1.6 million with a total annual retail load of approximately 10,510 million kilowatt-hours ("kWh"). SMUD owns and operates an electric system which, as of January 1, 2026, included generating facilities, including local gas-fired plants, owned and operated by SMUD with an aggregate generating capacity of approximately 1,906 megawatts ("MW"), purchased power with an aggregate generating capacity of

approximately 1,699 MW and transmission and distribution facilities. SMUD's power requirements exceed its generating capacity and thus SMUD has agreements with others for the purchase of a portion of its power requirements. See APPENDIX A – "INFORMATION REGARDING SACRAMENTO MUNICIPAL UTILITY DISTRICT – POWER SUPPLY AND TRANSMISSION – Power Supply Resources." Continuing development of SMUD's business strategy in response to changing environmental and regulatory requirements has had, and is expected to continue to have, a major effect on SMUD's power supply planning. See APPENDIX A – "INFORMATION REGARDING SACRAMENTO MUNICIPAL UTILITY DISTRICT – BUSINESS STRATEGY."

Pursuant to a Continuing Disclosure Agreement, dated the date of issuance of the 2026 Series P Bonds (the "Continuing Disclosure Agreement") between SMUD and the Trustee, SMUD will covenant for the benefit of the holders of the 2026 Series P Bonds and owners of beneficial interest in the 2026 Series P Bonds to provide certain financial information and operating data and to provide certain notices. See "CONTINUING DISCLOSURE UNDERTAKING" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The information presented in this Introduction is qualified in its entirety by reference to this entire Official Statement and the documents summarized or described herein. This Official Statement, including the Appendices, summarizes the terms of the 2026 Series P Bonds, the Resolution and certain agreements, contracts and other arrangements, some of which currently exist and others of which may exist in the future. The summaries of and references to all documents, statutes, regulations and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, regulation or instrument.

Capitalized terms not otherwise defined in this Official Statement shall have the meanings ascribed thereto in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Certain Definitions" or in the Resolution.

PLAN OF FINANCE

Issuance of 2026 Series P Bonds

The proceeds of the 2026 Series P Bonds will be used to (i) finance and refinance certain improvements and additions to SMUD's Electric System and (ii) pay certain costs associated with the issuance of the 2026 Series P Bonds. The issuance of the 2026 Series P Bonds is a component of the Plan of Finance, as further described below. The issuance of the 2026 Series P Bonds is not contingent upon the implementation of the other components of the Plan of Finance, and SMUD is not obligated to implement any of the components of the Plan of Finance.

Issuance of 2026 Subordinated Bonds

Concurrently with the issuance of the 2026 Series P Bonds, SMUD expects to issue $125,000,000 aggregate principal amount of the 2026 Subordinated Bonds to (i) finance and refinance certain improvements and additions to SMUD's Electric System, including by paying all of the outstanding principal amount of SMUD's commercial paper notes at maturity, and (ii) pay certain costs associated with the issuance of the 2026 Subordinated Bonds. The 2026 Subordinated Bonds are expected to be issued in a term rate mode, bearing a fixed rate of interest during their initial term rate period.

DESIGNATION OF 2026 SERIES P BONDS AS GREEN BONDS

General

The 2026 Series P Bonds have been designated as "Green Bonds." The information set forth below concerning (1) Kestrel in its role as a verifier and (2) the determination that the 2026 Series P Bonds are in conformance with the four core components of the ICMA Green Bond Principles has been extracted from materials provided by Kestrel and neither SMUD nor the Underwriters undertake any responsibility for the accuracy or completeness of any such information. Neither SMUD nor the Underwriters make any representation regarding the applicability or suitability of the determination that the 2026 Series P Bonds are in conformance with the four core components of the ICMA Green Bond Principles. The term "Green Bonds" is neither defined in nor related to the Master Resolution or the Sixty-Ninth Supplemental Resolution. The use of such term in this Official Statement is solely for identification purposes and is not intended to provide or imply that the owners of the 2026 Series P Bonds are entitled to any security other than as provided in the Master Resolution and the Sixty-Ninth Supplemental Resolution, as described under the heading "SECURITY FOR THE BONDS."

No party, including SMUD, has assumed any obligation to ensure that the projects financed or refinanced with the proceeds of the 2026 Series P Bonds comply with any legal or other standards or principles that may relate to "Green Projects" or that the 2026 Series P Bonds comply with any legal or other standards or principles that may be related to "Green Bonds." No assurance can be given that a clear definition of green will develop over time, or that, if developed, it will include the projects to be financed or refinanced with the proceeds of the 2026 Series P Bonds. Accordingly, no assurance is or can be given to investors that any uses of the 2026 Series P Bonds will meet investor expectations regarding green or other equivalently labeled performance objectives with respect to the projects to be financed or refinanced with proceeds of the 2026 Series P Bonds.

Green Bonds Designation

Per the International Capital Market Association ("ICMA"), Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting.

Kestrel has determined that the 2026 Series P Bonds are in conformance with the four core components of the ICMA Green Bond Principles, as described in Kestrel's "Second Party Opinion," which is attached hereto as APPENDIX G.

Independent Second Party Opinion on Green Bonds Designation and Disclaimer

For over 23 years, Kestrel has been consulting in sustainable finance. Kestrel is an Approved Verifier accredited by the Climate Bonds Initiative and the market leader for Second Party Opinions in US public finance. Kestrel reviews corporate and public finance transactions worldwide for alignment with ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and Criteria. Municipal bonds are benchmarked with Kestrel Sustainability Intelligence™.

The Second Party Opinion issued by Kestrel does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the 2026 Series P Bonds. Second Party Opinions provided by Kestrel are not a recommendation to any person to purchase, hold, or

sell the 2026 Series P Bonds and designations do not address the market price or suitability of the 2026 Series P Bonds for a particular investor and do not and are not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the Second Party Opinion, Kestrel has assumed and relied upon the accuracy and completeness of the information made publicly available by SMUD or that was otherwise made available to Kestrel.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2026 Series P Bonds are as follows:

Sources of Funds:	
Principal Amount	$125,000,000.00
Original Issue Premium	17,958,521.80
SMUD Contribution	305,913.00
Total Sources of Funds	$143,264,434.80
Uses of Funds:	
Project Costs	$125,000,000.00
Reimbursable Capital	17,678,488.52
Costs of Issuance (including Underwriters' Discount)	585,946.28
Total Uses of Funds	$143,264,434.80

THE 2026 SERIES P BONDS

The 2026 Series P Bonds will mature in the years and amounts and bear interest at the rates set forth on the inside cover page hereof. Interest on the 2026 Series P Bonds will accrue from the date of delivery of the 2026 Series P Bonds, and will be payable semiannually on each March 15 and September 15, commencing September 15, 2026 (each, an "Interest Payment Date") to the owners thereof as of the first day of the month (whether or not such day is a business day) in which an Interest Payment Date occurs (each, a "Record Date").

The 2026 Series P Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository (the "Securities Depository") for the 2026 Series P Bonds. Individual purchases of interests in the 2026 Series P Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2026 Series P Bonds. Principal and interest are payable directly to the Securities Depository by the Trustee. Upon receipt of payments of principal and interest, the Securities Depository will in turn remit such principal and interest to the Securities Depository's Direct Participants (as such term is herein defined) for subsequent disbursement to the purchasers of interests in the 2026 Series P Bonds. See APPENDIX C – "BOOK-ENTRY SYSTEM."

Redemption Provisions

Optional Redemption. On any date on or after September 15, 2035, the 2026 Series P Bonds maturing on and after September 15, 2036 are subject to redemption prior to their stated maturities at the option of SMUD, from any source of available funds, as a whole or in part, by lot, at the principal amount thereof, without premium, together with accrued interest to the date fixed for redemption.

Selection of Bonds for Redemption. If less than all of a maturity of the 2026 Series P Bonds is to be redeemed, the Trustee shall select the 2026 Series P Bonds of such maturity to be redeemed, from the Outstanding 2026 Series P Bonds of such maturity not previously called for redemption, by lot in any manner the Trustee deems fair. For so long as the book-entry only system is in effect with respect to the 2026 Series P Bonds, DTC shall select the 2026 Series P Bonds to be redeemed in accordance with the procedures of DTC.

Notice of Redemption. Notice of redemption for the 2026 Series P Bonds will be given by publication at least once in financial newspapers or journals, selected by the Trustee, of general circulation in San Francisco, California, Chicago, Illinois, and New York, New York, each such publication to be not less than 20 nor more than 60 days before the date fixed for redemption, if at any time the 2026 Series P Bonds are not in book entry form. Notice also will be mailed to the registered owners of any 2026 Series P Bonds designated for redemption, but failure to mail such notice or any defect therein with respect to any particular 2026 Series P Bond will not affect the validity of the proceedings for the redemption of any other 2026 Series P Bonds. For so long as the book-entry-only system is in effect with respect to the 2026 Series P Bonds, the Trustee will mail notice of redemption solely to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to notify a beneficial owner of a 2026 Series P Bond of any redemption will not affect the sufficiency or validity of the redemption of any 2026 Series P Bond. See APPENDIX C – "BOOK-ENTRY SYSTEM." SMUD may instruct the Trustee to give conditional notice of optional redemption, which may be conditioned upon the receipt of moneys or any other event. SMUD may rescind any notice of optional redemption of the 2026 Series P Bonds by giving written notice to the Trustee of such rescission no later than two business days prior to the date specified for redemption.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements with respect to the 2026 Series P Bonds. See also APPENDIX A – "INFORMATION REGARDING SACRAMENTO MUNICIPAL UTILITY DISTRICT – CAPITAL REQUIREMENTS AND OUTSTANDING INDEBTEDNESS – Outstanding Indebtedness – *Debt Service Requirements*."

Calendar Year	Principal	Interest	Total
2026	--	$ 1,059,027.78	$1,059,027.78
2027	--	6,250,000.00	6,250,000.00
2028	--	6,250,000.00	6,250,000.00
2029	$ 11,120,000.00	6,250,000.00	17,370,000.00
2030	11,875,000.00	5,694,000.00	17,569,000.00
2031	11,420,000.00	5,100,250.00	16,520,250.00
2032	13,990,000.00	4,529,250.00	18,519,250.00
2033	16,000,000.00	3,829,750.00	19,829,750.00
2034	8,155,000.00	3,029,750.00	11,184,750.00
2035	7,850,000.00	2,622,000.00	10,472,000.00
2036	8,240,000.00	2,229,500.00	10,469,500.00
2037	11,530,000.00	1,817,500.00	13,347,500.00
2038	12,105,000.00	1,241,000.00	13,346,000.00
2039	12,715,000.00	635,750.00	13,350,750.00
	$125,000,000.00	$50,537,777.78	$175,537,777.78

SECURITY FOR THE BONDS

General

The principal of and premium, if any, and interest on the Bonds, together with other Parity Bonds, are payable exclusively from, and are secured by a pledge (effected in the manner and to the extent provided in the Resolution) of, the Net Revenues of the Electric System of SMUD.

Neither the credit nor the taxing power of SMUD is pledged to the payment of the Bonds and the general fund of SMUD is not liable for the payment thereof. The owners of the Bonds cannot compel the exercise of any taxing power of SMUD or the forfeiture of any of its property. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance upon any of SMUD's property (including the Electric System) or upon any of its income, receipts or revenues except the Net Revenues of the Electric System to the extent of the pledge thereof contained in the Resolution.

Allocation of Revenues

After making an allocation of Revenues to Maintenance and Operation Costs and to Energy Payments not included in Maintenance and Operation Costs, the Treasurer of SMUD is required (subject to the last paragraph of this section) to set aside, on an equal priority with sums set aside for all other Parity Bonds, Net Revenues as follows:

> **First:** To the Electric Revenue Bond Interest Fund, in approximately equal monthly installments on or before the first day of each month, an amount equal to at least one-fifth (1/5) of the aggregate amount of interest becoming due on the Bonds on the next succeeding semiannual interest payment date, until an amount sufficient to meet said interest payment is accumulated.
>
> **Second**: To the Electric Revenue Bond Redemption Fund, to be set aside in the Principal Account and Sinking Fund, respectively, in approximately equal monthly installments on or before the first day of each month, an amount equal to at least one-tenth (1/10) of the aggregate amount of principal becoming due on serial Bonds and the aggregate minimum sinking fund payments required to be made with respect to term Bonds during the next ensuing 12 months, until an amount sufficient to meet the principal and sinking fund requirements on all Bonds outstanding is accumulated in said accounts, respectively.
>
> **Third**: To the Electric Revenue Bond Reserve Fund, such amounts as any supplemental resolution authorizing the issuance of a series of Bonds may require to build up and maintain said fund.

If interest on Bonds of a series or maturity is payable more frequently than semiannually, the Treasurer of SMUD shall set aside out of Net Revenues in the Interest Fund such amounts as may be required to pay interest on the Bonds of such series or maturity on each interest payment date at least one month prior to such interest payment date. Allocation to the Electric Revenue Bond Redemption Fund and Electric Revenue Bond Reserve Fund shall be made as set forth above.

All remaining Revenues, after making the foregoing allocations, will be available to SMUD for all lawful SMUD purposes.

From time to time, SMUD may deposit in the Rate Stabilization Fund from such remaining Revenues such amounts as SMUD shall determine, provided that deposits in the Rate Stabilization Fund from remaining Revenues in any fiscal year may be made until (but not after) the date 120 days after the end of such fiscal year. SMUD may withdraw amounts from the Rate Stabilization Fund only for inclusion in Revenues for any fiscal year, such withdrawals to be made until (but not after) 120 days after the end of such fiscal year. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues. No deposit of Revenues to the Rate Stabilization Fund may be made to the extent such Revenues were included in any certificate submitted in connection with the issuance of additional bonds and withdrawal of the Revenues from the Revenues employed in rendering said certificate would have caused noncompliance with the additional bond provisions or to the extent withdrawals of the Revenues for any fiscal year would have reduced the debt service ratio for such fiscal year to or below 1.40:1.00. See APPENDIX A – "RATES AND CUSTOMER BASE – Rates and Charges" for a description of the balance in the Rate Stabilization Fund.

With respect to Bonds of a series issued on or after October 1, 2003 (including the 2026 Series P Bonds), notwithstanding the foregoing, so long as the Bonds of such series or maturity are outstanding, the supplemental resolution authorizing the issuance of such series shall require the Treasurer, out of Net Revenues received by SMUD, to set aside in the Interest Fund and the Principal Account, respectively, such amounts as may be required so that an amount equal to the amount of principal and/or interest becoming due and payable on the Bonds of such series or maturity on each interest payment date and principal payment date is on deposit in the Interest Fund and the Principal Account, respectively, at such time on or prior to such interest payment date or principal payment date as shall be specified in the supplemental resolution authorizing such Bonds.

Rates and Charges

SMUD has covenanted in the Resolution to establish and at all times maintain and collect rates and charges for the sale or use of electric energy generated, transmitted, distributed or furnished by SMUD which, together with certain items of other income permitted under the Resolution, will yield Revenues at least sufficient, with respect to the ensuing 12 months, to pay and provide for all sums required for Maintenance and Operation Costs and Energy Payments not included in Maintenance and Operation Costs and, in addition, to provide an aggregate sum equal to at least 1.20 times the total amount required for the payment of principal and interest, together with any sinking fund or reserve fund payments, on the Bonds and all Parity Bonds, in each case during such 12 months.

For purposes of the calculations of payments to be made pursuant to the Resolution, the interest rates on Parity Bonds which bear a variable rate of interest or a rate subject to periodic adjustment or to being fixed at some date after issuance shall be, if such Parity Bonds bear a rate or rates of interest for a known period or periods of time, such rate or rates of interest for such period or periods and thereafter, for the portion of the calculation period not covered by such known period or periods, the Assumed Interest Rate.

For purposes of the above calculations of principal of and interest on Parity Bonds, if a Financial Products Agreement has been entered into by SMUD with respect to any Parity Bonds, interest on such Parity Bonds shall be included in the calculation of such principal and interest by including for each fiscal year or period an amount equal to the amount of interest payable on such Parity Bonds in such fiscal year or period at the rate or rates stated in such Parity Bonds plus any Financial Product Payments payable in such fiscal year or period minus any Financial Product Receipts receivable in such fiscal year or period; provided that in no event shall any calculation made pursuant to this clause result in a number less than zero being included in the calculation of such principal and interest.

For purposes of the above calculations of principal of and interest on Parity Bonds, Excluded Principal Payments shall be disregarded (but interest on the Parity Bonds to which such Excluded Principal Payments relate shall be included until but not after the stated due date when principal payments on such Parity Bonds are scheduled by their terms to commence) and Assumed Principal Payments and Assumed Interest Payments shall be included; and for purposes of the above calculations of interest on Parity Bonds, the interest rates on Parity Bonds which bear a variable rate of interest or a rate subject to periodic adjustment or to being fixed at some date after issuance shall be, if such Parity Bonds bear a rate or rates of interest for a known period or periods of time, such rate or rates of interest for such period or periods and thereafter, for the portion of the calculation period not covered by such known period or periods, the Assumed Interest Rate.

For purposes of the calculations specified in this section: (1) any calculation of principal of and interest on Parity Bonds for any period of time shall be reduced by the amount of any Subsidy that SMUD receives or expects to receive during such period of time relating to or in connection with such Parity Bonds; and (2) to the extent the calculation of principal of and interest on Parity Bonds is reduced by the Subsidy as provided in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by SMUD with respect to or in connection with such Parity Bonds during such period of time.

See APPENDIX D hereto for the definitions of certain capitalized terms used in this section. See APPENDIX A hereto for certain information about SMUD's rates and charges.

Limitations on Additional Obligations Payable from Revenues

The Resolution provides that SMUD will not, so long as any Bonds are outstanding, issue any obligations payable in whole or in part from Revenues except the following:

1. Refunding bonds issued solely to refund all or part of the Bonds or Parity Bonds;

2. General obligation bonds or other securities secured by the full faith and credit of SMUD;

3. Additional revenue bonds (including additional Bonds under the Resolution and additional Parity Bonds), payable on a parity with the Bonds, with an equal lien and charge upon the Revenues, but only subject to the following conditions:

   (a) Such additional revenue bonds shall have been authorized for and the proceeds therefrom required to be applied to additions, betterments, extensions or improvements to the Electric System (and necessary costs of issuance, interest during construction and reserve funds);

   (b) The proceedings for the issuance of such additional revenue bonds shall require SMUD to fix and collect rates and charges in an amount not less, with respect to such bonds, than the amounts required with respect to Bonds issued under the Resolution;

   (c) SMUD shall not then be in default under the Resolution or other resolutions authorizing the issuance of Parity Bonds; and

   (d) The Trustee shall receive a certificate of SMUD to the effect (i) that Net Revenues, after completion of the improvements proposed to be financed by such additional revenue bonds, will be sufficient to pay the principal of and interest (and bond reserve fund requirements) on all Bonds and Parity Bonds then outstanding and on such additional revenue bonds; and (ii) that for a period of 12 consecutive months during the 24 months immediately preceding the issuance of the additional revenue bonds the Net Revenues have been at least equal

to 1.25 times maximum annual debt service on all Bonds and Parity Bonds then outstanding and on such additional revenue bonds (after adjusting Net Revenues to include 75 percent of the estimated additional Net Revenues to be derived from an increase in rates and charges or from the acquisition of an existing revenue producing electric system); and

4. Revenue bonds junior and subordinate to the Bonds and Parity Bonds.

For purposes of the above calculations, Excluded Principal Payments shall be disregarded (but interest on the Parity Bonds to which such Excluded Principal Payments relate shall be included until but not after the stated due date when principal payments on such Parity Bonds are scheduled by their terms to commence) and Assumed Principal Payments and Assumed Interest Payments shall be included; and for purposes of the above calculations of interest on Parity Bonds, the interest rates on Parity Bonds which bear a variable rate of interest or a rate subject to periodic adjustment or to being fixed at some date after issuance shall be, if such Parity Bonds bear a rate or rates of interest for a known period or periods of time, such rate or rates of interest for such period or periods and thereafter, for the portion of the calculation period not covered by such known period or periods, the Assumed Interest Rate.

For purposes of the above calculations of principal of and interest on Parity Bonds, if a Financial Products Agreement has been entered into by SMUD with respect to any Parity Bonds, interest on such Parity Bonds shall be included in the calculation of such principal and interest by including for each fiscal year or period an amount equal to the amount of interest payable on such Parity Bonds in such fiscal year or period at the rate or rates stated in such Parity Bonds plus any Financial Product Payments payable in such fiscal year or period minus any Financial Product Receipts receivable in such fiscal year or period; provided that in no event shall any calculation made pursuant to this clause result in a number less than zero being included in the calculation of such principal and interest.

For purposes of the calculations specified in this section: (1) any calculation of principal of and interest on Parity Bonds for any period of time shall be reduced by the amount of any Subsidy that SMUD receives or expects to receive during such period of time relating to or in connection with such Parity Bonds; and (2) to the extent the calculation of principal of and interest on Parity Bonds is reduced by the Subsidy as provided in clause (1) of this paragraph, any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by SMUD with respect to or in connection with such Parity Bonds during such period of time.

See APPENDIX A – "INFORMATION REGARDING SACRAMENTO MUNICIPAL UTILITY DISTRICT – CAPITAL REQUIREMENTS AND OUTSTANDING INDEBTEDNESS – Estimated Capital Requirements" for a description of SMUD's projected capital requirements. Such capital requirements may be satisfied through the issuance of additional Bonds or Parity Bonds.

See APPENDIX D hereto for the definitions of certain capitalized terms used in this section.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

SMUD owns and operates an electric system that has provided retail electric service since 1946. SMUD's current service area is approximately 900 square miles, and includes the principal parts of Sacramento County and small portions of Placer and Yolo counties. For a full description of SMUD, its history, organization, operations, and financial performance, certain developments in the energy markets, certain factors affecting the electric utility industry, and certain regulatory and other matters, see APPENDIX A – "INFORMATION REGARDING SACRAMENTO MUNICIPAL UTILITY DISTRICT."

ABSENCE OF LITIGATION REGARDING THE 2026 SERIES P BONDS

SMUD is not aware of any action, suit or proceeding, threatened or pending, to restrain or enjoin the issuance, sale or delivery of the 2026 Series P Bonds, or in any way contesting or affecting the validity of the 2026 Series P Bonds or any of the proceedings of SMUD taken with respect to the 2026 Series P Bonds. SMUD is not aware of any action, suit or proceeding, threatened or pending, questioning the corporate existence of SMUD, or the title of the officers of SMUD to their respective offices, or the power and authority of SMUD to execute and deliver the 2026 Series P Bonds. For a description of certain litigation in which SMUD is involved, see APPENDIX A – "INFORMATION REGARDING SACRAMENTO MUNICIPAL UTILITY DISTRICT – LEGAL PROCEEDINGS."

UNDERWRITING

Goldman Sachs & Co. LLC, Barclays Capital Inc., BofA Securities, Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, PNC Capital Markets LLC and Wells Fargo Bank, National Association (each, an "Underwriter" and, collectively, the "Underwriters") have jointly and severally agreed, subject to certain customary conditions to closing, to purchase the 2026 Series P Bonds from SMUD at an aggregate purchase price of $142,678,488.52 (being the aggregate principal amount of the 2026 Series P Bonds, plus original issue premium of $17,958,521.80, and less Underwriters' discount of $280,033.28). The Underwriters will be obligated to purchase all 2026 Series P Bonds if any 2026 Series P Bonds are purchased. The Underwriters have agreed to make a public offering of the 2026 Series P Bonds at the initial offering prices set forth on the inside cover page hereof. The 2026 Series P Bonds may be offered and sold to certain dealers (including underwriters and other dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for SMUD for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of, or issued for the benefit of, SMUD.

BofA Securities, Inc., an Underwriter of the 2026 Series P Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2026 Series P Bonds.

J.P. Morgan Securities LLC ("JPMS"), an Underwriter of the 2026 Series P Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase

authorized denominations of the 2026 Series P Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to the portion of the 2026 Series P Bonds that such firm sells.

Morgan Stanley & Co. LLC, an Underwriter of the 2026 Series P Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2026 Series P Bonds.

PNC Capital Markets LLC ("PNCCM") and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Services Group, Inc. PNCCM is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association may have other banking and financial relationships with SMUD. Conflicts of interest could arise by reason of the different capacities in which PNC Financial Services Group, Inc. and its affiliates act in connection with SMUD. PNCCM may offer to sell to its affiliate, PNC Wealth Management LLC ("PNCWM"), securities in PNCCM's inventory for resale to PNCWM's customers, including securities such as those to be offered by SMUD. PNCCM may share with PNCWM a portion of the fee or commission paid to PNCCM if any Bonds are sold to customers of PNCWM.

Wells Fargo Corporate & Investment Banking is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the 2026 Series P Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2026 Series P Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2026 Series P Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2026 Series P Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

MUNICIPAL ADVISOR

SMUD has retained PFM Financial Advisors LLC, as Municipal Advisor in connection with various matters relating to the delivery of the 2026 Series P Bonds. The Municipal Advisor assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in underwriting or distribution of securities. The Municipal Advisor will receive compensation that is contingent upon the sale, issuance and delivery of the 2026 Series P Bonds.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the 2026 Series P Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to SMUD. The approving opinion of Bond Counsel will be delivered with the 2026 Series P Bonds in substantially the form appearing in APPENDIX E. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the Underwriters by Nixon Peabody LLP, San Francisco, California, counsel to the Underwriters. Counsel to the Underwriters will receive compensation that is contingent upon the sale, issuance and delivery of the 2026 Series P Bonds.

FINANCIAL STATEMENTS

SMUD's audited, consolidated financial statements for the years ended December 31, 2025 and December 31, 2024 are included in APPENDIX B attached to this Official Statement. These financial statements have been audited by Baker Tilly US, LLP, Madison, Wisconsin (the "Auditor"), for the periods indicated and to the extent set forth in their report thereon and should be read in their entirety. SMUD has not requested nor did it obtain permission from the Auditor to include the audited, consolidated financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any procedures to review the financial condition or operations of SMUD subsequent to the date of its report included therein, nor has it reviewed any information contained in this Official Statement.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to SMUD ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2026 Series P Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2026 Series P Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2026 Series P Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2026 Series P Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

To the extent the issue price of any maturity of the 2026 Series P Bonds is less than the amount to be paid at maturity of such 2026 Series P Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2026 Series P Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2026 Series P Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2026 Series P Bonds is the first price at which a substantial amount of such maturity of the 2026 Series P Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2026 Series P Bonds accrues daily over the term to maturity of such 2026 Series P Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2026 Series P Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2026 Series P Bonds. Beneficial

Owners of the 2026 Series P Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2026 Series P Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2026 Series P Bonds in the original offering to the public at the first price at which a substantial amount of such 2026 Series P Bonds is sold to the public.

2026 Series P Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2026 Series P Bonds. SMUD has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2026 Series P Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2026 Series P Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2026 Series P Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2026 Series P Bonds may adversely affect the value of, or the tax status of interest on, the 2026 Series P Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2026 Series P Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2026 Series P Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future federal or state legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2026 Series P Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2026 Series P Bonds. Prospective purchasers of the 2026 Series P Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2026 Series P Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or

assurance about the future activities of SMUD, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. SMUD has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2026 Series P Bonds ends with the issuance of the 2026 Series P Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend SMUD or the Beneficial Owners regarding the tax-exempt status of the 2026 Series P Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which SMUD legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2026 Series P Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2026 Series P Bonds, and may cause SMUD or the Beneficial Owners to incur significant expense.

Payments on the 2026 Series P Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of 2026 Series P Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the 2026 Series P Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2026 Series P Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CONTINUING DISCLOSURE UNDERTAKING

Pursuant to the Continuing Disclosure Agreement, SMUD will covenant for the benefit of the holders and the "Beneficial Owners" (as defined in the Continuing Disclosure Agreement) of the 2026 Series P Bonds to provide certain financial information and operating data relating to SMUD by not later than 180 days after the end of each of SMUD's fiscal years (presently, each December 31), commencing with the report for the year ending December 31, 2026 (the "Annual Report"), and to provide notices of the occurrence of certain listed events with respect to the 2026 Series P Bonds. The Annual Report will be filed by or on behalf of SMUD with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA") and any notices of such listed events will be filed by or on behalf of SMUD with the MSRB through EMMA. The specific nature of the information to be contained in the Annual Report and the notices of listed events are set forth in the form of the Continuing Disclosure Agreement which is included in its entirety in APPENDIX F hereto. SMUD's covenant will be made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12.

In a limited number of circumstances, certain of the annual reports, audited financial statements or listed event filings required to be made by SMUD during the last five years under its continuing disclosure undertakings were not connected to all of the CUSIP numbers of the bonds subject to the continuing disclosure undertakings. In a limited number of circumstances during the last five years, SMUD has filed notices of ratings upgrades with respect to certain bonds later than the time required for such filings under its continuing disclosure undertakings for such bonds.

RATINGS

Fitch Ratings, Inc. ("Fitch") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "AA (stable outlook)" and "Aa2 (stable outlook)," respectively, to the 2026 Series P Bonds. Such ratings reflect only the views of such organizations and are not a recommendation to buy, sell or hold the 2026 Series P Bonds. Explanations of the significance of such ratings may be obtained only from the respective rating agencies. SMUD has furnished to Fitch and Moody's certain information and materials concerning the 2026 Series P Bonds and itself. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period or that they will not be revised downward, suspended or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency, circumstances so warrant. SMUD has not, other than as described under "CONTINUING DISCLOSURE UNDERTAKING" above, and the Underwriters have not undertaken any responsibility either to bring to the attention of the holders or beneficial owners of the 2026 Series P Bonds any proposed revision, suspension or withdrawal of any rating on the 2026 Series P Bonds or to oppose any such proposed revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the 2026 Series P Bonds.

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MISCELLANEOUS

This Official Statement includes descriptions of the terms of the 2026 Series P Bonds, power purchase agreements with certain other parties, pooling and other agreements, the Resolution and certain provisions of the Act. Such descriptions do not purport to be complete, and all such descriptions and references thereto are qualified in their entirety by reference to each such document.

Copies of the Resolution, which forms a contract with the Holders of the 2026 Series P Bonds, will be made available upon request.

This Official Statement has been duly authorized by the Board of Directors of SMUD.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: /s/ Paul Lau
Chief Executive Officer and General Manager

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APPENDIX A

INFORMATION REGARDING SACRAMENTO MUNICIPAL UTILITY DISTRICT

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SACRAMENTO MUNICIPAL UTILITY DISTRICT
Sacramento, California

BOARD OF DIRECTORS

Dave Tamayo, President
Rob Kerth, Vice President
Brandon Rose
Nancy Bui-Thompson
Gregg Fishman
Rosanna Herber
Heidi Sanborn

OFFICERS AND EXECUTIVES[1]

Paul Lau, Chief Executive Officer and General Manager
Frankie McDermott, Chief Operating Officer
Scott Martin, Chief Financial Officer
Brandy Bolden, Chief Customer Officer
Suresh Kotha, Chief Information Officer
Jose Bodipo-Memba, Chief Diversity Officer
Laura Lewis, Chief Legal and Government Affairs Officer and General Counsel
Lora Anguay, Chief Zero Carbon Officer
Jennifer Restivo, Treasurer
George Vaughn, Interim Controller

[1] Paul Lau has announced his intent to retire in the summer of 2026. Frankie McDermott has announced his intent to retire on September 1, 2026. See "INTRODUCTION – Independent Governance" in this Appendix A for more information.

INTRODUCTION

General

The Sacramento Municipal Utility District ("SMUD") owns and operates an electric system that has provided retail electric service since 1946. SMUD's current service area is approximately 900 square miles and includes the principal parts of Sacramento County and small portions of Placer and Yolo counties. See "THE SERVICE AREA AND ELECTRIC SYSTEM – The Service Area."

Independent Governance

SMUD is an independently run community-owned organization. SMUD is not required by law to transfer any portion of its collections from customers to any local government.

SMUD is governed by a Board of Directors (the "Board"), which consists of seven directors elected by ward for staggered four-year terms. The Board determines policy and appoints the Chief Executive Officer and General Manager, who is responsible for SMUD's overall management and day-to-day operations. The Chief Executive Officer and General Manager is responsible for the hiring and removal of all employees, other than the Chief Legal and Government Affairs Officer and General Counsel, the Internal Auditor and the Special Assistant to the Board, who are hired and may be removed only by the Board. The employment status of nearly all SMUD employees is governed by a civil service system administered by the Chief Executive Officer and General Manager.

The Board elects its President and Vice President annually to take office in January. The current members of the Board are as follows:

Name	Occupation	Ward	Term Expires
Brandon Rose	Air Pollution Specialist, California Environmental Protection Agency	Ward 1	December 31, 2028
Nancy Bui-Thompson	Chief Information Officer, WellSpace Health	Ward 2	December 31, 2028
Gregg Fishman	Sr. Community Relations Officer, Sacramento Regional Transit District	Ward 3	December 31, 2026
Rosanna Herber	Retired Community Engagement Manager	Ward 4	December 31, 2026
Rob Kerth, Vice President	Business Owner	Ward 5	December 31, 2028
Dave Tamayo, President	Retired Environmental Specialist	Ward 6	December 31, 2026
Heidi Sanborn	Executive Director, National Stewardship Action Council	Ward 7	December 31, 2026

SMUD's senior management consists of the following executives:

Chief Executive Officer and General Manager ("CEO & GM"). Paul Lau reports to the SMUD Board of Directors. As CEO & GM, he leads the sixth largest community-owned electric utility in the nation, serving approximately 1.6 million residents and managing a $2.3 billion budget. Paul serves on several national and local boards, including as Board Chair of the Smart Electric Power Alliance, Commissioner of the Balancing Authority of Northern California ("BANC"), and a Board member of the Large Public Power Council, American Public Power Association, California Municipal Utilities Association, Business Council for Sustainable Energy, Electric Power Research Institute, Cal EPIC, the Greater Sacramento Economic Council and Valley Vision. Paul has announced his intention to retire in the

summer of 2026 and Lora Anguay, currently SMUD's Chief Zero Carbon Officer, has been named as Paul's successor after a nationwide search. Lora's appointment is expected to be finalized at the Board's July 16, 2026 meeting. Paul's last day as CEO & GM is expected to be August 1, 2026.

Chief Financial Officer ("CFO"). Scott Martin is responsible for setting financial and organization-wide strategies at SMUD and ensuring strong financial health and credit ratings. He has leadership oversight of corporate accounting, treasury operations, risk management, budgeting and planning, organizational strategy, pricing, load forecasting, and prioritization. In addition, Scott is responsible for looking holistically at all strategies across the company and driving alignment between spending, pricing, zero carbon investments, and business unit's needs.

Chief Customer Officer. Brandy Bolden provides leadership and direction for delivering exceptional customer experiences, frictionless zero carbon adoption and complete customer support. She is responsible for customer care and revenue management, business intelligence, strategic account management, customer experience and segmentation strategy, channel management, special assistance initiatives, commercial development, business attraction and retention and oversees Community Energy Services, which supports community choice aggregators.

Chief Diversity Officer. Jose Bodipo-Memba is responsible for company-wide programs and services such as people services and strategies, workforce development, diversity, equity, inclusion and belonging, regional workforce development, regional economic development, enterprise change, organizational effectiveness, facilities, security and emergency preparedness and SMUD's Sustainable Communities programs. A key focus of the Chief Diversity Officer is advocating for an inclusive culture based on trust and respect, creating a sense of belonging and connection among employees and ensuring equity in both internal and external programs and services.

Chief Information Officer. Suresh Kotha is responsible for delivering state-of-the-art technology solutions to our community and employees that are secure, reliable and right-sized, enabling SMUD's 2030 Clean Energy Vision. He oversees information technology functions including artificial intelligence, automation and customer self-service technologies, the customer and grid technology center, cybersecurity, enterprise systems, strategy & governance, and infrastructure platform services.

Chief Legal and Government Affairs Officer and General Counsel. Laura Lewis reports to the Board and to the CEO & GM and oversees SMUD's legal office, government affairs, reliability compliance, procurement, fleet, warehouse and energy trading functions. Laura is responsible for management and coordination of all legislative and regulatory matters affecting SMUD at the federal, state, and local level, including compliance with the Federal Energy Regulatory Commission ("FERC") and North American Electric Reliability Corporation electric reliability standards. She also serves as the secretary to SMUD's elected board of directors.

Chief Marketing and Communications Officer. The Chief Marketing and Communications Officer is responsible for all aspects of SMUD's marketing, market research, corporate communications, website, graphic design and printing, video services, social media, community engagement and outreach, crisis communications and public affairs activities. Farres Everly previously served in this position and retired in June 2026. Cara Chatfield, Director of Marketing & Corporate Communications, and Rhonda Staley-Brooks, Director of Community Relations, Outreach & Support will serve as successive interim Chief Marketing and Communications Officers. Each will serve in the role for two months, with Cara taking on the rotation first, beginning July 2, 2026.

Chief Operating Officer. Frankie McDermott provides strategic leadership and tactical oversight of the safe and reliable transmission and delivery of energy to customers, ensuring efficient planning,

construction, operation and maintenance of transmission and distribution facilities. He also leads the teams responsible for environmental, safety and real estate, specialized enterprise initiatives, operational excellence, operations project management and the Sacramento Power Academy. Frankie has announced his intention to retire on September 1, 2026.

Chief Zero Carbon Officer. Lora Anguay is responsible for leadership oversight of SMUD's energy supply which includes SMUD's Integrated Resource Strategy, the planning, design, construction and maintenance of power generation assets, and energy transaction settlements. This role is also responsible for the delivery of SMUD's plan to provide 100% carbon free energy resources by 2030. This includes obtaining new grants and partnerships, overseeing research and development, designing distributed energy resource programs, enabling processes to settle distributed energy transactions with SMUD's customers and transitioning SMUD's power portfolio to zero carbon resources. As described above, Lora was recently named as the successor to Paul Lau as CEO & GM.

Director of Treasury & Revenue Strategy and Treasurer. Jennifer Restivo reports to the CFO and is responsible for all treasury operations, including debt and investment portfolio management, banking, financial planning and forecasting, property and casualty insurance, as well as developing and implementing capital borrowing strategies. She also serves as treasurer for the Northern California Energy Authority ("NCEA"), the Northern California Gas Authority No. 1 ("NCGA"), the Transmission Agency of Northern California ("TANC"), and BANC.

Interim Director of Accounting and Controller. George Vaughn reports to the CFO and is responsible for all accounting operations including accounts payable, cash management, and payroll, in addition to general accounting functions and financial reporting. He also serves as controller for TANC, NCEA, NCGA, and BANC.

THE SERVICE AREA AND ELECTRIC SYSTEM

The Service Area

SMUD is the primary distributor of electric power within an area of approximately 900 square miles in central California. The service area includes the State Capital, Sacramento, the populous areas principally to the northeast and south of the City of Sacramento (the "City" or "Sacramento") and the agricultural areas to the north and south. The City is located 85 miles northeast of San Francisco.

SMUD's electric system supplies power to a population of approximately 1.6 million with a total annual retail load of approximately 10,510 million kilowatt-hours ("kWh") for the year ended December 31, 2025. As the capital of the nation's most populous state, Sacramento benefits from the historically stabilizing influence of a large government sector. Sacramento is home to the State government headquarters, the Sacramento County seat, the City government and various special districts that combine to make government the largest single employment sector in the Sacramento area. Information technology, transportation, education and health services, leisure and hospitality, and construction round out the other major sectors of employment and industry in the area.

SMUD's annual peak load has averaged 3,001 Megawatts ("MW") over the last three years, with SMUD's record peak load of 3,299 MW occurring on July 24, 2006. On September 6, 2022, SMUD recorded its second highest peak load of 3,263 MW. SMUD reviews its load forecast, at a minimum, on an annual basis.

The Electric System

SMUD owns and operates an integrated electric system that includes generation, transmission and distribution facilities.

SMUD supplies power to its bulk power substations through a 230 kilovolt ("kV") and 115 kV transmission system. This system transmits power from SMUD's generation plants and interconnects with Pacific Gas & Electric ("PG&E") and the Western Area Power Administration ("WAPA"). Power is distributed throughout Sacramento County via a 69 kV sub-transmission system with the exception of the City's downtown area, which is served from the 115 kV transmission system. The downtown area is served from 115/12 kV and 115/21 kV substations. The distribution system serving the remainder of SMUD's service territory is comprised of 69/12 kV substations with overhead and underground 12 kV distribution circuits.

BUSINESS STRATEGY

General

SMUD's Board of Directors has established the following purpose and vision statements: "SMUD's purpose is to enhance the quality of life for our customers and community by providing reliable and affordable electricity, and leading the transition to a clean energy future." "SMUD's vision is to be a trusted and powerful partner in achieving an inclusive, zero carbon economy. SMUD will leverage its relationships to accelerate innovation, ensure energy affordability and reliability, protect the environment, eliminate greenhouse gas emissions, catalyze economic and workforce development, promote environmental justice, and enhance community vitality for all." The Board has adopted a set of Strategic Directions with related metrics, which it considers essential for the success of SMUD and for serving SMUD's customers. These include competitive rates, access to credit markets, reliability, customer relations, safety leadership, environmental leadership, employee relations, resource planning, innovation, public power business model, ethics, information management and security and enterprise risk management. Some of the general elements in SMUD's business strategy are:

- Developing and maintaining a sustainable and reliable power supply to meet demand growth consistent with State mandates and the Board's directions for renewable energy and the reduction of carbon emissions to zero by 2030. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *2030 Zero Carbon Plan*";
- Working closely with customers to provide the information, tools and incentives to assist them to more efficiently manage energy use, which will contribute to meeting greenhouse gas ("GHG") emission targets and managing needle peak demand requirements (those 40 or so hours of the year with extreme temperatures when customer demand surges by up to 400 additional MW);
- Managing price, volumetric and credit risks associated with energy and natural gas procurement;
- Attracting, developing and retaining a diverse, skilled and engaged workforce that reflects SMUD's values and is committed to achieving SMUD's mission;
- Retaining local decision making authority and operational independence; and
- Collaborating regionally to attract new businesses and grow existing business to diversify and strengthen the Sacramento economy.

SMUD's long-range business strategy focuses in part on ensuring financial stability by establishing rates that provide an acceptable fixed charge coverage ratio on a consolidated basis, taking into

consideration the impact of capital expenditures and other factors on cash flow. SMUD's Board policy sets a minimum fixed charge coverage ratio of 1.50 times for annual budgets, though SMUD generally plans to meet a minimum fixed charge coverage ratio of 1.70 times. Over the past ten years, the actual fixed charge coverage ratio has averaged 2.38 times on a consolidated basis. SMUD also manages its liquidity position by planning for a minimum of 150 days cash on hand and planning to maintain at least $150 million of available capacity under its commercial paper and line of credit program. SMUD's commercial paper and line of credit program is currently authorized for $550 million aggregate principal amount outstanding at any one time. As of May 31, 2026, $50 million of commercial paper notes were outstanding, no principal amount was outstanding under SMUD's lines of credit, and SMUD had $500 million of the authorized aggregate principal amount of its commercial paper and line of credit program available for use. SMUD plans to issue an additional $50 million of commercial paper notes by the end of June 2026. SMUD also has the option to have letters of credit issued under its line of credit program. The amount available to be drawn by SMUD under the line of credit program is reduced by the stated amount of the letters of credit issued and outstanding. SMUD currently has plans to have a letter of credit issued under the line of credit program in the stated amount of approximately $5 million. SMUD uses cash on hand, commercial paper and its lines of credit to fund capital expenditures, then issues debt to reimburse itself for cash expended for qualified capital expenditures and/or to pay down the outstanding principal amount of its commercial paper program and lines of credit. Over the past ten years, cash on hand at year end has averaged 213 days. As of December 31, 2025, cash on hand equaled 225 days. The resolutions securing SMUD's Senior Bonds and Subordinated Bonds (each as defined under the caption "CAPITAL REQUIREMENTS AND OUTSTANDING INDEBTEDNESS" below) do not require SMUD to maintain a minimum fixed charge coverage ratio, minimum days cash on hand or minimum available capacity under its commercial paper program and lines of credit.

In addition, SMUD's business strategy focuses on serving its customers in a progressive, forward-looking manner, addressing current regulatory and legislative issues and potential competitive forces.

Serving SMUD's Customers

SMUD continually looks for ways to better serve and partner with its customers to further strengthen customer loyalty, while providing competitive and fair pricing for SMUD's electric services. SMUD also has a focused effort to assist and incentivize customers to manage energy use more efficiently, which will contribute to meeting GHG emission targets and managing peak demand requirements as noted below.

Digital Enhancements. Customers are increasingly turning to digital channels including SMUD's mobile application, SMUD.org, e-mail and social media to interact and do business with SMUD. SMUD has delivered many digital enhancements, including bill pay functionality; online payment arrangements; start/stop/transfer move service; view of energy usage, chat, an enhanced outage map including meter test functionality; and the SMUD Energy Store, which is an online marketplace for energy-related products. SMUD plans to continue efforts to provide more personalized digital customer experiences.

Advanced Metering, Infrastructure and Rate Design. As a community-owned organization, SMUD is committed to providing tools and transparency in customer energy usage to empower customers to positively impact their energy consumption, costs, and climate change. In 2012, SMUD installed advanced technology, including digital communicating smart meters, distribution automation systems, and related equipment to facilitate load management. This investment has enabled SMUD to offer innovative tools such as text and e-mail bill alerts, as well as online energy usage comparison charts, helping customers manage their energy consumption more effectively.

Leveraging these smart grid investments, SMUD has enhanced the reliability of its service, reduced line losses, addressed power quality issues, and improved customer service through better, more timely information. Currently, SMUD's service territory is equipped with approximately 750,000 smart meters. About 200,000 of these meters are undergoing replacement to next generation meters as part of SMUD's ongoing Grid-Edge Intelligence project, which is scheduled for completion by the end of August 2026. Approximately 600 customers have opted out of smart metering.

The Grid-Edge Intelligence project involves deploying distributed intelligence applications at the grid edge, establishing a data hub, and migrating all customers to five minute interval data collection. The key benefits of the project include increased grid capacity, flexibility, and resilience—especially in historically under-resourced communities—as well as faster outage detection and response time, along with real-time management of distributed energy resources and electric vehicles. Additionally, the project promotes equitable, technology-driven customer engagement, creates high-skilled jobs, and helps control long-term grid costs.

Renewable Options. SMUD's customers have been increasingly interested in distributed energy resources, mainly through the installation of solar systems. As of January 2026, approximately 10% of retail customers had installed solar systems, representing approximately 425 MW of solar installations.

As the cost of energy storage continues to decline, SMUD anticipates an increase in behind-the-meter energy storage, mainly through the installation of battery storage systems. As of January 2026, approximately 0.5% of retail customers had installed storage systems, representing approximately 20 MW of storage.

As another option for solar, SMUD's SolarShares® pilot program (the "SolarShares Pilot") was established as a cost-effective and convenient way for commercial customers to meet their energy needs from solar power. The SolarShares Pilot offered SMUD commercial customers the opportunity to receive solar power without upfront costs or equipment installation through 5-, 10- or 20-year purchase contracts. Customers that entered into purchase contracts under the SolarShares Pilot receive up to half of their power from a utility-scale solar system. SMUD supplies up to 151 MW of solar power to participants in the SolarShares Pilot either by building and maintaining utility-scale solar systems or by procuring solar power from third parties through power purchase agreements. The SolarShares Pilot generation was approximately 3.0% of retail sales in 2025. SMUD completed the SolarShares Pilot on April 30, 2021, and is not entering into new purchase contracts under the SolarShares Pilot.

The California Building Code requires certain newly constructed residential and commercial buildings to be powered by photovoltaic ("PV") solar systems. A new building satisfies this requirement if it installs on-site solar or participates in an approved community solar or energy storage program. In response to this requirement, SMUD obtained approval from the California Energy Commission ("CEC") to administer its own community solar program, called Neighborhood SolarShares® ("Neighborhood SolarShares"), which was designed to be used by developers to satisfy the mandatory solar requirement. The Neighborhood SolarShares program was fully subscribed in November 2024 and not accepting new reservations. The Neighborhood SolarShares program generation was approximately 0.02% of retail sales in 2025.

SMUD also launched a Residential SolarShares program in 2024. This program is designed to appeal to low- and moderate-income customers that are currently participating in Greenergy (described below). The Residential SolarShares program allows Greenergy participants to save money each month by switching to Residential SolarShares. The program can accommodate up to 10 MW in subscriptions.

In addition to the SolarShares Pilot, Neighborhood SolarShares, and Residential SolarShares, SMUD has operated a voluntary green energy pricing program called Greenergy® ("Greenergy") since 1997. The Greenergy program allows customers the opportunity to pay an additional amount per month to ensure that either all or part of their electricity comes from green or carbon-free energy sources. In 2025, the program allocated Renewable Energy Credits ("RECs") equivalent to approximately 5.1% of retail sales to its participating customers.

Energy Efficiency. To further assist customers in managing energy usage and reducing regional carbon emissions and air pollution, SMUD offers an extensive array of energy efficiency and building electrification programs and services including financial incentives, energy audits and education. In addition, SMUD has partnered with local developers to incorporate energy efficiency and all-electric construction measures into new residential and commercial construction, which helps developers plan and design efficient, cost-effective and low- or zero-emission buildings. As part of SMUD's 2019 Integrated Resource Plan ("IRP"), SMUD set a goal for regional carbon emissions through transport and building electrification that aimed to reduce carbon emissions in buildings and transport by 64% over 20 years. SMUD's focus on electrification continued in the Zero Carbon Plan (defined and discussed below). SMUD was the first electric utility in the country to set its efficiency goals based on carbon reductions, allowing both building electrification and energy efficiency to count toward meeting SMUD's efficiency goals. This is a significant opportunity, as converting a typical home today to all-electric saves more than three times the carbon emissions compared to doing a major energy efficiency upgrade alone to the same building. See "POWER SUPPLY AND TRANSMISSION – Projected Resources."

Sustainable Power Supply and Transmission

Maintaining a sustainable power supply entails focusing efforts on researching, promoting and implementing new renewable energy technologies and sources to meet SMUD's long-term commitment to reducing carbon emissions and providing a reliable energy supply. SMUD's goal is to reach zero carbon emissions in SMUD's power supply by 2030. See "*– 2030 Zero Carbon Plan*" below. SMUD is planning to achieve this goal through investments in energy efficiency, clean distributed energy resources, Renewables Portfolio Standard ("RPS") eligible renewables, energy storage, large hydroelectric generation, clean renewable fuels, carbon capture and sequestration, and new technologies and business models. Additionally, SMUD plans to continue pursuing GHG emissions reductions through vehicle, building and equipment electrification. At the same time, SMUD's plans for maintaining a sustainable power supply include assuring the reliability of SMUD's electric system, minimizing environmental impacts on land, Tribal and other cultural resources, habitat, water and air quality, and maintaining competitive rates relative to other electricity providers in the State.

A number of bills affecting the electric utility industry have been enacted by the State Legislature. In general, these bills regulate GHG emissions and encourage greater investment in energy efficiency and sustainable generation alternatives, principally through more stringent RPS requirements. See "DEVELOPMENTS IN THE ENERGY SECTOR – State Legislation and Regulatory Proceedings" herein.

2030 Zero Carbon Plan. In July 2020, the Board declared a climate emergency and adopted a resolution calling for SMUD to take significant and consequential actions to reduce its carbon footprint by 2030. On April 28, 2021, the Board approved SMUD's 2030 Zero Carbon Plan (the "Zero Carbon Plan"). The Zero Carbon Plan is a flexible roadmap for SMUD to eliminate carbon emissions from its electricity production by 2030 while maintaining reliable and affordable service. To achieve these goals the Zero Carbon Plan is focused on four main areas: natural gas generation repurposing, proven clean technologies, new technologies and business models and financial impacts and options. SMUD plans to develop a new IRP in 2027 and in the meantime revisits the Zero Carbon Plan annually.

The natural gas generation repurposing focus of the Zero Carbon Plan calls for exploring the replacement of two of SMUD's five Local Gas-Fired Plants (as defined herein) and the retooling of the other three Local Gas-Fired Plants. See "POWER SUPPLY AND TRANSMISSION – Power Generation Facilities – *Local Gas-Fired Plants*." Based on SMUD's studies to date, SMUD estimates that the McClellan Power Plant (as defined herein) and the Campbell Power Plant (as defined herein) can be replaced in the next several years depending on SMUD's success with replacement resources. However, final decisions about the replacement of these two Local Gas-Fired Plants will be guided by reliability studies, the financial impacts of the various options, and the potential need of these assets to support load growth in the region or mitigate low production events from variable energy resources (solar, wind, and hydro). As part of the Zero Carbon Plan, SMUD is also exploring retooling options for the Carson Power Plant (as defined herein) and the Procter & Gamble Power Plant (as defined herein) to reduce utilization of these two projects. SMUD is also investigating opportunities to source cost effective fuels like Renewable Natural Gas-biomethane (RNG-biomethane), while monitoring hydrogen and other biofuels as clean fuels of the future, for use in all of the Local Gas-Fired Plants. In addition, SMUD is investigating new technologies such as long duration energy storage and carbon capture and sequestration as other methods to green SMUD's energy supply. All final generator configurations are subject to reliability and financial assessments.

The proven clean technologies focus of the Zero Carbon Plan calls for SMUD to procure approximately 1,100 to 1,500 MW of utility-scale solar PV generating capacity, 700 to 1,100 MW of local utility-scale battery storage, 300 to 500 MW of wind generating capacity, and 100 to 220 MW of geothermal generating capacity. The Zero Carbon Plan also estimates that customer installation of approximately 500 to 750 MW of behind-the-meter solar PV generating capacity and approximately 50 to 250 MW of behind-the-meter battery storage will assist SMUD with achieving the Zero Carbon Plan goals.

With respect to new technologies and business models, the Zero Carbon Plan focuses on evaluating, prioritizing and scaling the emerging technologies that SMUD expects will have the largest impact on reducing carbon in SMUD's 2030 resource mix. SMUD is currently focused on various areas of technology and customer-focused programs, including electrification, education, demand flexibility, virtual power plants, vehicle-to-grid technology, and new grid-scale technologies. The Zero Carbon Plan forecasts that customer-owned devices and SMUD customer-focused programs will contribute between 360 and 1,300 MW of capacity to SMUD's grid by 2030.

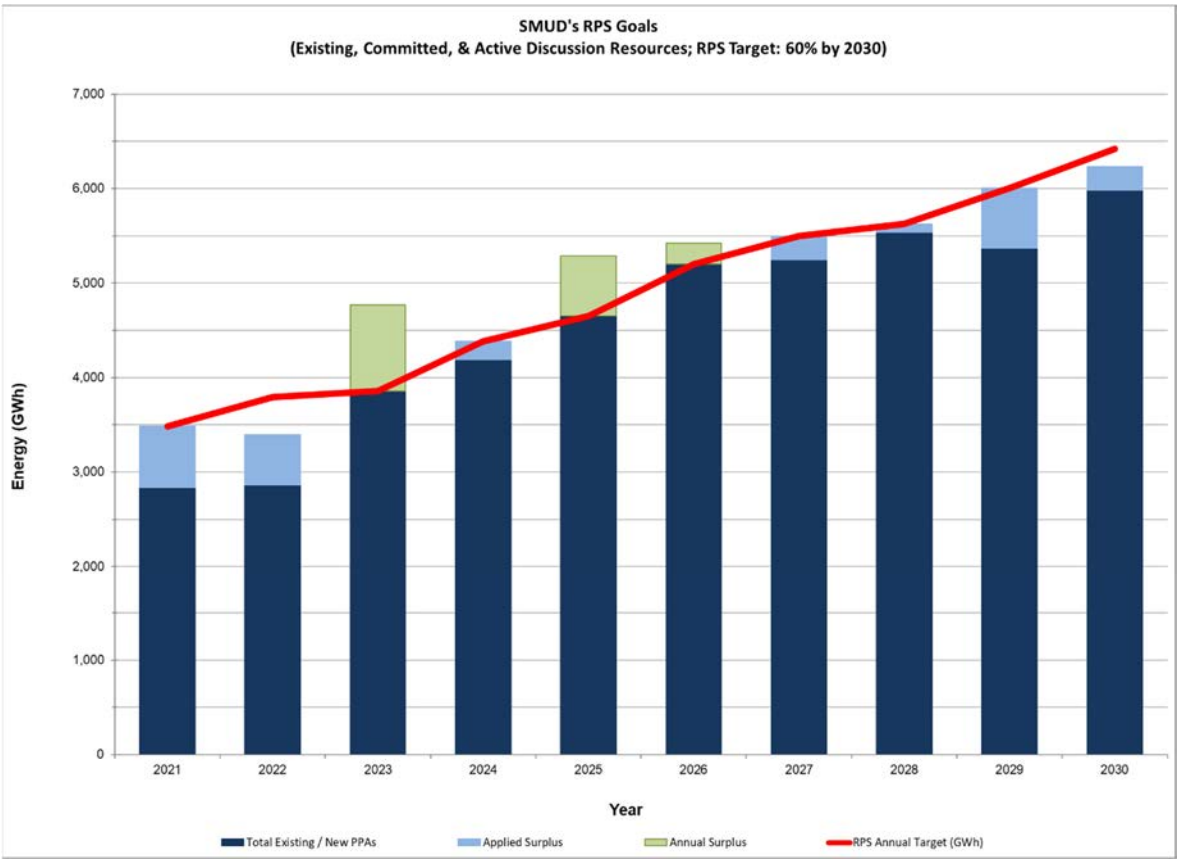
The financial impacts and options focus of the Zero Carbon Plan aims to keep SMUD rate increases at or below the rate of inflation while achieving SMUD's goal of eliminating carbon emissions from its power supply by 2030. To pay for the expected costs of the Zero Carbon Plan and keep rate increases at or below the rate of inflation, the Zero Carbon Plan estimates the need for SMUD to realize sustained annual savings. SMUD currently plans to achieve these sustained annual savings by exploring the implementation of operational savings strategies and pursuing partnership and grant opportunities. The availability, timing, and amount of federal or state grant funding is inherently uncertain and may be influenced by changes in federal policy or priorities. There can be no assurance that anticipated grant funding will materialize at levels assumed in the Zero Carbon Plan.

While the ultimate impacts of the Zero Carbon Plan on SMUD's financial results and operations are difficult to predict and are dependent on a variety of factors, such as the relative cost of procuring energy from clean technologies, the availability and relative cost of new technologies, and the adoption and implementation of energy efficiency and other measures by SMUD's customers, such impacts could be material.

Renewable Energy and Climate Change. The California Renewable Energy Resources Act, established by Senate Bill X1-2 ("SBX1-2") and the Clean Energy and Pollution Reduction Act of 2015,

enacted by Senate Bill 350 ("SB 350") require that SMUD meet 33% of its retail sales from RPS-eligible renewable resources by 2020 and 50% of its retail sales from RPS-eligible renewable resources by 2030. Senate Bill 100 ("SB 100"), passed by the legislature and approved by then-Governor Brown on September 10, 2018, accelerated the RPS targets and established a new 60% target by 2030. The bill also created a planning goal to meet all of the State's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045. See "DEVELOPMENTS IN THE ENERGY SECTOR – State Legislation and Regulatory Proceedings – *Renewables Portfolio Standards*" for a discussion of the State RPS requirements.

SMUD's compliance with State RPS requirements is evaluated over three- or four-year compliance periods. SMUD met the State RPS requirements for the first compliance period (2011-2013), second compliance period (2014-2016), and third compliance period (2017-2020). SMUD filed its 2024 and fourth compliance period RPS compliance reports with the CEC in the second quarter of 2025. The CEC compliance determination letter is expected in 2026. SMUD had sufficient RECs to meet requirements, and as of the end of the fourth compliance period (2024), SMUD had three hundred sixty thousand surplus RECs available to help meet future RPS targets. SMUD's 2024 RPS compliance report shows SMUD provided 42% of its retail sales from RPS-eligible renewable resources in 2024. In addition to meeting RPS standards, SMUD serves an additional 7.2% of its customer load with renewable energy through its voluntary SolarShares and Greenergy pricing programs described above. SMUD estimates that it has sufficient renewable energy deliveries, new power supply contract commitments, new power supply commitments under active discussion, and RPS-eligible surplus carryover to meet its RPS requirements through 2029. SMUD may need to procure a small amount of additional RPS-eligible resources or RECs to sufficiently comply with its RPS requirement for 2030 depending on factors such as load growth and performance of renewable resources. The following chart illustrates SMUD's current RPS requirements through 2030 and its existing and committed resources utilized to meet those requirements.



In addition to procuring new sources, meeting the RPS requirements will require replacement of certain existing renewable contracts which expire in future years. While SMUD anticipates it will meet much of its renewable resource requirements through purchase contracts with third parties, it continues to explore additional options, including wind, solar, biomass, and geothermal developments, partnering with other utilities on future projects, and local development options. SMUD's resource forecast (see "POWER SUPPLY AND TRANSMISSION – Projected Resources") accounts for future renewable resources as a component of "Uncommitted Purchases." To meet SMUD's Zero Carbon Plan goals, SMUD anticipates meeting loads in 2030 with approximately 70-80% renewable resources, in addition to hydro and other new zero carbon technologies. See "*– 2030 Zero Carbon Plan*" above.

Given the intermittent nature of power from renewable resources such as wind and solar, SMUD is exploring and investing in options that provide the flexibility to manage the intermittency of such renewable resources. Potential options include energy storage resources, which SMUD has committed to as part of the Zero Carbon Plan, and expanding load management resources. Additionally, on April 3, 2019, SMUD, through its membership in BANC, a joint exercise of powers agency formed in 2009, and currently comprised of SMUD, the Modesto Irrigation District ("MID"), the City of Roseville ("Roseville"), the City of Redding ("Redding"), the City of Shasta Lake and the Trinity Public Utilities District, commenced participation in the California Independent System Operator Corporation ("CAISO") western energy imbalance market ("WEIM"). Participation in the WEIM benefits SMUD by providing it with broader access to balancing resources within the region to help manage its expanding renewable portfolio. In addition, other entities within the BANC Balancing Authority Area began participation in the WEIM on March 25, 2021. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *Operational Independence and Local Control*" and "POWER SUPPLY AND TRANSMISSION – Balancing Authority Area Agreements."

In 2022, SMUD's Board formally adopted the 2030 Zero Carbon Plan as SMUD's updated IRP. SMUD filed the approved IRP update with the CEC on September 14, 2022, pursuant to the CEC's IRP guidelines, which called for updating SMUD's IRP filing within five years of SMUD's previous filing of April 29, 2019. SMUD's Zero Carbon Plan built upon the April 2019 IRP and set a goal of zero carbon emissions by 2030. On August 14, 2024, the CEC formally found that SMUD's IRP was complete and ordered that SMUD's IRP filing complies with requirements set forth in California Public Utilities Code section 9621. SMUD's next formal IRP process is expected to be completed and filed with the CEC no later than September 2027. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *2030 Zero Carbon Plan."*

The State's carbon cap-and-trade market established pursuant to Assembly Bill 32 ("AB 32") began in 2013. See "DEVELOPMENTS IN THE ENERGY SECTOR – State Legislation and Regulatory Proceedings – *Greenhouse Gas Emissions*" for a discussion of AB 32 and the State's cap-and-trade program, now called the cap-and-invest program. SMUD anticipates that allowances allocated to SMUD will nearly equal SMUD's compliance obligations under normal water year conditions. Under low water year conditions, SMUD may need to purchase additional allowances to cover its compliance obligations, including carbon obligations related to wholesale energy sales from SMUD's natural gas power plants. As SMUD implements its clean power goals, SMUD expects fewer allowances will be required to satisfy its compliance obligations. SMUD will nonetheless continue to seek free, long-term allocations of allowances from the California Air Resources Board to protect ratepayers from compliance costs and further support SMUD's decarbonization efforts.

There is scientific consensus that increasing concentrations of GHG have caused and will continue to cause a rise in temperatures in the State and around the world. The change in the earth's average atmospheric temperature, generally referred to as "climate change," is, among other things, expected to result in a wide range of changes in climate patterns, including increases in the frequency and severity of

extreme weather events, including droughts and heat waves, more frequent incidences of wildfires, changes in wind patterns, sea level rise and flooding, any of which alone or in combination could materially adversely affect SMUD's financial results or operations. See also "FACTORS AFFECTING THE REGION" and "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Other Factors." As described above, SMUD is actively working to meet its sustainable power supply goals, reduce its own GHG emissions, and assist the local governments in the territory it serves with their desired GHG reductions. SMUD is a founding member and active participant in the Capital Region Climate Readiness Collaborative, a public private partnership formed to better understand and plan for climate impacts expected in the region. In order to better serve SMUD's community and improve SMUD's ability to mitigate and adapt to a changing climate, SMUD offers a wide range of residential and commercial decarbonization rebates and provides no-cost energy retrofit installations to income-eligible residential customers for both gas-to-electric conversions and electric-to-electric upgrades. Available project measures include electric heat pump water heaters, electric heat pump HVAC units, seal-and-insulate projects, and panel upgrades. SMUD has an Enterprise Risk Management ("ERM") program which leverages a formal risk governance structure and framework to identify, assess and prudently manage SMUD's risk environment. The enterprise risk portfolio includes climate change. SMUD regularly reviews scientific findings related to climate change and in 2016 published its Climate Readiness Assessment and Action Plan. In 2024, SMUD began a significant update to its Climate Readiness Assessment and Action Plan which will include a framework for prioritizing climate adaptation and resilience investments across the organization. This update is expected to conclude in 2026.

Energy Storage Systems. Assembly Bill 2514 ("AB 2514") requires the Board to re-evaluate energy storage goals every three years. In compliance with AB 2514, the Board established a target of 9 MW of energy storage procurement by December 31, 2020, which SMUD has procured. See "DEVELOPMENTS IN THE ENERGY SECTOR – State Legislation and Regulatory Proceedings – *Energy Storage Systems*" for further discussion of AB 2514. In September 2020, the Board directed that energy storage forecasts be implemented through SMUD's IRP process going forward. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *Renewable Energy and Climate Change*" above for a discussion of SMUD's IRP. SMUD is also investing in utility-scale solar with utility-scale storage to support future system reliability needs and renewable energy goals.

Meeting Peak Load. A significant consideration for SMUD will be how it addresses its system peak load. SMUD has implemented programs and tools, such as advanced metering, energy efficiency options, load flexibility programs, and time-of-day ("TOD") rates for residential customers, to help customers manage their costs while helping SMUD reduce its peak load. Load impact analysis after TOD rates were implemented showed a reduction in peak demand of about 8% or approximately 130 MW, weather adjusted, for residential customers during the TOD peak period (5-8 p.m. local time). This impact has become a permanent load reduction in the residential class and is now embedded in the system load.

On September 16, 2021, the Board approved an optional residential Critical Peak Pricing rate (the "Peak Pricing Rate"), which went into effect June 1, 2022. The Peak Pricing Rate is designed to reduce load by increasing the price of energy when the grid is most impacted, up to 50 hours per summer. In exchange, customers on the rate will receive a per kWh discount on summer Off-Peak and Mid-Peak rates.

SMUD also uses distributed energy resources, virtual power plants, and demand response programs to further reduce SMUD's system peak. These programs pay customers a financial incentive to automatically scale back their energy use when SMUD sends a signal. For example, the SMUD My Energy Optimizer Partner program has over 38,000 smart thermostats enrolled that automatically adjust a customer's home thermostat settings in advance of a forecasted peak period, so they consume less energy during the peak event while their homes remain at a reasonably comfortable temperature. SMUD's latest offering for residential customers provides generous upfront incentives for battery purchases if customers

enroll their battery storage systems in SMUD's virtual power plant program, enabling SMUD's operators to utilize them to provide myriad grid services in lieu of traditional supply-side investments. Participating customers also receive ongoing quarterly incentive payments for participating in the program. Currently, there are over 2,300 batteries enrolled, providing approximately 12 MW of capacity to SMUD's system, with plans to scale to over 5,000 batteries in the next decade. Other programs focus on optimizing electric vehicle charging, and managing commercial/industrial process loads to more cost-effectively meet grid needs. These programs provide local energy resources that directly benefit customers while affordably alleviating grid constraints.

Operational Independence and Local Control. A key component of SMUD's business strategy is focused on maintaining its independence in operating and maintaining its resources. As such, SMUD has taken a number of actions to mitigate the potential impacts of various federal and state regulatory actions. For example, in 2002 SMUD established itself as an independent control area (now termed "Balancing Authority") within the Western Electricity Coordinating Council ("WECC") region. By removing itself from CAISO's Balancing Authority area, SMUD became responsible for balancing electric supply and demand within its own service territory. This move substantially reduced fees paid to CAISO, preserved operational flexibility and helped to insulate SMUD from the uncertain regulatory environment and tariff structure of CAISO. In addition to decreased financial risks, this independence also reduced SMUD's exposure to the impacts of capacity and energy shortages in the CAISO Balancing Authority area. Further, as an independent Balancing Authority, SMUD continued to support the statewide electric grid in events of electrical emergencies requiring rotating outages, such as loss of major transmission lines or equipment, as provided in the statewide emergency plan. By 2006, the SMUD Balancing Authority footprint expanded north to the California-Oregon border and south to Modesto, to include the service areas of the WAPA, MID, Redding and Roseville, and TANC-owned 340-mile 500-kV California-Oregon Transmission Project ("COTP"). In October 2009, SMUD, with the coordination and cooperation of WAPA, joined the Western Power Pool Reserve Sharing Group, which supports reliability and reduces operating costs. In May 2011, BANC assumed the role of the Balancing Authority, though SMUD continues to oversee operation of the grid on behalf of BANC. BANC members share cost responsibility for balancing authority-related compliance obligations, liabilities, and operations. BANC also serves as an important venue for SMUD and other BANC members to collaborate with respect to operational and market improvements inside the BANC footprint and to preserve their operational independence. See "POWER SUPPLY AND TRANSMISSION – Balancing Authority Area Agreements." As described above, SMUD, through its participation in BANC, operates in the WEIM, which helps SMUD better manage the integration of renewable energy resources. The WEIM is a voluntary market, which allows SMUD to maintain its operational independence from the CAISO, while providing SMUD greater access to balancing resources throughout the western region. See "POWER SUPPLY AND TRANSMISSION – Balancing Authority Area Agreements."

Electricity, Natural Gas, and Related Hedging

SMUD continues to utilize a comprehensive and integrated power and fuel supply strategy to acquire a reliable and diversified portfolio of resources to meet existing and future needs. This strategy includes a combination of both physical supply and financial hedging transactions to reduce price risk exposure over a three-year horizon. SMUD's physical supply arrangements include ownership of power generating resources, as well as a diversified portfolio of power and fuel supply purchase contracts that range in duration, with a mixture of fixed and variable pricing terms.

With regard to the power purchase contracts, SMUD has entered into a series of contracts for the purchase of electricity to supply the portion of its resource needs not already provided by owned resources. SMUD also actively manages its exposure on variable rate electricity purchases, and at times may enter

into financial contracts to fix prices to reduce price risk, in each case when warranted by economic conditions. See "POWER SUPPLY AND TRANSMISSION – Power Purchase Agreements."

With regard to fuel supply contracts, SMUD utilizes a similar strategy of employing financial contracts of various durations to hedge its variable rate fuel supply contracts. As of June 1, 2026, these contracts are forecasted to have hedged the price exposure on approximately 100%, 99%, and 79% of SMUD's anticipated natural gas requirements for 2026, 2027, and 2028, respectively. While the financial effects resulting from the unhedged portions of SMUD's natural gas requirements are difficult to predict, SMUD's financial results could be materially impacted. See "POWER SUPPLY AND TRANSMISSION – Fuel Supply – *Supply*."

As a result of SMUD's trading activities, significant and volatile fluctuations in power and gas prices may necessitate the posting of collateral. As of May 29, 2026, SMUD had $29 million of collateral posting with various counterparties. While the posting of collateral is not an expense for SMUD, it does temporarily encumber unrestricted cash balances.

To hedge against hydroelectric production volatility of SMUD-owned hydroelectric facilities, SMUD implemented a pass-through rate component called the Hydro Generation Adjustment (the "HGA"), and established a Hydro Rate Stabilization Fund (the "HRSF"). Similarly, to hedge against hydroelectric production volatility of non-SMUD-owned hydroelectric facilities, SMUD implemented a HGA and established a WAPA Rate Stabilization Fund ("WRSF"). These rate stabilization funds and rate pass through mechanisms help to offset increased power supply or fuel supply costs in years where precipitation levels at SMUD-owned and non-SMUD-owned hydroelectric facilities are low. See "RATES AND CUSTOMER BASE – Rate Stabilization Funds."

Managing Risks

SMUD maintains an Enterprise Risk Management ("ERM") program, a strategic approach to managing enterprise-wide risks as a portfolio, to help reduce the chance of loss, create greater financial stability and protect SMUD resources. It is designed to maintain an early warning system to monitor changes in, and the emergence of, risks that affect the organization's business objectives. Under the purview of the Enterprise Risk Oversight Committee, composed of executive members and chaired by the Chief Financial Officer, ERM conducts ongoing risk identification, assessments, monitoring, mitigation and reporting. To ensure accountability and oversight, each identified risk is assigned to an executive or director-level risk manager. Risk status changes and mitigation efforts are reported annually to the Board.

Competitive Challenges

Utilities like SMUD may face competition from companies in other industries looking to diversify into the energy sector. Examples of developing competitive areas include retail sale of electricity, distributed electric storage resources, renewable distributed generation (mostly solar in Sacramento), customer installation of fuel cells, third-party electric vehicle charging, home or business automation that enables greater customer participation in energy markets, and third-party provision of energy management software and solutions.

SMUD has a wide range of initiatives to monitor and adapt to changing market conditions and new industry participants. Key areas of focus include:

- Enhancing customer experience. Recognizing the importance of meeting customer expectations, SMUD introduced the Customer Experience Strategy in 2016 to provide customers "value for what they pay" and further strengthen customer loyalty. The initiative

is focused on ensuring SMUD has the people, systems, technology, programs and services to consistently meet or exceed customers' changing expectations. The customer experience is measured via surveys with the goal of achieving 80% of customers agreeing that SMUD provides them with value for what they pay by 2030.

- Maintaining competitive rates. SMUD's rates are currently among the lowest in California relative to other electricity providers in the State. SMUD has a number of risk mitigation and financial management strategies that it expects to use to keep rates competitive. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission" and "RATES AND CUSTOMER BASE."

- Ongoing integrated resource planning. SMUD monitors and updates its integrated resource planning to ensure future sources of energy balance cost, reliability and environmental requirements with the flexibility to meet challenges of changing market and regulatory conditions, customer energy resources, and emerging technologies.

Leveraging Core Competencies

In addition to these initiatives, SMUD is leveraging core competencies to improve industry safety and help communities serve their customers' energy needs.

Sacramento Power Academy. The Sacramento Power Academy is SMUD's operational training center providing training support for all of SMUD's skilled trades professionals. Operating on a 10-acre training facility the academy oversees SMUD's 14 skilled trades apprenticeships. The academy's experienced training professionals serve as liaisons and mentors to apprentices progressing through on-the-job training, program testing, night schooling, and extensive training components. The academy also ensures SMUD's skilled trades professionals are safe and compliant by coordinating and delivering annual regulatory and safety training. The academy is also a workforce development hub utilized by SMUD to increase awareness of and interest in skilled trades careers at SMUD, in SMUD's community, and in the utility industry.

Community Energy Services. State law authorizes Community Choice Aggregators ("CCAs") to aggregate customer electric load and purchase electricity for customers. SMUD's Community Energy Services department was established in 2017 to help CCAs to support public power while also generating additional revenue for SMUD. CCAs are responsible for procuring wholesale power, setting the generation rate, delivering billing data to the local investor-owned utility ("IOU") to include on customer bills, providing customer care, offering customer programs, engaging the community and more. The local IOU is responsible for delivery of electricity on the electric grid, maintaining its electric infrastructure, printing customer bills and collecting customer payments.

SMUD has entered into contracts with a number of CCAs pursuant to which SMUD provides a variety of consulting and administrative services to such CCAs. While CCAs have had success in the State, they are susceptible to business, regulatory and other risks that could lead to a financial loss and/or result in a cessation of operations for the CCA. These risks could extend to a CCA's counterparties, including SMUD. SMUD has made an effort to identify and mitigate potential counterparty risks to the extent possible in its contracts with CCAs. SMUD may pursue opportunities to provide similar services to additional organizations in the future. SMUD management does not expect its current arrangements with CCAs to have a material adverse impact on SMUD's financial position, liquidity or results of operations.

FACTORS AFFECTING THE REGION

Precipitation Variability

SMUD uses a precipitation measuring station located at Fresh Pond, California to approximate available water supply to SMUD's Upper American River Project (the "UARP") hydropower reservoirs. As of May 31, 2026, precipitation at Fresh Pond, California totaled 51.21 inches for the water year which runs from October to September. This is 101% of the 50-year rolling median (October – May) of 50.53 inches. Total reservoir storage in the UARP hydropower reservoirs was 368 thousand acre-feet as of May 31, 2026, which was about 97% of capacity and approximately 7% above the historical storage average. SMUD manages its reservoirs to maximize water storage going into the summer season, which preserves generating capacity during SMUD's high load months and ensures that SMUD meets its UARP FERC license requirements, including requirements for recreational and environmental flows.

There can be wide swings in precipitation from year to year. In years with below average rainfall, SMUD may have to generate or purchase replacement energy at additional cost. To hedge against variations in the volume of energy received from SMUD-owned UARP hydroelectric resources, SMUD uses the HRSF to help offset increased power supply or fuel supply costs. See "RATES AND CUSTOMER BASE – Rate Stabilization Funds."

SMUD is also exposed to precipitation variability through its contract with WAPA. In an average water year this contract provides roughly 661 gigawatt hours ("GWh") of power. WAPA's actual deliveries are based on hydroelectric generation (minus energy use for the project and first preference customers) at Central Valley Project reservoirs in Northern California, which varies based on annual precipitation patterns, water deliveries for agriculture, and flow requirements in the Sacramento-San Joaquin River Delta. Unlike the UARP, SMUD does not monitor precipitation stations to approximate power deliveries under the WAPA contract, and instead relies on a forecast of power deliveries from WAPA. As of May 31, 2026, WAPA has forecasted power deliveries of 718 GWh for 2026, approximately 8% more than an average water year. Similarly, to hedge against hydroelectric production volatility of non-SMUD-owned hydroelectric facilities, SMUD implemented the WRSF. The WRSF and rate pass through mechanism help to offset increased power supply or fuel supply costs in years where precipitation levels at non-SMUD-owned hydroelectric facilities are low. See "RATES AND CUSTOMER BASE – Rate Stabilization Funds" and "POWER SUPPLY AND TRANSMISSION – Power Purchase Agreements – *Western Area Power Administration*."

Wildfires

General. Wildfires in the State have become increasingly common and destructive. Drought conditions and warming temperatures have increased the possibility of wildfires occurring in areas where SMUD maintains generation, transmission and distribution facilities. The number of diseased and dead trees has increased, and could further increase, this possibility. In response, SMUD has proactively removed damaged, diseased, or otherwise hazardous trees within and adjacent to its rights-of-way as part of its vegetation management and wildfire mitigation programs. While these efforts reduce potential wildfire risk, SMUD cannot eliminate all future risk or liabilities associated with falling trees or vegetation, particularly those located outside of SMUD's easements or control. As a result, SMUD faces an increased risk that it may be required to pay for wildfire related property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits), or may be disputed by insurers, and could be material. In addition, a significant fire or fires in SMUD's generation, transmission or service area could result in damage or destruction to SMUD's facilities, result in a temporary or permanent loss of customers or otherwise materially increase SMUD's costs or materially adversely affect SMUD's ability to operate its Electric System or generate revenues.

SMUD's service territory is located within Sacramento County, which is located outside the California Public Utilities Commission (the "CPUC") high fire threat areas established in 2018. However, as described below, SMUD's UARP facilities and certain of SMUD's and TANC's transmission facilities are within CPUC high fire threat areas. In addition, as described below, certain portions of SMUD's service territory are located within the California Department of Forestry and Fire Protection ("Cal Fire") Fire Protection and Resource Assessment Program ("FRAP") Moderate, High and Very High Fire Hazard Severity Zones ("FHSZ"). SMUD's exposure to liability for damages related to its UARP facilities, which are located within high fire threat areas in El Dorado County, is reduced due to risk mitigation measures adopted by SMUD and the low number of inhabitants and structures near the UARP facilities (See "Wildfire Mitigation" below).

SMUD continues to take responsible action to minimize its exposure to liability from wildfires; however, under current State law, utilities can be held liable for damages caused by wildfires sparked by their equipment or other facilities regardless of whether the utility was negligent or otherwise at fault. PG&E and other major IOUs and publicly owned utilities ("POUs") in the State have experienced legal and regulatory actions, financial liabilities and credit rating downgrades and other negative rating actions as a result of potential wildfire liability exposure, which may have implications for the electric market generally.

Distribution (SMUD Service Territory). State law requires Cal Fire to classify areas in the State based on the severity of the fire hazard that is expected to prevail there. Cal Fire published a new State Responsibility Area ("SRA") FHSZ map in March 2025. Cal Fire has not yet published a corresponding new FHSZ map depicting updated FHSZ for Local Responsibility Areas ("LRA") and Federal Responsibility Areas ("FRA"). The LRA and FRA FHSZ maps depict fire hazard within, respectively, Sacramento County areas, and portions of the UARP where SMUD has transmission lines. Future updates to these maps may result in changes to the designation of areas as Moderate, High, and Very High Fire Hazard Severity Zones. FHSZ are based on factors such as fuel (material that can burn), slope and the expected chance of burning. There are three FHSZ (Moderate, High and Very High) based on increasing fire hazard. Portions of SMUD's service territory are located within identified FHSZ.

FHSZ maps are used for land use planning and building code enforcement and reflect data regarding vegetation, topography, climate, and wildfire behavior. While the Cal Fire maps are not regulatory tools for utility operations, reclassifications of land near or adjacent to SMUD's or TANC's electric facilities could influence local land use decisions, community mitigation efforts, and potentially the wildfire risk exposure of nearby infrastructure. SMUD is monitoring Cal Fire's FHSZ map update process and remains committed to proactive wildfire mitigation planning and compliance with all applicable local, State, and federal regulations. At this time, SMUD is unable to predict the specific impacts, if any, that updated Cal Fire maps may have on its facilities or operations.

SMUD has assessed its service territory based on Cal Fire's FRAP map, adopted in 2007 and recently updated in March of 2025. The following table illustrates SMUD's assessment of the approximate extent of its service territory and retail customer base located within the three FHSZ designations, based on the revisions to Cal Fire's FRAP map as of March 2025.

Fire Hazard Severity Zone	Moderate	High	Very High
Acres of SMUD Service Area	165,851	28,871	2,727
% of Total SMUD Service Area	29.0%	5.1%	0.5%
Number of Retail Customers	29,091	1,479	211
% of Total Retail Customers	3.9%	0.2%	<0.1%

Transmission (Outside of SMUD Service Territory). In 2018, the CPUC approved a new statewide fire map that identifies areas of elevated and extreme wildfire risk from utility-associated assets located throughout the State. SMUD directly participated in the development of the CPUC's statewide fire map. In connection with the development of the CPUC's statewide fire map, a peer review and a team of independent nationwide experts led by Cal Fire affirmed that SMUD's electric service area is properly located outside of these elevated ("Tier 2") and extreme ("Tier 3") high fire threat areas; however, SMUD's UARP facilities are located within both Tier 2 and Tier 3 areas. According to the CPUC, Tier 2 fire-threat areas are areas where there is an elevated wildfire risk from utility assets and Tier 3 fire-threat areas are areas where there is an extreme risk from utility assets. As of March 30, 2026, approximately 39.3 right-of-way miles of SMUD's transmission lines are in Tier 2 fire-threat areas and approximately 20.8 right-of-way miles of SMUD's transmission lines are in Tier 3 fire-threat areas. SMUD is also a member of TANC. As of May 2025, approximately 116.3 right-of-way miles of TANC's transmission lines are in Tier 2 fire-threat areas and approximately 4.5 right-of-way miles of TANC's transmission lines are in Tier 3 fire-threat areas. In accordance with its FERC license, SMUD adheres to a FERC-approved Fire Prevention and Response Plan for its UARP facilities. On May 17, 2018, in accordance with State law, SMUD's Board of Directors determined that the UARP area may have a "significant risk of catastrophic wildfire" resulting from overhead electric facilities and that SMUD's FERC-approved UARP Fire Prevention and Response Plan meets requirements for presenting wildfire mitigation measures to the Board for its approval.

Wildfire Mitigation. In response to potential wildfire risk, SMUD has implemented and is continuing to implement a series of measures intended to prevent wildfires from occurring, minimize the spread of any fire that does occur and improve the resiliency of its system. These measures include an increase in the degree of sophistication of fuel reduction inside and adjacent to rights-of-ways; installation of Cal Fire-approved exempt material to reduce the risk of sparking; enhanced inspection and maintenance programs; increased use of ignition-resistant construction, including covered conductors and undergrounding of conductors; increased monitoring of and identified responses to fire conditions, including operational procedures for the de-energization of lines during high fire conditions; and elimination of automatic reclosers on SMUD's transmission lines and on SMUD's distribution lines in certain areas during fire season.

SMUD's proactive approach to vegetation management has been expanded to include the use of advanced technologies such as Light Detection and Ranging ("LiDAR"), orthographic and oblique imagery that is used to pinpoint tree health and/or condition that may not yet be visible to the naked eye. In addition, SMUD has installed additional weather stations in transmission corridors and substations for increased situational awareness and has continued coordination and collaboration with local agencies and first responders as well as vulnerable populations.

State law requires POUs to prepare wildfire mitigation plans ("WMP"), have a qualified independent evaluator review and assess the comprehensiveness of the plans, and present the plans to their governing boards. POUs are also required to accept comments on the WMP from the public, other local and State agencies, and interested parties, and to verify that the plans comply with all applicable rules, regulations, and standards, as appropriate. In addition, State law requires POUs to submit their WMP to the State's Wildfire Safety Advisory Board (the "WSAB") for review and advisory opinions relating to the content and sufficiency of the plans. In 2025, State law was amended to require plans to be submitted to the WSAB at least once every four years. The WSAB has adopted a schedule requiring SMUD to submit its next WMP by October 1, 2027. SMUD plans to continue to review its WMP annually, conducting a comprehensive review at least every four years. SMUD is currently in the process of preparing its 2026-2029 WMP.

SMUD presents its plans to the Board for adoption at duly noticed public meetings. Plans and evaluator reports are submitted to the WSAB for advisory opinion and recommendations. SMUD responds

to the WSAB's comments regarding SMUD's WMP as part of its WMP process. Most recently, the Board adopted SMUD's 2023-2025 WMP in 2023, as well as updates to the plan in 2024 and 2025, duly submitting these plan documents to the WSAB. The WSAB advisory opinions commended SMUD's WMP, recommending in its 2025 opinion only that SMUD "incorporate CAL FIRE's recent update to its FHSZ map to help identify and prioritize future risk mitigation activities in its high fire threat area" which SMUD will address in its 2026-2029 WMP.

Wildfire Insurance. Wildfires, both in California and across the United States, pose an increasing threat to utilities, elevating potential liabilities significantly. The expansion and severity of wildfires have not only increased the likelihood of claims against utilities but have also strained insurance markets. This has led to higher coverage costs, limited or restricted policy options, and instances where insurers offer coverage at levels insufficient to fully mitigate risk. As a result, SMUD continuously adapts its wildfire insurance program—raising coverage limits, fostering long-term insurer relationships, and maintaining diversified risk mitigation strategies—to manage this complex and evolving risk landscape effectively.

As of June 15, 2026, SMUD renewed its general and wildfire liability insurance, increasing its coverage limit by $35 million to a total of $350 million. SMUD raised its commercially insured wildfire coverage from $280 million to $320 million, while reducing its self-insured layers and quota share segments to $30 million. These adjustments reflect both rising wildfire risks and the evolving insurance market dynamics.

In addition, it is expected that SMUD will have a portion of the $550 million aggregate principal amount of its commercial paper program and lines of credit to provide operational flexibility in the event of the occurrence of a wildfire or other operational event. However, SMUD has not covenanted to maintain the availability of the commercial paper program and lines of credit for these purposes and no assurances can be given that the commercial paper program and lines of credit will be available at the time of, or during, such an event.

Recent Heatwaves

California has experienced several prolonged and extreme heat events in recent years that have placed significant stress on the State's electric grid. During the August 2020 heatwave (August 14–18), CAISO implemented rotating outages across the State. As a member of BANC and operating outside of CAISO, SMUD did not implement any planned power disruptions and was able to provide emergency assistance and wholesale market sales to CAISO during certain hours. SMUD's peak load during this event ranged between 2,874 MW and 3,057 MW, well below its all-time system peak of 3,299 MW. More recently, during the September 2022 heatwave (September 5–8), SMUD recorded a peak demand of 3,263 MW, the second highest in its history. Again, SMUD was able to meet customer demand without implementing any planned outages. While SMUD has maintained system reliability during past extreme weather events, it cannot predict the occurrence, duration, or intensity of future heatwaves or their potential impacts on electric load or generation, transmission, or distribution system performance and such events could materially adversely affect SMUD's operations or financial results.

Storm Damage

In January 2023, SMUD experienced a series of winter storms that brought heavy rains and high winds causing damage to SMUD's grid and widespread outages for SMUD's customers. By the time the storm response was complete, SMUD had experienced the largest mobilization of personnel and restoration crews in its history. SMUD incurred costs related to removing downed trees, restoring power from downed poles and broken lines, replenishing inventory, communicating with and providing assistance to customers, maintaining IT systems, and coordinating with local emergency agencies. The material financial impacts

have been reflected in SMUD's audited financial statements for the years ended December 31, 2024 and December 31, 2023.

Cosumnes Power Plant Outage

On June 5, 2022, the Cosumnes Power Plant (as defined herein) was shut down due to a ground fault in the Steam Turbine Generator ("STG") stator. The ground fault was caused by delamination of the insulation on one of the through bolts. Damage from the ground fault resulted in a full rewind and restack of the stator core, replacement of all stator through bolts, and a full rewind of the turbine rotor. The Cosumnes Power Plant repairs were completed in February 2023 and the plant returned to service on March 5, 2023. During the extended outage, SMUD shifted generation to the other local gas-fired plants and the Sutter Energy Center and procured additional energy and resource adequacy capacity. SMUD also requested and received approval from the California Air Quality Board and California Energy Commission to operate one or both of the gas turbines without the STG. During a heatwave in September 2022, both of the gas turbines at the Cosumnes Power Plant were operated without the STG, providing 270 MW at peak.

To mitigate the financial impact of unplanned outages from its thermal assets, SMUD carries commercial property insurance with a business interruption endorsement. At the time of the loss, the coverage provided up to $30.8 million of business interruption recovery per month at the Cosumnes Power Plant, with a sub-limit of $310 million over any 18-month period. During the policy period, claims were subject to a $5 million equipment damage deductible and a 60-day business interruption claims waiting period.

In February 2024, SMUD reached a settlement for the equipment damage portion of the loss, of $18.6 million, which resulted in a net recovery of $13.6 million. The business interruption aspect of the claim had a 60-day waiting period and was settled in three phases: an early advance payment shortly after the loss in December 2022, a partial settlement in January 2024, and a final negotiated settlement in mid-2024. The total recovery for business interruption across these three payments was $138.9 million.

Potential Impacts from Future Uncertainties

SMUD remains vigilant in assessing risks associated with future large-scale disruptions. SMUD's operations, financial position, and customer demand may be affected by future public health emergencies (including pandemics or epidemics), economic volatility, inflationary pressures, supply chain disruptions, labor shortages, changes in regulatory or legislative environments, imposition of tariffs, or other macroeconomic conditions beyond SMUD's control.

These risks could result in increased costs, delays to capital projects, changes in customer energy usage patterns, or an increase in delinquent customer accounts. In response, SMUD continues to enhance its enterprise risk management practices, develop contingency strategies, and maintain financial flexibility to help mitigate the effects of such events on operations and service reliability.

RATES AND CUSTOMER BASE

Rates and Charges

Subject to compliance with applicable law, SMUD's Board of Directors has autonomous authority to establish the rates charged for all SMUD services. Unlike IOUs and some other municipal utility systems, retail rate and revenue levels are not subject to review or regulation by any other federal, State or local legislative or regulatory bodies to become effective. Changes to SMUD rates only require formal action by the Board of Directors after two public workshops and a public hearing. SMUD is not required by law to

transfer any portion of its collections from customers to any local government. SMUD typically reviews and sets rates on a two-year cycle.

2025 Rate Action. On June 19, 2025, the Board approved a 3.0% rate increase effective on January 1, 2026, and a 3.0% rate increase effective on January 1, 2027. The rate action also included an optional rate for residential customers designed for low users that have a panel size of 125 amps or less. The approved optional rate has a lower monthly fixed charge and higher energy rates to make it revenue neutral. In addition, the Board approved updates to SMUD's Open Access Transmission Tariff (OATT).

Rate Stabilization Funds

The Rate Stabilization Fund ("RSF"), which includes the HRSF (defined below) and the WRSF (defined below), is maintained by SMUD to reduce the need for future rate increases when costs exceed existing rates. At the direction of the Board, amounts may be either transferred into the RSF (which reduces revenues) or transferred out of the RSF (which increases revenues). The Board authorizes RSF transfers on an event driven basis. The RSF includes funds to:

- hedge variations in the volume of energy generation from SMUD owned UARP facilities;
- hedge variations in the volume of energy received from WAPA hydroelectric generation;
- hedge variations in commodity expenses;
- hedge variations in AB 32 revenue;
- hedge variations in Low Carbon Fuel Credit ("LCFS") revenue; and
- support SMUD's Community Impact Plan.

As of May 31, 2026, the combined balance in the RSF, including the HRSF and the WRSF, was $350 million.

Effective July 2008, SMUD implemented the HGA, which is a pass-through rate component to deal with variations in hydroelectric generation from the UARP (see "POWER SUPPLY AND TRANSMISSION – Power Generation Facilities – *Hydroelectric*"). The HGA is designed to increase revenues in dry years when SMUD must buy power to replace hydroelectric generation and return money to the HRSF in wet years when SMUD has more hydroelectric generation than expected. Each year SMUD determines the impact of precipitation variances on projected hydroelectric generation from the UARP. When the precipitation variance results in a deficiency of hydroelectric generation from the UARP, transfers from the HRSF, which was created as a component of the RSF, to SMUD's available cash, will be made in an amount approximating the cost to SMUD of replacement power (up to 4% of revenues) until the balance in the HRSF is zero. When the precipitation variance results in a projected surplus of hydroelectric generation from the UARP, deposits will be made into the HRSF in an amount approximating the positive impact to SMUD from the surplus hydroelectric generation (up to 4% of revenues) until the balance in the HRSF is equal to 6% of budgeted retail revenue. If the balance in the HRSF is not sufficient to cover transfers that would otherwise be made in the event of a projected deficiency in UARP hydroelectric generation, a 12-month HGA surcharge will automatically be included on customers' electric bills at a level that generates up to 4% of retail revenue. If the balance in the HRSF is equal to 6% of budgeted retail revenue on any precipitation variance calculation date and the precipitation variance results in a projected UARP hydroelectric generation surplus, the positive impact of the surplus may be used for other purposes at staff's recommendation, with the approval of the Board, including returned to customers through an

electric bill discount up to 4% of retail revenue. SMUD calculates HRSF transfers based on an April-March (water year) precipitation period at Fresh Pond, California. This precipitation station is used to approximate available water supply to SMUD's UARP hydropower reservoirs.

As of May 31, 2026, the balance in the HRSF was $71.9 million, after a $9 million withdrawal in April 2026 due to below average precipitation. Although the HRSF currently has a positive balance, prolonged below average precipitation could deplete the HRSF to zero.

In September 2023, SMUD added a pass-through rate component to deal with variations in hydroelectric generation from WAPA. Each year SMUD determines the WAPA Energy Delivery Variance ("EDV") based on forecasted energy delivery minus the actual energy delivery. When the EDV variance is positive, transfers from the WRSF, which was created as a component of the RSF, to SMUD's available cash, will be made in an amount approximating the cost to SMUD of replacement power (up to 2% of revenues) until the balance in the WRSF is zero. If the balance in the WRSF is not sufficient to cover transfers that would otherwise be made in the event of a projected deficiency in WAPA hydroelectric generation, a 12-month HGA surcharge will automatically be included on customers' electric bills at a level that generates up to 2% of retail revenue. When the EDV variance is negative, deposits will be made into the WRSF in an amount approximating the positive impact to SMUD from the surplus hydroelectric generation (up to 2% of revenues) until the balance in the WRSF reaches a maximum of 4% of budgeted retail revenue. Any deposit amount that exceeds the WRSF maximum of 4% of budgeted retail revenue, may be used for other purposes with the approval of the Board, including returned to customers through an electric bill discount up to 2% of retail revenue.

As of May 31, 2026, the balance in the WRSF was $20.5 million, after a $2.9 million deposit in April 2026. Although the WRSF currently has a positive balance, prolonged below average precipitation could deplete the WRSF to zero.

Income-Eligible Discount

As of December 2025, approximately 75,232 customers received the income-eligible discount offered by SMUD, which represents approximately 12% of all residential customers. In 2025, the total discount was approximately $29.2 million. While the discount has provided substantial benefits to income-eligible customer bills for years, multiple economic variables, such as inflation and rate increases, have had disproportionately negative impacts on income-eligible customers, particularly those in the 0-50% Federal Poverty Level ("FPL"). In 2023, SMUD established an Energy Assistance Program Rate (EAPR) Rate Stabilization Fund ("ERSF") to provide an additional discount to the electricity usage charge up to an established maximum discount ("ERSF Additional Discount") for customers in the 0-50% FPL. The ERSF is funded by discretionary non-retail rate revenue, reviewed on an annual basis, and the specific monthly ERSF Additional Discount is set before the year the value is in effect.

SMUD expanded its programs and services starting in 2016 to help income-eligible customers with energy assistance, home improvement packages and education. SMUD is creating tailored solutions to best meet the needs of income-eligible customers. These solutions include free solar panels and inspecting homes to identify energy saving and fuel switching opportunities. In 2025, SMUD assisted over 1,566 customers with energy retrofits and education. In partnership with Grid Alternatives (a non-profit organization that focuses on implementing solar power and energy efficiency for income-eligible families), and Habitat for Humanity of Greater Sacramento, SMUD provided free solar installations with battery storage to 42 income-eligible customers in 2025. In 2025, SMUD delivered electrification measures to 484 income-qualified households, installing 266 electric vehicle chargers and 344 electric vehicle circuits in homes and areas serving income-eligible customers. Through these initiatives, SMUD is dedicated to enhancing energy accessibility and sustainability for its community.

Rate Comparisons

SMUD's rates remain significantly below those of PG&E and other large utilities throughout the State. The following table sets forth the average charges per kWh by customer class for both SMUD and PG&E. PG&E's rates reflect their recently approved rate increase effective March 1, 2026.

AVERAGE CLASS RATES

	SMUD Rates (cents/kWh)[1]	PG&E Rates (cents/kWh)[2]	Percent SMUD is Below PG&E[3]
Residential – Standard	20.45¢	39.25¢	47.9%
Residential – Low Income	14.44¢	21.80¢	33.8%
All Residential	19.74¢	32.34¢	39.0%
Small Commercial (Less than 20 kW)	20.14¢	40.74¢	50.6%
Small Commercial (21 to 299 kW)	18.73¢	40.01¢	53.2%
Medium Commercial (300 to 499 kW)	17.45¢	35.46¢	50.8%
Medium Commercial (500 to 999 kW)	16.06¢	31.17¢	48.5%
Large Commercial (Greater than 1,000 kW)	14.00¢	21.62¢	35.2%
Lighting – Traffic Signals	15.67¢	40.14¢	61.0%
Lighting – Street Lighting	17.87¢	43.02¢	58.5%
Agriculture	17.58¢	38.34¢	54.1%
System Average	18.16¢	32.60¢	44.3%

(1) Projected 2026 average prices for SMUD with rates effective March 1, 2026.

(2) PG&E average prices in 2026 reflect rates effective March 1, 2026, per Advice Letter 7846-E dated February 27, 2026.

(3) The rates in the Average Class Rates table are calculated by dividing the total revenue of each class by the total usage of that class in kWh. The actual savings per customer will vary based on their electricity consumption.

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The following table shows a comparison of SMUD's charges for the average residential usage of 750 kWh per month (based on an average of summer and non-summer months) and charges of seven similar neighboring or largest utilities in the State.

STATEWIDE COMPARISON–RESIDENTIAL SERVICE

	Monthly Billing Charge for 750 kWh[(1)(2)]	**Percent SMUD is (Below)/Above Utility**
Turlock Irrigation District	$137.12	8.9%
Sacramento Municipal Utility District	$149.26	
Roseville Electric Utility	$156.20	(4.4%)
Modesto Irrigation District	$181.81	(17.9%)
Los Angeles Dept. of Water & Power	$216.68	(31.1%)
Southern California Edison Company	$283.09	(47.3%)
Pacific Gas & Electric Company	$290.43	(48.6%)
San Diego Gas and Electric Company	$324.41	(54.0%)

(1) Per individual utility's published schedules as of March 1, 2026.
(2) Average usage of theoretical customer using 750kWh per month.

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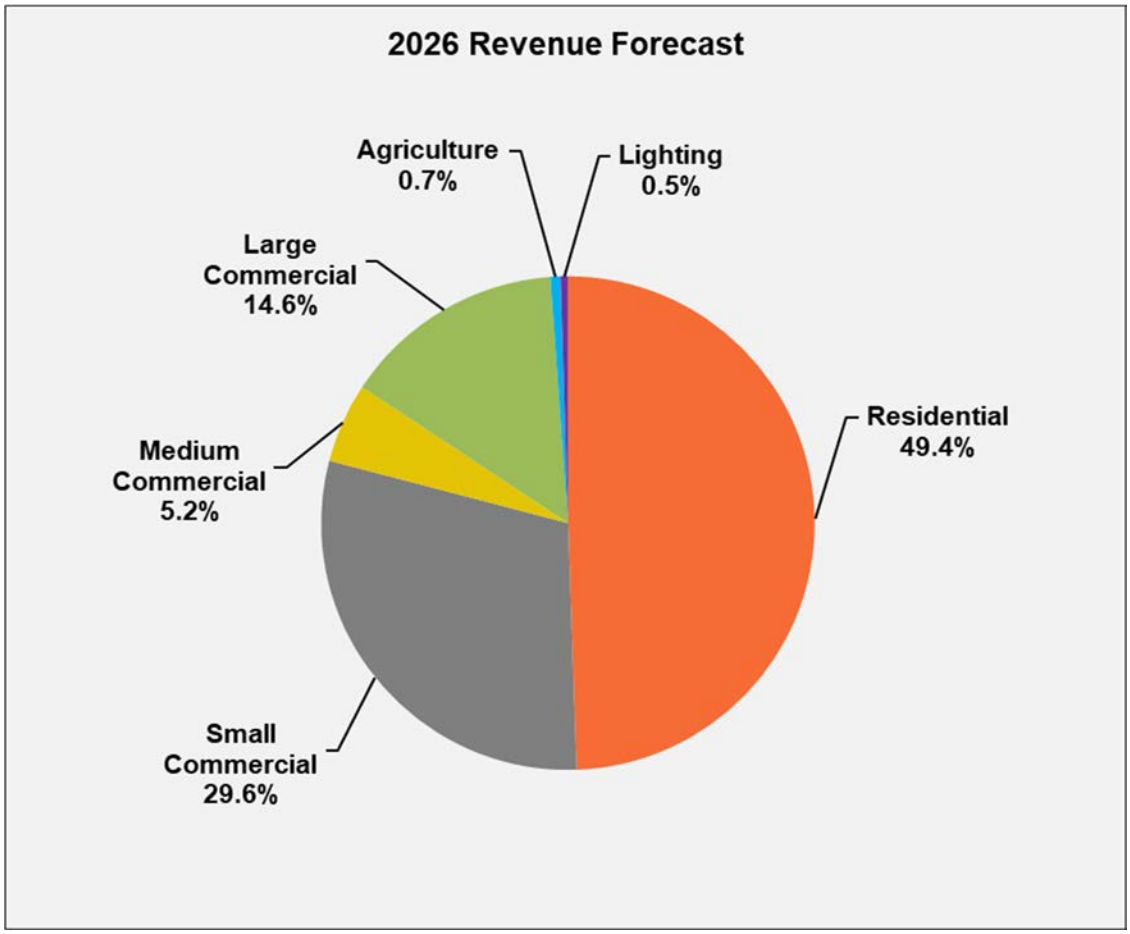
Allocation of Revenue by Customer Class

The following chart sets forth the forecast percentage of SMUD revenues from billed sales associated with each customer class.



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Customer Base; Largest Customers

A stabilizing influence on SMUD's revenues is that a substantial proportion is derived from residential customers (49% in 2025). Historically, revenue from commercial and industrial consumption has been more sensitive to economic fluctuation. Furthermore, SMUD has no dominant customers that account for a significant percentage of annual revenues. In 2025, no single customer contributed more than 3% of revenues. The top ten customers generated approximately 10% of revenues and the top 30 generated approximately 16% of revenues. The following table presents information on SMUD's top ten customers as of December 31, 2025.

SMUD'S LARGEST CUSTOMERS
(As of December 31, 2025)

Customer Type	Annual Revenue ($ millions)	% of Total Revenue
Government	38.32	2.09%
Government	35.86	1.95%
Technology	30.87	1.68%
Government	17.30	0.94%
Technology	11.14	0.61%
Communications	10.59	0.58%
Government	9.01	0.49%
Retail	8.71	0.47%
Industrial Gases	8.53	0.46%
Communications	8.23	0.45%
Top 10 Total	178.56	9.72%

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POWER SUPPLY AND TRANSMISSION

Power Supply Resources

The following table sets forth information concerning SMUD's power supply resources as of January 1, 2026. Capacity availability reflects expected capacities at SMUD's load center, as well as entitlement, firm allocations and contract amounts in the month of July, which is generally SMUD's peak month.

POWER SUPPLY RESOURCES
(As of January 1, 2026)

Source:	Capacity Available (MW)[1]
Generating Facilities:	
Upper American River Project – Hydroelectric	701
Solano Wind Project – Wind[2]	115
Hedge Battery[2]	4
Sub-total:	**819**
Local Gas-Fired Plants:	
Cosumnes Power Plant	576
Carson Power Plant	103
Procter & Gamble Power Plant	166
McClellan Power Plant	72
Campbell Power Plant	170
Sub-total:	**1,087**
Purchased Power:	
Western Area Power Administration (WAPA) [3] [4]	337
Grady – Wind[2]	81
Hatchet Ridge – Wind[2]	25
Feed-in-Tariff Photovoltaic – Solar[2]	29
Rancho Seco Solar[2]	60
NTUA Navajo Drew Solar[2]	42
Great Valley – Solar[2]	30
Wildflower Solar[2]	3
Sloughhouse Solar[2]	34
Calpine Geysers – Geothermal	100
CalEnergy – Geothermal	26
Patua (Gradient/Vulcan) – Geothermal	12
Other Long-Term Contracts	14
ELCC Portfolio Adjustment[2]	55
Sutter Calpine Thermal	258
Firm Contract Reserves[4]	17
Committed Short-Term Purchases [5]	460
Uncommitted Short-Term Purchases/(Sales)	118
Sub-total:	**1,699**
Total	**3,605**

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(1) Available capacity is the net capacity available to serve SMUD's system peak load during the month of July.

(2) Capacity values for wind, solar, and storage projects shown are based on resource effective load carrying capability ("ELCC") modeling.

(3) Total includes SMUD's Base Resource share and WAPA Customer allocations.

(4) Assumes firm reserves of 5% are included.

(5) Committed Short-Term Purchases are primarily purchased on a year-ahead to season-ahead basis from various sources.

Note: Totals may not add due to rounding.

Power Generation Facilities

Hydroelectric. The UARP consists of three relatively large storage reservoirs (Union Valley, Loon Lake, and Ice House) with an aggregate water storage capacity of approximately 400,000 acre-feet and eight small reservoirs. Project facilities also include eight tunnels with a combined length of over 26 miles and nine powerhouses containing 11 turbines. In addition to providing clean hydroelectric power and operating flexibility for SMUD, the UARP area provides habitat for fish and wildlife and a variety of recreational opportunities, including camping, fishing, boating, hiking, horseback riding, mountain biking and cross-country skiing.

The combined capacity of the UARP is approximately 697 MW at SMUD's load center in Sacramento. Under current licensing and mean water conditions, these facilities are expected to generate approximately 1,600 GWh of electric energy annually, which represents approximately 15% of SMUD's current average annual retail energy requirements. In 1957, the Federal Power Commission (predecessor agency to FERC) issued a license to SMUD for the UARP. This 50-year license was subsequently amended to add and upgrade facilities and now includes all segments of SMUD's hydroelectric facilities located on the South Fork of the American River and its tributaries upstream from the Chili Bar Project (described below). The original license was extended annually after its original expiration date while SMUD completed the process for a new long-term license and, on July 23, 2014, FERC issued to SMUD a new 50-year license for the UARP.

On November 9, 2016, FERC issued an Order authorizing SMUD to construct the South Fork Powerhouse downstream of the UARP's Slab Creek Dam. Construction was substantially completed in the fall of 2020, and the new powerhouse was placed into operation on October 25, 2022, adding 1.8 MW of generation to the UARP's overall capacity.

On June 16, 2021, pursuant to Board authorization, SMUD acquired the Chili Bar Hydroelectric Project which consists of a 7 MW powerhouse, reservoir, dam and spillway, north of Placerville on the South Fork of the American River for approximately $10.4 million (the "Chili Bar Project"). The Chili Bar Project is immediately downstream from the UARP and operates as the regulating reservoir for the UARP's largest powerhouse. Owning the UARP and the Chili Bar Project enables SMUD to operate the two projects with a holistic approach to license compliance and generation efficiency.

Solano 2 Wind Project. SMUD owns and operates an 87 MW wind project, located in Solano County, known as Solano 2. Solano 2 consists of 29 wind turbine generators ("WTGs") rated at 3 MW each. Energy from the project is collected at 21 kV and transmitted over a dedicated 3-mile overhead system to the SMUD-owned Russell substation. At the Russell facility, the energy is transformed to 230 kV and interconnected to PG&E's Birds Landing Switching Station. Energy deliveries are scheduled through the CAISO.

Solano 3 Wind Project. In 2011 and 2012, SMUD constructed a 128 MW wind project adjacent to Solano Phase 2, known as Solano 3. The Solano 3 project consists of 31 WTGs rated at 1.8 MW and 24 WTGs rated at 3.0 MW. The project interconnects through a 34.5 kV underground collection system to the Russell substation. Like the Solano Phase 2 project, this energy is transformed to 230 kV and delivered through the CAISO.

Solano 4 Wind Project. In 2023 and 2024, SMUD constructed the Solano 4 Project, which was fully operational as of May 10, 2024. As part of the Solano 4 Project, the 15 MW Solano 1 project was demolished. The Solano 4 Project adds an additional 85.5 MW of capacity to SMUD's Solano Wind portfolio. In 2023, SMUD merged Solano 2, 3, and 4 into one combined interconnection agreement with CAISO and PG&E. Now the CAISO calls the combined project "Solano Renewables 1."

The combined Solano Renewables 1 project is currently limited to 230 MW max output by PG&E because of two outstanding transmission upgrades to be completed by PG&E. The two PG&E projects include the Contra Costa thermal overload upgrade and the Vaca Dixon Breaker upgrade, both expected to be completed by May 30, 2027. An increase in deliverability to 320.8 MW from the Solano Renewables 1 project will occur when both upgrades are completed in May 2027. In total, SMUD will have an installed wind capacity of 303 MW in connection with the overall Solano Wind Project, leaving 18 MW at the point of interconnection for future development.

Distributed Solar Photovoltaic. SMUD owns and operates approximately 2 MW of solar PV generating facilities. These facilities include installations at the Hedge Substation property, SMUD Headquarters, the East Campus Operations Center, and other smaller PV systems throughout the service area on parking lots.

Hedge Battery. SMUD owns and operates a 4 MW, 8 MWh, battery energy storage system located near the Hedge Substation in South Sacramento. The facility reached commercial operation in January 2023.

Local Gas-Fired Plants. SMUD constructed five local natural gas-fired plants in its service area: the Carson Power Plant, the Procter & Gamble Power Plant, the Campbell Power Plant, the McClellan Power Plant, and the Cosumnes Power Plant (each defined below). These five plants are referred to collectively as the "Local Gas-Fired Plants." These plants are a strategic component of SMUD's resource mix. In addition to providing SMUD with a total capacity of approximately 1,139 MW, the Local Gas-Fired Plants provide SMUD with needed voltage support, operational and load following capability, and the reliability inherent in having power resources located close to loads. With the exception of the McClellan Power Plant, these plants were financed through the issuance of project revenue bonds by separate joint powers authorities. In late 2025, ownership of all of the Local Gas-Fired Plants was transferred to SMUD, with SMUD assuming all rights, interests, and obligations of the related contracts. This consolidation created operational and administrative efficiencies without changing any of the functionality of the power plants. SMUD has exclusive control of the Local Gas-Fired Plants and manages their operations as part of its overall power supply strategy.

The following is a brief description of the five Local Gas-Fired Plants:

The Cosumnes Power Plant (the "Cosumnes Power Plant"). The Cosumnes Power Plant is a 612 MW natural gas-fired, combined cycle plant located in the southern portion of Sacramento County adjacent to SMUD's decommissioned Rancho Seco Nuclear Power Plant. Commercial operation of the Cosumnes Power Plant commenced on February 24, 2006. The net generating capacity of the facility was increased by 81 MWs via an Advanced Gas Path ("AGP") upgrade. The additional AGP generation was realized after hardware and software upgrades were completed on both units in March of 2019. On June 5, 2022, the Cosumnes Power Plant was shut down due to a ground fault in the STG stator. The repair was completed in February 2023 and the plant returned to service on March 5, 2023. See "FACTORS AFFECTING THE REGION – Cosumnes Power Plant Outage".

The Carson Power Plant (the "Carson Power Plant"). The Carson Power Plant, a 103 MW natural-gas-fired cogeneration project consisting of separate combined cycle and peaking plants, provides steam to the Sacramento Regional County Sanitation District ("SRCSD") wastewater treatment plant adjacent to the site. Construction of the Carson Power Plant was completed and the plant began commercial operation on October 11, 1995.

The Procter & Gamble Power Plant (the "Procter & Gamble Power Plant"). The Procter & Gamble Power Plant, a 182 MW natural gas-fired cogeneration facility, is located in an established

industrial area of Sacramento. The initial combined cycle portion of the plant began commercial operation on March 1, 1997. Construction of the peaking plant portion of the Procter & Gamble Power Plant commenced during 2000 and the unit achieved commercial status on April 24, 2001. The Procter & Gamble Power Plant produces steam for use in Procter & Gamble Manufacturing Company's oleochemical manufacturing processes and electricity for sale to SMUD.

The Campbell Power Plant (the "Campbell Power Plant"). The Campbell Power Plant, a 170 MW natural gas-fired cogeneration project, was completed and began commercial operations on December 4, 1997. Upgrades were implemented during 2000, which increased the plant's peaking capacity to 180 MW, well above its net demonstrated capacity of 159.8 MW. The plant is located in south Sacramento adjacent to the Capital Commerce Center (formerly the Campbell Soup Company food processing facility). In support of the Zero Carbon Plan, SMUD is exploring replacing the Campbell Power Plant, contingent upon SMUD having sufficient other resources available and grid reliability can be maintained. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *2030 Zero Carbon Plan.*"

The McClellan Power Plant (the "McClellan Power Plant"). The McClellan Power Plant is a 72 MW natural gas-fired simple cycle combustion turbine generating plant at McClellan Business Park in Sacramento. This turbine is connected to SMUD's electric system and is operated to meet SMUD's peak-load requirements. The McClellan Power Plant is aligned for remote starting and operation with both black start and fast start capabilities. SMUD constructed the McClellan Power Plant in 1986 as a 50 MW emergency power source for the McClellan Air Force Base. In 2001, following the Air Force Base closure, the McClellan Power Plant was upgraded to 72 MW and converted for SMUD's use. In support of the Zero Carbon Plan, SMUD is exploring replacing the McClellan Power Plant, contingent upon SMUD having sufficient other resources available and grid reliability can be maintained. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *2030 Zero Carbon Plan.*"

Fuel Supply

General. SMUD arranges for the purchase and delivery of natural gas to the Local Gas-Fired Plants. Management of the natural gas procurement and delivery process is a key focus of SMUD's reliability and risk policies. Although the natural gas consumption of the power plants for SMUD's load can vary significantly depending on the season, precipitation, and the market price of power and natural gas, the plants are forecasted to need, on average in 2026, a total of approximately 107,500 Decatherms per day ("Dth/day") with a daily peak slightly more than 171,000 Dth/day of natural gas. SMUD has implemented a comprehensive strategy to secure a reliable and diversified fuel supply through a variety of agreements for the supply, transportation, and storage of natural gas.

Supply. SMUD hedges a significant portion of its expected gas needs to meet customer power requirements. This includes gas for the Local Gas-Fired Plants and for the Sutter Energy Center. See "Power Purchase Agreements – *Sutter Energy Center*". This is accomplished through a combination of long-term supply arrangements and an exposure reduction program. The program consists of a primary rolling three-year exposure reduction component, a fuel hedging component on a rolling three-year basis, as well as supplemental fixed calendar year components reaching out up to four calendar years. Long-term arrangements may consist of a combination of physical commodity supply contracts, financial hedges, or options. Natural gas is purchased from a wide variety of producers and marketers at the northern and southern California borders, and from the Rocky Mountain supply basins. SMUD has a number of both fixed-price supply agreements and financial hedging contracts to fix gas costs ranging from one month to several years in duration. As of June 1, 2026, these contracts are forecasted to have hedged the price exposure on approximately 100%, 99%, and 79% of SMUD's anticipated natural gas requirements for 2026, 2027, and 2028, respectively. While the financial effects resulting from the unhedged portions of SMUD's

natural gas requirements are difficult to predict, SMUD's financial results could be materially impacted in the event of significant increases in market prices for natural gas.

SMUD has contracted with NCGA to purchase an approximate average of 8,700 Dth/day over the remaining life of a contract expiring May 31, 2027 (the "NCGA Contract"). Under the NCGA contract, SMUD pays a discounted variable price for the fuel and anticipates periodically fixing the effective price under separate hedging contracts. Until November 1, 2023 the delivery point for the NCGA Contract was the AECO hub in Alberta. Starting November 1, 2023, to increase delivery efficiencies, SMUD has exchanged the gas delivered at the AECO hub under the NCGA Contract with gas delivered at the Malin substation at the California-Oregon border. From there SMUD is using its long-term transport capacity to deliver the fuel to the Local Gas-Fired Plants.

SMUD has also contracted with NCEA to purchase an approximately 24,600 Dth/day on average, or to be converted to the approximate cash flow value in Megawatt-hours ("MWh") of electricity over the remaining life of a contract expiring on October 31, 2054. The gas will be delivered to the SMUD system via the Malin receipt point on the PG&E backbone system. SMUD is using its long-term transport capacity to deliver the fuel to the Local Gas-Fired Plants. SMUD will pay a discounted variable price for the fuel and anticipates periodically fixing the effective price under separate hedging contracts.

Renewable Natural Gas Supply. As a component of meeting SMUD's RPS goals, SMUD procures renewable natural gas and digester gas as fuels to generate renewable electricity from the Cosumnes Power Plant. Descriptions of the renewable natural gas supply agreements are provided below.

In March 2009, SMUD entered into a 15-year contract (that qualifies as renewable energy) with Shell Energy North America (US), L.P. ("Shell Energy") to purchase up to 6,000 Dth/day of renewable natural gas produced from a landfill project in Texas. SMUD began taking deliveries of this supply in April 2009. In March 2012, SMUD amended the contract with Shell Energy to increase the maximum volumes to 7,300 Dth/day and extended the term by 10 years to March 31, 2034. Currently, the delivery point is PG&E Topock.

In 2016, SMUD entered into a three-year contract with Shell Energy to sell back the entire volume of renewable natural gas purchased, less 500 Dth/day, to be sold into the vehicle transportation markets. Upon expiration of the initial 3-year contract for the sale of biogas to Shell Energy, SMUD extended the sell back of the entire volume of biogas twice for an additional three years with Element Markets (now Anew RNG, LLC), starting in 2020 and 2023. Currently the sale of the entire volume of biogas is with Nextera Energy Marketing LLC starting in 2026 through 2028. While SMUD sells the renewable natural gas, it does not count the renewable natural gas towards its RPS obligations.

The Carson Power Plant cleans nearly all of the digester gas received from SRCSD and uses it for delivery to the Cosumnes Power Plant. The Carson Power Plant is currently receiving, processing and delivering up to 1,500 Dth/day with capability for volume increases over time to 2,500 Dth/day. Digester gas, when designated for use in SMUD's power plants, is counted as renewable generation towards SMUD's RPS obligations.

In December 2011, SMUD entered into a 20-year agreement with EIF KC Landfill Gas LLC ("EIF") to purchase up to 7,050 Dth/day of renewable natural gas produced from multiple landfill projects. SMUD began taking deliveries of this supply in January 2014. Currently the delivery point is Kern River – Opal and SMUD uses its long-term transport capacity to deliver it to the Cosumnes Power Plant. Renewable natural gas, when designated for use in SMUD's power plants, is counted as renewable generation towards SMUD's RPS obligations.

In March 2025 SMUD entered into a transaction with Anew RNG, LLC to sell the renewable natural gas into the vehicle transportation markets. The transaction began in April 2025 and expires in December 2027. While SMUD sells the renewable natural gas, it does not count the renewable gas towards its RPS obligations.

AB 2196 is a law that defines the criteria by which existing and future renewable natural gas contracts will qualify for the State RPS program. The CEC adopted a RPS Eligibility Guidebook on April 30, 2013, which includes detailed rules for implementation of AB 2196. SMUD received an updated certificate of eligibility from the CEC in July 2014 for the Cosumnes Power Plant that included the quantities of renewable natural gas from the sources described above. The CEC adopted a revised RPS Eligibility Guidebook (Ninth Edition) on April 27, 2017. This latest guidebook did not change the RPS eligibility of any of the renewable natural gas and digester gas sources described above, but did simplify reporting requirements for these sources.

Gas Transmission

SMUD has satisfied its obligation to deliver natural gas to its power plants by constructing a natural gas pipeline, purchasing an equity interest in two PG&E backbone gas transmission lines, and contracting for capacity on a number of existing interstate natural gas transmission lines.

The Local Pipeline. SMUD constructed and owns a 20-inch, 50-mile natural gas pipeline in the greater Sacramento area (the "Local Pipeline") that transports gas to all of the Local Gas-Fired Plants except the McClellan Power Plant. The Local Pipeline is interconnected with PG&E's major State gas transmission lines 300 and 401. Additionally, it may be interconnected with one or more private gas gathering pipelines located in the area, a gas storage project and/or other FERC approved pipelines that may be built in the local area. In conjunction with the construction of the Cosumnes Power Plant, SMUD extended the Local Pipeline to the plant site. The 26-mile extension was completed in 2004. The extension is 24 inches in diameter and was designed to serve both the Cosumnes Power Plant and an additional second phase, if constructed.

PG&E Backbone Gas Transmission Lines 300 and 401. In 1996, SMUD purchased an equity interest in PG&E's backbone gas transmission lines 300 and 401 (referred to as the PG&E backbone). The total capacity acquired at that time was approximately 85,000 Dth/day and consisted of approximately 43,600 Dth/day of firm gas transport from the California–Oregon border at Malin, Oregon and 44,700 Dth/day from the California–Arizona border at Topock, Arizona, to SMUD's interconnection with the PG&E backbone near Winters, California. SMUD was also entitled to a share of non-firm capacity, which was approximately 4,360 Dth/day; making the total capacity potentially available to SMUD almost 90,000 Dth/day. This purchase made SMUD a co-owner of the PG&E backbone gas transmission lines 300 and 401 and obligated SMUD to pay PG&E to operate the pipelines on its behalf subject to the terms of the purchase agreement and operating protocols. PG&E reduced operating pressures on Line 300 after PG&E suffered a natural gas explosion in San Bruno, CA in September of 2010. Operating pressures and capacity may also fluctuate due to regulatory and other changes. As of June 1, 2025, and going forward, SMUD will hold a total capacity of approximately 85,500 Dth/day, consisting of approximately 47,723 Dth/day of firm gas transport from the California–Oregon border at Malin, and 37,798 Dth/day of firm gas transport from the California–Arizona border at Topock, Arizona, to SMUD's interconnection with the PG&E backbone near Winters, California.

Kern River Gas Transmission Company Long Term Agreement. SMUD has an agreement with Kern River Gas Transmission Company for 20,000 Dth/day of firm capacity through April 30, 2028. This capacity gives SMUD access to the Rocky Mountain supply basin at Opal, Wyoming, and connects to PG&E Line 300 (owned in part by SMUD) at Daggett, California.

SMUD's diversified portfolio of gas transmission arrangements allow for the purchase of gas from a variety of suppliers and locations, and the opportunity to capitalize on regional price differentials where possible. In addition, its ownership interest in the SMUD/PG&E backbone and Local Pipeline enhances the reliability of SMUD's gas supply.

Gas Storage

SMUD also employs gas storage as part of its overall fuel supply strategy. Gas storage is useful to help balance gas supply, mitigate market price volatility, mitigate variations in retail load, and provide a reliable supply to meet peak day delivery requirements.

SMUD had a contract with Lodi Gas Storage, LLC, which began in April 2023 and expired in March 2026, for capacity in the Lodi Gas Storage project located near Acampo in northern California. The contract provided SMUD with capacity levels of 1.0 million Dth of storage inventory, 10,000 Dth/day of injection rights and 20,000 Dth/day of withdrawal capacity.

In anticipation of Lodi Gas Storage, LLC contract expiring, SMUD issued a Request for Offers ("RFO") and selected Central Valley Storage for a contract which began in April 2026 and expires in March 2031, for capacity in the project located near Princeton in northern California. The contract provides SMUD with capacity levels of 1.0 million Dth of storage inventory, 10,000 Dth/day of injection rights and 20,000 Dth/day of withdrawal capacity.

SMUD has a contract with Wild Goose Storage LLC, that began in April 2024 for capacity in the Wild Goose Storage project located near Gridley in northern California. The contract provides SMUD with capacity levels of 2.0 million Dth of storage inventory, ratcheted (12,500-14,000 Dth/day) volumes of injection rights and ratcheted (10,000 – 24,000 Dth/day) volumes of withdrawal capacity. This contract expires on March 31, 2029.

Power Purchase Agreements

SMUD has power purchase agreements to help meet its power requirements. Some of these agreements are described below.

Western Area Power Administration. Effective January 1, 2005, SMUD entered into a 20-year contract with WAPA. SMUD has entered into a replacement agreement extending the term by 30 years for the period of January 1, 2025 through December 31, 2054. Power sold under this contract is generated by the Central Valley Project ("CVP"), a series of federal hydroelectric facilities in northern California operated by the United States Bureau of Reclamation. The contract provides WAPA's CVP Base Resource customers (including SMUD) delivery of a percentage share of project generation in return for reimbursement of an equivalent share of project costs. SMUD's CVP Base Resource share is roughly 25% of project generation and costs. This is expected to be approximately 318 MW of capacity and 661 GWh of energy in an average water year but will vary depending on precipitation. Energy available under the contract is determined by water releases required for water supply and flood control and is then shaped into higher value periods within other CVP operating constraints. More capacity and energy are typically available in spring and summer months and less in fall and winter.

SMUD also had a contract with WAPA that expired on December 31, 2024, by which WAPA delivered additional power from projects located in the Pacific Northwest based on certain contractual parameters. SMUD has entered into a replacement agreement with WAPA for the period January 1, 2025, through December 31, 2030. In 2025, SMUD received 483 GWh of energy under this new contract.

Patua Project LLC. In April 2010, SMUD entered into a power purchase agreement with Patua Project LLC, a subsidiary of Gradient Resources, for the delivery of up to 132 MW (expected to be 120 MW nominal power output) of renewable energy from geothermal generation being developed in north central Nevada, from a Gradient Resources project known as the Patua Project. The Patua Project was to have been developed in three phases. In November 2015, the Patua Project was acquired by TL Power, LLC, a wholly owned subsidiary of Cyrq Energy, Inc. ("Cyrq"). Since 2010, the agreed upon capacity of the Patua Project has been reduced several times. SMUD's reduced obligation to take power from the Patua Project is 19 MW. This power purchase agreement expires on December 31, 2033.

Renewable Energy Feed-In Tariff. In September 2009, SMUD's Board authorized a feed-in tariff program for the purchase of renewable energy from local renewable energy projects connected to SMUD's distribution system. SMUD's Board authorized connection of up to 100 MW under the feed-in tariff which included standard payment rates and standard purchase terms for power. The feed-in tariff program became effective on January 1, 2010. Under the feed-in tariff, SMUD has executed 20-year term power purchase agreements for solar projects totaling 98.5 MW. Construction and start-up were completed on all projects between 2010 and 2012.

CalEnergy LLC. In August 2014, SMUD entered into a 22-year power purchase agreement with CalEnergy LLC for the purchase of 30 MW per year of renewable energy from its Salton Sea geothermal facilities. As of July 1, 2017, SMUD began receiving up to 10 MW from the CalEnergy portfolio, which escalated to the full 30 MWs on May 1, 2020.

Rancho Seco Solar. In October 2015, SMUD entered into a 20-year power purchase agreement with Rancho Seco Solar LLC for the purchase of energy from a 10.88 MW solar PV project sited on SMUD's property at the closed Rancho Seco Nuclear Generating Station. Commercial operation was achieved in August of 2016. Rancho Seco Solar LLC leases the property from SMUD under a land lease agreement. The output of this project directly serves two large commercial customers that executed agreements with SMUD for retail supply of solar power.

In May 2019, SMUD entered into a 30-year power purchase agreement for an additional 160 MW solar PV project with Rancho Seco Solar II, LLC. The project is located on SMUD-owned property at the closed Rancho Seco Nuclear Generating Station, adjacent to the existing 10.88 MW solar PV project. Construction began in 2019, and the project became commercially operable in February 2021.

Grady Wind Energy. In October 2015, SMUD entered into a 25-year power purchase agreement with Grady Wind Energy LLC ("Grady") for the purchase of energy from a 200 MW wind project located in New Mexico (the "Grady Project"). The Grady Project began commercial operations on August 5, 2019. Energy from the Grady Project is delivered to CAISO. SMUD purchases 100% of the Grady Project output which includes energy, renewable energy credits, and capacity attributes.

Great Valley Solar 2, LLC. In January 2017, SMUD entered into a 20-year power purchase agreement with Great Valley Solar 2, LLC for the purchase of energy from a 60 MW solar PV project located in Fresno County, California. The project's commercial operation date was December 28, 2017.

ARP-Loyalton Cogen LLC. On September 14, 2016, Senate Bill 859 ("SB 859") was signed into law. Under SB 859, a POU must procure its proportionate share of 125 MW of renewable energy from biomass plants burning high hazard forest fuels, subject to terms of at least five years. Seven POUs (SMUD, MID, Turlock Irrigation District ("TID"), Anaheim Public Utilities, Imperial Irrigation District, Los Angeles Department of Water & Power and Riverside Public Utilities, collectively described herein as the "ARP-Loyalton POUs") jointly solicited proposals for up to 29 MW of contract capacity for renewable energy to meet the requirements of SB 859. In January 2018, SMUD entered into a five-year power

purchase agreement with ARP-Loyalton Cogen LLC to fulfill 18 MW of the required 29 MW with SMUD's share being just over 23 percent (the "ARP-Loyalton PPA"). See "*—Roseburg Forest Product Co.*" below for a discussion of the remaining SB 859 capacity. The contract became effective on April 1, 2018. On February 18, 2020, ARP-Loyalton Cogen LLC filed for Chapter 11 bankruptcy and stopped producing and selling energy from the biomass plant. On May 7, 2020, the bankruptcy court approved the sale of the Loyalton facility to Sierra Valley Enterprises, LLC ("SVE"). SVE initially expressed interest in bringing the facility back into service; however, the bankruptcy trustee requested repeated extension of the deadline for SVE to accept or reject the ARP-Loyalton PPA. The latest deadline was April 19, 2023, the date of expiration of the ARP-Loyalton PPA term. As SVE did not resume operations before the end of the ARP-Loyalton PPA term, the ARP-Loyalton POUs have negotiated a settlement agreement with the bankruptcy trustee (the "ARP-Loyalton Settlement Agreement"). The ARP-Loyalton Settlement Agreement, which SMUD executed and is filed with the court, defines funds from the performance security that the ARP-Loyalton POUs will keep to cover legal and administrative fees, along with a contingency amount to cover potential risk of future damages. Since the ARP-Loyalton POUs entered into a five-year agreement to procure compliant biomass and provided SVE the opportunity to accept the ARP-Loyalton PPA and restart operations, the ARP-Loyalton POUs consider their statutory obligations to have been fulfilled.

Roseburg Forest Products Co. For the remaining SB 859 biomass obligation of 11 MW, SMUD and the other ARP-Loyalton POUs have entered into a five-year power purchase agreement with Roseburg Forest Products Co. SMUD's share of the contract capacity is 2.5795 MW, and the plant began operating under the contract on February 26, 2021. This power purchase agreement expired in February 2026.

Sutter Energy Center. SMUD entered into an initial two-year contract (with a third-year exercisable option) with Calpine Energy Services, L.P. ("Calpine") for the ability to schedule up to 258 MW of energy from Sutter Energy Center. The Sutter Energy Center is a natural gas-fired, combined-cycle facility located in Yuba City, California. The initial contract became effective on April 1, 2018. SMUD exercised its option to extend the contract, which expired November 1, 2020. SMUD entered into a new contract with Calpine for the same 258 MW of energy that became effective January 1, 2021, and had an original expiration date of January 1, 2024. In December 2023, SMUD extended this contract through December 31, 2026.

Drew Solar, LLC. In June 2018, SMUD entered into a 30-year power purchase agreement with Drew Solar, LLC for the purchase of energy from a 100 MW solar PV project located in Imperial County, California. The project's scheduled commercial operation date was set to be December 31, 2021. The commercial operation date was delayed due to Force Majeure claims surrounding the COVID pandemic and supply chain constraints caused by changes in Federal regulatory requirements. The project began commercially operating on November 3, 2022.

Wildflower Solar. In October 2018, SMUD entered into a 25-year power purchase agreement with Wildflower Solar I, LLC, for the purchase of energy, capacity, and RECs from a 13 MW solar PV project located in Rio Linda, California. The project began commercially operating on December 18, 2020.

Coyote Creek (Formerly Sacramento Valley Energy Center, LLC.) In August 2021, SMUD entered into a 30-year power purchase agreement with Sacramento Valley Energy Center, LLC for the purchase of energy from a 200 MW solar PV and 100 MW four-hour Battery Energy Storage System ("BESS") capacity project located in Sacramento County, California. The project's commercial operation date was originally expected to be December 31, 2023, but has been delayed to 2028 due to ongoing development and permitting delays. Effective February 4, 2026, this power purchase agreement was terminated.

SloughHouse Solar, LLC. In September 2021, SMUD entered into a 30-year power purchase agreement with SloughHouse Solar, LLC for the purchase of energy from a 50 MW solar PV project located in Sacramento County, California. The project's commercial operation date was originally expected to be December 31, 2023, but the commercial operation date was delayed due to ongoing development and permitting delays. The Sloughhouse Solar Project began construction in 2024, and the project began commercially operating on July 14, 2025.

Country Acres Solar. In November 2023, SMUD entered into a 30-year power purchase agreement with Country Acres Clean Power LLC for the purchase of energy from a 344 MW solar PV project, with a 20-year term for 172 MW four-hour BESS capacity, located in Placer County, California. The project's commercial operation date is expected to be between December 2026 and April 2027. The Country Acres Project began construction in 2024.

Geysers Power Company, LLC. In March 2021, SMUD executed a 10-year power purchase agreement with Geysers Power Company, LLC for 100 MW of energy and capacity from the Geysers geothermal energy plant located in Lake and Sonoma Counties, California. SMUD started to receive deliveries on January 1, 2023. In November 2025, SMUD executed an amendment and extension of the original power purchase agreement. The amendment extends the term from December 31, 2032 to December 31, 2042. In 2028 and 2029, the original 100 MW of energy and capacity will increase to 125 MW of energy and capacity. In 2030 through the end of the agreement, the 125 MW of energy and capacity will increase to 150 MW of energy and capacity.

Grace Orchard Energy Center, LLC. In July 2024, SMUD entered into a 20-year power purchase agreement with Grace Orchard Energy Center, LLC for the purchase of 70 MW from the project located in Riverside County, California. The Grace Orchard Energy Center project is expected to begin operations in December 2027. The power purchase agreement includes energy and RECs from the project. The seller will seek CAISO Transmission Project ("TP") Deliverability for the project. If TP Deliverability is received, the agreement will also include capacity.

SunZia Wind PowerCo LLC. In December 2024, SMUD entered into a 15-year power purchase agreement with SunZia Wind PowerCo LLC for the purchase of 150 MW from the SunZia Wind Project, which is located in New Mexico and began commercial operations in May 2026. Energy from the SunZia Wind Project is delivered into the CAISO. The power purchase agreement includes energy, capacity, and RECs from the project. In September 2025, the original power purchase agreement was bifurcated into SunZia North and SunZia South. SunZia North will provide 45 MW while SunZia South will provide 105 MW.

Hatchet Ridge Wind, LLC. In December 2024, SMUD entered into a 7-year power purchase agreement with Hatchet Ridge Wind, LLC for energy, capacity, and RECs from the Hatchet Ridge Wind Project. The 101.2 MW project is located near Burney, CA and began commercial operations in 2010. The contract start date was December 14, 2025.

Sanborn 2 Solar. SMUD has entered into a contract with Sanborn 2 PV I, LLC ("S2PVI") with an effective date of October 4, 2024. The agreement provides for the purchase of RECs associated with energy generated by the 46 MW Sanborn 2 solar project located in Mojave, California. The contract term begins on the scheduled commercial operation date of January 1, 2027, and continues through December 31, 2034. Under the terms of the agreement, SMUD will receive RECs associated with bundled energy generated during the delivery period; however, S2PVI retains all revenues from energy sales, and SMUD will be obligated only to pay for the RECs. The RECs procured under this agreement are expected to contribute toward SMUD's renewable energy goals and support long-term resource planning objectives.

Dry Creek Energy Storage, LLC. In May 2025, the Board authorized the execution of an energy storage power purchase agreement with Dry Creek Energy Storage, LLC for an initial 20-year term with one optional five-year extension for the purchase of energy from a 160 MW four-hour BESS capacity, located in Sacramento County, California. The project's commercial operation date is expected to be September 30, 2027. The Dry Creek Energy Storage Project began construction in 2026.

Oveja Ranch Solar Project. In summer 2025, SMUD issued a RFO seeking qualified power purchase agreement offers for a utility scale PV with BESS project under development which will interconnect to SMUD's distribution system. The project site is located on over 500 acres of land in Sacramento County near the city of Rancho Cordova. SMUD has completed permitting and purchased interconnection equipment to support an expected commercial operation date of 2029 or later.

Transmission Service Agreements

TANC California-Oregon Transmission Project. The 340-mile COTP is one part of a three 500-kV line coordinated system known as the California-Oregon Intertie ("COI"). The COTP was allocated one-third of the 4,800 MW capability of the COI system (see related agreements below). TANC was entitled to use 1,390 MW and is obligated to pay approximately 80% of the operating costs of the COTP. SMUD is a member of TANC and a party to Project Agreement No. 3 ("PA3"), under which it was entitled to 383 MW and obligated to pay on an unconditional take-or-pay basis about 27.6% of TANC's COTP debt service and operations costs, subject to a "step-up" obligation of up to 25% of its entitlement share upon the un-remedied default of another TANC member-participant. In 2009, SMUD entered into a long-term layoff agreement with certain members that increased SMUD's entitlement by 35 MW. In 2014, SMUD entered into another long-term layoff agreement with certain other members that increased SMUD's COTP entitlements by 128 MW and amended the 2009 layoff agreement that returned 13 MW to a member. In January 2024, SMUD entered into an agreement to extend the 2009 long-term layoff agreement with certain members to January 31, 2034. On April 1, 2025, the COI was re-rated to a capacity of 5,100 MW, proportionately increasing the amount of the COTP's capacity to 1,700 MW. The amount of COTP capacity available to TANC was also proportionately increased. Including layoffs from other TANC members, SMUD's current entitlement is approximately 569 MW of TANC's transfer capability for imports, and SMUD is obligated to pay approximately 37.8% of TANC's COTP debt service and operations costs.

SMUD's payments under this contract, like SMUD's payments under its other power purchase and transmission service agreements, are treated as "Maintenance and Operation Costs" or "Energy Payments" under the resolutions securing the Senior Bonds and Subordinated Bonds (each as defined under the caption "CAPITAL REQUIREMENTS AND OUTSTANDING INDEBTEDNESS" below). SMUD relies on its COTP rights to purchase power, access contingency reserves through the Western Power Pool, and obtain renewable resources to supplement its own resources to serve its load. TANC maintains its own property/casualty insurance program. TANC's budget is about $48.8 million for 2026. SMUD's obligation of the TANC budget is about $18.5 million for 2026.

TANC Tesla-Midway Transmission Service. TANC has a long-term contract with PG&E to provide TANC with 300 MW of transmission service between PG&E's Midway Substation and the electric systems of the TANC Members (the "Tesla-Midway Service"). SMUD's share of the Tesla-Midway Service is 46 MW.

Bonneville Power Administration. In 2009, SMUD entered into a transmission service agreement with the Bonneville Power Administration ("BPA") for 60 MW of firm point-to-point transmission service from BPA's Hilltop substation in northeastern California to the Malin substation at the California-Oregon border for the purpose of transmitting power under SMUD's power purchase agreement relating to the Patua Project over BPA's 230kV transmission lines. See "POWER SUPPLY AND TRANSMISSION –

Power Purchase Agreements – *Patua Project LLC*." On January 1, 2020, SMUD's transmission rights with BPA were reduced to 19 MW. This now aligns with SMUD's Pacificorp transmission rights of 19 MW described in the immediately following paragraph.

Pacificorp. In 2009, SMUD entered into a transmission service agreement with PacifiCorp for 60 MW of firm point-to-point transmission service across PacifiCorp's high voltage step-up transformer at the Malin substation at the California-Oregon border for the purpose of transmitting power under SMUD's power purchase agreement relating to the Patua Project. As a result of the reduced obligation to take power from the Patua Project, SMUD has reduced its remaining Pacificorp transmission service from 30 MW to 19 MW.

Western Area Power Administration. SMUD does not have a direct interconnection of its power system to the COTP. To receive power deliveries that use its COTP rights, SMUD has a long-term transmission service agreement with WAPA for transmission of 342 MW of power from the COTP line (received at WAPA's Tracy or Olinda substations) to SMUD's system. In May of 2011, WAPA completed the Sacramento Voltage Support Transmission Project. Completion of this project has given SMUD an additional 165 MW of transmission service rights on WAPA's system from the COTP at the Olinda Substation to SMUD's system at the Elverta Substation.

Projected Resources

The following tables titled "Projected Requirements and Resources to Meet Load Requirements Energy Requirements and Resources" (the "Energy Table") and "Capacity Requirements and Resources Net Capacity – Megawatts" (the "Capacity Table") describe SMUD's contracted commitments and owned resources available to meet its forecasted load requirements through the year 2035. Resources are shown on an annualized basis with market purchases netted against surplus sales to arrive at a single net position for each year. Because SMUD's available resources do not exactly match its actual load requirements on an hourly basis, there are times during a year when resources available will either exceed or be insufficient to meet SMUD's needs. Expected actual capacity values are included in the tables. These values may differ from measured net demonstrated capacity values of the Local Area Gas-Fired Plants. The table below also includes the impact energy efficiency has on resource requirements as discussed below under "Demand Side Management Programs." See "BUSINESS STRATEGY" and "POWER SUPPLY AND TRANSMISSION – Power Generation Facilities – *Local Gas-Fired Plants*."

Resources listed in both the Energy Table and the Capacity Table are listed as either renewable or non-renewable. Generally, SMUD follows the CEC guidelines for eligibility requirements. Some of SMUD's renewable resources listed include solar, wind, geothermal, small hydroelectric facilities with a capacity of 30 MW or less, and biomass (representing generation from a fuel comprised of agricultural wastes and residues, landscape and tree trimmings, wood and wood waste).

As in any forecast, assumptions are made. In both the Energy Table and the Capacity Table the WAPA and UARP forecasts assume average water conditions throughout the period. On the capacity table, WAPA and Cosumnes Power Plant renewable capacity is estimated based on the ratio of renewable energy to total WAPA or Cosumnes Power Plant energy. See "POWER SUPPLY AND TRANSMISSION – Power Generation Facilities – *Hydroelectric*."

The Uncommitted Purchases (Sales) on the tables represent either anticipated future needs or surpluses. Future needs are met well in advance of delivery. They also include both renewable and non-renewable resources.

The Transmission Losses represent reductions in the amount of energy or capacity from the location it was purchased to the point of entering SMUD's electrical system. This amount reduces the Total Resources available to meet the Total Projected Energy Requirements of the electrical system.

Demand Side Management Programs

SMUD's demand-side management initiatives represent an integral element of its total resource portfolio, and are organized into four major portfolios: energy efficiency and building electrification, load flexibility, electric transportation, and green pricing programs. Energy efficiency offerings include a variety of programs and services to customers to retrofit or upgrade existing equipment and fixtures and to install new energy efficiency measures in existing and new construction facilities, while building electrification measures like heat pumps also bring more efficient summertime air conditioning. Load flexibility allows SMUD to reduce the load on the electric system by adjusting thermostats, dispatching customer batteries, cycling residential air conditioning, managing electric vehicle charging and calling upon commercial/industrial customers to curtail energy usage when energy is constrained during the summer or system emergencies. Load flexibility programs are projected to allow SMUD to shed approximately 90 MW of peak load in an emergency on a hot day, representing about 3% of SMUD's maximum system peak demand.

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PROJECTED REQUIREMENTS AND RESOURCES TO MEET LOAD REQUIREMENTS
ENERGY REQUIREMENTS AND RESOURCES (GWh)[1]

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Renewable Resources										
SMUD Owned										
UARP – Small Hydro[2]	97	90	96	95	93	93	93	93	93	93
Solano Wind	778	797	800	793	936	936	938	936	936	936
Purchases										
Western (WAPA) – Small Hydro[2]	20	18	18	18	15	15	15	15	15	15
Patua (Gradient/Vulcan) – Geothermal	146	146	147	146	146	146	147	140	0	0
Cal Energy – Geothermal	223	223	224	223	223	223	224	223	223	223
Geysers – Geothermal	876	876	1,098	1,095	1,314	1,314	1,318	1,314	1,314	1,314
Grady - Wind	897	897	899	897	934	934	936	934	934	934
Hatchet Ridge – Wind	270	270	271	270	288	288	288	264	0	0
Sunzia – Wind	395	488	489	488	473	473	475	473	473	473
Recurrent SolarShares	165	164	163	162	166	165	165	164	163	162
Rancho Seco (1&2) - Solar	350	348	347	345	344	342	341	339	337	335
Feed-in-Tariff Photovoltaic - Solar	207	206	205	204	203	202	60	0	0	0
Wildflower – Solar	31	31	30	30	31	31	31	30	30	30
Navajo - Solar	297	296	295	293	302	300	299	297	296	294
Sloughhouse – Solar	131	130	130	129	124	124	124	123	122	121
Country Acres – Solar Hybrid	0	540	659	655	761	757	755	749	745	742
Oveja Ranch - Solar	0	0	0	164	164	164	164	164	164	164
Grace Solar	0	10	206	205	201	200	199	198	197	196
Other Long-Term Contracts	97	86	87	6	6	6	6	6	6	6
Future Uncommitted Renewables	0	0	0	0	2,163	4,405	4,412	5,433	5,654	6,485
Total Renewable Resources	**4,980**	**5,617**	**6,163**	**6,218**	**8,886**	**11,118**	**10,990**	**11,895**	**11,702**	**12,524**
Carbon Free Non-Renewable Resources										
SMUD Owned										
Cosumnes–Shell Landfill Gas and Digester Gas	62	58	58	58	687	683	690	645	645	645
UARP – Large Hydro[2]	1,610	1,553	1,424	1,420	1,408	1,408	1,412	1,408	1,408	1,408
Purchases										
Western (WAPA) – Large Hydro[2]	649	581	579	577	641	641	643	641	641	641
Western (WAPA) Customers (Wheeling)[2]	39	35	35	35	20	20	20	20	20	20
Committed Purchases	0	0	0	0	0	0	0	0	0	
Future Uncommitted Carbon Free	0	0	0	0	2,342	2,337	2,342	2,306	2,306	2,306
Total Carbon Free Non-Renewable Resources	**2,360**	**2,226**	**2,096**	**2,090**	**5,098**	**5,089**	**5,107**	**5,021**	**5,021**	**5,021**
Non-Renewable Resources										
SMUD Owned										
Cosumnes Power Plant	4,344	4,014	4,069	4,031	0	0	0	0	0	0
Procter & Gamble Power Plant	669	747	585	548	0	0	0	0	0	0
Carson Power Plant	318	375	280	228	0	0	0	0	0	0
Campbell Power Plant	627	682	533	448	0	0	0	0	0	0
McClellan Power Plant	1	12	16	10	0	0	0	0	0	0
Purchases										
Calpine Sutter	1,247	1,395	1,028	798	0	0	0	0	0	0
Total Non-Renewable Resources	**7,206**	**7,225**	**6,512**	**6,065**	**0**	**0**	**0**	**0**	**0**	**0**
Total Resources	**14,545**	**15,068**	**14,771**	**14,373**	**13,984**	**16,206**	**16,097**	**16,916**	**16,723**	**17,544**
Uncommitted Purchases / (Sales)	(3,369)	(3,712)	(3,177)	(2,609)	(1,970)	(4,002)	(3,634)	(4,220)	(3,726)	(4,097)
Transmission Losses (COTP/CVP)	(17)	(11)	(1)	(1)	(16)	(16)	(16)	(16)	(13)	(13)
Battery Storage (Utility)	0	(42)	(84)	(84)	(110)	(111)	(112)	(122)	(123)	(129)
Total Projected Energy Requirements	**11,159**	**11,303**	**11,510**	**11,679**	**11,889**	**12,077**	**12,334**	**12,557**	**12,860**	**13,305**
Energy Efficiency (EE)	9	12	17	24	29	33	39	44	50	59
Customer PV	106	155	202	250	297	343	389	434	479	523
Expected Electric Vehicle (EV) Charging	(217)	(348)	(489)	(636)	(796)	(938)	(1,099)	(1,269)	(1,467)	(1,654)
Electric Building (EB)	(33)	(57)	(86)	(125)	(175)	(234)	(301)	(372)	(445)	(520)
Battery Storage (BTM)	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(5)	(6)	(7)
Total Gross Energy Requirements before EE, PV and EV Charging	**11,023**	**11,063**	**11,152**	**11,191**	**11,240**	**11,277**	**11,357**	**11,390**	**11,471**	**11,707**

[1] Totals may not sum due to rounding. Excludes a potential carbon sequestration power purchase agreement that SMUD is considering.

[2] 2026 based on current precipitation levels as of December 31, 2025. All other years assume average precipitation.

CAPACITY REQUIREMENTS AND RESOURCES
NET CAPACITY – MEGAWATTS[1]

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Load:										
Planned Peak	**3,133**	**3,134**	**3,136**	**3,135**	**3,157**	**3,169**	**3,185**	**3,204**	**3,225**	**3,248**
Transmission Losses	29	29	29	29	28	28	28	28	28	28
Dispatchable Demand Resource	(94)	(94)	(93)	(92)	(174)	(147)	(167)	(186)	(204)	(244)
Adjusted Peak	**3,068**	**3,068**	**3,072**	**3,072**	**3,011**	**3,050**	**3,045**	**3,045**	**3,049**	**3,032**
Reserve Margin	537	537	538	538	527	534	533	533	534	531
Adjusted Peak with Reserves	**3,605**	**3,605**	**3,609**	**3,609**	**3,538**	**3,583**	**3,578**	**3,578**	**3,583**	**3,563**
Renewable Resources										
SMUD Owned										
UARP – Small Hydro	45	45	45	45	45	45	45	45	45	45
Solano Wind	115	132	134	134	149	145	144	143	146	151
Purchases										
Western (WAPA) – Small Hydro	10	9	9	9	9	9	9	9	9	9
Patua (Gradient/Vulcan) – Geothermal	12	12	12	12	12	12	12	12	--	--
Cal Energy – Geothermal	26	26	26	26	30	30	30	30	30	30
Geysers – Geothermal	100	100	125	125	150	150	150	150	150	150
Grady – Wind	81	92	86	79	78	77	82	89	87	93
Hatchet Ridge - Wind	25	30	31	30	35	33	33	--	--	--
Sunzia - Wind	--	--	56	55	58	50	47	45	43	49
Recurrent Solar Shares	30	18	18	18	8	8	7	7	8	6
Rancho Seco (1&2) - Solar	60	28	161	161	160	161	161	160	161	160
Feed-in-Tariff Photovoltaic - Solar	29	11	12	11	4	3	--	--	--	--
Wildflower - Solar	3	2	1	2	1	1	1	1	1	1
Navajo - Solar	42	20	19	20	6	8	7	8	10	5
Sloughhouse - Solar	34	22	22	21	10	10	9	9	9	8
Oveja Ranch – Solar	--	--	--	55	55	55	55	55	55	55
Country Acres - Solar Hybrid	--	282	289	283	212	213	211	210	213	207
Other Long-Term Contracts	14	14	14	2	--	--	--	--	--	--
Future Uncommitted Renewables	--	--	--	--	55	235	243	399	400	407
Total Renewable Resources	**623**	**841**	**1,059**	**1,088**	**1,075**	**1,244**	**1,245**	**1,372**	**1,365**	**1,377**
Carbon Free Non-Renewable Resources										
SMUD Owned										
Cosumnes – Shell Landfill Gas and Digester Gas	--	--	--	--	576	576	576	576	576	576
Carson Power Plant[2]	--	--	--	--	103	103	103	103	103	103
Procter & Gamble Power Plant[2]	--	--	--	--	166	166	166	166	166	166
UARP - Large Hydro	656	656	656	656	640	640	640	640	640	640
Hedge - Storage	4	4	4	4	4	4	4	4	4	4
Purchases										
Western (WAPA) – Large Hydro	309	304	304	304	304	304	304	304	304	304
Western (WAPA) Customers (Wheeling)	18	18	18	18	18	18	18	18	18	18
Future Uncommitted Carbon Free	--	--	--	--	445	445	445	483	483	483
Total Carbon Free Non-Renewable Resources	**987**	**981**	**981**	**981**	**2,256**	**2,256**	**2,256**	**2,294**	**2,294**	**2,294**
Non-Renewable										
SMUD Owned										
Cosumnes Power Plant	576	576	576	576	--	--	--	--	--	--
Carson Power Plant	103	103	103	103	--	--	--	--	--	--
Procter & Gamble Power Plant	166	166	166	166	--	--	--	--	--	--
McClellan Power Plant	72	72	72	72	--	--	--	--	--	--
Campbell Power Plant	170	170	170	170	--	--	--	--	--	--
Purchases										
Calpine Sutter	258	258	258	258	--	--	--	--	--	--
Firm Contract Reserves[3]	17	17	17	17	17	17	17	17	17	17
Committed Purchases	460	60	10	10	--	--	--	--	--	--
Total Non-Renewable Resources	**1,822**	**1,422**	**1,372**	**1,372**	**17**	**17**	**17**	**17**	**17**	**17**
Total Variable Renewable Diversity Benefit/(Risk)	**55**	**183**	**200**	**209**	**375**	**383**	**402**	**400**	**397**	**429**
Uncommitted Purchases / (Sales)	118	177	--	--	--	--	--	--	--	--
Total Resources	**3,605**	**3,603**	**3,612**	**3,650**	**3,722**	**3,900**	**3,920**	**4,083**	**4,072**	**4,116**

(1) Values provided for July (SMUD's peak month). Based on information available as of December 31, 2025. Totals may not sum due to rounding. Capacity values for wind, solar, storage, and future variable renewable projects shown are based on resource ELCC modeling. Excludes a potential carbon sequestration power purchase agreement that SMUD is considering.

(2) Assumes resource is fueled with existing renewable natural gas supply. See "POWER SUPPLY AND TRANSMISSION – Fuel Supply – *Renewable Natural Gas Supply.*"

(3) SMUD assumes that for all firm system purchases, the suppliers will be planning 5% reserves.

Balancing Authority Area Agreements

Background. SMUD began operating as an independent control area, later termed a Balancing Authority, on June 18, 2002 within the WECC reliability organization's region. This reduced SMUD's exposure to the costs and reliability risks of the CAISO's markets. SMUD expanded its operational footprint beyond SMUD's service territory to include WAPA's electric system, including the MID, Roseville, and Redding service areas (on January 1, 2005) and the COTP (on December 1, 2005). As described further below, SMUD ceased to be the Balancing Authority on April 30, 2011, as BANC took SMUD's place as the Balancing Authority. SMUD remains the operator of the Balancing Authority through a contract with BANC. SMUD administers the contracts with WAPA and TANC to provide specified Balancing Authority-related and other services, and is compensated by WAPA and TANC. TANC recovers such Balancing Authority services costs as a part of its annual operating budget from the COTP Participants and WAPA recovers its Balancing Authority services costs through its rates for power and transmission service. The agreement with WAPA, among other terms, establishes operating procedures and reserve obligations between the parties and terminates on December 31, 2026. WAPA in turn has agreements with electric systems connected to it to assure that such systems also operate reliably (i.e., MID, Roseville and Redding). As a result of the transition to BANC as the Balancing Authority, SMUD assigned or terminated its interconnection and operations agreements with other interconnecting Balancing Authority areas (i.e., CAISO, BPA and TID). BANC is now the party to these agreements as they primarily address only Balancing Authority matters required for compliance with the reliability standards issued by the North American Electric Reliability Corporation ("NERC"), such as emergency assistance arrangements. See also "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Western Energy Imbalance Market."

Reliability Standards. The Energy Policy Act of 2005 gave FERC authority to enforce reliability standards for the bulk electric system. In June 2007, these standards became mandatory for SMUD and BANC.

In 2025, SMUD and BANC underwent a combined NERC/WECC audit to evaluate compliance with applicable reliability standards. These audits occur every three years. At the conclusion of the audit, regulators determined that neither entity had any compliance violations related to the Operations and Planning or Critical Infrastructure Protection Standards.

Balancing Authority of Northern California. SMUD, MID, Redding and Roseville executed a Joint Exercise of Powers Agreement (the "BANC JPA Agreement") creating BANC on May 8, 2009. BANC became operational on May 1, 2011 as a Balancing Authority and replaced SMUD as the entity responsible for Balancing Authority-related reliability standards. Since that time, the Trinity Public Utilities District and the City of Shasta Lake have also become members of BANC. As provided in the BANC member agreement, liability for penalties associated with such Balancing Authority-related reliability standards are shared on a *pro rata* basis among the members of BANC. SMUD is the Balancing Authority operator under contract and performs Balancing Authority operational functions on behalf of BANC, much as it did when it was the Balancing Authority. The BANC JPA Agreement assigns cost responsibility based on member load within the BANC Balancing Authority, with SMUD representing approximately 70% of the total load.

Western Power Pool Agreement

The Western Power Pool ("WPP") is an agreement among over 30 utilities and public agencies in the western United States to coordinate contingency reserve sharing, referred to as the WPP Reserve Sharing Program ("RSP"). The RSP permits participants to rely on one another in the event that any participant experiences a generating resource outage. While SMUD became an RSP participant in 2009,

participation is limited to Balancing Authorities, which SMUD relinquished to BANC in 2011. Under the RSP, BANC and TID (also a WPP member) share their reserve amounts and when necessary and when sufficient unused COTP rights and capacity are available, may call upon WPP reserves from the RSP member systems in the Pacific Northwest. The WPP RSP permits members to operate more efficiently by reducing the contingency reserves that they would otherwise need to have available if they could not rely on each other.

Other Interconnection Agreements

Background. SMUD's electric system was originally purchased from PG&E in 1946. SMUD's service area is mostly surrounded by PG&E's and WAPA's service areas. The SMUD and PG&E electric systems are interconnected at SMUD's Rancho Seco and Lake 230-kV substations. SMUD and WAPA are interconnected at SMUD's Hurley, Elverta, Natomas and Folsom 230-kV substations.

PG&E Interconnection Agreement. PG&E and SMUD executed a Replacement Interconnection Agreement ("RIA") which became effective on January 1, 2010. The RIA provides that SMUD and PG&E operate their interconnections reliably, plan their electric systems to meet their load requirements, and avoid or mitigate impacts they cause by certain electric system modifications. The agreement had an original termination date of December 31, 2024, which was extended through December 31, 2025 to allow PG&E to complete a settlement process with TID as described below. SMUD and other northern California utilities have similar interconnection agreements with PG&E, albeit with different expiration dates. PG&E filed a successor interconnection agreement with one of these utilities, TID, on November 1, 2023, to become effective on January 1, 2024. Many interconnection customers, including SMUD, intervened and submitted comments or protests in the FERC docket. TID and PG&E held settlement discussions, in which SMUD participated as a stakeholder, and ultimately agreed on a successor interconnection agreement that was filed at FERC for approval on April 17, 2025. PG&E used this settlement agreement as the template for the successor interconnection agreement with SMUD, which the parties negotiated to preserve the prior agreement's material terms and conditions, albeit with certain clarifications, and maintains the balance of burdens and benefits consistent with FERC's standard of requiring rates and terms of service that are just and reasonable. PG&E filed the negotiated revised interconnection agreement with FERC on October 24, 2025, proposing to extend the term of the RIA until 2040. FERC approved the filing on December 19, 2025, effective January 1, 2026.

PG&E Generator Interconnection Agreements. SMUD signed a Large Generator Interconnection Agreement ("LGIA") with CAISO and PG&E for the Solano 3 Wind Project, effective December 16, 2008, with a 50-year term. The Solano 2 Wind Project has interconnection rights granted through a LGIA, also with the CAISO and PG&E. The agreement became effective in January 2010 and has a term of 20 years. On June 3, 2021, SMUD entered into a LGIA with the CAISO and PG&E, for the Solano 4 Wind project with a 10-year term and automatic renewal for successive one-year terms thereafter. On February 27, 2023, SMUD completed a combined LGIA amendment administrative process which combines the Solano 2, 3 & 4 projects into one Solano Wind Project. The original agreement conditions for the individual projects are carried forward with a new combined project maximum production limit of 320.8 MW at the point of interconnection at the Russell Substation.

Other PG&E generator interconnection agreements include a Small Generator Interconnection Agreement with PG&E for Slab Creek with a 22-year term which became effective on January 14, 2010, and a Small Generator Interconnection Agreement with PG&E for the Chili Bar Project with a 10-year term which became effective on June 2, 2021.

WAPA Interconnection Agreement and other WAPA Agreements. SMUD and WAPA executed an interconnection agreement on May 8, 2008 for a term of 40 years which establishes the terms and

conditions under which the SMUD and WAPA transmission systems are interconnected and memorializes related understandings. SMUD is working with WAPA on a reconfiguration at the shared Elverta interconnection to increase reliability and accommodate new generation interconnection in the area. SMUD has other agreements with WAPA including for operation of the Sutter Energy Center generating facility, communication systems terms and fiber optic access, training and for use of WAPA labor and heavy equipment to assist SMUD's maintenance activities on an as-available basis.

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SELECTED OPERATING DATA

Selected operating data of SMUD for the four years ended December 31, 2022 through 2025 and for the four months ended April 30, 2026 and April 30, 2025 are presented in the following table.

SMUD SELECTED OPERATING DATA
CUSTOMERS, SALES, SOURCES OF ENERGY AND REVENUES

	Four Months Ended April 30,		Year Ended December 31,			
	2026	**2025**	**2025**	**2024**	**2023**	**2022**
Customers at End of Period:						
Residential	606,332	599,663	604,239	596,785	588,308	576,471
Commercial and industrial	70,852	70,638	70,739	70,468	70,147	69,512
Other	7,247	7,247	7,243	7,257	7,253	7,290
Total	684,431	677,548	682,221	674,510	665,708	653,273
MWh Sales:						
Residential	1,360,089	1,381,740	4,779,217	4,992,375	4,676,766	4,763,277
Commercial and industrial	1,753,860	1,738,122	5,673,709	5,676,491	5,374,936	5,805,052
Other	17,828	17,849	52,140	52,335	52,660	53,965
Total	3,131,777	3,137,711	10,505,066	10,721,201	10,104,362	10,622,294
Surplus power/out of area sales	1,334,860	1,387,125	4,286,066	4,131,264	4,143,139	2,493,651
Total	4,466,637	4,524,836	14,791,132	14,852,465	14,247,501	13,115,945
Sources of Energy Sold MWh:						
Generated by SMUD	2,103,226	2,318,624	7,046,742	7,264,859	7,270,858	4,368,126
Purchased or exchanged	2,470,565	2,294,395	8,040,547	7,943,974	7,308,120	9,162,576
Total	4,573,791	4,613,019	15,087,289	15,208,833	14,578,978	13,530,702
Less System losses and SMUD usage	107,154	88,183	296,157	356,368	331,477	414,757
Total	4,466,637	4,524,836	14,791,132	14,852,465	14,247,501	13,115,945
Gross System peak demand (kW)[(1)]	1,764,000	1,606,000	2,797,000	3,147,000	3,059,000	3,263,000
Average kWh sales per residential customer[(2)]	2,245	2,309	7,948	8,425	8,018	8,293
Average Revenue per kWh Sold:						
Residential[(2)] (cents)	17.38	16.23	18.91	17.86	16.87	16.73
Commercial & industrial[(2)] (cents)	15.46	14.74	16.33	15.53	15.00	13.97

(1) Peak system MW values are measured at the four SMUD interconnection points and exclude SMUD's generation losses. Historical values include the impacts of dispatchable, non-dispatchable, and energy efficiency program capacity savings.

(2) The average kWh sales per residential customer and the average revenue per kWh sold are calculated based upon billed and unbilled sales.

Source: SMUD

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SELECTED FINANCIAL DATA

Financial Information of SMUD and its Component Units

The following table presents selected financial data of SMUD and its component units. Under generally accepted accounting principles, data with respect to SMUD's component units, such as NCGA and NCEA, is included with that of SMUD. The following table presents data for SMUD and its component units. However, only SMUD is obligated to make payments with respect to the Senior Bonds and the Subordinated Bonds (each as defined herein). SMUD's component units are not obligated to make payments with respect to the Senior Bonds or the Subordinated Bonds and none of the revenues or other assets of SMUD's component units are available to make payments with respect to the Senior Bonds or the Subordinated Bonds. In aggregate, SMUD's component units represented approximately 1.4% of operating revenues and 9.2% of total assets for the year ended December 31, 2025. See Note 6 (Component Units) to SMUD's audited financial statements.

SMUD's audited financial statements for the years ended December 31, 2025 and December 31, 2024 are included in APPENDIX B attached to this Official Statement. The following summary financial data for SMUD (including its component units) for the years ended December 31, 2022 through December 31, 2025 have been derived from SMUD's audited financial statements for the years ended December 31, 2022 through 2025. The selected financial data for the periods ended April 30, 2026 and April 30, 2025 are derived from SMUD's unaudited financial records, which have been prepared on the same basis as SMUD's audited financial statements for the years ended December 31, 2022 through December 31, 2025. The selected unaudited financial data for the period ended April 30, 2026 are not necessarily indicative of the financial data to be expected for the entire year ending December 31, 2026.

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SUMMARY OF FINANCIAL INFORMATION FOR SMUD AND ITS COMPONENT UNITS[1]
(thousands of dollars)

	Four Months Ended April 30,		Year Ended December 31,			
	2026	**2025**	**2025**	**2024**	**2023**	**2022**
Summary of Income						
Operating Revenues[2]	$ 597,535	$ 567,376	$ 2,120,746	$1,962,101	$1,930,664	$2,147,334
Operating Expenses	(550,839)	(516,565)	(1,798,901)	(1,803,958)	(1,748,368)	(2,065,254)
Operating Income (Loss)	46,696	50,811	321,845	158,143	182,296	82,080
Interest and Other Income (Expense)	23,226	28,097	140,449	169,094	136,217	89,820
Interest Expense	(34,266)	(32,913)	(99,873)	(101,816)	(98,791)	(101,184)
Change in Net Position	$ 35,656	$ 45,995	$ 362,421	$ 225,421	$ 219,722	$ 70,716
Selected Statement of Net Position Information						
Net Plant in Service	$4,014,201	$3,976,133	$4,034,128	$4,048,848	$3,653,965	$3,680,736
Construction Work in Progress	874,160	595,139	775,338	527,739	590,659	347,758
Electric Utility Plant – Net	$4,888,361	$4,571,272	$4,809,466	$4,576,587	$4,244,624	$4,028,494
Unrestricted Cash	$357,027	$348,430	$ 701,169	$ 547,131	$ 570,615	$ 627,864
Rate Stabilization Fund	$346,082	$339,235	$ 350,173	$ 345,389	$ 212,131	$ 156,016
Total Assets	$8,681,275	$8,271,380	$8,641,167	$8,120,833	$7,320,723	$7,217,304
Net Position	$3,210,197	$2,858,114	$3,174,541	$2,812,120	$2,586,699	$2,366,977
Long-Term Debt[3]	$3,359,125	$3,373,954	$3,373,276	$3,389,324	$3,058,621	$3,024,039
Debt Service Coverage Ratios[4]						
Parity Debt Service Coverage Ratio	N/A	N/A	4.28x	3.32x	2.58x	1.86x
Parity and Subordinate Debt Service Coverage Ratio	N/A	N/A	3.96x	3.09x	2.44x	1.78x

(1) Financial information for SMUD and its component units, such as NCGA and NCEA, include intercompany balances. The financial information reflects balances after the elimination of intercompany accounts. Effective October 1, 2025, an agreement between SMUD and the Sacramento Municipal Utility District Financing Authority transferred the operation and ownership of the Local Gas-Fired Plants to SMUD for operational and administrative efficiencies.

(2) Operating Revenues reflect net transfers to (from) the Rate Stabilization Fund as follows:

2026 ($4.1) million through April 30, 2026
2025 ($0.2) million
2024 $133.3 million
2023 $56.1 million
2022 ($33.0) million

Transfers to the Rate Stabilization Fund reduce operating revenues in the year transferred; transfers from the Rate Stabilization Fund increase operating revenues. Transfers from the HGA balancing account in the Rate Stabilization Fund are automatic based on the amount of precipitation received. See "RATES AND CUSTOMER BASE – Rates and Charges" above.

(3) Long-Term Debt includes Long-Term Debt due within one year and unamortized premiums.

(4) Unaudited. Calculated based on SMUD financial data only (excluding SMUD's component units).

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Management's Discussion of SMUD's Operating Results

Four Months Ended April 30, 2026 (Unaudited). For the four months ended April 30, 2026, SMUD reported increase in net position of $35.7 million as compared to an increase of $46.0 million for the four months ended April 30, 2025.

Operating revenues were $30.2 million higher than 2025. This was primarily due to higher sales to customers ($25.1 million), other electric revenue ($12.1 million) and sales of surplus gas ($7.0 million), offset by lower sales of surplus power ($9.3 million) and transfers from the rate stabilization fund ($5.1 million).

Operating expenses were $34.3 million higher than 2025. This was primarily due to higher purchased power expenses ($10.8 million), production operating expenses ($10.7), customer service and information ($9.2 million), administrative and general ($8.1 million) and amortization of regulatory assets ($3.3 million), offset partially by lower maintenance expenses for production, transmission and distribution ($5.4 million) and public good expenses ($3.4 million).

Non-Operating income decreased by $4.9 million primarily due to lower other income ($5.8 million), higher unrealized losses ($3.1 million), offset by higher interest and investment income ($3.4 million).

Interest expense increased $1.4 million from 2025.

Year Ended December 31, 2025. For the year ended December 31, 2025, SMUD reported an increase in net position of $362.4 million as compared to an increase of $225.4 million for 2024.

Operating revenues were $158.6 million higher than 2024. This was primarily due to higher sales to customers ($57.9 million), and lower transfers to the rate stabilization fund ($141.0 million), partially offset by lower sales of surplus power ($13.3 million), lower AB 32 revenue ($12.8 million) and lower sales of surplus gas ($9.1 million).

Operating expenses were $5.1 million lower than 2024. This was primarily due to lower production operating expenses ($36.3 million) and purchased power ($2.6 million), offset by higher depreciation and amortization ($13.5 million), customer service and information ($12.3 million), and transmission and distribution operating expenses ($6.6 million).

Non-Operating income decreased by $28.6 million primarily due to lower other income ($43.6 million), partially offset by higher contributions in aid of construction (CIAC) revenue ($6.7 million), higher interest and investment income ($5.4 million), and gain on extinguishment of debt ($2.9 million).

Interest expense decreased $1.9 million from 2024.

Year Ended December 31, 2024. For the year ended December 31, 2024, SMUD reported an increase in net position of $225.4 million as compared to an increase of $219.7 million for 2023.

Operating revenues were $31.4 million higher than 2023. This was primarily due to higher sales to customers ($178.3 million), AB 32 revenue ($8.8 million), LCFS revenue ($2.0 million), higher transmission and JPA operations revenues ($1.6 million) and customer fees ($1.6 million), partially offset by higher transfers to the rate stabilization fund ($79.0 million), lower sales of surplus power ($58.8 million), and lower sales of surplus gas ($20.6 million).

Operating expenses were $55.6 million higher than 2023. This was primarily due to higher administrative and general expenses ($68.2 million), public good expenses ($9.4 million), customer service and information ($8.9 million), depreciation and amortization of regulatory assets ($11.3 million), production operating expenses ($3.3 million) and transmission and distribution operating expenses ($3.2 million), partially offset by lower purchased power expenses ($42.4 million) and lower production, transmission, and distribution maintenance expenses ($8.1 million).

Non-Operating income increased by $32.9 million primarily due to higher other income ($23.3 million) due to a business interruption insurance recovery payment related to the Cosumnes Power Plant outage claim and certain settlement payments, higher interest and investment income ($13.4 million), partially offset by lower unrealized losses ($4.6 million).

Interest expense increased $3.0 million from 2023.

Regulatory Assets. In accordance with Governmental Accounting Standards Board ("GASB") No. 62, "Regulated Operations," SMUD defers, as regulatory assets, certain types of expenditures. These assets are amortized and collected through future rates.

As of December 31, 2025, SMUD had a total of $1,095.1 million recorded for regulatory assets. Regulatory assets associated with costs related to implementation of GASB No. 68 which requires SMUD to record a net pension liability was $289.5 million and deferred outflows related to GASB No. 68 was $363.8 million at December 31, 2025. Regulatory assets associated with costs related to implementation of GASB No. 75 which requires SMUD to record a net Other Post Employment Benefit (OPEB) liability was $242.7 million and deferred outflows related to GASB No. 75 was $79.0 million at December 31, 2025. Regulatory assets associated with Rancho Seco decommissioning costs totaled $118.5 million at December 31, 2025. Nuclear fuel storage costs and non-radiological decommissioning costs have been collected in rates since 2009. For a complete description of these regulatory assets, see Note 8 (Regulatory Deferrals) to SMUD's financial statements.

The Board has authorized the deferral of any charges or credits that result from the change in valuation of ineffective hedges that should be reported as Investment Revenue/Expense on the Statements of Revenues, Expenses and changes in net position. The Board's resolution establishes that such charges or credits are not included in rates based on market value changes but are included in rates when the underlying transactions occur. Therefore, under GASB No. 62, "Regulated Operations," any such changes are included in the Statement of Net Position as regulatory assets or liabilities. For a complete description of these derivative financial instruments, see Note 9 (Derivative Financial Instruments) to SMUD's financial statements.

RANCHO SECO DECOMMISSIONING

Overview. The 913 MW Rancho Seco Nuclear Power Plant ("Rancho Seco") began Nuclear Regulatory Commission ("NRC") licensed operations in 1974. In June 1989, the electorate of SMUD voted against allowing SMUD to continue to operate Rancho Seco as a nuclear generating facility, and the plant was shut down. In 1991, SMUD submitted a report (the "Financial Assurance Plan") providing required financial assurance to the NRC that SMUD will have sufficient funds available to pay for the cost of decommissioning. On March 17, 1992, the NRC granted SMUD a change from an operating to a possession-only license for Rancho Seco that relieved SMUD from compliance with a number of NRC regulations applicable to operating nuclear power plants. SMUD also filed a proposed decommissioning plan with the NRC (the "Decommissioning Plan"), which was approved in March 1995.

After the decommissioning efforts began, no suitable disposal option was available to SMUD for the Class B and Class C low level radioactive waste generated during the plant decommissioning. With the used nuclear fuel stored onsite requiring oversight staff, SMUD opted to store the Class B and Class C radioactive waste in an existing interim onsite storage building until a suitable disposal option was available. In November 2007, the possession-only license for Rancho Seco was amended to update the Decommissioning Plan to terminate the possession-only license for the Class B and Class C waste in two phases. Phase I of the decommissioning was completed at the end of 2008. Following verification of the site conditions, SMUD submitted a request to the NRC to reduce the licensed facility from 2,480 acres to the interim onsite storage building and about one acre surrounding it. The request was approved by the NRC in September 2009. Phase II of decommissioning included the approximately two-acre interim storage building containing the Class B and Class C radioactive waste and surrounding area. In September 2013, SMUD entered into a contract with the operator of the low-level radioactive waste disposal facility located in Andrews, Texas. Shipment of the Class B and Class C radioactive waste for disposal was completed in November 2014. SMUD conducted additional clean-up activities and radiological surveys, which were followed by NRC confirmatory surveys. The results of these surveys demonstrated unit dose criteria well below NRC release criteria, and the NRC approved the Phase II area for unrestricted use. On September 21, 2017, SMUD formally requested the termination of the possession-only license. On August 31, 2018, the NRC officially terminated SMUD's possession-only license for the remaining Class B and Class C waste at Rancho Seco.

As part of the Decommissioning Plan, the nuclear fuel and Greater Than Class C ("GTCC") radioactive waste is being stored in a dry storage facility (the Independent Spent Fuel Storage Installation or "ISFSI") constructed by SMUD, adjacent to the former reactor facility. The NRC has separately licensed this facility. The United States Department of Energy (the "DOE"), under the Nuclear Waste Policy Act of 1982, is responsible for permanent disposal of used nuclear fuel and GTCC radioactive waste. SMUD has a contract with the DOE for the removal and disposal of this waste. The DOE was to have a waste repository operating by 1998, but has experienced significant and ongoing delays. The Nuclear Waste Policy Act designates Yucca Mountain in Nevada as the final and exclusive repository for the nation's used nuclear fuel. The DOE discontinued the Yucca Mountain license review activities in 2010, but after a court ordered the NRC to resume its review in 2013, the NRC published its final safety evaluation report in 2015. The final safety report, and the final environmental impact statement, concluded that the proposed repository would be safe and environmentally sound for one million years.

Nevertheless, seeking alternatives to Yucca Mountain, the Blue-Ribbon Commission on America's Nuclear Future delivered its final report in January 2012 with several recommendations. The DOE responded to the recommendations by issuing a report in January 2013 (Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste). Key to both documents is a focus on used fuel from decommissioned sites including Rancho Seco. The DOE report accepts most of the Blue-Ribbon Commission recommendations, and contains timelines for fuel management options which proposed removing the fuel from Rancho Seco as early as 2021. However, any progress on the strategies proposed by the DOE is dependent on legislative action by Congress. With no legislative action taken to date, the 2021 projected date for fuel removal slips year-for-year. Therefore, SMUD cannot determine at this time when the DOE will fulfill its contractual obligations to remove the nuclear fuel and GTCC waste from the Rancho Seco facility. In the meantime, SMUD continues to incur costs of approximately $6 to $7 million per year for storage of used nuclear fuel at the ISFSI. Historically, SMUD filed a series of successful lawsuits against the federal government for recovery of past spent fuel costs. In the past decade, SMUD has executed and extended a settlement agreement with the federal government, pursuant to which SMUD is reimbursed for most spent fuel costs without having to litigate its claims. SMUD last recovered over $5 million through the settlement process in 2025 for expenses incurred in 2023. SMUD plans to continue pursuing cost recovery claims through the settlement agreement, or, upon expiration of the

agreement, through litigation, to ensure it is reimbursed for its costs in the future. The ISFSI will be decommissioned, and its license terminated after the fuel and GTCC is ultimately removed.

Financial Assurance Plan. In accordance with the Financial Assurance Plan, SMUD established and funded an external decommissioning trust fund currently held by Computershare Corporate Trust (the "Decommissioning Trust Fund"). Pursuant to the Financial Assurance Plan, SMUD made the final deposit into the Decommissioning Trust Fund in 2008. Additional deposits are not expected but will be made if increased cost estimates or reduced fund interest earnings require it. In 2011, the NRC began requiring that SMUD demonstrate financial assurance for decommissioning the ISFSI as well as the former power facility, increasing the overall cost for decommissioning Rancho Seco. The estimated total cost for decommissioning the ISFSI was approximately $9.1 million on December 31, 2025. The decommissioning cost estimate is required to be updated every three years. As of December 31, 2025, the balance of the Decommissioning Trust Fund was $10.3 million, excluding unrealized gains and losses. Based on the current decommissioning cost estimate and the value of the fund, SMUD's existing Decommissioning Trust Fund provides sufficient funds to complete decommissioning and terminate the ISFSI license.

In addition to these costs, SMUD also estimates that it would cost approximately $13.1 million to restore the site to make it available for other SMUD uses with some major structures remaining intact. Site restoration is not a legal requirement. No site restoration is currently underway.

EMPLOYEE RELATIONS

SMUD has approximately 2,469 employees, most of whom are covered by a civil service system. SMUD is a contracting member of the California Public Employees' Retirement System ("PERS"). Approximately 50% of SMUD's work-force is represented as to wages, hours and other terms and conditions of employment, by one of three recognized employee organizations, the International Brotherhood of Electrical Workers ("IBEW") Local 1245, the Organization of SMUD Employees ("OSE"), and the SMUD Public Safety Officers' Association ("PSOA"). The remaining approximately 50% of SMUD's work-force, which includes managers, professional, administrative, supervisory, and confidential, is unrepresented.

SMUD negotiated a four-year Memoranda of Understanding ("MOU") with OSE, effective January 1, 2026, through December 31, 2029, and a three-year MOU with IBEW, effective January 1, 2026, through December 31, 2028. Both contracts contain a no-strike/no-lockout clause effective during the life of the agreements. SMUD has a MOU with PSOA effective through December 31, 2026. SMUD has experienced only one labor interruption, which occurred in January 1980 that lasted four days.

RETIREMENT BENEFITS AND POST-EMPLOYMENT MEDICAL BENEFITS

Pension Plans

SMUD participates in PERS, an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and SMUD policies. The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon employees' years of credited service, age, and final compensation.

As of June 30, 2024, the last actuarial valuation date for SMUD's plan within PERS, the market value of the SMUD plan assets was $2.6 billion. The plan is 86.7% funded on a market value of assets basis, an increase of 1.3% compared to the June 30, 2023 funded status based on the market value of assets.

As an employer, SMUD is required to contribute a percentage of payroll each year to PERS to fund SMUD's plan based on actuarial valuations performed by PERS. PERS collects the normal cost based on a percentage of payroll and the unfunded liability portion is based on a dollar amount. SMUD also makes partial contributions required of SMUD employees on their behalf and for their account. At the PERS fiscal year ended June 30, 2025, SMUD's required employer contribution rate for normal cost was 9.5% of payroll and the unfunded liability contribution was $10.7 million. During 2025, SMUD contributed $33.1 million to PERS (including SMUD's contributions to cover required employee contributions), and SMUD employees paid $21.1 million for their share of the PERS contribution.

For the fiscal years ending June 30, 2026 and June 30, 2027, SMUD is required to contribute 9.3% and 9.1% of payroll for normal costs and $24.8 million and $31.9 million for the unfunded liability contribution, respectively. Assuming no amendments to the plan and no liability gains or losses (which can have a significant impact), PERS has projected that SMUD will be required to contribute 9.0% of payroll to the plan for normal costs and $35.3 million for the unfunded liability for the fiscal year ending June 30, 2028, not including SMUD contributions to cover required employee contributions. The amount SMUD is required to contribute to PERS is expected to increase in the future. The actual amount of such increases will depend on a variety of factors, including but not limited to investment returns, actuarial methods and assumptions, experience and retirement benefit adjustments.

SMUD has the option to prepay an annual lump sum payment to PERS for the unfunded accrued liability portion only (not including SMUD contributions to cover required employee contributions). SMUD made an annual lump sum prepayment of $10.3 million, and voluntarily made an additional payment of $26.1 million toward the unfunded accrued liability for the fiscal year ended June 30, 2025. SMUD made an annual lump sum prepayment of $24.0 million and, to date, has not voluntarily made additional payments towards the unfunded accrued liability for the fiscal year ending June 30, 2026.

While SMUD has some ability to adjust the retirement benefits provided to its employees, PERS determines the actuarial methods and assumptions used with respect to assets administered by PERS (including the SMUD plan assets) and makes the investment decisions with respect to such assets. For a description of such actuarial methods and assumptions (including the smoothing conventions used by PERS when setting employer contribution rates) and investments, see the comprehensive annual financial report of PERS (SMUD's plan is part of the Public Employees' Retirement Fund of PERS) available on its website at www.calpers.ca.gov. SMUD cannot guarantee the accuracy of such information and neither the comprehensive annual financial report of PERS nor any other information contained on the PERS website is incorporated by reference in or part of this Official Statement. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

GASB issued statement No. 68 "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" ("GASB No. 68"). The primary objective of GASB No. 68 is to improve accounting and financial reporting by state and local governments for pensions. Under GASB No. 68, SMUD is required to report the net pension asset or net pension liability (i.e., the difference between the total pension liability and the pension plan's net position or market value of assets) in its Statement of Net Position. This standard requires shorter amortization periods for recognition of non-investment gains and losses and actuarial assumption changes, as well as for recognition of investment gains and losses. SMUD has elected to use regulatory accounting, which allows amortization of these gains, losses, and

assumption changes over periods longer than those required by GASB No. 68 (see Regulatory Assets). GASB No. 68 separates financial reporting from funding requirements for pension plans. The net pension liability as of December 31, 2025 and December 31, 2024 is $209.7 million and $308.4 million, respectively.

SMUD provides its employees with two cash deferred compensation plans: one pursuant to Internal Revenue Code ("IRC") Section 401(k) (the "401(k) Plan") and one pursuant to IRC Section 457 (the "457 Plan" and collectively, the "Plans"). The Plans are contributory plans in which SMUD's employees contribute the funds. Each of SMUD's eligible full-time or permanent part-time employees may participate in either or both Plans, and amounts contributed by employees are vested immediately. Such funds are held by a trustee in trust for the employees upon retirement from SMUD service and, accordingly, are not subject to the general claims of SMUD's creditors. SMUD makes annual contributions to the 401(k) Plan on behalf of certain employees pursuant to a memorandum of understanding with both of its collective bargaining units. SMUD matches non-represented employee contributions to the 401(k) Plan up to a set amount. SMUD also makes limited discretionary contributions to non-represented employees hired after January 1, 2013, which contributions fully vest after five years. Prior to 2022, SMUD did not match employee contributions, nor make contributions on behalf of its employees to the 457 Plan. Beginning in 2022, SMUD makes annual contributions to the 457 Plan on behalf of certain employees and matches employee contributions up to a set amount pursuant to a memorandum of understanding with one of its collective bargaining units. SMUD made contributions to both Plans of $8.1 million in 2025 and $7.5 million in 2024. Participating employees made contributions into both Plans totaling $38.5 million in 2025 and $36.0 million in 2024.

Other Post-Employment Benefits

SMUD provides post-employment healthcare benefits, in accordance with SMUD policy and negotiated agreements with employee representation groups in a single employer defined benefit plan, to all employees who retire from SMUD, and their dependents. SMUD also provides post-employment healthcare benefits to covered employees who are eligible for disability retirement. SMUD contributes the full cost of coverage for retirees hired before January 1, 1991, and a portion of the cost based on credited years of service for retirees hired after January 1, 1991. SMUD also contributes a portion of the costs of coverage for these retirees' dependents. Retirees are required to contribute the portion that is not paid by SMUD. The benefits, benefit levels, retiree contributions and employer contributions are governed by SMUD and can be amended by SMUD through its personnel manual and union contracts.

SMUD's post-employment health care benefits are funded through the PERS California Employers' Retiree Benefit Trust ("CERBT"), an agent multiple-employer plan. The funding of a plan occurs when the following events take place: the employer makes payments of benefits directly to or on behalf of a retiree or beneficiary; the employer makes premium payments to an insurer; or the employer irrevocably transfers assets to a trust or other third party acting in the role of trustee, where the plan assets are dedicated to the sole purpose of the payments of the plan benefits, and creditors of the government do not have access to those assets.

SMUD has elected to contribute the normal costs to the CERBT but annually receive reimbursement for cash benefit payments from the CERBT. In 2026, SMUD's contribution for the normal costs to CERBT is $9.6 million. In 2025 and 2024, SMUD made contributions to the CERBT for normal costs in the amount of $8.8 million and $8.5 million, respectively. SMUD can elect to make additional contributions to the trust. During 2025 and 2024, SMUD made healthcare benefit contributions by paying actual medical costs of $25.1 million and $25.3 million, respectively. During 2025 and 2024, SMUD received $25.3 million and $24.1 million, respectively, in reimbursement for cash benefit payments from the CERBT.

At June 30, 2025 and 2024, SMUD estimated that the actuarially determined accumulated post-employment benefit obligation was approximately $479.4 million and $431.7 million, respectively. At June 30, 2025 and 2024, the plan was 87.8% and 90.7% funded, respectively.

SMUD's actuary uses PERS economic and other assumptions as the basis for the calculation of the post-employment benefit obligation. The actual accumulated post-employment benefit obligation will vary substantially if such PERS assumptions, such as interest rate and life expectancy, among others, prove to be inaccurate or different than SMUD's actual experience. Although SMUD believes that such assumptions and estimates are reasonable, no assurance can be given that any such assumptions will prove to be accurate, or that SMUD's actual accumulated post-employment benefit obligation will not materially exceed its estimates. Additional information is available in Note 15 (Other Postemployment Benefits) and "Required Supplementary Information" to SMUD's consolidated financial statements.

GASB previously issued SGAS No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". The primary objective of GASB No. 75 is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). Under GASB No. 75, SMUD is required to report the net OPEB asset or net OPEB liability (i.e., the difference between the total OPEB liability and the OPEB plan's net position or market value of assets) in its Statement of Net Position. This standard requires shorter amortization periods for recognition of non-investment gains and losses and actuarial assumption changes, as well as for recognition of investment gains and losses. SMUD has elected to use regulatory accounting, which allows amortization of these gains, losses, and assumption changes over periods longer than those required by GASB No. 75 (see Regulatory Assets). The net OPEB liability as of December 31, 2025 and December 31, 2024 is $48.5 million and $34.1 million, respectively.

CAPITAL REQUIREMENTS AND OUTSTANDING INDEBTEDNESS

Estimated Capital Requirements

SMUD has a projected capital requirement of approximately $3.0 billion for the period 2026 through 2030 as shown in the table below. Approximately 60% of this requirement is anticipated to be funded with internally generated funds and cash on hand.

Special projects include costs relating to construction of large substations and a replacement operations control building.

ESTIMATED CAPITAL REQUIREMENTS
(Dollars in Thousands)

	Service Area and Other System Improvements Including Distribution System	Improvements to Existing Generation Plant	General Plant	Special Projects	Total Capital Requirements
2026	$205,706	$119,019	$153,814	$191,883	$670,422
2027	267,566	100,703	118,191	113,797	600,257
2028	264,430	113,235	113,774	110,266	601,705
2029	264,430	113,235	116,270	110,266	604,201
2030	264,430	113,235	120,939	110,266	608,870

Outstanding Indebtedness

General. SMUD typically finances its capital requirements through the sale of revenue bonds, the sale of commercial paper, from draws on its Revolving Credit Facilities (as defined below) and from internally generated funds and cash on hand.

SMUD's Electric Revenue Bonds (the "Senior Bonds") are issued pursuant to Resolution No. 6649 (the "Senior Resolution") adopted in 1971, as amended and supplemented (the "Senior Resolution"). As of May 31, 2026, SMUD had Senior Bonds in the aggregate principal amount of $1,908,940,000 outstanding. The Senior Bonds are payable solely from the Net Revenues of SMUD's Electric System. The Senior Bonds are subordinate in right of payment to the prior payment of "Maintenance and Operation Costs" and "Energy Payments" as defined in the Senior Resolution, including payments by SMUD to TANC under PA3 and payments by SMUD to NCGA and NCEA under their respective gas supply contracts.

SMUD's Subordinated Electric Revenue Bonds (the "Subordinated Bonds") are issued pursuant to Resolution No. 85-11-1 of SMUD, adopted on November 7, 1985, as amended and supplemented (the "Subordinate Resolution"). As of May 31, 2026, SMUD had Subordinated Bonds in the aggregate principal amount of $432,020,000 outstanding. The Subordinated Bonds are payable solely from the Net Subordinated Revenues of SMUD's Electric System. The Subordinated Bonds are subordinate in right of payment to the prior payment of principal of and interest on the Senior Bonds.

SMUD issues commercial paper notes (the "Notes") from time to time. As of May 31, 2026, $50 million in aggregate principal amount of the Notes were outstanding. SMUD issued an additional $50 million of Notes in June 2026. Currently, Notes in the aggregate principal amount of $400,000,000 may be outstanding at any one time, but SMUD reserves the right to increase or decrease the aggregate principal amount of the Notes that may be outstanding at any one time in the future. The Notes are secured by letters of credit issued by commercial banks. The Notes (and SMUD's obligations to repay drawings under the letters of credit) are payable solely from available revenues of SMUD's Electric System and are subordinate in right of payment to the prior payment of principal of, premium if any, and interest on the Senior Bonds and the Subordinated Bonds. Drawings under the letters of credit, to the extent not repaid immediately from the proceeds of commercial paper or other available SMUD funds, are repayable with interest over a period of five years. The letters of credit currently expire in March of 2027 and September 2028. SMUD expects to pay all $100 million principal amount of the Notes outstanding as of the date of delivery of the 2026 Series P Bonds and 2026 Subordinated Bonds (each as defined in the forepart of this Official Statement) with proceeds of the 2026 Subordinated Bonds. See "PLAN OF FINANCE" in the forepart of this Official Statement.

SMUD has also entered into two revolving credit agreements with commercial banks and issued its taxable and tax-exempt revolving notes thereunder (collectively, the "Revolving Credit Facilities"). As of May 31, 2026, no principal amount was outstanding under the Revolving Credit Facilities. Currently, the aggregate principal amount that can be outstanding under the Revolving Credit Facilities at any one time is limited to $150,000,000. However, SMUD reserves the right to increase or decrease the aggregate principal amount that can be outstanding at any one time under the Revolving Credit Facilities in the future. SMUD also has the option to have letters of credit issued under the Revolving Credit Facilities. The amount available to be drawn by SMUD under the Revolving Credit Facilities is reduced by the stated amount of the letters of credit issued and outstanding under the Revolving Credit Facilities. SMUD currently has plans to have a letter of credit issued under one of the Revolving Credit Facilities in the stated amount of approximately $5 million. SMUD's payment obligations under the Revolving Credit Facilities are payable solely from available revenues of SMUD's Electric System and are subordinate in right of payment to the prior payment of principal of, premium if any, and interest on the Senior Bonds and the

Subordinated Bonds. The current terms of the Revolving Credit Facilities expire in March 2029 and April 2029.

Joint Powers Authorities. SMUD and Sacramento Municipal Utility District Financing Authority formed NCGA as a joint powers authority. NCGA is treated as a component unit of SMUD for accounting purposes. NCGA issued $757,055,000 in bonds in May 2007 for the purpose of paying Morgan Stanley Capital Group in advance for natural gas to be delivered to NCGA and then sold to SMUD pursuant to a long-term purchase contract. SMUD's obligation under the purchase contract is limited to payment for gas supplies delivered by NCGA. SMUD's payments under the purchase contract are payable from revenues of SMUD's Electric System prior to the payment of principal and interest on the Senior Bonds and the Subordinated Bonds as either "Maintenance and Operation Costs" or "Energy Payments" under the Senior Resolution and the Subordinate Resolution. SMUD is not obligated to make any payments in respect of debt service on the NCGA bonds. As of May 31, 2026, related bonds in the aggregate principal amount of $66,245,000 remain outstanding.

SMUD and Sacramento Municipal Utility District Financing Authority formed NCEA as a joint powers authority. NCEA is treated as a component unit of SMUD for accounting purposes. NCEA issued $689,700,000 in bonds on April 5, 2024, for the purpose of (i) refunding prior bonds issued by NCEA, the proceeds of which were used to pay J. Aron & Company LLC in advance for natural gas or electricity to be delivered to NCEA and then sold to SMUD pursuant to a long-term purchase contract and (ii) to pay Aron Energy Prepay 33 LLC for additional natural gas or electricity to be delivered to NCEA and then sold to SMUD pursuant to the same long-term purchase contract. SMUD's obligation under the purchase contract is limited to payment for gas or electricity supplies delivered by NCEA. SMUD's payments under the purchase contract are payable from revenues of SMUD's Electric System prior to the payment of principal and interest on the Senior Bonds and the Subordinated Bonds as either "Maintenance and Operation Costs" or "Energy Payments" under the Senior Resolution and the Subordinate Resolution. SMUD is not obligated to make any payments in respect of debt service on the NCEA bonds. As of May 31, 2026, related bonds in the aggregate principal amount of $684,245,000 remain outstanding.

Interest Rate Swap Agreements. SMUD has an interest rate swap agreement relating to currently outstanding Subordinated Bonds, as shown in the following table. For more information, see Note 9 (Derivative Financial Instruments) to SMUD's consolidated financial statements.

Effective Date	Termination Date	SMUD Pays		SMUD Receives	Notional Amount (000's)	Counterparty
07/12/2023	08/15/2041	Fixed	0.7179%	70% of 1M Fallback SOFR	132,020	Barclays Bank

The obligations of SMUD under the swap agreement are not secured by a pledge of revenues of SMUD's electric system or any other property of SMUD. SMUD does not currently have any collateral posting requirements with respect to the interest rate swap agreement, but SMUD may be required to post collateral under certain circumstances.

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Debt Service Requirements. The following table sets forth SMUD's debt service requirements with respect to SMUD's Senior Bonds and Subordinated Bonds.

DEBT SERVICE REQUIREMENTS[(1)]

Calendar Year	Senior Bonds Debt Service[(2)]	Subordinated Bonds Debt Service[(3)]	Total Debt Service
2026	$ 189,515,815	$ 16,485,966	$ 206,001,781
2027	194,793,538	22,197,772	216,991,309
2028	194,904,538	22,198,211	217,102,749
2029	166,128,900	22,197,332	188,326,232
2030	165,494,150	23,031,105	188,525,255
2031	167,773,900	20,947,772	188,721,672
2032	169,273,900	19,448,211	188,722,111
2033	170,586,900	18,138,304	188,725,204
2034	161,977,150	26,745,979	188,723,129
2035	161,689,550	27,034,983	188,724,533
2036	162,118,550	26,604,887	188,723,437
2037	128,263,800	34,179,087	162,442,887
2038	127,951,050	34,494,641	162,445,691
2039	127,635,800	34,811,628	162,447,428
2040	113,968,800	35,130,589	149,099,389
2041	100,623,550	35,764,995	136,388,545
2042	70,548,850	37,365,000	107,913,850
2043	70,339,650	37,252,850	107,592,500
2044	70,135,250	37,137,075	107,272,325
2045	69,926,700	37,021,975	106,948,675
2046	64,515,250	44,846,675	109,361,925
2047	64,516,000	44,842,400	109,358,400
2048	64,522,500	44,832,525	109,355,025
2049	64,518,750	44,830,825	109,349,575
2050	64,519,250	16,340,550	80,859,800
2051	39,127,500	33,887,275	73,014,775
2052	39,126,500	33,888,025	73,014,525
2053	39,128,250	33,885,000	73,013,250
2054	21,388,500	51,627,150	73,015,650
2055	--	31,122,175	31,122,175
2056	--	18,355,725	18,355,725
Total	$3,245,012,840	$ 966,646,685	$4,211,659,525

(1) Does not include bonds issued by NCGA, NCEA or SMUD's portion of bonds issued by TANC. Payments by SMUD which are used by NCGA, NCEA, and TANC to pay debt service on such bonds constitute either "Maintenance and Operation Costs" or "Energy Payments" under the Senior Resolution and the Subordinate Resolution.

(2) Includes debt service for the Senior Bonds anticipated to be issued as part of the plan of finance described in the forepart of this Official Statement.

(3) Includes debt service for the Subordinated Bonds anticipated to be issued as part of the plan of finance described in the forepart of this Official Statement. Based on an assumed interest rate of 3.5% per annum following (i) the initial scheduled Mandatory Purchase Date of October 15, 2030, for SMUD's Subordinated Electric Revenue Refunding Bonds, 2023 Series D, (ii) the initial scheduled Mandatory Purchase Date of October 15, 2032, for SMUD's Subordinated Electric Revenue Refunding Bonds, 2025 Series E, (iii) the initial scheduled Mandatory Purchase Date of October 15, 2031, for SMUD's Subordinated Electric Revenue Bonds, 2025 Series F, and (iv) the initial scheduled Mandatory Purchase Date of October 14, 2033, for SMUD's Subordinated Electric Revenue Bonds, 2026 Series G.

Note: Amounts may not add due to rounding.

INSURANCE

SMUD maintains a comprehensive property/casualty insurance program designed to protect against catastrophic losses that would have an adverse effect on its financial position or operational capabilities. Insurance programs are continuously reviewed and modified when construction, operational exposures, or developments in the insurance industry so warrant. Long term relationships with a variety of insurers minimize SMUD's susceptibility to the effects of market cycles.

SMUD safeguards assets with all-risk property and boiler/machinery insurance with limits of $800 million per occurrence for physical damage and business interruption combined. Various coverage sublimits and deductibles apply to losses arising from certain perils, such as business interruption, earthquake, or flood, respectively. Liability insurance is in effect to defend and indemnify SMUD against third party claims, including general, automobile and sudden and accidental pollution claims with policy limits of $175 million, and wildfire coverage with policy limits of $350 million, all of which include a variety of self-insured retentions.

Nuclear property and liability insurance policies are maintained in accordance with the NRC's requirements for decommissioned nuclear plants that maintain dry storage of spent fuel on-site. This includes $100 million in first party property damage and decontamination, $100 million for nuclear liability arising from accidents on-site, $200 million for supplier's and transporter's nuclear liability, and $300 million for nuclear worker liability. SMUD is exposed to possible retrospective assessments for nuclear property events occurring at other nuclear facilities in the United States capped at ten times SMUD's annual nuclear property premium (currently the maximum retrospective assessment is approximately $1,000,000).

Other types of insurance include non-owned aircraft liability, workers' compensation, crime, cyber security, fidelity, fiduciary liability, directors' and officers' liability, professional errors and omissions, transportation, and builder's risk for major facilities under construction.

LEGAL PROCEEDINGS

SMUD is a party to numerous actions arising out of the conduct of its business and affairs, some of which are discussed below. SMUD believes that any losses or adverse financial results it may suffer in these current actions, to the extent not covered by insurance, would not, in the aggregate, have an adverse material impact on SMUD, its business and affairs, or results of operations, financial position or liquidity.

Environmental Litigation

SMUD was one of many potentially responsible parties that had been named in a number of actions relating to environmental claims and/or complaints. SMUD has resolved these environmental claims and/or complaints and entered into settlement agreements and/or consent orders. These settlement agreements and consent orders have statutory reopener provisions which allow regulatory agencies to seek additional funds for environmental remediation under certain limited circumstances. While SMUD believes it is unlikely that any of the prior settlements or consent orders will be reopened, the possibility exists. If any of the settlements or consent orders were to be reopened, SMUD believes that the outcome will not have a material adverse impact on SMUD's financial position, liquidity, or results of operations.

Other Litigation Matters

Currently, SMUD is party to various claims, legal actions and complaints relating to its operations, including, but not limited to, property damage, personal injury, contract disputes, and employment matters.

SMUD believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity, or results of operations.

FERC Administrative Proceedings

SMUD is involved in a number of FERC administrative proceedings related to the operation of wholesale energy markets, regional transmission planning, gas transportation and NERC reliability standards. These proceedings generally fall into the following categories: (i) filings initiated by the CAISO (or other market participants) to adopt/modify the CAISO Tariff and/or establish market design and behavior rules; (ii) filings initiated by existing transmission owners (i.e., PG&E and the other IOUs) to pass-through costs to their existing wholesale transmission customers; (iii) filings initiated by FERC on market participants to establish market design and behavior rules or investigate market behavior by certain market participants; (iv) filings initiated by transmission owners under their transmission owner tariffs to establish a regional transmission planning process; (v) filings initiated by providers of firm gas transportation services under the Natural Gas Act; and (vi) filings initiated by NERC to develop reliability standards applicable to owners, users, and operators of the bulk electric system. In addition, SMUD is an active participant in other FERC administrative proceedings, including those related to reliability, variable resource integration and the changing resource mix, and transmission planning and cost allocation. SMUD believes that determinations of these FERC proceedings will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

CPUC Administrative Proceedings

Periodically, PG&E seeks to update its gas transmission and storage ("GT&S") revenue requirements and rate designs. These applications are litigated at the CPUC and affect SMUD through several tariff rates SMUD pays to move natural gas along PG&E's backbone transmission lines. In the 2019 GT&S rate case (the "2019 GT&S Case"), the CPUC affirmed the application in GT&S rates of cost causation principles to prevent excessive and unreasonable costs being shifted to electric generator backbone customers like SMUD, either through proposed changes in PG&E's natural gas storage strategy or through cost shifts within the electric generator customer class. Following the 2019 GT&S Case, PG&E filed its 2023 General Rate Case (the "GRC") in June 2021 (covering years 2023-2026), and its Gas Cost Allocation and Rate Design Proposal ("CARD") in September 2021. The CPUC resolved all issues through approval of a comprehensive, all-party settlement in March 2024.

PG&E filed its most recent General Rate Case ("2027 GRC") in May 2025, which seeks to establish, among other things PG&E's gas transmission and storage revenue requirements in years 2027-2030. PG&E filed its associated 2027 CARD application in November 2025. SMUD is a party to and monitoring both proceedings at the CPUC. SMUD does not believe that determinations of these CPUC proceedings will have a material adverse effect on SMUD's financial position, liquidity or results of operations. SMUD will continue to actively participate in PG&E's future GRC and CARD proceedings to ensure that costs are fairly allocated to non-core customers, including electric generator backbone customers.

SMUD monitors a number of other CPUC proceedings. These proceedings generally fall into the following categories: (i) filings initiated by PG&E to adopt/modify its tariffs and/or rules; (ii) rulemakings initiated by the CPUC to establish market design and behavior rules or program rules affecting SMUD customers; and (iii) rulemakings initiated by the CPUC to establish electric and/or gas system safety design and maintenance rules, including long-term gas system planning. SMUD believes that determinations of these CPUC proceedings will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

DEVELOPMENTS IN THE ENERGY SECTOR

California Electric Market

In 1996, the State partially deregulated its electric energy market and the CAISO was established in 1998. Since the CAISO's formation, the State has experienced episodes of higher and more volatile prices for natural gas and wholesale electricity. In reaction to such conditions, SMUD made significant changes to its business strategy to mitigate the impacts of the more volatile and unpredictable energy markets. Volatility in energy prices in the State are always a potential risk due to a variety of factors which affect both the supply and demand for electricity in the western United States. These factors include, but are not limited to, the implementation of the CAISO market design changes, insufficient generation resources, the increase in intermittent renewable energy resources, natural gas price volatility, fuel costs and availability, weather and natural disasters, transmission constraints and levels of hydroelectric generation within the region. While SMUD has taken a number of steps to mitigate its exposure to price volatility associated with these factors, this price volatility under extreme conditions may contribute to greater volatility in SMUD's net revenues from the purchase and sale of electric energy and, therefore, could materially adversely affect the financial condition and liquidity of SMUD. For a discussion of SMUD's current resource planning activities and risk management strategies, see "BUSINESS STRATEGY" above.

Cybersecurity

Cybersecurity continues to be a top priority for SMUD. Attacks or threats directed at critical electric or energy sector operations could damage or cause the shut-down of generation, transmission or distribution assets that are essential to SMUD's ability to serve its customers, cause operational malfunctions and outages affecting SMUD's electric system, and result in costly recovery and remediation efforts. The costs of security measures or of remedying breaches could be material.

SMUD participates in sharing and receiving information about cyber security threats in real-time through the Electricity Information Sharing and Analysis Center ("E-ISAC"), the central hub for such data to actively manage risk related to potential cyber intrusion. SMUD collaborates and receives threat intelligence from Federal entities such as the FBI and CISA. SMUD also participates in NERC's development of mandatory, enforceable cyber security standards to address vulnerabilities in electric utility systems. SMUD also adopts voluntary measures suggested as best practices by the National Institute of Standards and Technology ("NIST") in its national framework.

SMUD's prudent response to this ever-changing threat requires constant monitoring and frequent updates to implement new regulatory requirements as they are developed. SMUD manages risk related to frequently changing regulatory requirements by participating in the development of standards at NERC and NIST and through active engagement in the cyber security policy dialogue in Congress.

Physical Security

Physical security is a critical concern for electric utilities as they seek to protect their infrastructure from a range of threats. The electric utility infrastructure is complex and consists of multiple components, such as power plants, substations, transmission and distribution lines, and other facilities. SMUD employs a dedicated physical security team that is deployed 24/7 and allows SMUD to respond to emergent events in a safe, coordinated, efficient, and cohesive manner, protecting the lives of its employees, customers, community, properties and assets. SMUD has policies, processes and procedures in place that outline the access controls and restrictions for its properties. SMUD restricts access based on need as it determines, while adhering to applicable laws, regulations and standards such as NERC Reliability Standards and NRC

regulations. SMUD also maintains a Utility Security Plan adopted by the Board representing SMUD's compliance with the CPUC's Safety and Enforcement Division six-step security plan process described in CPUC Decision 19-01-018. SMUD is reviewing and will present an updated Utility Security Plan to the Board prior to July 2026, in alignment with the CPUC Decision.

During times of elevated, imminent threats, safety and/or security concerns, SMUD's Security Operations team, under the direction of the Chief Diversity Officer or delegate, reserves the right to deploy additional security measures, controls, and further restrict or limit access to its properties to increase its security posture.

SMUD operates a 24/7 security operations center which monitors and coordinates responses to situations reported by internal and external stakeholders, or which are detected by SMUD's security technology. The technology includes access control, video surveillance, and various types of intrusion detection solutions. The security operations center is a central hub for initial contact for physical security calls from employees of suspicious events and initiates incident responses as needed.

Federal Legislation and Regulatory Proceedings

Energy Policy Act of 2005. On August 8, 2005, the Energy Policy Act of 2005 (the "EPAct of 2005") was signed into law. The law includes a number of energy-related provisions such as limited FERC jurisdiction over interstate transmission assets of municipal utilities, cooperatives and federal utilities to order these entities to provide transmission services on rates and terms comparable to those the entities charge and provide to themselves; the grant of authority to FERC to establish and certify an electric reliability organization to develop and enforce reliability standards for users of the bulk power transmission system; and prohibitions of certain market practices including the provision of false information and related expansion of FERC civil and criminal penalty authority. The most impactful part of the EPAct of 2005 on SMUD has been the development and enforcement of mandatory federal reliability standards.

Federal Regulation of Transmission Access. The Energy Policy Act of 1992 (the "Energy Policy Act") made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The Energy Policy Act provided FERC with the authority to require a transmitting utility to provide transmission services at rates, charges, terms and conditions set by FERC. The purpose of these changes, in part, was to bring about increased competition in the electric utility industry. Under the Energy Policy Act, electric utilities owned by municipalities and other public agencies which own or operate electric power transmission facilities which are used for the sale of electric energy at wholesale are "transmitting utilities" subject to the requirements of the Energy Policy Act.

Since the Energy Policy Act, FERC has adopted a series of rules to implement competitive open access to transmission facilities and regional transmission planning. Order No. 888, issued in 1996, requires the provision of open access transmission services on a nondiscriminatory basis by all "jurisdictional utilities" (which, by definition, does not include municipal entities like SMUD) by requiring all such utilities to file OATTs. Order No. 888 also requires "nonjurisdictional utilities" (which, by definition, does include SMUD) that purchase transmission services from a jurisdictional utility under an open access tariff and that owns or controls transmission facilities to provide open access service to the jurisdictional utility under terms that are comparable to the service that the nonjurisdictional utility provides itself. Section 211A of the EPAct of 2005 authorizes, but does not require, FERC to order unregulated transmission utilities to provide transmission services, including rates and terms and conditions, that are comparable to those under which the unregulated transmitting utility provides transmission services to itself that are not unduly discriminatory or preferential – often referred to as the reciprocity rule.

In Order 890, issued in 2007, FERC stated that it will implement its authority under Section 211A on a case-by-case basis and retain the current provisions.

In 2011, FERC issued Order 1000, which requires public utility (jurisdictional) transmission providers to participate in a regional transmission planning process that produces a regional transmission plan and that incorporates a regional and inter-regional cost allocation methodology. Similar to Order 890, FERC states that it will implement its authority under Section 211A on a case-by-case basis. However, in Order 1000, FERC expands upon the current reciprocity provisions and states that it has the authority to allocate costs to beneficiaries of services provided by specific transmission facilities even in the absence of a contractual relationship between the owner of the transmission facilities and the identified beneficiary.

SMUD, individually, and through the Large Public Power Council ("LPPC"), appealed Order 1000, but in 2014 the D.C. Circuit Court of Appeals rejected all of the arguments raised on appeal, upholding the entirety of Order 1000.

The jurisdictional members of WestConnect filed their proposed regional planning process and cost allocation methodology through a series of compliance filings at FERC. FERC accepted binding cost allocation for jurisdictional transmission providers of WestConnect and mandated that non-jurisdictional transmission providers (such as SMUD) identified as beneficiaries of a project have the ability to not accept the cost allocation. WestConnect's Order 1000 planning process began with the 2016-2017 planning cycle.

However, in response to FERC's WestConnect orders on compliance, El Paso Electric Company ("El Paso"), a jurisdictional transmission provider, petitioned to the Court of Appeals for the 5th Circuit contending that FERC's WestConnect orders violated Order 1000's cost causation principle because WestConnect's binding cost allocation applies only to the jurisdictional transmission providers which forces jurisdictional transmission providers to subsidize projects benefitting non-jurisdictional transmission providers that opt-out of projects. On August 2, 2023, the court reversed FERC's orders implementing Order No. 1000 for WestConnect concerning cost allocation of regional transmission projects to non-jurisdictional transmission providers, and remanded to FERC to address this issue. The court found that the WestConnect orders are incompatible with Order No. 1000's application of the cost causation principle to address free ridership. As a result, per a FERC order effective April 24, 2025, the non-jurisdictional transmission providers may no longer participate in WestConnect's regional planning process unless they enroll in binding cost allocation. The non-jurisdictional transmission providers continue to assess options, but none have currently enrolled in the region. SMUD's long-standing objective is to comply with open access requirements necessary to achieve reciprocity, including through participation in a regional planning process while not binding itself to mandatory cost allocation. Thus, SMUD has an interest in continuing to explore options for participation in a regional transmission planning process which could include forming a separate region, joining another region (e.g. NorthernGrid), or developing an alternative non-jurisdictional framework within WestConnect that would pass FERC cost-allocation muster while at the same time maintaining its business and jurisdictional interests.

On April 21, 2022, FERC issued a Notice of Proposed Rulemaking on Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection (the "NOPR"). The NOPR sought input on proposals that would impact the regional transmission planning and cost allocation process. SMUD engaged in the proceeding, providing input and helping draft comments with trade organizations, including LPPC. On May 13, 2024, FERC issued Order 1920 which requires that transmission providers through regional planning entities (e.g. WestConnect) plan for transmission needs over a 20-year horizon, considering certain factors and benefits. The new long-term regional transmission planning ("LTRTP") process is added to the existing Order 1000 planning requirements. Importantly, Order 1920 contains cost containment protocols that require "right sizing" transmission facilities and re-evaluation of projects in the event of delays or cost overruns. Given FERC's April 24, 2025, order regarding

regional planning participation of non-jurisdictional transmission providers in WestConnect, the non-jurisdictional transmission providers have not participated in the WestConnect efforts to develop its LTRTP process. However, SMUD will continue to monitor and be engaged in any developments at FERC that impact Orders 1000 and 1920 processes and its regional transmission planning participation.

SMUD is unable to predict at this time the full impact that Orders 1000 and 1920 will have on the operations and finances of SMUD's electric system. SMUD will continue to take any action necessary, including withdrawing from a cost allocation determination or planning region, and engaging in FERC proceedings, to ensure that it is not required to pay for transmission costs in the absence of an agreement or service relationship.

NERC Reliability Standards. The EPAct of 2005 required FERC to certify an electric reliability organization ("ERO") to develop mandatory and enforceable reliability standards, subject to FERC review and approval. On February 3, 2006, FERC issued Order 672, which certified NERC as the ERO. Many reliability standards have since been approved by FERC, including those aimed at protecting the bulk electric system from physical and cyber threats.

The ERO or the regional entities, such as WECC, may enforce the reliability standards, subject to FERC oversight or FERC may independently enforce reliability standards. Potential monetary sanctions include fines of up to $1,584,648 per violation per day. Order 693 provides ERO and regional entities with the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.

Anti-Market Manipulation Rules. The EPAct of 2005 gave FERC the authority to issue rules to prevent market manipulation in jurisdictional wholesale power and gas markets, and in jurisdictional transmission and transportation services. These anti-market manipulation rules apply to non-jurisdictional entities such as SMUD. Further, the EPAct of 2005 provided FERC civil penalty authority, which FERC exercises carefully by assuring that its market manipulation rules are clear.

Greenhouse Gas Emissions. Since 2009, the U.S. Environmental Protection Agency (the "EPA") has taken steps to regulate GHG emissions from different sources, including the electric sector.

In 2014, EPA issued a proposed rule under section 111(d) of the Clean Air Act ("CAA") called the Clean Power Plan (the "CPP") that projected power sector emissions reductions of 30% below 2005 levels by 2030. The proposed CPP would have established a rate-based emissions goal for each state, providing states the responsibility to develop a State Implementation Plan ("SIP") describing how each will meet the goal assigned by EPA using the "Best System of Emissions Reduction" ("BSER") established by EPA. The rule was finalized in October 2015.

In November 2015, 27 states and numerous corporations challenged the CPP in court, alleging that EPA had exceeded its authority under the CAA; however, before the issue could be decided by the court, the 2016 presidential election resulted in a change of administration. The new administration quickly moved for an abeyance (or stay) of the case for as long as the agency needed to review and withdraw the CPP. The U.S. Supreme Court stayed implementation of the CPP pending disposition in the D.C. Circuit and any subsequent review by the Supreme Court. In August 2018, EPA proceeded to withdraw the CPP and the D.C. Circuit ultimately dismissed the case on September 17, 2019. EPA proposed a different rule under the same provision of the CAA, known as the Affordable Clean Energy ("ACE") rule, which would have established a BSER that only includes measures that can be undertaken at an individual power plant, rather than the broader suite of measures envisioned under the CPP. The ACE rule was challenged in court by environmental groups and states alleging that the revised rule inadequately responds to EPA's responsibility to protect public health and welfare. SMUD joined in this litigation along with other challengers. The D.C.

Circuit vacated the ACE rule on January 19, 2021, and remanded it to EPA for review and revision, just days before a new presidential administration took office. Several states led by West Virginia and coal industry members appealed the decision.

In June 2022, the U.S. Supreme Court issued its opinion in *West Virginia v. EPA*, striking down the CPP and foreclosing any future regulations of "significant political and economic significance" if Congress has not expressly authorized them. While the decision does not restrict EPA to only requiring measures "inside the fence line" at an individual power plant to control GHGs, it appears unlikely that EPA will be able to require material reductions in GHGs to mitigate climate change through section 111(d) of the CAA.

Under the Biden administration, in May 2023, EPA issued a proposed rule under Section 111(d) of the CAA to reduce GHG emissions from existing and new power plants. The four-part proposed rule, *New Source Performance Standards for Greenhouse Gas Emissions From New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emission Guidelines for Greenhouse Gas Emissions From Existing Fossil Fuel-Fired Electric Generating Units; and Repeal of the Affordable Clean Energy Rule*, would have set forth GHG emission standards for certain subcategories of new and existing fossil fuel-fired power plants operating greater than 50% of the time and generating more than 300 MW per turbine. In the proposed rule, EPA determined the BSER is either deploying carbon capture and storage technology to capture 90% of emissions or co-firing 96% hydrogen produced through a low-emission process ("low-GHG hydrogen"). If finalized, compliance would have been required by 2032. SMUD filed comments as part of several trade groups and coalitions in response to the proposed rule, but SMUD's internal analysis showed the rule as proposed would not require changes at any of its currently-operating fossil-fueled power plants and therefore would not have had a material impact on SMUD's financial position, operations, or liquidity. The final rule issued by EPA in March 2024 significantly modified the proposal by reducing subcategories for coal-fired units, extending compliance dates for CCS implementation, removing hydrogen co-firing as a BSER option, and introducing reliability-focused provisions. Additionally, EPA did not finalize emission requirements for fossil fuel-fired stationary combustion turbines.

Most recently, under the current Trump administration in March 2025, EPA initiated a substantial reevaluation and potential reversal of the foundational 2009 Endangerment Finding, a cornerstone of GHG emissions regulation under the CAA. The administration argues that advancements in scientific research and significant economic considerations necessitate this reassessment.

In February 2026, the Trump administration announced its formal repeal of the 2009 Endangerment Finding. EPA finalized the repeal following a year-long formal rulemaking process that included public hearings and a public comment period. EPA asserted that the 2009 determination exceeded the agency's statutory authority and that policy decisions of such economic and national significance rest with Congress, not the agency. The repeal is being challenged in federal court; if the repeal is upheld it would fundamentally undermine EPA's regulatory authority over carbon emissions. Utilities, including SMUD, could see increased risks from litigation related to emissions, previously shielded by federal regulatory frameworks,

EPA has also proposed eliminating long-standing GHG reporting requirements for industrial facilities, a move that could diminish transparency and limit comprehensive emissions data crucial for informed policy and investment decisions. Moreover, the current administration is revisiting vehicle emission standards, potentially scaling back stringent GHG emissions targets for new vehicle model years. Such actions could significantly alter national emission trajectories and impact related state regulatory efforts, notably in states like California with aggressive vehicle emissions targets.

While SMUD's immediate operations and financial status may remain largely unaffected directly by these federal regulatory shifts, the broader implications of deregulation pose potential indirect effects through market shifts, evolving state-level policies, and future regulatory scenarios. SMUD remains proactive in monitoring these developments closely, ensuring strategic adaptability and financial resilience amid evolving regulatory landscapes.

Federal Communications Commission. The 1978 Pole Attachment Act added section 224 to the Communications Act of 1934, authorizing the Federal Communications Commission ("FCC") to regulate attachments by cable television systems or providers of telecommunications service to utility poles, ducts, conduits, and rights-of-way. Under Section 224(a)(1), public power entities are exempt from FCC pole attachment regulations, as municipally-owned poles are already subject to local decision-making processes and governance. The municipal exemption from FCC pole attachment regulations was further codified through the enactment of the Telecommunications Act of 1996. However, over the past decade, this exemption has been continuously eroded.

Various actions by the FCC have limited the exemption in support of a "uniform policy for broadband access to privately-owned physical infrastructure." Through four orders issued between 2017 and 2018, the FCC set strict time limits for the review of pole attachment applications and preempted state and local agreements on pole attachments. In 2020, in *City of Portland v United States*, the U.S. Court of Appeals for the Ninth Circuit upheld the FCC's Small Cell Order, which adopted new time limits for municipal utilities' review of wireless infrastructure siting applications and preempted access fees for small cells. In November 2023, the FCC adopted its Fourth Report and Order, Declaratory Ruling, and Third Further Notice of Proposed Rulemaking that would reform pole replacement rules and facilitate the approval process for pole attachment applications, among other things. In September 2025, the FCC issued a Notice of Inquiry on barriers to wireline deployment, that could potentially lead to a rulemaking that would erode the municipal exemption from FCC pole attachment regulations.

SMUD is unable to predict whether any new FCC rulemakings will impact the operations and finances of SMUD's electric system. SMUD will monitor these proceeding for any potential impact to SMUD.

Federal Clean Energy Legislation. SMUD actively participates in discussion at the federal level regarding legislation that would meaningfully impact SMUD's existing GHG reduction strategies or impose new requirements for electric generators, including a proposed federal clean energy standard. In the 117th Congress, a clean electricity performance program was considered but ultimately lacked support to pass. Instead, Congress extended and expanded clean energy tax credits and created new grant and rebate programs to incentivize clean energy investments in the Inflation Reduction Act of 2022. While it is possible that a future Congress may revisit the concept of a clean energy standard or other GHG reduction regime, it is possible that the passage of the Inflation Reduction Act will diminish the likelihood of a new regulatory framework being enacted in the near future.

SMUD is unable to predict whether any new EPA rulemakings will be undertaken, and what the full impact of the reduction of fossil-based generation over time will have on the operations and finances of SMUD's electric system or the electric utility industry generally.

Federal Tax Policy Legislation. In July 2025, the One Big Beautiful Bill Act ("OB3A") was enacted into law, extending numerous 2017 Tax Cuts and Jobs Act ("TCJA") provisions. Among the revenue raisers to pay for the extensions was the repeal and accelerated phaseout of several Inflation Reduction Act energy tax credits.

SMUD is unable to predict the full impact the tax policy legislation will have on the business operations and financial condition of SMUD's electric system. SMUD may receive refundable direct payments of the investment and production energy tax credits, resulting in hundreds of millions of dollars in direct payments for infrastructure projects pursued by SMUD. In addition, SMUD has entered into several power purchase agreements that utilize energy tax credits for project financing, reducing the overall cost of the investment. SMUD has accelerated the construction of various energy infrastructure projects and negotiations for several power purchase agreements to meet the energy tax credit eligibility deadlines under OB3A. Any future legislation that changes the value of energy tax credits may impact the final cost of these contracts or future contracts.

SMUD will continue to monitor and engage in any developments in Congress on the reconciliation package and its impact to SMUD's ability to claim energy tax credits and issue tax exempt bonds.

State Legislation and Regulatory Proceedings

A number of bills affecting the electric utility industry have been enacted by the State Legislature. In general, these bills provide for reduced GHG emission standards and greater investment in energy efficient and environmentally friendly generation alternatives through more stringent RPS. Additionally, ongoing regulatory proceedings address the implementation of these bills as well as water flow and quality issues related to the Sacramento – San Joaquin River Delta. The following is a brief summary of these bills and regulatory proceedings.

Greenhouse Gas Emissions. On September 27, 2006, the Governor of the State signed into law AB 32, the Global Warming Solutions Act of 2006 ("AB 32"). AB 32 requires the California Air Resources Board ("CARB") to adopt enforceable GHG emission limits and emission reduction measures in order to reduce GHG emissions to 1990 levels by 2020. In addition, AB 32 establishes a mandatory reporting program for all IOUs, local, publicly-owned electric utilities and other load-serving entities (electric utilities providing energy to end-use customers) ("LSEs"). The AB 32 reporting program allows CARB to adopt regulations using market-based compliance mechanisms such as a "cap-and-trade" system.

On December 16, 2010, CARB approved a resolution adopting cap-and-trade regulations for the State. The regulations became effective on January 1, 2012. As adopted, the cap-and-trade program covers sources accounting for 85% of the State's GHG emissions, the largest program of its type in the United States. In November of 2012, CARB conducted its first allowance auction and auctions now occur on a quarterly schedule.

The cap-and-trade program introduced a hard emissions cap that declines over time on the combined electric utility and large industrial sectors, covering all sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases ("CO2e") per year, and was subsequently expanded to cover distributors of transportation, natural gas, and other fossil fuels. The cap-and-trade program requires covered entities to retire compliance instruments (allowances and carbon offsets) for each metric ton of CO2e they emit. CARB has allocated free allowances to LSEs to mitigate the compliance cost burden on ratepayers. The value of allowances must be used to benefit ratepayers and achieve GHG emission reductions. The cap-and-trade program also allows covered entities to use offset credits for compliance purposes (not exceeding 8% of a regulated entity's compliance obligation through 2020, 4% from 2021 through 2025, and 6% from 2026 through 2030). Offsets must be obtained from certified projects in sectors that are not regulated under the cap-and-trade program and are subject to other restrictions.

The State's cap-and-trade program is linked to Quebec and was briefly linked to companion program in the Canadian province of Ontario during 2018 but was de-linked following a political change. In 2021, the Washington state legislature passed a cap-and-trade bill, which is expected to interact with the

State's markets. Future potential near-term links to the CARB cap-and-trade program also include the states of Oregon, which has adopted a cap-and-trade program, and New Mexico, which is considering the adoption of a cap-and-trade program.

On October 7, 2015, SB 350 was enacted, containing aggressive goals for reducing carbon emissions by 2030, including raising the proportion of renewable energy to 50%, reducing the use of petroleum fuel in cars and trucks by up to 50%, and doubling the energy efficiency of existing buildings. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *Renewable Energy and Climate Change*" for additional information. In addition, SB 350 established requirements for larger POUs to adopt and file with the CEC Integrated Resource Plans ("IRPs") by April 2019 that would show planned procurement to achieve the 50% RPS and State GHG goals established by CARB. The CEC developed "guidelines" for these IRPs for POUs in 2017, updated them in 2018, and proposed additional updates in 2022. CARB established specific GHG target ranges for these IRPs in summer 2018, which were revised in 2023 following the adoption of CARB's 2022 Scoping Plan. SMUD developed and adopted an IRP in 2018 through a comprehensive public process and filed the adopted IRP with the CEC in April 2019. SMUD adopted an updated IRP in June 2022 and filed the updated IRP with the CEC in September 2022. In August 2024, the CEC approved SMUD's IRP as consistent with the applicable requirements. SMUD's updated IRP plans for a greater than 92% reduction in GHG emissions by 2030 relative to 1990 levels, which equals approximately 250,000 metric tons of GHG emissions in 2030. SMUD's next IRP update must be approved by SMUD's Board of Directors by June 2027. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *Renewable Energy and Climate Change*."

On April 29, 2015, the Governor of the State signed Executive Order B-30-15, establishing a goal for the State to reduce GHG emissions to 40% below 1990 levels by 2030. In 2016, the State Legislature passed Senate Bill 32 ("SB 32"), which codified then-Governor Brown's goal of reducing the State's GHG emissions to 40% below 1990 levels by 2030. In 2017, the State Legislature passed Assembly Bill 398 ("AB 398"), explicitly authorizing the continuation of the cap-and-trade program, with designated changes, through 2030. Subsequently, CARB adopted an initial set of regulatory changes extending the cap-and-trade program, including establishing utility sector allowance allocations through 2030. In 2018, CARB completed a rulemaking to implement the cap-and-trade program changes designated by AB 398. These changes include development of a hard price ceiling for the cap-and-trade program and two price-containment points below that ceiling, in an attempt to ensure stable prices in the program. CARB adopted final regulations on December 13, 2018.

On September 19, 2025, the Governor of the State signed AB 1207 (Irwin, Statutes of 2025), which extends the Cap-and-Trade regulation through 2045. The bill also required CARB to design the regulations to support the transition of allowances from gas corporations to electrical distribution utilities and renamed the program from Cap-and-Trade to Cap-and-Invest.

CARB proposed new amendments to the Cap-and-Invest program regulation and Mandatory Reporting Regulation (MRR) on January 20, 2026. The purpose of the Cap-and-Invest amendments is to implement the provisions of AB 1207, reflect updates to the state's greenhouse gas emissions inventory, and make program improvements. The MRR amendments are intended to improve clarity about data reporting requirements and support the Cap-and-Invest program. The proposed Cap-and-Invest amendments update program budgets to align with updates to GHG inventory data (which necessitates the removal of approximately 118 million allowances from program budgets through 2030) but do not increase program stringency before 2030. Several of CARB's proposed changes to the electric utility allowance allocations for ratepayer protection could materially impact SMUD. First, CARB has proposed recalculating allocations for the 2027-2030 period. If CARB's January 20 proposal is approved, SMUD would lose approximately 2.3 million allowances over the four-year period, with an estimated value of $75 million to $175 million (low end of range assumes floor prices and high end assumes $60, escalated each

year for inflation). With the program's extension through 2045, CARB's amendments propose a new allocation to electric utilities for the 2031-2035 period; if this proposal is approved, SMUD anticipates receiving a cumulative total of approximately 8.5 million allowances over that period for the benefit of its customers. Finally, CARB has proposed transitioning allocations from natural gas utilities to electric utilities to implement the statutory direction from AB 1207. SMUD anticipates changes to its billing and information technology systems may be needed to effectuate these changes, but the value of transitioned allowances is unlikely to impact SMUD as it must be returned directly to SMUD's residential ratepayers. The CARB Board hearing will consider approving the Cap-and-Invest and MRR amendments on May 28, 2026, with an intended effective date of September 1, 2026.

In addition, any new projects constructed in the State, including power plants, that may cause a significant adverse impact on the environment must be analyzed under CEQA. Some State agencies have begun using CEQA in novel ways to require mitigation of "significant" GHG emissions caused, either directly or indirectly, by a project. Pursuant to Senate Bill 97 passed in 2007, CARB will assist the Governor's Office of Planning and Research in setting thresholds of significance under CEQA of GHG impacts from new projects. This is an area of State law that is evolving and untested in the courts. However, there is a risk that any project proponent of an electric system infrastructure project might have to mitigate such potential impacts to a level of less than significant.

On December 3, 2012, the Superior Court issued a ruling in *Cleveland National Forest Foundation v. San Diego Association of Governments* ("SANDAG"), Case No. 2100-00101593, that sided with the State Attorney General and the other petitioners stating that SANDAG did not follow CEQA when it adopted a $257 billion regional transportation plan in 2011. The ruling expressly invalidated the certification of the Environmental Impact Report ("EIR") on the grounds that the EIR should have analyzed the plan's consistency with the governor's policy goal to reduce GHG emissions by 80% by 2050 as articulated in the 2005 Executive Order S-03-05. On November 24, 2014, the Fourth Appellate District upheld the trial court in a published decision, and SANDAG appealed to the State Supreme Court. On July 13, 2017, the Supreme Court reversed and held that SANDAG's decision not to adopt the 2050 goal was not an abuse of discretion. Nevertheless, the Court articulated three clear principles for agencies to follow in their CEQA review of planning documents: 1) agencies must take seriously the significance of even small increases in GHG emissions; 2) they must consider science-based State policy guidance in their decision-making; and 3) they are required to use the best scientific information available to determine whether their planning decisions are consistent with the State's goals. These principles will apply to SMUD in CEQA reviews of future projects.

On September 29, 2006, the Governor of the State signed into law Senate Bill 1368 ("SB 1368"), the GHG Emissions Performance Standard ("EPS"). SB 1368 limits long-term investments in baseload generation by the State's utilities to power plants that meet an EPS jointly established by the CEC and the CPUC. The agencies have set the EPS at 1,100 pounds CO_2 per MWh, which is roughly half of the CO_2 emissions rate of a conventional coal-fired power plant. CEC regulations to implement the law for POUs were approved by the Office of Administrative Law on October 16, 2007.

SMUD's primary supply and demand-side resources need to meet customers' electricity usage patterns over the next 10 years. Currently there is a ban in the State that prohibits the development of nuclear power plants until there is a permanent storage solution for spent fuel rods. With the effective ban on new coal power imports under SB 1368, natural gas-fired, combined cycle power plants would appear to be the primary viable option for fossil fuel-based baseload power plant development absent the implementation of new technologies in connection with other resource options. The reliance on a single fuel source will continue to put pressure on the natural gas market in the United States. SMUD has in place a natural gas procurement plan to mitigate natural gas volatility, see "POWER SUPPLY AND TRANSMISSION – Fuel Supply" above.

On September 16, 2022, the Governor of the State signed into law SB 1020, which creates interim climate targets under which eligible renewable energy resources and zero-carbon resources must supply 90% of all retail sales of electricity to California end-use customers by December 31, 2035, and 95% by December 31, 2040. The bill also requires each State agency to ensure that zero carbon resources and eligible renewable energy resources supply 100% of electricity procured on its behalf by December 31, 2035. SMUD provides electricity to a number of State agency buildings and will work with State agencies to comply with this requirement.

On September 16, 2022, the Governor of the State signed into law SB 905. SB 905 requires that CARB establish the "Carbon Capture, Removal, Utilization, and Storage Program" to evaluate the efficacy, safety, and viability of carbon capture, utilization, or storage ("CCUS") technologies. It also requires CARB to adopt implementing regulations and protocols, create a unified state permitting application, and host a new, public database that will track the development of CCUS technologies. The protocols may, among other things, address how CCUS reduces carbon emissions for facilities employing the technology. SMUD is exploring investments in CCUS technology. In August 2025, CARB issued a request for information regarding implementation of SB 905. CARB has also indicated, through its rulemakings to amend the Cap-and-Invest and MRR rulemakings, that it intends to address CCUS emissions quantification through SB 905 implementation. However, CARB has not yet developed the Carbon Capture, Removal, Utilization and Storage Program or proposed draft regulations or protocols. It is not clear at this time how SB 905 will impact SMUD.

On October 7, 2023, the Governor of the State signed into law AB 1305, which requires an entity that purchases or uses voluntary carbon offsets and makes claims regarding the achievement of net zero, or other similar claims, to disclose on their website specified information. Many stakeholder groups are raising questions on if this includes RECs. AB 2331 in 2024 sought to clarify particular provisions in AB 1305, but it did not pass through the legislature before the close of the legislative session. It is not clear at this time whether RECs are included.

Reliability. On June 30, 2022, the Governor signed the 2022-23 budget, along with a number of trailer bills, which provide implementing details on the budget line items. Included in AB 205, the energy trailer bill, are a number of reliability programs aimed at improving reliability throughout the State, including State incentives for distributed electricity backup resources, compensation to customers for demand side energy management, and a strategic energy reserve program operated by the State Department of Water Resources ("DWR"). SMUD's participation in these initiatives to date has been limited to facilitating customers' participation in demand side energy management programs established by the CEC and therefore has not had a material impact on SMUD. AB 209 (2022) required the CEC to develop recommendations about an approach to determine an appropriate minimum planning reserve margin ("PRM") for local POUs within the CAISO balancing area, and AB 1373 (2023) required the CEC to perform an assessment of whether each local POU exceeded, met or failed to meet its minimum PRM and specified resource adequacy requirements. These are discussed further below in "Resource Adequacy."

Zero-Emission Fleet Mandates. In 2023, CARB adopted the Advanced Clean Fleets ("ACF") regulation, requiring certain medium- and heavy-duty ("MHD") vehicle fleets to transition to zero-emission vehicles through purchase requirements or fleet composition requirements. It also accelerated a manufacturer zero-emission vehicle ("ZEV") sales requirement to 100% of all MHD truck sales by the 2036 model year. While the rule was originally intended to apply to all publicly owned MHD vehicle fleets, large commercially-owned MHD fleets, and drayage trucks, CARB withdrew its request to EPA for a waiver and authorization, pursuant to CAA section 209(b) and (e), respectively, for the ACF regulation, leaving only public fleets subject to enforcement of the ACF requirements and suspending enforcement of the manufacturer truck sales requirement.

Under the ACF Rule, public fleets like SMUD have two compliance options. The first is a ZEV purchase requirement, under which 50% of annual MHD vehicle purchases would need to be ZEVs starting January 1, 2024, and 100% of annual MHD vehicle purchases would need to be ZEVs starting January 1, 2027. The second is an optional ZEV milestone option, under which the composition of the MHD fleet would need to meet certain ZEV percentages starting in 2025, with the entire fleet transitioned no later than 2042. The individual milestones depend on the number and category of vehicles in the fleet. Public fleets may opt into the ZEV milestone option until January 1, 2030. SMUD is currently complying with the purchase requirement option. SMUD plans to monitor ZEV market developments and currently anticipates opting into the ZEV milestone option, which may provide greater purchasing flexibility until more ZEV applications become available.

In August 2025, CARB proposed amendments to the ACF Rule to repeal regulatory provisions applicable to commercially-owned MHD fleets and drayage trucks. The 45-day amendments also included modest updates and clarifications to public fleet provisions, but did not materially change compliance requirements or exemption availability. Following CARB Board direction at the September 2025 hearing, SMUD anticipates CARB may propose incremental flexibility for public fleets within this rulemaking. However, the 15-day amendments have not yet been issued. It is unclear at this time what impact the changing electric vehicle market and amendments to the ACF Rule may have on the cost and ability for compliance.

Transportation and Building Electrification. The State has identified transportation and building electrification as key strategies to reduce greenhouse gas emissions and improve air quality. Increases in transportation and building electrification will result in increased customer usage of electricity. However, in recent years, these policies are facing headwinds.

For example, in 2025, Congress revoked the EPA waivers allowing enforcement of CARB's Advanced Clean Cars II and Advanced Clean Trucks regulations, which required vehicle manufacturers to increase sales of zero-emission cars and trucks, respectively. The CEC's Building Energy Efficiency Standards have increasingly encouraged the use of electric heat pumps in new homes and certain non-residential buildings across the state, including the 2025 Energy Standards that took effect January 1, 2026, that establish prescriptive heat pump requirements for both space and water heating in new homes. However, in 2025, through the budget trailer bill AB 130, the Legislature placed a temporary moratorium on updates to residential building energy standards, and as a result the 2028 Energy Standards will be limited to non-residential buildings only. The temporary moratorium will be lifted June 1, 2031. The State has provided funding for programs to encourage clean transportation and building electrification, but fluctuating budget pressures are likely to impact funding availability.

Renewables Portfolio Standard. Senate Bill 100 was passed by the Legislature and approved by Governor Brown on September 10, 2018. Among other requirements, the bill sets a 50% RPS target for 2026 and sets compliance period targets at 44% by December 31, 2024, 52% by December 31, 2027, and 60% by December 31, 2030. The bill also creates a statewide planning goal to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045.

Resource Adequacy. In September 2005, the State Legislature enacted, and the Governor signed into law Assembly Bill 380 ("AB 380"), which requires the CPUC to establish resource adequacy requirements for all LSEs within the CPUC's jurisdiction. SMUD is not an LSE subject to the CPUC's jurisdiction. In 2005, the CPUC issued a decision requiring jurisdictional LSEs to demonstrate that they have acquired capacity sufficient to serve their forecast retail customer load plus a minimum 15% planning reserve margin. The CPUC in recent years has increased the minimum planning reserve margin, which currently is set at 18% for 2026.

AB 380 also required publicly owned utilities, including SMUD, to meet the most recent resource adequacy standard as adopted by the WECC. The WECC has yet to formally adopt a resource adequacy requirement. However, consistent with current WECC practices, SMUD utilizes a minimum 15% planning reserve margin when assessing the need for future resources, and in recent years SMUD has strived to attain a higher summer planning reserve margin.

In 2022, the State Legislature adopted Assembly Bill 209 (2022) ("AB 209"), which requires the CEC to develop recommendations about approaches to determining an appropriate planning reserve margin for local publicly owned utilities within the CAISO balancing authority area. In August 2024, the CEC issued its California Energy Resource and Reliability Outlook, which made several recommendations regarding the methodology for determining planning reserve margins. This report does not directly impact SMUD since SMUD is not in the CAISO; nevertheless, SMUD considers best practices when developing resource planning processes.

The State Legislature also passed Assembly Bill 1373 (2023) ("AB 1373") that requires the CEC to submit a report to the Legislature that assesses whether each local publicly owned electric utility in California (both inside and outside the CAISO) exceeded, met, or failed to meet its minimum planning reserve margin for 2023. The report must also assess whether local publicly owned utilities met the planning reserve margin for June through September 2023 established by the CPUC's June 2022 decision (i.e., 16%).

The CEC's AB 1373 report, published in April 2024, showed that SMUD met its 15% planning reserve margin; it also acknowledged the limitations of the data CEC staff relied upon for this assessment. The report did not directly compare SMUD or other POUs to the CPUC's 16% planning reserve margin for 2023. The report also found that some POUs within the CAISO were short compared to reported peak demand plus 15% planning reserve margin. AB 1373 also authorizes the CEC to annually assess a capacity payment on POUs within the CAISO balancing authority area during a month in which the POU fails to meet its minimum planning reserve margin. The CEC initiated a docket in 2024 to develop regulations to implement the AB 1373 capacity payment, but only initiated the rulemaking process in February 2026. SMUD will not be impacted by these regulations because SMUD is within the BANC, rather than CAISO, balancing authority area.

To the extent the CEC or Legislature were to impose a higher POU planning reserve margin or required planning reserve methodologies for future years that includes SMUD, the ultimate impacts on SMUD's financial results and operations are difficult to predict and are dependent on a variety of factors, such as the relative cost of procuring energy/capacity, the availability and relative cost of new technologies, and the adoption and implementation of energy efficiency and other measures by SMUD's customers; however, such impacts could be material.

Sacramento-San Joaquin River Bay-Delta Processes. The Sacramento-San Joaquin River Delta is an expansive inland estuary, formed at the western edge of the California Central Valley by the confluence of the Sacramento and San Joaquin rivers ("Delta"). There are two substantial Delta planning processes with the potential to affect (1) energy available for SMUD's purchase from the Central Valley Project ("CVP") and (2) flows within the Upper American River watershed. These processes are called the Bay-Delta Water Quality Control Plan ("Bay-Delta Plan") and the Delta Conveyance Project.

The Bay-Delta Water Quality Control Plan is updated periodically by the State Water Resources Control Board ("SWRCB"), the last time being in 2006. The current Bay-Delta Plan update process is being implemented in four phases. The first phase considered southern Delta water quality, with a significant focus on San Joaquin River tributaries. Phase 2, which is initially being addressed by a document under development by SWRCB staff, will address Sacramento River tributaries and various flow

related issues, including the critically important one of those tributaries' contribution to Delta outflow. Phase 3 will concern changes to water rights needed to implement Phase 2. A substantial change in Delta outflow requirements could have a major impact on the timing of hydroelectric energy generation by the CVP. SMUD has a long-term agreement with WAPA to purchase some of this power (see "POWER SUPPLY AND TRANSMISSION – Power Purchase Agreements – *Western Area Power Administration*"). On July 18, 2018, the SWRCB released an updated Framework document signaling its staff's intent to propose Delta outflow requirements of 45–65% unimpaired flows for the Sacramento River tributaries (which includes the American River, the upper portions of which are where the UARP sits), though the report will analyze requirements of 35–75%. If these criteria were implemented, they could cut CVP generation by 50 to 63%. Governor Newsom has urged the SWRCB, other agencies and affected parties to execute voluntary agreements (aka the "Healthy Rivers Agreements") to address species' needs and outflow requirements. Although the negotiations have been slow, it is expected they will eventually result in a reasonable compromise. However, in September 2023 the SWRB released a Staff Report/Substitute Environmental Document in Support of Potential Updates to the Bay-Delta Plan (the "Staff Report/Substitute Environmental Document") to justify the adoption of the unimpaired flow standard as set forth in the 2018 Framework document. Numerous public entities, including SMUD, filed comments stating that, among other things, the potential updates identified in the Staff Report/Substitute Environmental Document, if adopted, would violate the Porter-Cologne Water Quality Control Act and Article X, section 2 of the California Constitution, would not improve fish and wildlife, and would not reasonably protect all beneficial uses, including water supplies for millions of Californians and hydroelectric power generation that is essential to California's resilient energy grid. Moreover, the comments filed also stated that the Staff Report/Substitute Environmental Document does not comply with CEQA because, among other things, the analysis of the proposed inflow and habitat objectives' impacts on electrical peaking generation, and more generally electrical grid reliability, is not supported by substantial evidence and fails to satisfy informational requirements. In addition, the comments maintain that the Healthy Rivers Agreements are a superior approach to achieving the goal of maximizing both environmental and other beneficial uses. If the unimpaired flow standard is adopted and the Healthy Rivers Agreements do not come to fruition, SMUD plans to fully participate in all regulatory and legal proceedings to argue for consideration and minimization of impacts to hydropower generation. SMUD will assess the potential impacts of proposed modifications to the present outflow objectives on SMUD's operations once, or if, the SWRCB makes available information with enough specificity for SMUD to conduct the relevant modeling.

In July 2022, the DWR released a Draft Environmental Impact Report ("EIR") to evaluate the potential impacts of carrying out the Delta Conveyance Project; the U.S. Army Corps of Engineers released a separate Environmental Impact Statement to evaluate the effects of the project pursuant to the National Environmental Policy Act. The Delta Conveyance Project is expected to entail construction of two intakes on the Sacramento River that will carry water to a main tunnel to the California Aqueduct for delivery south of the Delta. The Delta Conveyance Project may pose the potential to exacerbate impacts to already imperiled aquatic species, and in turn could have indirectly prompted regulatory agencies to require third parties, such as SMUD, to compensate by making changes to their operations. The Bureau of Reclamation is not a party to the Delta Conveyance Project, which should eliminate the potential for CVP power to be used to supply Delta Conveyance Project pumps. SMUD will monitor the proceedings and participate as necessary to ensure any impacts to SMUD interests are minimized, including potentially filing a challenge to the water rights DWR would need to modify in order to carry out the project.

Proposition 26. Proposition 26 was approved by the electorate on November 2, 2010 and amends Article XIII A and Article XIII C of the State Constitution. Proposition 26 imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State, unless the fees and charges are expressly excluded. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes, unless the fees and charges are expressly excluded. The initiative,

according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific local government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the local government of providing the service or product. Proposition 26 is not retroactive as applied to local governments. Although SMUD believes its fees and charges meet the criteria of the exclusion described above, it is possible that Proposition 26 could be interpreted to further limit fees and charges for electric utility services and/or require stricter standards for the allocation of costs among customer classes. SMUD is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be. As of the date of this Official Statement, SMUD is unaware of any fees or charges relating to SMUD's service that would have to be reduced or eliminated because of Proposition 26.

Wildfire Legislation. In response to catastrophic wildfires in California, legislation was adopted and signed into law requiring POUs (including SMUD), IOUs, and electrical cooperatives to construct, maintain and operate their electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by electrical lines and equipment.

Senate Bill ("SB") 254 signed by Governor Newsom on September 19, 2025, revised WMP submittal requirements as mentioned above and, among other things, requires the California Earthquake Authority ("CEA") to complete a comprehensive assessment to analyze and develop long-term reforms that protect access to insurance, reduce litigation costs, provide fair and expeditious compensation to claimants, support wildfire mitigation, safety, and community resilience, and ensure large electrical corporations are accountable for safety and also have the financial health to attract low-cost capital on behalf of ratepayers. It is anticipated the CEA will submit recommendations to the legislature addressing utility liability reform and financial stability as well as alternative structures for socializing and distributing losses resulting from wildfire. SMUD will continue to monitor the CEA's recommendations.

Following the recent Southern California fires, several legislative proposals addressing wildfire risk and mitigation are anticipated. SMUD is unable to predict at this time the potential impact any such proposals will have on the operations and finances of SMUD or the electric utility industry generally.

Nonstock Security. SMUD sponsored legislation in 2019, Assembly Bill 689, which was signed into law by Governor Newsom on September 5, 2019. This bill expressly allows SMUD the ability to operate a pilot project (effective January 1, 2020, to January 1, 2025), of up to three acquisitions, to hold nonstock security in a corporation or other private entity if acquired as part of a procurement of goods or services from that entity, provided that no separate funding is expended solely for the nonstock security. This will allow SMUD to realize the financial benefits of its investments, partnerships, and intellectual property.

On September 15, 2022, the Board authorized the CEO & GM to enter into a joint collaboration agreement with ESS Tech, Inc. ("ESS"). Under that agreement SMUD would procure from ESS iron flow batteries for utility scale long-duration energy storage applications. The agreement contemplates a multi-year phased deployment of up to 200MW/2GWh of long duration energy storage by 2028. As part of that procurement, SMUD acquired nonstock security in ESS.

SMUD sponsored legislation in 2024, AB 2457 (McCarty), to extend the authority granted by Assembly Bill 689 to future years. AB 2457 was passed by the legislature and signed into law, taking effect on January 1, 2025. SMUD's pilot nonstock security authority is now extended to 2035, with six allowable acquisitions.

Air Quality Violation Fees. AB 1465 (Wicks, Statutes of 2024) increased existing air district civil penalty limits by a factor of up to three for emissions from a Title V source that contain one or more air contaminants. If a Title V emissions source was found to be in violation, the local air district may impose penalties that are triple the current rate. Typically, penalties are now assessed at $5,000 per day ($15,000 by Jan 1, 2025). SMUD has five Title V facilities. SMUD was able to get a letter on record that clarifies that this does not apply during declared emergencies.

Future Regulation

The electric industry is subject to continuing legislative and administrative reform. States and Federal entities routinely consider changes to the way in which they regulate the electric industry. Recently, both further deregulation and forms of additional regulation have been proposed for the industry, which has been highly regulated throughout its history. SMUD is unable to predict at this time the impact any such proposals will have on the operations and finances of SMUD or the electric utility industry generally.

OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

CAISO Market Initiatives

The CAISO routinely conducts a number of initiatives and stakeholder processes that propose certain operational and market changes that impact SMUD. SMUD does and will continue to monitor the various initiatives proposed by the CAISO and participate in its stakeholder processes to ensure that its interests are protected.

SMUD participates in the CAISO market for only a small percentage of energy needs, however, it continues to benefit from its participation in the WEIM and plans to participate in CAISO's Extended Day Ahead Market ("EDAM") (both the WEIM and EDAM are described further below). Along with monitoring other key market initiatives at the CAISO which impact wholesale energy markets, SMUD will continue to actively participate in all processes related to the WEIM and EDAM, to ensure both participation models are beneficial to SMUD's customers. Given its success in the WEIM and active engagement with the CAISO and CAISO leadership, SMUD has earned a key role in the stakeholder processes related to these important and evolving markets.

Western Energy Imbalance Market and Extended Day Ahead Market

Federal and state policymakers have long-promoted the development of organized markets in the west as a means (among other reasons) to better integrate intermittent renewable resources into the electric system, with the first such market being the WEIM, operated by the CAISO. The CAISO successfully launched the WEIM, a real time only imbalance market, on October 1, 2014, with PacifiCorp as the first participant. Since this time, the WEIM has grown significantly with the addition of 21 other Balancing Authority Areas (including BANC) which together comprise roughly 80% of the load in the Western Interconnection.

To date, participation in the WEIM by SMUD has shown significant financial and operational benefits, in addition to furthering an already favorable working partnership between SMUD and the CAISO to develop solutions to integrate renewable resources in support of carbon reduction goals.

BANC's participation not only signaled the first public power participant in the WEIM, but it was also implemented utilizing a unique phased approach, with SMUD (as the largest member of BANC) implementing so-called WEIM Phase 1 in 2019, while the other BANC members and WAPA (the "Phase 2 Parties") joined after further evaluation and approvals in March of 2021. The CAISO and WEIM

participants, including SMUD and BANC, have supported and participated in developing the extension of the successful WEIM real time framework to the EDAM. Like WEIM, EDAM broadens the access to regional resources for the reliable integration of renewable resources, only over a longer (day ahead) time horizon by allowing for a more economic and efficient optimization of regional resources by providing grid operators greater time (day ahead as opposed to real time) to commit or decommit units based on market price signals. Only participants in the WEIM will be allowed to extend their participation to EDAM. FERC approved the CAISO's EDAM tariff filing in 2024 and EDAM implementation activities have begun with EDAM launch scheduled for May 1, 2026 with PacifiCorp as the first participant. Similar to the process around WEIM participation, SMUD, along with BANC, performed cost-benefit studies that demonstrated EDAM participation will expand on the existing WEIM benefits and in August 2023, SMUD and BANC both approved participation in EDAM. On December 5, 2024, the CAISO filed an EDAM Implementation Agreement with BANC, which FERC approved on January 27, 2025. BANC and SMUD have begun implementation efforts with plans to participate in EDAM beginning Fall of 2027.

The Pathways Initiative ("Pathways") is seen as an important step in the evolution of the WEIM and EDAM. To support EDAM, and further development of a west-wide market, multiple state commissioners in the west, including California, issued a letter to the Western Interstate Energy Board in summer of 2023 calling for the creation of an independent entity that could serve as a means of delivering a market for western states. The Pathways Initiative was created, and a broad stakeholder committee proposed a multi- step process to create an independent governing body that would enable a path forward for a potential west-wide fully organized market (a Regional Transmission Organization, or RTO). An independent governing body is seen by many entities outside of California as critical to participating in EDAM and other future markets. Earlier in 2024, as the first step, the CAISO approved elevating the EIM/EDAM Governing Body joint authority with the CAISO Board to primary authority over EIM/EDAM market matters. The second step is creation of a non-profit entity and transfer of governance authority over EIM/EDAM markets from the CAISO to this new "Regional Organization." With the passage of AB 825 in 2025, which amends existing California law applicable to the CAISO market governance, this second step to form a Regional Organization is underway, with an anticipated January 2028 launch date. As of early 2026, the Regional Organization for Western Energy (ROWE) obtained its certificate of incorporation and continues to advance in other active work streams. Step 3 is potential continued future expansion of regionalized functions and services offered by the Regional Organization. SMUD views EDAM, and the ROWE development, as important steps forward in the evolution of Western energy markets and it aligns well with SMUD's 2030 Zero Carbon Plan goals.

Tariff Uncertainty

Recent fluctuations in federal and international trade policies, including the imposition or adjustment of tariffs on materials such as steel, solar panels, batteries, and other building materials and energy-related equipment, have introduced uncertainty into the pricing and availability of key components used in SMUD's operations and capital projects. In February 2026, the United States Supreme Court issued a ruling that the International Emergency Economic Powers Act does not authorize the President to unilaterally impose tariffs, including reciprocal tariffs. Sector specific and national security tariffs, including Section 232 tariffs on steel aluminum and copper and Section 301 tariffs on Chinese technology and intellectual property, remain in place as they rely on separate legal authorities and were not challenged in this case. In response to the Supreme Court ruling, President Trump announced a 10% temporary global tariff (with authority up to 15% for 150 days) under Section 122 of the 1974 Trade Act to replace some of his tariffs that were invalidated by the Supreme Court. In March 2026, Judge Richard K. Eaton of the U.S. Court of International Trade stated in his ruling that importers were due refunds for certain tariffs imposed under IEEPA, with the refund process being implemented by U.S. Customs and Border Protection. While SMUD monitors these developments, the future impacts of tariff-related volatility on SMUD's costs, procurement schedules, and project economics are uncertain and could be material.

Large Load Additions

Electric utilities nationwide are experiencing increasingly frequent inquiries from developers, owners and operators of data centers, cryptocurrency mining facilities, and similar entities seeking service for significant new loads. While such projects can provide economic development opportunities, they also present material risks that could affect utility rates and financial stability, particularly where the proposed loads would substantially expand or even eclipse total existing electric utility system requirements. Large load additions may require substantial system upgrades, including transmission and distribution improvements, which can result in significant capital expenditures. If these customers were to curtail or cease operations prematurely, the utility may face stranded costs associated with infrastructure investments made to serve the load. In addition, failure of a large load customer to pay as and when required for electrical service received could result in substantial financial burdens to the host utility and its other customers. Utilities typically mitigate these risks through measures such as requiring upfront deposits, financial guarantees, and agreements that allocate generation resource acquisition and infrastructure improvement costs to requesting large load customers. Nevertheless, the timing, scale, and uncertainty of these potential additions could affect planning, rates, and overall utility financial performance.

SMUD has received inquiries concerning the development of large load (over 50 MW) facilities in its service area. SMUD management is currently working with the Board to develop policies, procedures, and/or tariffs/rates to ensure SMUD's customer base is not harmed by the addition of large load and that SMUD's financial performance and results are protected. SMUD cannot predict whether and to what extent any such large load additions will occur in SMUD service areas.

Other Factors

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed above, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above; (b) changes resulting from conservation and demand side management programs on the timing and use of electric energy; (c) changes resulting from a national energy policy; (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low cost electricity; (e) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOUs; (f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies; (g) "self-generation" or "distributed generation" (such as solar, microturbines and fuel cells) by industrial and commercial customers and others; (h) issues relating to the ability to issue tax exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with tax exempt obligations; (i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities; (j) changes from projected future load requirements; (k) increases in costs and uncertain availability of capital; (l) issues relating to supply chains and the uncertain availability or increased costs of necessary materials; (m) shifts in the availability and relative costs of different fuels (including the cost of natural gas); (n) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in the State; (o) issues relating to risk management procedures and practices with respect to, among other things, the purchase and sale of natural gas, energy and transmission capacity; (p) other legislative changes, voter initiatives, referenda and statewide propositions; (q) effects of changes in the economy; (r) effects of possible manipulation of the

electric markets; (s) natural disasters or other physical calamities, including, but not limited to, earthquakes, droughts, severe weather, wildfires and floods; (t) changes to the climate, including increasing volatility in rainfall in the Western United States and a reduction in the depth and duration of the Sierra snowpack; (u) issues relating to cyber-security; and (v) outbreaks of infectious diseases or the occurrence of pandemics. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including SMUD's electric utility, and likely will affect individual utilities in different ways.

SMUD is unable to predict what impact such factors will have on the business operations and financial condition of SMUD's electric system, but the impact could be significant. SMUD has taken major steps to mitigate the impacts of many of the factors. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of any of SMUD's Senior Bonds or Subordinated Bonds described in the forepart of this Official Statement should obtain and review such information.

APPENDIX B

2025 AND 2024 CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

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Financial Statements

Report of Independent Auditors

December 31, 2025 and 2024

SMUD®

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SACRAMENTO MUNICIPAL UTILITY DISTRICT
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Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sacramento Municipal Utility District (SMUD), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise SMUD's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SMUD as of December 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SMUD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SMUD's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SMUD's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SMUD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2026 on our consideration of SMUD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SMUD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SMUD's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
March 6, 2026

Sacramento Municipal Utility District
Management's Discussion and Analysis - Unaudited
For the Years Ended December 31, 2025 and 2024

Using this Financial Report

This annual financial report for Sacramento Municipal Utility District (SMUD) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position and the Statements of Cash Flows.

SMUD maintains its accounting records in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission, except as it relates to accounting for contributions of utility property in aid of construction.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of SMUD provides an overview of the financial activities for the years ended December 31, 2025 and 2024. This discussion and analysis should be read in conjunction with the financial statements, required supplementary information and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all SMUD's revenues and expenses for the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Required Supplementary Information provides additional detailed disclosures as required by the GASB.

Organization and Nature of Operations

SMUD was formed and operates under the State of California Municipal Utility District Act (Act). The Act gives SMUD the rights and powers to fix rates and charges for commodities or services it furnishes, and to incur indebtedness and issue bonds or other obligations. As a community-owned utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission.

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, with a population of approximately 1.6 million – most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

SMUD's vision is to be the trusted partner with its customers and the community, providing innovative solutions to ensure energy affordability and reliability, improve the environment, reduce the region's carbon footprint, and enhance the vitality of the community. SMUD's business strategy focuses on serving its customers in a progressive, forward-looking manner, addressing current regulatory and legislative issues and potential competitive forces. This includes ensuring financial stability by

establishing rates that provide acceptable cash coverage of all fixed charges, taking into consideration the impact of capital expenditures and other factors on cash flow.

2030 Zero Carbon Plan

In July 2020, the Board adopted a Climate Emergency Declaration to work toward an ambitious goal of delivering carbon neutral electricity by 2030 and indicating a strong commitment to finding additional opportunities to accelerate decarbonization in SMUD's energy supply. Building on the Board's Climate Emergency Declaration, SMUD's 2030 Clean Energy Vision calls for absolute zero carbon emission in its power supply by 2030.

In 2022, SMUD's 2030 Clean Energy Vision was translated into the 2030 Zero Carbon Plan (ZCP), the flexible road map to achieve a zero-carbon power supply by 2030. The plan guides elimination of Greenhouse Gas emissions from SMUD's power plants, development of new distributed energy resource business models, research of emerging grid-scale carbon-free technologies, and expansion of investments in proven clean technologies while ensuring all communities benefit from the plan.

In 2024, SMUD made significant progress on its 2030 ZCP, including outreach, customer engagement, new clean energy resources and extensive studies to ensure continued world-class reliability with rates among the lowest in California. SMUD brought nearly 90 megawatts (MW) of additional wind power online with Solano 4 Wind project increasing power production by about 10 times over the previous Phase 1. SMUD started civil construction for Country Acres Solar & Battery, a 344 MW solar and 172 MW 4-hour battery project.

In 2025, SMUD continued to make progress on its 2030 ZCP and have expanded programs that bring our customers along in its zero-carbon journey, highlighted by the Community Impact Plan which empowers residents, businesses, schools and nonprofits to participate in its clean energy transition. Additionally, SMUD opened the Sloughhouse Agrivoltaic Solar project – a 50 MW solar facility that generates enough clean, affordable energy to power 12,000 homes and reduces carbon emissions by 90,000 metric tons annually, equivalent to taking 19,000 cars off the road. SMUD also broke ground on the Country Acres Solar and Battery Storage project, our largest solar and storage project and a critical additional to our clean energy infrastructure. SMUD is also actively pursuing emerging technologies and exploring new market opportunities. The Extended Day-Ahead Market (EDAM) will support better integration of renewable resources. SMUD also completed the retooling of our most efficient combined cycle resource, Cosumnes Power Plant, providing greater operational flexibility while cutting greenhouse gas emissions by over 25% annually and saving money on natural gas costs. Additionally, SMUD and Calpine are continuing discussions on a Power Purchase Agreement for a carbon capture and storage project despite the Department of Energy (DOE) pulling back its previously awarded grant to partially fund the project.

Requests for Information

For more information about SMUD, visit our website at www.smud.org or contact us at customerservices@smud.org**.**

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in millions).

CONDENSED STATEMENTS OF NET POSITION

	2025	2024	2023
Assets			
Electric Utility Plant - net	$ 4,809	$ 4,537	$ 4,207
Restricted and Designated Assets	376	373	239
Current Assets	1,578	1,371	1,250
Noncurrent Assets	1,878	1,840	1,625
Total Assets	8,641	8,121	7,321
Deferred Outflows of Resources	306	323	338
Total Assets and Deferred Outflows of Resources	$ 8,947	$ 8,444	$ 7,659
Liabilities			
Long-Term Debt - net	$ 3,243	$ 3,251	$ 2,921
Current Liabilities	673	606	701
Noncurrent Liabilities	562	638	530
Total Liabilities	4,478	4,495	4,152
Deferred Inflows of Resources	1,295	1,137	920
Net Position	3,174	2,812	2,587
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 8,947	$ 8,444	$ 7,659

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2025 Compared to 2024

Total assets in 2025 increased $520 million or 6.4% over 2024, primarily due to the following:

- An increase of $272 million in electric utility plant - net. See Capital Program below for further information.
- A $207 million increase in current assets is primarily due to $154 million increase in unrestricted cash, cash equivalents and investments -see the Statement of Cash flows for details and $32 million increase in inventories due to significant expenditures on transformers, switchgears and capacitors.
- A $38 million increase in noncurrent assets is primarily due to $75 million net increase in the regulatory costs for future recovery related to amortization of pension and Other Post-Employment Benefits (OPEB) deferred outflows, offset by $45 million decrease due to amortization of prepaid gas supply due to gas delivered.

2024 Compared to 2023

Total assets in 2024 increased $800 million or 10.9% over 2023, primarily due to the following:

- An increase of $330 million in electric utility plant - net. See Capital Program below for further information.
- A $134 million increase in restricted and designated assets primarily due to a $60 million deferral of 2024 operating revenues for creation of a commodity Rate Stabilization Fund (RSF) for future commodity price volatility, $20 million additional RSF transfer from operating revenue to fund Community Impact Plan (CIP) expenditures through 2028, and $41 million deferral of 2024 operating revenues for recognition in future years to offset one-time expenditures not identified in the annual budget, a $19 million RSF net transfer from revenues for net auction proceeds received and funds spent on Assembly Bill (AB) 32 programs, and a $9 million RSF transfer from revenue as a result of higher than budgeted energy deliveries from the Western Area Power Administration (WAPA), and, offset by $8 million Hydro Rate Stabilization Fund (HRSF) transfer to revenue for below average precipitation
- A $121 million increase in current assets is primarily due to $31 million increase in retail customers receivable due to higher load and rate, $21 million increase in wholesale and other receivable due to the DOE Grid Resilience and Innovative Partnerships program (GRIP) grant billing and Spent Nuclear Fuel billing, $29 million increase in inventories due to increased purchases for meters for GRIP grant and transformers.
- A $215 million increase in noncurrent assets is primarily due to $147 million increase in prepaid gas due to the restructuring the Northern California Energy Authority (NCEA) commodity prepay agreement and $70 million net increase in the regulatory costs for future recovery primarily related to amortization of pension and Other Post-Employment Benefits (OPEB) deferred outflows.

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2025 Compared to 2024

Total liabilities in 2025 decreased $17 million or 0.4% compared to 2024, primarily due to the following:

- A $67 million increase in current liabilities due primarily to $29 million increase in accounts payable and $22 million increase in current hedging derivative instruments.
- A $76 million decrease in non-current liabilities is primarily due to $99 million decrease in net pension liability based on the most recent actuarial results.

Deferred inflows of resources in 2025 increased $158 million or 13.9%, primarily due to a $125 million increase in regulatory credits related to current year amortization of the pension and OPEB deferred inflows and $54 million increase in deferred pension inflows.

Net position in 2025 increased $362 million or 12.9% over 2024 based on results of operations.

2024 Compared to 2023

Total liabilities in 2024 increased $343 million or 8.3% over 2023, primarily due to the following:

- A $330 million increase in long-term debt, net due to the $150 million refunding of outstanding commercial paper and issuing $100 million additional long-term bonds to fund capital projects for SMUD, and due to refunding NCEA bonds issuing an additional $114 million to fund increase in prepaid gas agreement.
- A decrease of $95 million in current liabilities due to a decrease of $150 million in the outstanding commercial paper due to refunding in 2024 and a $34 million decrease in value to the current hedging derivative instruments. This is offset by a $43 million increase in accounts payable due to the meters for the GRIP grant and large transformer received in December, a $28 million increase in current lease liability, and an $18 million increase in accrued salaries and compensated absences due to the implementation of GASB Statement No. 101, "Compensated Absences" that recorded a sick leave liability of $6 million at December 31, 2024.
- A $108 million increase in non-current liabilities is due to a $58 million increase in net pension and OPEB liability based on the most recent actuarial results, a $26 million increase in non-current lease liability and a $38 million increase in customer deposits for long-term interconnection agreements

Deferred inflows of resources in 2024 increased $217 million or 23.6%, primarily due to a $236 million increase to regulatory credits related to the new commodity RSF, CIP RSF, WAPA RSF, pension and OPEB deferred costs.

Net position in 2024 increased $225 million or 8.7% over 2023 based on results of operations.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in millions).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

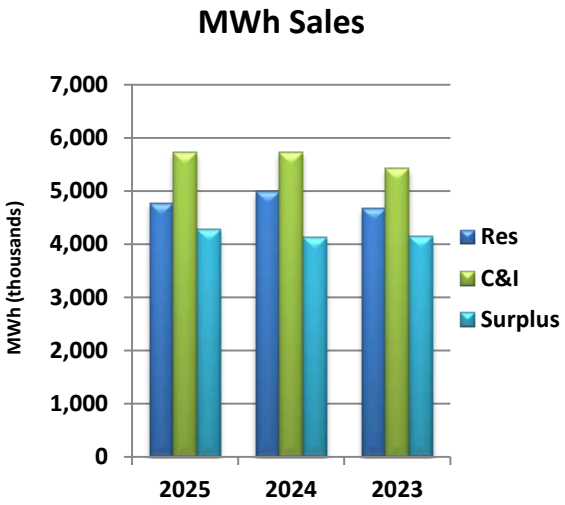
	2025	2024	2023
Operating revenues	$ 2,121	$ 1,962	$ 1,931
Operating expenses	(1,799)	(1,804)	(1,748)
Operating income	322	158	183
Other revenues/(expenses)	140	169	136
Interest charges	(100)	(102)	(99)
Change in net position	362	225	220
Net position - beginning of year	2,812	2,587	2,367
Net position - end of year	$ 3,174	$ 2,812	$ 2,587

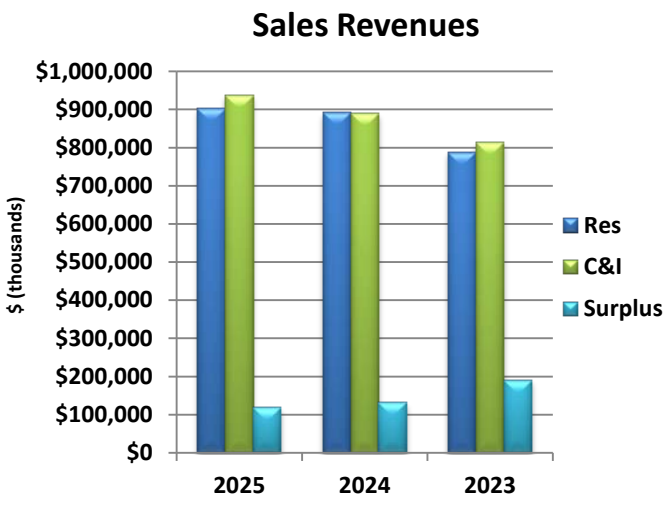
2025 Compared to 2024

OPERATING REVENUES

Total operating revenues were $2,121 million for 2025, an increase of $159 million or 8.1% over 2024 operating revenues. The residential megawatt hour (MWh) sales decreased 4.3% and sales revenues increased 1.4% compared to 2024. The commercial & industrial MWh sales were virtually flat, decreasing 0.1% and sales revenues increased 5.1% compared to 2024.

The following charts show the MWh sales, and sales revenue for the past three years by surplus energy sales (Surplus), commercial, industrial, and other (C&I), and residential (Res) customers:





Wholesale revenues are comprised of both surplus gas and energy sales which are part of the operational strategy in managing fuel and energy costs. In 2025, energy sales were lower by $13 million as compared to 2024 due to lower energy prices in the market. Surplus gas sales were lower than 2024 by $9 million due to lower fuel prices.

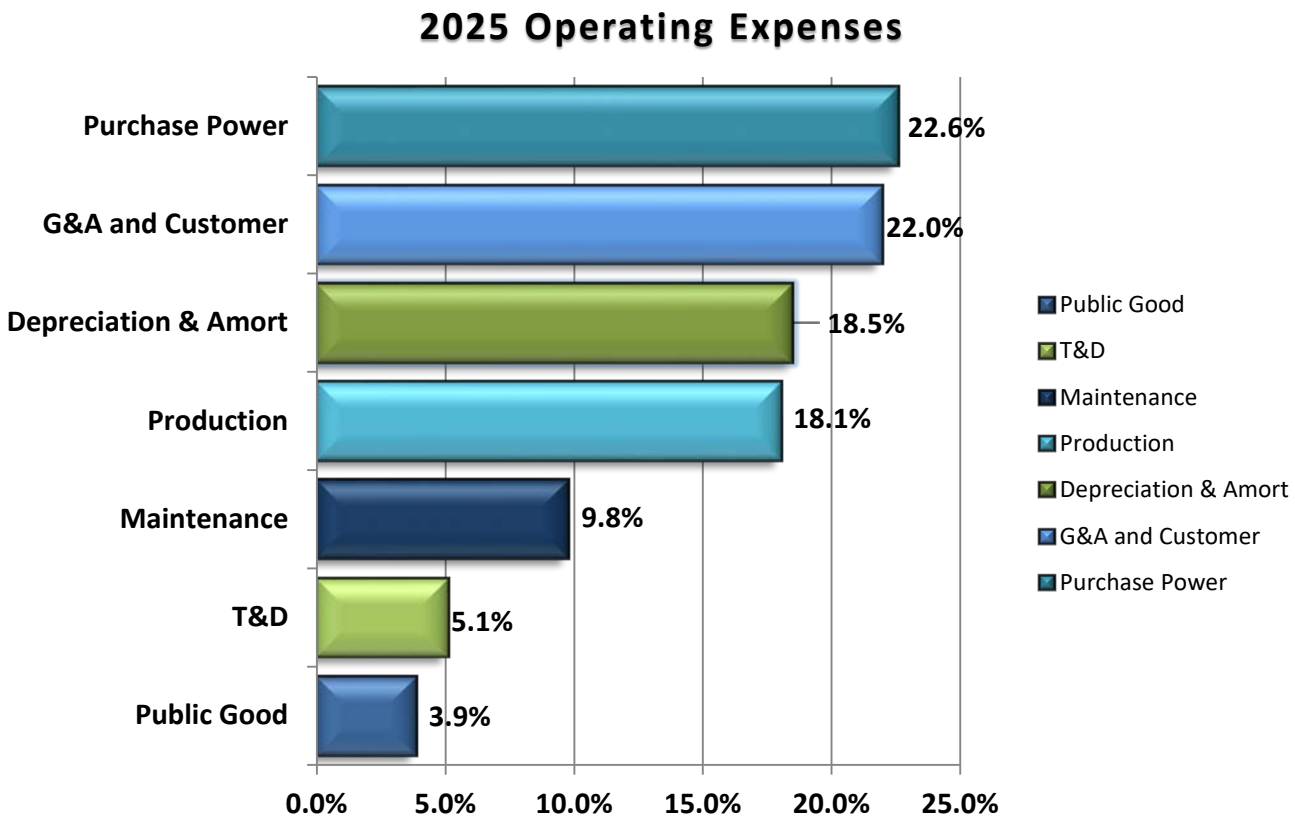
OPERATING EXPENSES

Total operating expenses were $1,799 million for 2025, a decrease of $5 million or 0.3% compared to 2024.

- Production decreased $36 million primarily due to $32 million reduction in gas turbine fuel due to a combination of lower average fuel price and lower usage.

- Administrative, general and customer increased by $12 million due to higher customer program participation, and transmission and distribution increased by $7 million due to a higher need for distribution and substation operations.

The following chart illustrates 2025 operating expenses by expense classification and percentage of the total:



OTHER REVENUES

Total other revenues (net) were $140 million for 2025, a decrease of $29 million or 17.2% compared to 2024. The most significant items in other revenues (net) include $95 million miscellaneous non-operating income, comprised primarily of an Inflation and Reduction Act payment for a clean energy project, grant proceeds, and revenue from Community Choice Aggregators, and $49 million interest income.

2024 Compared to 2023

RESULTS OF OPERATIONS

- Total operating revenues were $1,962 million for 2024, an increase of $31 million or 1.6% over 2023 operating revenues. The residential megawatt hour (MWh) sales decreased 6.7% and sales revenues increased 13.0% compared to 2023, primarily due to hotter weather during the summer in 2024. The commercial & industrial MWh sales increased 5.6% and sales revenues increased 9.3% compared to 2023, primarily due to replacing the sales from a major commercial customer that was lost in 2023.

- Wholesale revenues are comprised of both surplus gas and energy sales which are part of the operational strategy in managing fuel and energy costs. In 2024, energy sales were lower by $59 million as compared to 2023 due to lower energy prices in the market. Surplus gas sales were lower than 2023 by $24 million primarily due to gas prices were lower due to increased gas storage nationwide.

Total operating expenses were $1,804 million for 2024, an increase of $56 million or 3.2% over 2023.

- Purchased power decreased by $42 million primarily due to the average market price was lower due to the increased gas storage that led to lower reduced power prices as well as additional solar, wind and energy storage batteries that came on-line in California that help lower market prices.

- General, administrative and customer increased by $79 million primarily due to bond issuance cost related to the current year bond refunding and a large adjustment related to the pension actuarial results in the current year.

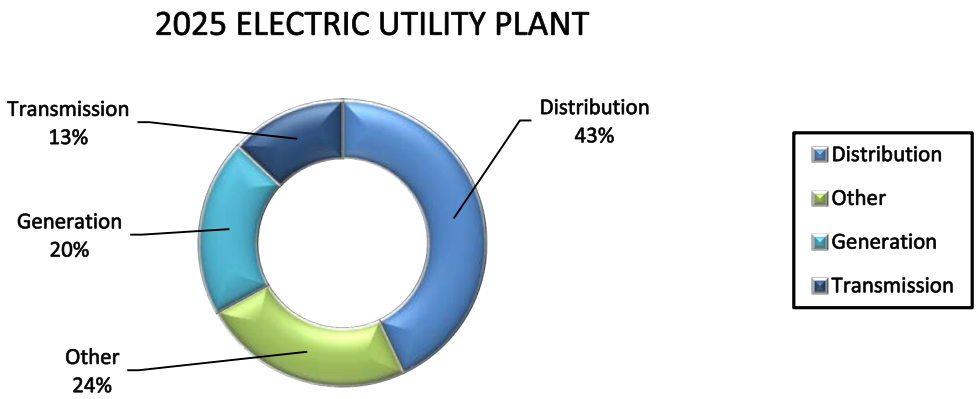
Total other revenues (net) were $169 million for 2024, an increase of $33 million or 24.1% over 2023. The increase is due to $7 million higher interest earnings on investments and $6 million increase in investment revenue related to gas swaps. The other income - net includes one-time income receipts of $89 million of insurance recovery payment of Cosumnes Power Plant (CPP) outage claim, $7 million settlement claim for Substation fire and $5 million grant revenues.

CAPITAL PROGRAM

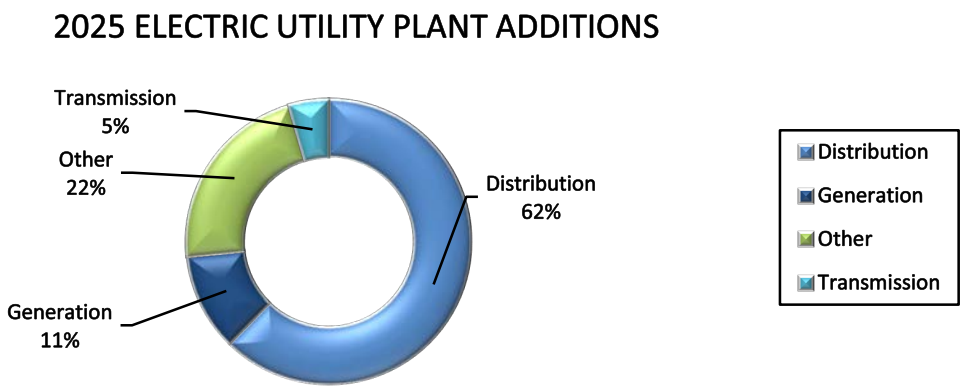
SMUD's electric utility plant includes production, transmission and distribution, and general plant facilities. The following table summarizes the balance of the electric utility plant as of December 31 (in millions).

	2025	2024	2023
Electric Utility Plant	$ 8,894	$ 8,358	$ 7,853
Accumulated Depreciation and Amortization	(4,085)	(3,821)	(3,645)
Electric Utility Plant - Net	$ 4,809	$ 4,537	$ 4,208

The following chart shows the breakdown of 2025 Electric Utility Plant - net by major plant category:



The following chart shows the breakdown of 2025 Electric Utility Plant capitalized additions by major plant category:



Details of SMUD's electric utility plant asset balances and activity are included in Note 4 in the Notes to Financial Statements. SMUD's capital program includes investment in generation, transmission, distribution, buildings, vehicles, technology, and other assets critical to meeting the energy needs of its customers. Capital investments are financed with revenues from operations, bond proceeds, investment income and cash on hand.

The following table shows actual capital program expenditures for the last two years and budgeted capital expenditures for 2026 (in millions).

	Budget 2026	Actual 2025	Actual 2024
Capital Program:			
Transmission & Distribution	$ 290	$ 301	$ 215
Generation	124	144	151
Other	256	149	118
Total	$ 670	$ 594	$ 484

In 2025 and 2024, SMUD's actual expenditures included the official opening of the Sloughhouse Agrivoltaic Solar project, Solano 4 wind project, breaking ground on Country Acres Solar and Battery storage project, retooling of the Cosumnes Power Plant, significant investment in transformers, switchgears and capacitors, Station J design, Elverta (El Rio) Substation expansion, Station G additional bank, and replacement of major portions of our cable and pole infrastructure.

Major capital expenditures planned in 2026 include Station J Substation, El Rio, Country Acres solar and storage project, new Administrative Operations Building, upgrade the Enterprise Resource Planning (ERP) software to S/4HANA, and Grid Edge Intelligence and Outage Management System replacement.

LIQUIDITY AND CAPITAL RESOURCES

SMUD maintains a strong liquidity position by setting a minimum number of days cash on hand and managing a $400 million commercial paper program. The current days cash threshold is 150 days, the minimum amount of cash on hand before triggering a new debt or commercial paper issuance to replenish cash balances. As of December 31, 2025 and 2024, the days cash on hand was 225 days and 185 days, respectively. The commercial paper program allows for short-term borrowing when needed in lieu of issuing long-term debt, similar to a credit card or line of credit. As of December 31, 2025 and 2024, SMUD did not have any commercial paper notes outstanding. A strong liquidity position is important in demonstrating to investors and rating agencies that SMUD can withstand various financial stresses.

In addition, SMUD targets strong financial metrics in cash flow coverage with its fixed charge ratio. The Board sets a minimum fixed charge of 1.50 times operating cash flow; however, SMUD aims for a minimum of 1.70 as a standard. On December 31, 2025 and 2024, the fixed charge ratio was 3.71 and 2.83, respectively. This higher performance standard has proven valuable during financially challenging years of uncertainty stemming from the pandemic and higher commodity costs.

Debt service coverage for long-term debt was 4.18 times and 3.05 times in 2025 and 2024, respectively. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios of at least 1.40 times, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage. SMUD is in compliance with all debt covenants.

FINANCING ACTIVITIES

In May 2025, SMUD Financing Authority (SFA), a component unit of SMUD, defeased $60.5 million of bonds prior to final maturity, reducing debt service costs by $13.8 million per year on average from 2026 to 2030.

In June 2025, SMUD issued three separate revenue and revenue refunding bonds totaling $300 million. The purpose of these transactions was to refund the fixed rate debt associated with 2019 Series B, refund the outstanding commercial paper and reimburse SMUD for capital expenses previously incurred.

CREDIT RATINGS

SMUD proactively manages its strong financial position to maintain high credit ratings. These strong credit ratings improve access to credit markets and result in a lower cost of borrowing. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the credit rating agencies in establishing a company's credit rating. In February 2024, Moody's upgraded SMUD's rating to Aa2 from Aa3 changing SMUD's financial outlook from positive to stable. As of December 31, 2025, SMUD's bonds had an underlying rating of "AA" from Standard & Poor's, "AA" from Fitch, and "Aa2" from Moody's. In March 2025, Standard & Poor's put SMUD and several other California utilities on Negative Outlook due to wildfire risk concerns.

COMPETITIVE RATES

The Board has independent authority to set SMUD's rates and charges. Changes in rates require a public hearing and formal action by the Board. SMUD has committed to its customers in keeping rates low while continuing to deliver safe, reliable, and environmentally responsible power and the products and services they value.

In 2023, the Board approved the 2024 and 2025 rate proposals including four rate increases of 2.75%, one each in January 2024, May 2024, January 2025 and May 2025, which will apply to all customer classes. Even with these increases, SMUD's rates continue to remain amongst the lowest in the state. In 2024, the average system rate was 52% below the average rate of the nearest investor-owned utility. This ensures the necessary revenue to meet SMUD's financial obligations, key financial metrics, and delivery of SMUD's 2030 ZCP.

SMUD has continued to progress on its Grant Strategy Framework, which will best position SMUD to secure sources of funding to deliver on the 2030 ZCP and keep its rates low. In 2025, SMUD secured approximately $41 million in grant funding, including significant grants with California Energy Resilience and Reliance Infrastructure (CERRI) and Department of Transportation Charging & Fueling Infrastructure. Despite the cancellation of the Department of Energy $50 million GRIP grant for our Clean Power Connected Cities Project, we were still able to bill and receive approximately $33 million.

ENERGY RISK MANAGEMENT

SMUD's commodity costs have prices locked in for most of its expected energy requirements to ensure cost and rate stability for customers. Only a small portion of budgeted energy purchases are exposed to short-term market price fluctuations – a beneficial practice, especially during the price volatility currently reflected in California power and energy prices.

SMUD has mitigation measures in place for higher commodity costs due to reduced hydroelectric production that will lead to higher purchased power. As of December 31, 2025, the HRSF was $81 million and $158 million in the RSF, net of Low Carbon Fuel Standard and Cap and Trade funds. These reserve funds help absorb higher energy costs when hydroelectric production is down or when there are unexpected increases in commodity costs and serve as a buffer against unexpected financial developments.

DECOMMISSIONING

SMUD has made significant progress toward completing the Decommissioning Plan for its Rancho Seco nuclear facility, which was shut down in 1989. The plan consists of two phases that allow SMUD to terminate its possession-only license. Phase I of the decommissioning was completed at the end of 2008. Phase II consists of a storage period for the Class B and Class C radioactive waste overseen by the existing facility staff, followed by shipment of the waste for disposal, and then complete termination of the possession-only license. SMUD also established and funded an external decommissioning trust fund as part of its assurance to the Nuclear Regulatory Commission (NRC) to pay for the cost of decommissioning. Shipment of the previously stored Class B and Class C radioactive waste was completed in November 2014 to a low-level radioactive waste facility located in Andrews, Texas. The remaining Phase II decommissioning activities required for termination of the possession-only license commenced in 2015. In September 2017, SMUD formally requested the termination of the possession-only license and termination of the possession-only license was completed in 2018.

As part of the Decommissioning Plan, the nuclear fuel and Greater Than Class C (GTCC) radioactive waste is being stored in a dry storage facility constructed by SMUD and licensed separately by the NRC. The DOE, under the Nuclear Waste Policy Act of 1982, was responsible for permanent disposal of used nuclear fuel and GTCC radioactive waste and SMUD contracted with the DOE for removal and disposal of that waste. The DOE has yet to fulfill its contractual obligation to provide a permanent waste disposal site. SMUD has filed a series of successful lawsuits against the federal government for recovery of the past spent fuel costs, with recoveries to date of more than $139 million. SMUD will continue to pursue cost recovery claims until the DOE fulfills its obligation.

The total Accrued Decommissioning balance in the Statements of Net Position, including Rancho Seco and other ARO's, amounted to $133 million and $119 million as of December 31, 2025 and 2024, respectively.

SIGNIFICANT ACCOUNTING POLICIES

In accordance with GASB No. 62, the Board has taken regulatory actions for ratemaking that result in the deferral of expense and revenue recognition. These actions result in regulatory assets and liabilities. SMUD has regulatory assets that cover costs related to decommissioning, derivative financial instruments, debt issuance costs, pension costs, and OPEB costs. As of December 31, 2025 and 2024, total regulatory assets were $1,095 million and $1,002 million, respectively. SMUD also has regulatory credits that cover costs related to contributions in aid of construction, the RSF and HRSF, Energy Assistance Program Rate reserves, SB-1, grant revenues, and Transmission Agency of Northern California operations costs. As of December 31, 2025 and 2024, total regulatory credits were $1,120 million and $995 million, respectively.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	December 31, 2025	December 31, 2024
	(thousands of dollars)	
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 8,118,848	$ 7,829,525
Less accumulated depreciation and amortization	(4,084,720)	(3,820,728)
Plant in service - net	4,034,128	4,008,797
Construction work in progress	775,338	527,739
Total electric utility plant - net	4,809,466	4,536,536
RESTRICTED AND DESIGNATED ASSETS		
Revenue bond and debt service reserves	112,564	120,514
Nuclear decommissioning trust fund	10,327	9,909
Rate stabilization fund	350,173	345,389
Escrow fund	19,405	14,027
Collateral fund	8,128	10,771
Insurance captive fund	26,220	25,447
Other funds	11,435	19,921
Less current portion	(162,678)	(172,789)
Total restricted and designated assets	375,574	373,189
CURRENT ASSETS		
Unrestricted cash and cash equivalents	427,674	338,872
Unrestricted investments	273,495	208,259
Restricted and designated cash and cash equivalents	56,431	65,930
Restricted and designated investments	106,247	106,859
Receivables - net:		
Retail customers	219,968	209,590
Wholesale and other	89,245	86,417
Regulatory costs to be recovered within one year	97,466	78,921
Hedging derivative instruments maturing within one year	15,591	21,816
Inventories	206,322	174,165
Prepaid gas to be delivered within one year	45,430	41,389
Prepayments and other	40,415	38,769
Total current assets	1,578,284	1,370,987
NONCURRENT ASSETS		
Regulatory costs for future recovery	997,629	922,992
Prepaid gas	694,490	739,920
Hedging derivative instruments	31,065	32,329
Credit support collateral deposits	20,750	20,750
Due from affiliated entity	40,681	35,490
Investment in TANC	42,920	40,051
Prepayments and other	50,308	48,588
Total noncurrent assets	1,877,843	1,840,120
TOTAL ASSETS	8,641,167	8,120,832
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative instruments	64,807	40,229
Deferred pension outflows	150,769	194,134
Deferred other postemployment benefits outflows	64,571	58,215
Deferred asset retirement obligations outflows	282	1,195
Unamortized bond losses	25,598	29,801
TOTAL DEFERRED OUTFLOWS OF RESOURCES	306,027	323,574
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,947,194	$ 8,444,406

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	December 31, 2025	December 31, 2024
	(thousands of dollars)	
LIABILITIES		
LONG-TERM DEBT - net	$ 3,242,451	$ 3,251,259
CURRENT LIABILITIES		
Accounts payable	199,848	170,469
Purchased power payable	45,858	38,363
Long-term debt due within one year	130,825	138,065
Accrued decommissioning	8,661	7,471
Interest payable	47,898	48,728
Accrued salaries and compensated absences	84,816	80,676
Other derivative instruments maturing within one year	1,112	381
Hedging derivative instruments maturing within one year	51,437	29,286
Advanced payments on construction	46,215	46,201
Lease liability	27,120	26,495
Customer deposits and other	29,214	19,912
Total current liabilities	673,004	606,047
NONCURRENT LIABILITIES		
Net pension liability	209,662	308,414
Net other postemployment benefits liability	48,457	34,132
Accrued decommissioning	124,221	111,340
Hedging derivative instruments	13,370	10,943
Advanced payments on construction	65,603	37,985
Self insurance and other	100,862	135,089
Total noncurrent liabilities	562,175	637,903
TOTAL LIABILITIES	4,477,630	4,495,209
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative instruments	46,656	54,145
Regulatory credits	1,119,507	994,763
Deferred pension inflows	62,880	8,416
Deferred other postemployment benefits inflows	16,385	23,556
Deferred lease inflows	15,684	16,434
Unamortized bond gains	30,463	36,102
Unearned revenue	3,448	3,661
TOTAL DEFERRED INFLOWS OF RESOURCES	1,295,023	1,137,077
NET POSITION		
Net investment in capital assets	2,131,651	1,843,190
Restricted:		
Revenue bond and debt service	64,390	71,726
Other funds	65,076	69,633
Unrestricted	913,424	827,571
TOTAL NET POSITION	3,174,541	2,812,120
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 8,947,194	$ 8,444,406

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended December 31,	
	2025	2024
	(thousands of dollars)	
OPERATING REVENUES		
Residential	$ 903,743	$ 891,583
Commercial and industrial	926,696	881,574
Street lighting and other	56,935	54,813
Wholesale	200,717	223,204
Senate Bill - 1 revenue deferral	1,493	1,042
AB-32 revenue	22,444	35,233
LCFS revenue	8,502	7,910
Rate stabilization fund transfers	216	(133,258)
Total operating revenues	2,120,746	1,962,101
OPERATING EXPENSES		
Operations:		
Purchased power	406,885	409,510
Production	324,751	361,068
Transmission and distribution	92,082	85,496
Administrative, general and customer	397,317	384,892
Public good	69,550	72,086
Maintenance	175,592	171,728
Depreciation and amortization	283,108	273,258
Regulatory amounts collected in rates	49,616	45,920
Total operating expenses	1,798,901	1,803,958
OPERATING INCOME	321,845	158,143
NON-OPERATING REVENUES AND EXPENSES		
Other revenues and (expenses):		
Interest income	48,616	45,481
Investment income (expense) - net	(2,876)	(5,173)
Other income - net	94,709	128,786
Total other revenues and (expenses)	140,449	169,094
Interest charges:		
Interest on debt	99,873	101,816
Total interest charges	99,873	101,816
Total non-operating revenues and (expenses)	40,576	67,278
CHANGE IN NET POSITION	362,421	225,421
NET POSITION - BEGINNING OF YEAR	2,812,120	2,586,699
NET POSITION - END OF YEAR	$ 3,174,541	$ 2,812,120

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2025	2024
	(thousands of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,875,462	$ 1,789,294
Receipts from surplus power and gas sales	209,608	219,745
Other receipts	115,854	98,157
Payments to employees - payroll and other	(448,941)	(418,361)
Payments for wholesale power and gas purchases	(522,909)	(549,103)
Payments to vendors/others	(591,781)	(520,700)
Net cash provided by operating activities	637,293	619,032
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuance, net of premium	-0-	192,318
Repayment of debt	(33,750)	(25,530)
Payments for prepaid gas supply	-0-	(187,894)
Proceeds from insurance settlements	-0-	88,943
Receipts from federal and state grants	18,702	3,026
Interest on debt	(38,250)	(30,912)
Payments for debt issue costs	-0-	(9,628)
Net cash provided by (used in) noncapital financing activities	(53,298)	30,323
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(555,427)	(461,647)
Contributions in aid of construction	25,531	29,514
Net proceeds from bond issues	331,574	752,609
Repayments and refundings of debt	(264,820)	(547,705)
Issuance of commercial paper	75,000	-0-
Repayments of commercial paper	(75,000)	(150,000)
Proceeds from insurance settlements	-0-	7,515
Other receipts	132,426	7,863
Interest on debt	(111,079)	(147,831)
Lease and other receipts/payments - net	(41,404)	(36,851)
Net cash used in capital and related financing activities	(483,199)	(546,533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	960,902	635,879
Purchases of securities	(1,021,837)	(656,952)
Proceeds from termination of prepaid gas contracts	-0-	2,565
Interest and dividends received	47,534	46,433
Investment revenue/expenses - net	(2,847)	(5,140)
Net cash provided by (used in) investing activities	(16,248)	22,785
Net increase in cash and cash equivalents	84,548	125,607
Cash and cash equivalents at the beginning of the year	416,831	291,224
Cash and cash equivalents at the end of the year	$ 501,379	$ 416,831
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	$ 427,674	$ 338,872
Restricted and designated cash and cash equivalents	56,431	65,930
Restricted and designated assets (a component of the total of $375,574 and $373,189 at December 31, 2025 and 2024, respectively)	17,274	12,029
Cash and cash equivalents at the end of the year	$ 501,379	$ 416,831

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
SUPPLEMENTAL CASH FLOW INFORMATION

A reconciliation of the statements of cash flows operating activities to operating income as follows:

	Year Ended December 31,	
	2025	2024
	(thousands of dollars)	
Operating income	$ 321,845	$ 158,147
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	283,108	273,258
Regulatory amortization	49,616	45,920
Other amortizations	36,607	40,060
Revenue deferred to (recognized from) regulatory credits - net	(1,708)	132,216
Other (receipts) payments - net	(32,447)	151,423
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Receivables - retail customers, wholesale and other	21,834	(47,057)
Inventories, prepayments and other	(49,349)	(220,021)
Deferred outflows of resources	37,009	(7,154)
Payables and accruals	15,026	65,153
Decommissioning	(6,991)	(6,512)
Net pension liability	(98,752)	49,404
Net other postemployment benefits liability	14,325	8,798
Deferred inflows of resources	47,170	(24,603)
Net cash provided by operating activities	$ 637,293	$ 619,032

The supplemental disclosure of noncash financing and investing activities is as follows:

	Year Ended December 31,	
	2025	2024
	(thousands of dollars)	
Amortization of debt related (expenses) and premiums - net	$ 39,945	$ 45,129
Write-off unamortized premium and loss	3,891	-0-
Gain on debt extinguishment and refundings	3,851	(23,975)
Unrealized holding gain (loss)	828	906
Change in valuation of derivative financial instruments	(32,878)	53,799
Amortization of revenue for assets contributed in aid of construction	26,685	19,974
Construction expenditures included in accounts payable	106,312	83,461
Gain (Loss) on sale and retirement of assets - net	20,838	(270)
Write-off capital projects and preliminary surveys	(31,697)	(6,620)

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION

The Sacramento Municipal Utility District (SMUD) was formed and operates under the State of California Municipal Utility District Act (Act). The Act gives SMUD the rights and powers to fix rates and charges for commodities or services it furnishes, and to incur indebtedness and issue bonds or other obligations. As a community-owned utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission.

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, which includes most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

SMUD is exempt from payment of federal and state income taxes and, under most circumstances, real and personal property taxes. In addition, SMUD is responsible for the payment of a portion of the property taxes associated with its real property in California that lies outside of its service area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. SMUD's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC). SMUD's Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Electric revenues and costs that are directly related to the acquisition, generation, transmission, and distribution of electricity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Financial Reporting Entity. These Financial Statements include SMUD and its component units. Although the component units are legally separate from SMUD, they are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. All significant inter-component transactions have been eliminated in consolidation.

Component Units. The component units include the Sacramento Municipal Utility Financing Authority (SFA), the Northern California Gas Authority No. 1 (NCGA) and the Northern California Energy Authority (NCEA). The primary purpose of SFA is to own and operate electric utility plants that supply power to SMUD. On October 1, 2025, SMUD entered into Assignment and Assumption Agreements (Agreements) with SFA. The Agreements transfer the assets and obligations, including ownership of the Cosumnes Power Plant, Carson Power Plant, Procter and Gamble Power Plant, Campbell Power Plant, and McClellan Power Plant (assigned Power Plants) to SMUD as of October 1, 2025 (see Note 3). The primary purpose of NCGA is to prepay for natural gas to sell to SMUD. The primary purpose of NCEA is to prepay for commodities in the form of

natural gas and electricity to sell to SMUD. SMUD's Board comprises the Commissions that govern these entities (see Note 6).

Plant in Service. Capital assets are generally defined by SMUD as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years. The cost of additions to Plant in Service and replacement property units is capitalized. Repair and maintenance costs are charged to expense when incurred. When SMUD retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Costs of removal, if any, are charged to Plant in Service and depreciated over the estimated life of the asset at the time they are incurred. Salvage value, if any, is credited to Other Income when received. SMUD generally computes depreciation on Plant in Service on a straight-line, service-life basis. The average annual composite depreciation rates for 2025 and 2024 was 3.1 percent. Depreciation is calculated using the following estimated lives:

Generation	4 to 80 years
Transmission and Distribution	4 to 50 years
Gas Pipeline	10 to 80 years
General	5 to 60 years

Investment in Joint Powers Authority (JPA). SMUD's investment in the Transmission Agency of Northern California (TANC) is accounted for under the equity method of accounting. SMUD's share of the TANC debt service costs and operations and maintenance expense, inclusive of depreciation, is included in Transmission and Distribution expense in the Statements of Revenues, Expenses and Changes in Net Position (see Note 5).

SMUD's investment in the Balancing Authority of Northern California (BANC) is accounted for under the equity method of accounting. SMUD's share of the BANC operations and maintenance expense is included in Transmission and Distribution expense in the Statements of Revenues, Expenses and Changes in Net Position (see Note 5).

Leases. Leases are contracts that convey control of the right to use another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset (see Note 4).

For lessor contracts, lease receivables and deferred inflows of resources are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The amortization of the discount for lessor contracts is recorded as Lease receivable for SMUD on the Statements of Net Position with the offset to interest income in Interest and other income on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

For lessee contracts, lease assets and liabilities are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The amortization of the discount for lessee contracts is recorded as Interest payable on the Statements of Net Position with the offset to Lease interest expense for SMUD on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

Subscription Assets. Subscription-based information technology arrangements (SBITAs) provide governments with access to vendors' information technology (IT) software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. The subscription term is the period of time where there is a noncancellable right to use the underlying IT assets (see Note 4).

For SBITA contracts, subscription assets and liabilities are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The subscription assets are amortized over the shorter of the lease term or the useful life of the underlying IT assets. The amortization of the discount for SBITA contracts is recorded as Interest payable on the Statements

of Net Position with the offset to SBITA interest expense for SMUD on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

Restricted and Designated Assets. Cash, cash equivalents, and investments, which are restricted by regulation or under terms of certain agreements for payments to third parties are included as restricted assets. Restricted assets include Revenue bond and debt service reserves, Nuclear decommissioning trust fund, Escrow fund, Collateral fund, Insurance captive fund and Other funds. Board actions limiting the use of such funds are included as designated assets. Designated assets include the Rate stabilization fund and Other funds. When SMUD restricts or designates funds for a specific purpose, and restricted and designated and unrestricted resources are available for use, it is SMUD's policy to use restricted and designated resources first, then unrestricted resources as they are needed.

Nuclear Decommissioning Trust Fund. SMUD made annual contributions to its Nuclear Decommissioning Trust Fund (Trust Fund) through 2008 to cover the cost of its primary decommissioning activities associated with the Rancho Seco facility. Primary decommissioning excludes activities associated with the spent fuel storage facility after 2008 and most non-radiological decommissioning tasks. Interest earnings on the Trust Fund assets are recorded as Interest Income and are accumulated in the Trust Fund.

Asset Retirement Obligations (ARO). SMUD records asset retirement obligations (ARO) for tangible capital assets when an obligation to decommission facilities is legally required. SMUD recognizes AROs for its Rancho Seco nuclear power plant and for the Carson power plant facility (see Note 13). The Rancho Seco ARO is recorded as Accrued Decommissioning and the unfunded portion of the ARO is recorded as current and noncurrent Regulatory Costs for Future Recovery (see Note 8) in the Statements of Net Position. Other AROs are recorded as Accrued Decommissioning and a corresponding Deferred Asset Retirement Obligation Outflows in the Statements of Net Position.

SMUD has identified potential retirement obligations related to certain generation, distribution and transmission facilities. SMUD's non-perpetual leased land rights generally are renewed continuously because SMUD intends to utilize these facilities indefinitely. GASB No. 83, ***"Asset Retirement Obligations"*** requires the measurement of the ARO to be based on the probability weighting of potential outcomes. Due to the low probability that these leases will be terminated, a liability has not been recorded.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, deposits held at financial institutions, all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. The value of the pooled shares in LAIF which may be withdrawn anytime, are recorded at amortized cost which approximates fair value and is exempt from the fair value measurement.

Investments. Generally, SMUD's investments are reported at fair value in accordance with GASB No. 72, ***"Fair Value Measurement and Application"*** (see Note 12), except for guaranteed investment contracts (GICs) and commercial paper, which are reported at cost. Realized and unrealized gains and losses are included in Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position.

Electric Operating Revenues. Electric revenues are billed on the basis of monthly cycle bills and are recorded as revenue when the electricity is delivered. SMUD records an estimate for unbilled revenues earned from the dates its retail customers were last billed to the end of the month. At December 31, 2025 and 2024, unbilled revenues were $92.7 million and $89.1 million, respectively.

Purchased Power Expenses. A portion of SMUD's power needs are provided through power purchase agreements (PPA). Expenses from such agreements, along with associated transmission costs paid to other utilities, are charged to Purchased Power expense in the Statements of Revenues, Expenses and Changes in Net Position in the period the power is received. The costs or credits associated with energy swap agreements (gas and electric) or other arrangements that affect the net cost of Purchased Power are recognized in the period in which the underlying power delivery occurs. Contract termination payments and adjustments to prior billings are included in Purchased Power expense once the payments or adjustments can be reasonably estimated.

Credit and Market Risk. SMUD enters into forward purchase and sales commitments for physical delivery of gas and electricity with utilities and power marketers. These purchases and sales are exempt from derivative accounting (see Note 9). SMUD is exposed to credit risk related to nonperformance by its wholesale counterparties under the terms of these contractual agreements. In order to limit the risk of counterparty default, SMUD has a wholesale counterparty risk policy which includes using the credit agency ratings of SMUD's counterparties and other credit services, credit enhancements for counterparties that do not meet an acceptable risk level, and the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty. SMUD is also subject to similar requirements for many of its gas and power purchase agreements. SMUD uses a combination of cash and securities to satisfy its collateral requirements to counterparties.

SMUD's component units, NCGA and NCEA, entered into GICs and are exposed to credit risk related to nonperformance by its investment provider. For NCGA, the investment provider provides collateral if their credit ratings fall below agreed upon levels. SMUD holds deposits by counterparties and an investment provider and records the amounts in Customer deposits and other in the Statements of Net Position.

Collateral deposits that SMUD has with counterparties are recorded as Credit Support Collateral Deposits in the Statements of Net Position.

Accounts Receivable, Allowance for Doubtful Accounts and Energy Efficiency Loans. Accounts receivable is recorded at the invoiced amount and does not bear interest, except for accounts related to energy efficiency loans. SMUD recognizes an estimate of uncollectible accounts for its receivables related to electric service, energy efficiency loans, and other non-electric billings, based upon its historical experience with collections and current energy market conditions. For large wholesale receivable balances, SMUD determines its bad debt reserves based on the specific credit issues for each account. In the Statements of Net Position, SMUD reports its receivables net of the allowance for uncollectible as current assets, and its energy efficiency loans net of the allowance for uncollectible as noncurrent assets in Prepayments and other. At December 31, 2025 and 2024, SMUD estimated its uncollectible retail customer accounts at $8.9 million and $16.9 million, respectively, based on non-payment behaviors by aging category. SMUD records bad debts for its estimated uncollectible accounts related to electric service as a reduction to the related operating revenues in the Statements of Revenues, Expenses and Changes in Net Position. SMUD records bad debts for its estimated uncollectible accounts related to energy efficiency loans and other non-electric billings in Administrative, General and Customer expense in the Statements of Revenues, Expenses and Changes in Net Position.

SMUD's receivables, allowances for uncollectible and energy efficiency loans are presented below:

	December 31, 2025	December 31, 2024
	(thousands of dollars)	
Retail customers:		
Receivables	$ 228,835	$ 226,525
Less: Allowance for uncollectible	(8,867)	(16,935)
Receivables - net	$ 219,968	$ 209,590
Wholesale and other:		
Receivables	$ 91,730	$ 90,657
Less: Allowance for uncollectible	(2,485)	(4,240)
Receivables - net	$ 89,245	$ 86,417
Energy efficiency loans:		
Receivables	$ 156	$ 277
Less: Allowance for uncollectible	(97)	(90)
Energy efficiency loans - net	$ 59	$ 187

Regulatory Deferrals. The Board has the authority to establish the level of rates charged for all SMUD services. As a regulated entity, SMUD's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants Pronouncements,"*** which requires that the effects of the ratemaking process be recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in Change in Net Position as incurred, are recognized when included in rates and recovered from or refunded to customers. SMUD records various regulatory assets and credits to reflect ratemaking actions of the Board (see Note 8).

Inventories. Inventories are stated at average cost, which approximates the first-in, first-out method.

Compensated Absences. SMUD implemented GASB No. 101 "***Compensated Absences***" in 2024. SMUD accrues vacation leave and compensatory time when employees earn the rights to the benefits. Since there are no cash payments made for sick leave when employees terminate or retire, sick leave is accrued when the employees earn the rights to the benefits and to the extent it is probable that the leave will be used. Compensated absences are recorded as Accrued salaries and compensated absences in the Statements of Net Position. For the years ended December 31, 2025 and 2024, the net increase in the estimated liability for vacation, sick and other compensated absences was $1.6 million and $12.4 million, respectively.

Public Good. Public Good expenses consist of non-capital expenditures for energy efficiency programs, low income subsidies, renewable energy resources and technologies, and research and development.

Gains/Losses on Bond Refundings. Gains and losses resulting from bond refundings are included as a component of Deferred Inflows of Resources or Deferred Outflows of Resources in the Statements of Net Position and amortized as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position over the shorter of the life of the refunded debt or the new debt using the effective interest method.

Gains/Losses on Bond Defeasances or Extinguishments. Gains and losses resulting from bond defeasances or extinguishments that were not financed with the issuance of new debt are included as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position.

Deferred Outflows of Resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized and an inflow of resources (revenue) until that future time.

Interest Payable. SMUD records interest payable for debt service, lease and subscription assets in the Statements of Net Position in Current Liabilities. Interest payable for debt services are paid from restricted assets. As of December 31, 2025 and 2024, interest payable for debt service included in interest payable was $47.7 million and $48.4 million, respectively. Interest payable for lease and subscriptions are paid from unrestricted assets. As of December 31, 2025 and 2024, interest payable for lease and subscription assets was $0.2 million and $0.4 million, respectively.

Derivative Financial Instruments. SMUD records derivative financial instruments (interest rate swap and gas price swap agreements, certain wholesale sales agreements, certain power purchase agreements and option agreements) at fair value in its Statements of Net Position. SMUD does not enter into agreements for speculative purposes. Fair value is estimated by comparing contract prices to forward market prices quoted by third party market participants and/or provided in relevant industry publications. SMUD is exposed to risk of nonperformance if the counterparties default or if the swap agreements are terminated. SMUD reports derivative financial instruments with remaining maturities of one year or less and the portion of long-term contracts with scheduled transactions over the next twelve months as current in the Statements of Net Position (see Note 9).

Interest Rate Swap Agreements. SMUD enters into interest rate swap agreements to modify the effective interest rates on outstanding debt (see Notes 9 and 10).

Gas and Electricity Price Swap and Option Agreements. SMUD uses forward contracts to hedge the impact of market volatility on gas commodity prices for its natural gas-fueled power plants and for energy prices on purchased power for SMUD's retail load (see Note 9).

Advanced Payments on Construction. SMUD receives deposits from customers in advance of completing customer directed projects. These funds are recorded in the Statements of net position as current or noncurrent liabilities.

Insurance Programs. SMUD records liabilities for unpaid claims at their present value when they are probable in occurrence and the amount can be reasonably estimated. SMUD records a liability for unpaid claims associated with general, auto, workers' compensation, and long-term disability based upon estimates derived by SMUD's claims administrator or SMUD staff. The liability comprises the present value of the claims outstanding and includes an amount for claim events incurred but not reported based upon SMUD's experience (see Note 16).

Pollution Remediation. GASB No. 49, ***"Accounting and Financial Reporting for Pollution Remediation Obligations,"*** (GASB No. 49) requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. SMUD recorded a pollution remediation obligation for its North City substation, which was built on a former landfill, for the former Community Linen Rental Services Property, and for obligations for several land sites, including a few sites where it will be building a substation. At December 31, 2025 and 2024, the total pollution remediation liability was $21.2 million and $20.6 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self Insurance and Other in the Statements of Net Position. Costs were estimated using the expected cash flow technique prescribed under GASB No. 49, including only amounts that are reasonably estimable.

Hydro License. SMUD owns and operates the Upper American River Hydroelectric Project (UARP). The original license to construct and operate the UARP was issued in 1957 by FERC. Effective July 1, 2014, SMUD received a 50-year hydro license. As part of the hydro licensing process, SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. At December 31, 2025 and 2024, the liability for these contract payments was $63.7 million and $62.4 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self-Insurance and Other in the Statements of Net Position (see Note 17).

Assembly Bill 32. California Assembly Bill (AB) 32 was an effort by the State of California to set a greenhouse gas (GHG) emissions reduction goal into law, and initially was set through 2020. In 2015, the state established a 2030 goal for GHG emissions at 40 percent below 1990 levels, and in July of 2017 AB-398 was approved by the Governor. Central to these initiatives is the Cap and Trade program, which covers major sources of GHG emissions in the State including power plants. AB-398 extended Cap and Trade through 2030, and more recently, in 2025, AB-1207 extended it through 2045 and renamed the program "Cap and Invest". The Cap and Invest program includes an enforceable emissions cap that will decline over time. The State distributes allowances, which are tradable permits, equal to the emissions allowed under the cap. Sources under the cap are required to surrender allowances and offsets equal to their emissions at the end of each compliance period. SMUD is subject to AB-32 and has participated in California Air Resources Board (CARB) administered quarterly auctions in the past. In a normal water year, SMUD expects its free allocation of allowances from the CARB to cover its compliance costs associated with electricity delivered to its retail customers. SMUD expects to recover compliance costs associated with wholesale power sales costs through its wholesale power sales revenues. SMUD continues to monitor new legislation and proposed programs that could impact AB-32 and its subsequent extensions.

In addition, the Low Carbon Fuel Standards (LCFS) was enacted through AB-32. CARB is responsible for the implementation of LCFS and has established a program for LCFS credits. The LCFS program is designed to reduce greenhouse gas emissions associated with the lifecycle of transportation fuels used in California. SMUD participates in the program and receives LCFS credits from CARB for the electricity used to power electric vehicles. The LCFS credits are sold to parties (oil companies) that have a compliance obligation. CARB requires that electricity LCFS credit sales proceeds be spent in a way to benefit current or future Electric Vehicle drivers in California, for both commercial and residential vehicles.

Net Pension Asset (NPA) or Liability (NPL). The NPA or NPL is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the pension plan's fiduciary net position (see Note 14).

Net Other Postemployment Benefit (OPEB) Asset (NOA) or Liability (NOL). The NOA or NOL is the difference between the actuarial present value of projected OPEB benefit payments attributable to employee's past service and the OPEB plan's fiduciary net position (see Note 15).

Net Position. SMUD classifies its net position into three components as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included.
- Restricted – This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in Net investment in capital assets, above), grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation or by the Board. These restricted assets are reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This component of net position consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "Net investment in capital assets" or "Restricted."

Contributions in Aid of Construction (CIAC). SMUD records CIAC from customer contributions, primarily relating to expansions to SMUD's distribution facilities, as Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. Contributions of capital are valued at acquisition value. For ratemaking purposes, the Board does not recognize such revenues when received; rather, CIAC is included in revenues as such costs are amortized over the estimated useful lives of the related distribution facilities (see Note 8).

Revenues and Expenses. SMUD distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with SMUD's principal ongoing operations. The principal operating revenues of SMUD are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as Non-Operating Revenues and Expenses in the Statements of Revenues, Expenses and Changes in Net Position. In 2025, SMUD received an Inflation Reduction Act payment of $91.8 million for a clean energy project, which is included in Other income - net. In 2024, SMUD received insurance proceeds of $96.5 million, which are included in Other income - net.

Grants. SMUD receives grant proceeds from federal and state assisted programs for its projects which include, but are not limited to, advanced and renewable technologies, electric transportation, and energy efficiency. SMUD also periodically receives grant proceeds from federal or state assistance programs as partial reimbursements for costs it has incurred as a result of natural disasters, such as storm or fire damages. When applicable, these programs may be subject to financial and compliance audits pursuant to regulatory requirements. During 2025, SMUD recorded $42.0 million of grant proceeds and recognized $16.7 million as a component of Other Income - Net, in the Consolidated Statements of Revenues, Expenses and Changes in Net Position, and $25.3 million as a Regulatory Credit (see Note 8).

Customer Sales and Excise Taxes. SMUD is required by various governmental authorities, including states and municipalities, to collect and remit taxes on certain customer sales. Such taxes are presented on a net basis and excluded from revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Subsequent Events. Subsequent events for SMUD have been evaluated through March 6, 2026 (see Note 19).

Reclassifications. Certain amounts in the 2024 Financial Statements have been reclassified in order to conform to the 2025 presentation.

Recent Accounting Pronouncements, adopted. In December 2023, GASB issued SGAS No. 102, ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for SMUD in 2025 but had no impact.

Recent Accounting Pronouncements, not yet adopted. In April 2024, GASB issued SGAS No. 103, ***"Financial Reporting Model Improvements"*** (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues. This Statement is effective for SMUD in 2026. SMUD is currently assessing the impact of adopting this statement.

In September 2024, GASB issued SGAS No. 104, ***"Disclosure of Certain Capital Assets"*** (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital asset note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for SMUD in 2026. SMUD is currently assessing the disclosure impact of adopting this statement.

In December 2025, GASB issued SGAS No. 105, ***"Subsequent Events"*** (GASB No. 105), to enhance the consistency and quality of financial reporting related to subsequent events. Subsequent events are transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The Statement defines the "date the financial statements are available to be issued" as the date when the financial statements are complete in accordance with GAAP and all necessary approvals for issuance have been obtained. It also clarifies the distinction between recognized and nonrecognized events and requires disclosure of the date through which subsequent events were evaluated. The requirements of this Statement are effective for SMUD in 2027. SMUD is currently assessing the disclosure impact of adopting this statement.

NOTE 3. COMPONENT UNIT ASSIGNMENT AND ASSUMPTION AGREEMENTS

The Agreements between SMUD and SFA transferred the operation and ownership of the assigned Power Plants to SMUD for operational and administrative efficiencies. The transfer meets the definition of a transfer of operations under GASB Statement No. 69 ***"Government Combinations and Disposals of Government Operations"*** (GASB No. 69). In accordance with GASB No. 69, SMUD began reporting 2025 operations of the assigned Power Plants as of October 1, 2025. Since these are blended component units, there was no impact to the assets, liabilities, and net position of SMUD (see Notes 2 and 6).

NOTE 4. ELECTRIC UTILITY PLANT

The summarized activity of SMUD's Electric Utility Plant during 2025 is presented below:

	Balance January 1, 2025	Additions	Transfers and Disposals	Balance December 31, 2025
		(thousands of dollars)		
Nondepreciable Electric Utility Plant:				
Land and land rights	$ 197,108	$ 5,350	$ 9,792	$ 212,250
CWIP	527,739	561,686	(314,087)	775,338
Total nondepreciable electric utility plant	724,847	567,036	(304,295)	987,588
Depreciable Electric Utility Plant:				
Generation	2,009,402	31,125	9,795	2,050,322
Transmission	676,698	14,327	117,753	808,778
Distribution	3,040,013	199,824	(84,843)	3,154,994
Intangibles	647,058	23,598	20,443	691,099
General	1,125,176	47,631	(113,867)	1,058,940
Total depreciable electric utility plant	7,498,347	316,505	(50,719)	7,764,133
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	78,389	-0-	-0-	78,389
General	5,663	-0-	-0-	5,663
Total lease assets	85,816	-0-	-0-	85,816
Subscription Assets	48,254	10,795	(2,400)	56,649
Less: accumulated depreciation and amortization	(3,812,196)	(285,861)	22,183	(4,075,874)
Less: accumulated amortization on JPAs	(8,532)	-0-	(314)	(8,846)
Total accumulated depreciation and amortization	(3,820,728)	(285,861)	21,869	(4,084,720)
Total depreciable plant	3,811,689	41,439	(31,250)	3,821,878
Total Electric Utility Plant - net	$ 4,536,536	$ 608,475	$ (335,545)	$ 4,809,466

The summarized activity of SMUD's Electric Utility Plant during 2024 is presented below:

	Balance January 1, 2024	Additions	Transfers and Disposals	Balance December 31, 2024
		(thousands of dollars)		
Nondepreciable Electric Utility Plant:				
Land and land rights	$ 190,812	$ 7,898	$ (1,602)	$ 197,108
CWIP	590,659	510,809	(573,729)	527,739
Total nondepreciable electric utility plant	781,471	518,707	(575,331)	724,847
Depreciable Electric Utility Plant:				
Generation	1,763,683	248,084	(2,365)	2,009,402
Transmission	649,509	30,608	(3,419)	676,698
Distribution	2,875,763	173,015	(8,765)	3,040,013
Intangibles	599,064	47,994	-0-	647,058
General	1,139,118	55,245	(69,187)	1,125,176
Total depreciable electric utility plant	7,027,137	554,946	(83,736)	7,498,347
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	-0-	78,389	-0-	78,389
General	5,556	107	-0-	5,663
Total lease assets	7,320	78,496	-0-	85,816
Subscription Assets	36,948	15,008	(3,702)	48,254
Less: accumulated depreciation and amortization	(3,637,296)	(261,993)	87,093	(3,812,196)
Less: accumulated amortization on JPAs	(8,219)	-0-	(313)	(8,532)
Total accumulated depreciation and amortization	(3,645,515)	(261,993)	86,780	(3,820,728)
Total depreciable plant	3,425,890	386,457	(658)	3,811,689
Total Electric Utility Plant - net	$ 4,207,361	$ 905,164	$ (575,989)	$ 4,536,536

Leases. SMUD engages in lease contracts for land, communication sites, buildings, and a power plant.

Lessor. Lease agreements include land, communication sites, and a building. Lease terms range from 4 to 35 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that Lessees will exercise the renewal options with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.7 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. At December 31, 2025 and 2024, lease receivables included in current assets, Receivables - net, wholesale and other were $0.5 million and lease receivables included in noncurrent assets, Prepayments and other were $16.2 million and $16.7 million, respectively. As of December 31, 2025 and 2024, deferred lease inflows were $15.7 million and $16.4 million, respectively. SMUD recognized lease revenue of $0.7 million for 2025 and 2024,

which is reported in Street lighting and other on the Statements of Revenues, Expenses and Changes in Net Position. SMUD recognized interest income of $0.3 million in 2025 and 2024. There were no variable lease payments received in 2025 or 2024.

Lessee. Lessee agreements include land, buildings, and a power plant. Lease terms range from 3 to 25 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that the lease agreements will be renewed with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.8 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2025 and 2024, assets recorded under leases were $85.8 million and accumulated amortization associated with lease assets was $54.5 million and $27.9 million, respectively. SMUD recognized amortization expense of $26.6 million in 2025 and 2024, which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2025 and 2024, lease obligations included in current liabilities, Customer deposits and other, were $27.1 million and $26.5 million, respectively, and lease obligations included in noncurrent liabilities, Self insurance and other, were $5.2 million and $32.3 million, respectively. There were no lease impairments in 2025 or 2024. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual lease principal and interest payments as of December 31, 2025 (in thousands):

	Principal	Interest	Total
2026	$ 27,120	$ 475	$ 27,595
2027	439	131	570
2028	448	126	574
2029	457	120	577
2030	467	114	581
2031-2035 (combined)	1,003	493	1,496
2036-2040 (combined)	1,100	354	1,454
2041-2045 (combined)	872	180	1,052
2046-2047 (combined)	398	18	416
Total	$ 32,304	$ 2,011	$ 34,315

Subscription Assets. SMUD has noncancellable SBITAs for the right to use information technology hardware and software. SBITA subscription terms range from 2 to 9 years including options to extend the subscription term after completion of the initial contracted term. The agreements allow for periodic increases to the subscription payments. The interest rates range between 0.25 percent to 3.22 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the subscription term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2025 and 2024, subscription assets recorded were $56.6 million and $48.3 million, respectively, and accumulated amortization associated with subscription assets was $30.3 million and $19.6 million, respectively. SMUD recognized SBITA amortization expense of $12.8 million in 2025 and $9.3 million in 2024 which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2025 and 2024, subscription obligations included in current liabilities, Customer deposits and other, were $7.9 million and $10.4 million, respectively, and subscription obligations included in noncurrent liabilities, Self-insurance and other, were $10.0 million and $15.3 million, respectively. There were no subscription asset impairments in 2025 or 2024. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual SBITA principal and interest payments as of December 31, 2025 (in thousands):

	Principal	Interest	Total
2026	$ 7,876	$ 343	$ 8,219
2027	4,888	183	5,071
2028	3,930	99	4,029
2029	389	28	417
2030	315	20	335
2031-2033 (combined)	461	15	476
Total	$ 17,859	$ 688	$ 18,547

NOTE 5. INVESTMENT IN JOINT POWERS AUTHORITY

TANC. SMUD and fourteen other California municipal utilities are members of TANC, a JPA. TANC, along with the other California municipal utilities, own and operate the California-Oregon Transmission Project (COTP), a 500-kilovolt transmission line between central California and southern Oregon. SMUD is obligated to pay approximately 39 percent of TANC's COTP debt service and operations costs in exchange for entitlement to approximately 536 megawatts (MW) of TANC's 1,390 MW transfer capability. Additionally, SMUD has a 48 MW share of TANC's 300 MW firm, bi-directional transmission over Pacific Gas and Electric Company's (PG&E) system between PG&E's Tesla and Midway substations (SOT). The total entitlement shares for the COTP and SOT described above include the long-term agreements listed below.

In 2009, SMUD entered into a 15-year long-term layoff agreement (LTLA) with TANC and certain members, expiring January 31, 2024. This agreement provides for the assignment of all rights and obligations of the City of Palo Alto and the City of Roseville related to their COTP and SOT entitlements. This agreement increased SMUD's COTP entitlement by 36 MW and SOT entitlement by 2 MW. On July 1, 2014, an amendment returned to the City of Roseville all rights and obligations related to the COTP entitlements, which decreased SMUD's COTP entitlement by 13 MW. In 2023, the Commission approved Amendment No. 3 to the 2009 LTLA. The amendment extends the duration of 2009 LTLA for an additional ten years and was effective January 30, 2024.

Effective July 1, 2014, SMUD entered into a 25-year LTLA with TANC and certain members that provides for the assignment of all rights and obligations of Northern California Power Agency and partial rights and obligations of the City of Santa Clara related to their COTP entitlements. This agreement increased SMUD's COTP entitlements by 130 MW.

The long-term debt of TANC, which totals $152.1 million (unaudited) at December 31, 2025, is collateralized by a pledge and assignment of net revenues of TANC supported by take or pay commitments of SMUD and other members. Should other members default on their obligations to TANC, SMUD would be required to make additional payments to cover a portion of such defaulted payments, up to 25 percent of its current obligation. SMUD recorded transmission expenses related to TANC of $19.6 million and $18.9 million in 2025 and 2024, respectively.

In 2024, TANC issued a line of credit for $120 million for the replacement project related to the series capacitors and has drawn $92 million from the line of credit. In 2025, TANC amended the line of credit and extended the maturity date from September 3, 2025, to September 3, 2027.

Summary financial information for TANC is presented below:

	December 31, 2025 (Unaudited)	December 31, 2024 (Unaudited)
	(thousands of dollars)	
Total Assets and Deferred Outflows of Resources	$ 515,535	$ 501,368
Total Liabilities	$ 407,174	$ 399,995
Total Deferred Inflows of Resources	1,193	1,287
Total Net Position	107,168	100,086
Total Liabilities and Net Position	$ 515,535	$ 501,368
Changes in Net Position for the Six Months Ended December 31	$ 11	$ 6

Copies of the TANC annual financial reports may be obtained from SMUD at P.O. Box 15830, Sacramento, California 95852 or online at www.tanc.us.

BANC. SMUD, City of Redding, City of Roseville, Modesto Irrigation District (MID), City of Shasta Lake, and Trinity Public Utilities District are members of BANC, a JPA formed in 2009. In 2011, operational control of Balancing Authority Area (BAA) operations was transferred from SMUD to BANC. BANC performs FERC approved BAA reliability functions that are managed by North American Electric Reliability Corporation (NERC), nationally, and by Western Electricity Coordinating Council functions in the west. SMUD recorded expenses related to BANC of $5.1 million and $5.3 million in 2025 and 2024, respectively.

Summary financial information for BANC is presented below:

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	(thousands of dollars)	
Total Assets	$ 7,409	$ 7,753
Total Liabilities	$ 7,409	$ 7,753
Total Net Position	-0-	-0-
Total Liabilities and Net Position	$ 7,409	$ 7,753
Changes in Net Position for the Year Ended December 31	$ -0-	$ -0-

Copies of the BANC annual financial reports may be obtained from SMUD at P.O. Box 15830, Sacramento, California 95852.

NOTE 6. COMPONENT UNITS

SFA. SFA is a JPA formed by SMUD and MID. SFA operates the Cosumnes Power Plant Project (Cosumnes), Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan). Cosumnes is a 602 MW (net) natural gas-fired, combined cycle facility which began commercial operations in 2006. The revenue stream to pay the SFA bonds' debt service is provided by a "take-or-pay" power purchase agreement between SMUD and SFA. SFA's bonds were paid off in 2025. Carson began commercial operations in 1995 and is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Procter and Gamble began commercial operations in 1997 and is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and

began commercial operations in 2001. Campbell began commercial operations in 1997 and is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. McClellan is a 72 MW simple cycle combustion turbine and has been operating since 1986. On October 1, 2025, SFA assets and obligations, including ownership of the assigned Power Plants, were transferred to SMUD (see Notes 2 and 3).

NCGA. NCGA is a JPA formed by SMUD and the SFA. NCGA has a prepaid gas contract with Morgan Stanley Capital Group (MSCG) expiring in 2027, which is financed primarily by NCGA revenue bonds. SMUD has contracted with NCGA to purchase all the gas delivered by MSCG to NCGA, based on market prices. SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG, pursuant to the Gas remarketing provisions shall purchase all of the remarketed gas for its own account. NCGA is obligated to pay the principal and interest on the bonds. Neither SMUD nor SFA is obligated to make debt service payments on the bonds. NCGA can terminate the prepaid gas contract under certain circumstances, including a failure by MSCG to meet its gas delivery obligation to NCGA or a drop in MSCG's credit rating below a specified level. If this occurs, MSCG will be required to make a termination payment to NCGA based on the unamortized prepayment proceeds received by MSCG.

NCEA. NCEA is a JPA formed by SMUD and the SFA. NCEA has a prepaid natural gas and electricity (commodity) contract with J. Aron & Company LLC (J. Aron) expiring in 2049, which is financed primarily by NCEA revenue bonds. The contract has been amended and restated to expire in 2054 due to the issuance of the 2024 Revenue Refunding Bond. SMUD has contracted with NCEA to purchase all the commodity delivered by J. Aron to NCEA, based on market prices. NCEA is obligated to pay the principal and interest on the bonds. Neither SMUD nor SFA is obligated to make debt service payments on the bonds. NCEA can terminate the prepaid commodity contract under certain circumstances, including a failure by J. Aron to meet its commodity delivery obligation to NCEA. If this occurs, J. Aron will be required to make a termination payment to NCEA based on the unamortized prepayment proceeds received by J. Aron.

The summarized activity of SMUD's component units for 2025 is presented below:

CONDENSED STATEMENTS OF NET POSITION
December 31, 2025
(thousands of dollars)

	SMUD	NCGA	NCEA	Eliminating	Total
Assets					
Electric Utility Plant - net	$ 4,809,466	$ -0-	$ -0-	$ -0-	$ 4,809,466
Restricted and Designated Assets	375,574	-0-	-0-	-0-	375,574
Current Assets	1,486,678	56,361	41,008	(5,763)	1,578,284
Noncurrent Assets	1,186,086	16,284	678,266	(2,793)	1,877,843
Total Assets	7,857,804	72,645	719,274	(8,556)	8,641,167
Deferred Outflows of Resources	306,027	-0-	-0-	-0-	306,027
Total Assets and Deferred Outflows of Resources	$ 8,163,831	$ 72,645	$ 719,274	$ (8,556)	$ 8,947,194
Liabilities					
Long-Term Debt - net	$ 2,497,279	$ 34,825	$ 710,347	$ -0-	$ 3,242,451
Current Liabilities	626,335	33,187	19,245	(5,763)	673,004
Noncurrent Liabilities	562,049	-0-	126	-0-	562,175
Total Liabilities	3,685,663	68,012	729,718	(5,763)	4,477,630
Deferred Inflows of Resources	1,292,916	-0-	2,107	-0-	1,295,023
Net Position					
Net Investment in Capital Assets	2,131,651	-0-	-0-	-0-	2,131,651
Restricted	100,775	16,528	12,163	-0-	129,466
Unrestricted	952,826	(11,895)	(24,714)	(2,793)	913,424
Total Net Position	3,185,252	4,633	(12,551)	(2,793)	3,174,541
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 8,163,831	$ 72,645	$ 719,274	$ (8,556)	$ 8,947,194

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

December 31, 2025

(thousands of dollars)

	SMUD	NCGA	NCEA	Eliminating	Total
Operating Revenues	$ 2,311,280	$ 1,932	$ 27,785	$ (220,251)	$ 2,120,746
Operating Expenses	1,736,417	508	(1,083)	(220,049)	1,515,793
Depreciation and Amortization	283,310	-0-	-0-	(202)	283,108
Operating Income	291,553	1,424	28,868	-0-	321,845
Non-Operating Revenues and (Expenses)					
Interest Income	46,902	781	967	(34)	48,616
Investment Income (Expense) - net	(2,876)	-0-	-0-	-0-	(2,876)
Other Income - net	98,004	-0-	-0-	(3,295)	94,709
Interest Charges	(69,584)	(3,476)	(26,813)	-0-	(99,873)
Total Non-Operating Revenues and (Expenses)	72,446	(2,695)	(25,846)	(3,329)	40,576
Changes in Net Position Before Distributions					
and Contributions	363,999	(1,271)	3,022	(3,329)	362,421
Distributions to Member	-0-	(821)	(2,508)	3,329	-0-
Member Contributions	-0-	79	82	(161)	-0-
Change in Net Position	363,999	(2,013)	596	(161)	362,421
Net Position - Beginning of Year	2,821,253	6,646	(13,147)	(2,632)	2,812,120
Net Position - End of Year	$ 3,185,252	$ 4,633	$ (12,551)	$ (2,793)	$ 3,174,541

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2025

(thousands of dollars)

	SMUD	NCGA	NCEA	Eliminating	Total
Net Cash Provided by					
Operating Activities	$ 565,507	$ 33,370	$ 38,416	$ -0-	$ 637,293
Net Cash Provided by (Used in)					
Noncapital Financing Activities	22,030	(32,881)	(42,447)	-0-	(53,298)
Net Cash Used in					
Capital and Related Financing Financing Activities	(483,199)	-0-	-0-	-0-	(483,199)
Net Cash Provided by (Used in)					
Investing Activities	(19,893)	780	2,865	-0-	(16,248)
Net Increase (Decrease) in Cash					
and Cash Equivalents	84,445	1,269	(1,166)	-0-	84,548
Cash and Cash Equivalents					
at the Beginning of the Year	399,683	15,972	1,176	-0-	416,831
Cash and Cash Equivalents					
at the End of the Year	$ 484,128	$ 17,241	$ 10	$ -0-	$ 501,379

The summarized activity of SMUD's component units for 2024 is presented below:

CONDENSED STATEMENTS OF NET POSITION
December 31, 2024
(thousands of dollars)

	SMUD	SFA	NCGA	NCEA	Eliminating	Total
Assets						
Electric Utility Plant - net	$ 4,275,258	$ 264,777	$ -0-	$ -0-	$ (3,499)	$ 4,536,536
Restricted and Designated Assets	373,189	-0-	-0-	-0-	-0-	373,189
Current Assets	1,244,949	144,962	51,027	43,720	(113,670)	1,370,988
Noncurrent Assets	1,386,560	481	52,230	687,870	(287,021)	1,840,120
Total Assets	7,279,956	410,220	103,257	731,590	(404,190)	8,120,833
Deferred Outflows of Resources	321,725	1,848	-0-	-0-	-0-	323,573
Total Assets and Deferred Outflows of Resources	$ 7,601,681	$ 412,068	$ 103,257	$ 731,590	$ (404,190)	$ 8,444,406
Liabilities						
Long-Term Debt - net	$ 2,398,092	$ 64,636	66,245	$ 722,286	$ -0-	$ 3,251,259
Current Liabilities	599,061	70,466	30,366	19,824	(113,670)	606,047
Noncurrent Liabilities	626,028	15,340	-0-	60	(3,525)	637,903
Total Liabilities	3,623,181	150,442	96,611	742,170	(117,195)	4,495,209
Deferred Inflows of Resources	1,138,009	-0-	-0-	2,567	(3,499)	1,137,077
Net Position						
Net Investment in Capital Assets	1,661,837	181,353	-0-	-0-	-0-	1,843,190
Restricted	102,083	9,059	14,954	15,263	-0-	141,359
Unrestricted	1,076,571	71,214	(8,308)	(28,410)	(283,496)	827,571
Total Net Position	2,840,491	261,626	6,646	(13,147)	(283,496)	2,812,120
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 7,601,681	$ 412,068	$ 103,257	$ 731,590	$ (404,190)	$ 8,444,406

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2024
(thousands of dollars)

	SMUD	SFA	NCGA	NCEA	Eliminating	Total
Operating Revenues	$ 1,953,511	$ 283,543	$ 1,088	$ 24,316	$ (300,357)	$ 1,962,101
Operating Expenses	1,570,088	248,427	(2,027)	14,298	(300,086)	1,530,700
Depreciation and Amortization	234,644	38,885	-0-	-0-	(271)	273,258
Operating Income (Loss)	148,779	(3,769)	3,115	10,018	-0-	158,143
Non-Operating Revenues and (Expenses)						
Interest Income	41,907	2,219	889	514	(48)	45,481
Investment Income (Expense) - net	(5,173)	-0-	-0-	-0-	-0-	(5,173)
Other Income - net	129,224	86	-0-	-0-	(524)	128,786
Interest Charges	(70,250)	(2,649)	(4,688)	(24,229)	-0-	(101,816)
Total Non-Operating Revenues and (Expenses)	95,708	(344)	(3,799)	(23,715)	(572)	67,278
Changes in Net Position Before Distributions and Contributions	244,487	(4,113)	(684)	(13,697)	(572)	225,421
Distributions to Member	-0-	-0-	(572)	-0-	572	-0-
Member Contributions	-0-	-0-	75	498	(573)	-0-
Change in Net Position	244,487	(4,113)	(1,181)	(13,199)	(573)	225,421
Net Position - Beginning of Year	2,596,004	265,739	7,827	52	(282,923)	2,586,699
Net Position - End of Year	$ 2,840,491	$ 261,626	$ 6,646	$ (13,147)	$ (283,496)	$ 2,812,120

CONDENSED STATEMENTS OF CASH FLOWS
December 31, 2024
(thousands of dollars)

	SMUD	SFA	NCGA	NCEA	Eliminating	Total
Net Cash Provided by Operating Activities	$ 507,925	$ 41,112	$ 32,332	$ 37,663	$ -0-	$ 619,032
Net Cash Provided by (Used in) Noncapital Financing Activities	92,383	156	(31,193)	(31,023)	-0-	30,323
Net Cash Used in Capital and Related Financing Financing	(515,523)	(31,010)	-0-	-0-	-0-	(546,533)
Net Cash Provided by (Used in) Investing Activities	29,136	2,032	897	(9,280)	-0-	22,785
Net Increase (Decrease) in Cash and Cash Equivalents	113,921	12,290	2,036	(2,640)	-0-	125,607
Cash and Cash Equivalents at the Beginning of the Year	226,801	46,671	13,936	3,816	-0-	291,224
Cash and Cash Equivalents at the End of the Year	$ 340,722	$ 58,961	$ 15,972	$ 1,176	$ -0-	$ 416,831

As described in Note 2, all of the activities and balances of the component units are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. Copies of NCGA's and NCEA's annual financial reports may be obtained from their Executive Office at P.O. Box 15830, Sacramento, California 95852 or online at www.smud.org.

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. SMUD's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow SMUD's investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. SMUD's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate this risk, SMUD limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency, with the exception of the GICs held by NCEA. NCEA's GICs are rated at the credit rating of the commodity supplier, or, if not rated, the guarantor of the commodity supplier which is currently Goldman Sachs.

Custodial Credit Risk. This is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, SMUD's deposits and investments may not be returned or SMUD will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. SMUD does not have a deposit or investment policy for custodial credit risk.

As of December 31, 2025 and 2024, $5.9 million and $7.2 million in deposits were uninsured, respectively. The bank balance is also, per a depository pledge agreement between SMUD and SMUD's bank, collateralized at 155 percent and 134 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2025 and 2024, respectively. SMUD had unsecured deposits in commercial paper, money market funds and money market deposit accounts of $224.4 million and $196.3 million which were uninsured at December 31, 2025 and 2024, respectively. SMUD's investments and money market funds are held in SMUD's name.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. SMUD places no limit on the amounts invested in any one issuer for repurchase agreements, US Treasuries, federal agency, and state and municipal securities.

The following are the concentrations of risk greater than five percent in either year:

	December 31,	
	2025	2024
Investment Type:		
Federal Home Loan Banks	N/A	18%
Freddie Mac	8%	17%
Commercial Paper – Chesham Finance	12%	6%
Municipal Bond - Los Angeles CUSD	8%	N/A
Corporate Note – Toyota Motor Credit Corp	N/A	11%
Corporate Note – Wells Fargo Bank	12%	N/A
Corporate Note – Chevron Corp	8%	N/A
Corporate Note – Apple Inc	19%	20%
Guaranteed Investment Contracts	21%	13%

Interest Rate Risk. This is the risk of loss due to the fair value of an investment declining due to interest rates rising. Though SMUD has restrictions as to the maturities of some of the investments, it does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following schedules indicate the credit and interest rate risk at December 31, 2025 and 2024. The credit ratings listed are from Standard & Poor's (S&P) or Moody's. (N/A is defined as not applicable to the rating disclosure requirements.)

At December 31, 2025, SMUD's cash, cash equivalents, and investments consist of the following:

		Remaining Maturities (in years)			
Description	Credit Rating	Less Than 1	1-5	More Than 5	Total Carrying Value
		(thousands of dollars)			
Cash and Cash Equivalents:					
Cash	N/A	$ 19,220	$ -0-	$ -0-	$ 19,220
LAIF	Not Rated	74,885	-0-	-0-	74,885
Money Market Funds	AAAm	191,936	-0-	-0-	191,936
Money Market Deposit Account	N/A	17,395	-0-	-0-	17,395
Collaterals and Escrows	N/A	83,239	-0-	-0-	83,239
Commercial Paper	A-1	15,285	-0-	-0-	15,285
US Treasury Obligations	Aaa	99,419	-0-	-0-	99,419
Total cash and cash equivalents		501,379	-0-	-0-	501,379
Investments:					
Freddie Mac	AA+	9,881	-0-	-0-	9,881
U.S. Treasury Obligations	Aaa	446,179	179,485	-0-	625,664
Corporate Notes	A/A+/AA/AA-/AA+	10,033	55,592	-0-	65,625
Municipal Bonds	AA-	-0-	10,188	-0-	10,188
Guaranteed Investment Contracts	AA+/A+	-0-	-0-	26,684	26,684
Total investments		466,093	245,265	26,684	738,042
Total cash, cash equivalents, and investments		$ 967,472	$ 245,265	$ 26,684	$ 1,239,421

At December 31, 2024, SMUD's cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Remaining Maturities (in years) Less Than 1	1-5	More Than 5	Total Carrying Value
			(thousands of dollars)		
Cash and Cash Equivalents:					
Cash	N/A	$ 28,256	$ -0-	$ -0-	$ 28,256
LAIF	Not Rated	125,060	-0-	-0-	125,060
Money Market Funds	AAAm	166,139	-0-	-0-	166,139
Money Market Deposit Account	N/A	16,667	-0-	-0-	16,667
Collaterals and Escrows	N/A	66,977	-0-	-0-	66,977
Commercial Paper	A-1	13,732	-0-	-0-	13,732
Total cash and cash equivalents		416,831	-0-	-0-	416,831
Investments:					
Federal Home Loan Bank	AA+	39,932	-0-	-0-	39,932
Freddie Mac	AA+	27,887	9,495	-0-	37,382
U.S. Treasury Obligations	Aaa	344,507	124,639	-0-	469,146
Corporate Notes	AAA/AA+/AA/ A+	55,242	34,293	-0-	89,535
Municipal Bonds	AA+/AA/AA-	11,766	-0-	-0-	11,766
Guaranteed Investment Contracts	AA+/ A+	-0-	-0-	28,517	28,517
Total investments		479,334	168,427	28,517	676,278
Total cash, cash equivalents, and investments		$ 896,165	$ 168,427	$ 28,517	$ 1,093,109

SMUD's cash, cash equivalents, and investments are classified in the Statements of Net Position as follows:

	December 31, 2025	2024
	(thousands of dollars)	
Cash, Cash Equivalents, and Investments:		
Revenue bond reserve and debt service funds:		
Debt service fund	$ 71,639	$ 68,099
Component unit bond reserve and debt service funds	40,925	52,415
Total revenue bond reserve and debt service funds	112,564	120,514
Nuclear decommissioning trust fund	10,327	9,909
Rate stabilization fund	350,173	345,389
Component unit other restricted funds	3,011	4,177
Escrow fund	19,405	14,027
Other restricted funds	42,772	51,962
Unrestricted funds	701,169	547,131
Total cash, cash equivalents, and investments	$ 1,239,421	$ 1,093,109

NOTE 8. REGULATORY DEFERRALS

The Board has taken various regulatory actions that result in differences between the recognition of revenues and expenses for ratemaking purposes and their treatment under generally accepted accounting principles for non-regulated entities (see Note 2). These actions result in regulatory assets and deferred inflow of resources, which are summarized in the tables below. Changes to these balances, and their inclusion in rates, occur only at the direction of the Board.

Regulatory Assets (Costs)

Decommissioning. SMUD's regulatory asset relating to the unfunded portion of its decommissioning liability for the Rancho Seco nuclear power plant is being collected through interest earnings on the Trust Fund. Nuclear fuel storage costs and non-radiological decommissioning costs have been collected in rates since 2009.

Derivative Financial Instruments. SMUD's regulatory costs and/or credits relating to investment and other derivative instruments are intended to defer the net difference between the fair value of derivative instruments and their cost basis, if any. Investment and other derivative instruments are reflected in rates at contract cost and as such, the balance is charged or credited into rates as the related asset or deferred inflow of resource is utilized (see Note 9).

Debt Issuance Costs. SMUD established a regulatory asset for costs incurred in connection with the issuance of debt obligations for the component units, principally underwriter fees and legal costs. The regulatory asset is amortized over the life of the bonds for the component units' debt issuance costs. Debt issuance costs after December 31, 2013 are expensed.

Pension Implementation Costs. SMUD established a regulatory asset for pension costs related to the implementation of GASB No. 68 which requires SMUD to record a net pension asset or a net pension liability. The regulatory asset is being amortized over a period of 25 years starting in 2018.

OPEB Implementation Costs. SMUD established a regulatory asset for OPEB costs related to the implementation of GASB No. 75 which requires SMUD to record a net OPEB asset or net OPEB liability. The regulatory asset is being amortized over a period of 25 years starting in 2020.

Pension/OPEB Deferred Outflows/Inflows. In 2022, SMUD established regulatory accounting for pension and OPEB regulatory costs and/or credits to defer recognition of certain expenses related to the amortization of the pension and OPEB deferred outflows and deferred inflows of resources to match such costs in the appropriate accounting period for rate-making purposes.

SMUD's total regulatory costs for future recovery are presented below:

	December 31,	
	2025	2024
	(thousands of dollars)	
Regulatory Costs:		
Decommissioning	$ 118,490	$ 105,119
Derivative financial instruments	1,432	622
Debt issuance costs	157	836
Pension – implementation costs	289,463	306,490
Pension – deferred outflows	363,841	274,163
OPEB – implementation costs	242,691	255,464
OPEB – deferred outflows	79,021	59,219
Total regulatory costs	1,095,095	1,001,913
Less: regulatory costs to be recovered within one year	(97,466)	(78,921)
Total regulatory costs for future recovery - net	$ 997,629	$ 922,992

Regulatory Credits

CIAC. In 2025 and 2024, SMUD added CIAC totaling $30.7 million and $32.7 million, respectively, to Regulatory Credits in the Statements of Net Position and recorded $22.5 million and $16.1 million of amortization, respectively, to Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. SMUD's regulatory credit relating to CIAC is intended to offset the revenue and expense associated with this accounting treatment. Thus, this regulatory credit is being amortized into rates over the depreciable lives of the related assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

Rate Stabilization. SMUD's regulatory credit relating to Rate Stabilization is intended to defer the need for future rate increases when costs exceed existing rates. At the direction of the Board, amounts may be either deferred into this fund (which reduces revenues), or amounts are recognized out of this fund (which increases revenues). The Board authorizes Rate Stabilization Fund (RSF) deferrals on an event driven basis.

In 2025 and 2024, $3.5 million and $9.3 million, respectively, were deferred from revenue to the RSF as a result of higher than budgeted energy deliveries from the Western Area Power Administration.

SMUD participates in the carbon allowance auctions under AB-32, the Global Warming Solutions Act (see Note 2). The Board authorized deferral of AB-32 auction proceeds to match the revenue recognition with the related expenses. The difference between the auction proceeds received and the funds spent on AB-32 programs are deferred into future years. In 2025 and 2024, the Board authorized deferring the difference into the RSF and $10.6 million and $18.7 million, respectively, was deferred from revenue to the RSF.

SMUD sells LCFS credits under AB-32, the Global Warming Solutions Act (see Note 2). The Board authorized deferral of LCFS credit sales to match the revenue recognition with the related expenses. The difference between the LCFS credit sales and the funds spent on LCFS programs are deferred into future years. In 2025, the Board authorized deferring the difference and $1.5 million was deferred from revenue to the RSF. In 2024, the Board authorized transferring the difference out of the RSF and $0.3 million was recognized from the RSF to revenue.

Between the years 2020 and 2024, the Board authorized SMUD to defer operating revenue to the RSF. These transfers from revenue are intended to offset Community Impact Plan expenditures, future unexpected increases in commodity expenditures, and future one-time specific expenses, which may have a significant financial impact on SMUD. In 2025 and 2024, $3.7 million and $7.1 million was recognized from the RSF to revenue each year to offset Community Impact Plan expenditures.

Hydro Rate Stabilization. The Hydro Rate Stabilization Fund (HRSF) was established through the Hydro Generation Adjustment (HGA) mechanism, which helps manage volatility in energy costs. The HGA mechanism applies a formula based on precipitation and wholesale electricity prices to calculate needed withdrawals from or deposits to the HRSF. The maximum balance of the HRSF is 6 percent of the budgeted retail revenue and the maximum annual transfer in or out of the HRSF is 4 percent of budgeted retail revenue. If the HRSF is depleted, SMUD will apply a hydro rate surcharge to customers' bills up to 4 percent. When the HRSF reaches the 6 percent cap, the Board may authorize a hydro rebate to customers or direct the funds for another purpose. In 2025 and 2024, $7.2 million and $8.3 million were recognized from the HRSF to revenue as a result of low precipitation.

Senate Bill 1. SMUD implemented a per kilowatt hour solar surcharge, effective January 1, 2008 in order to fund investments in solar required by Senate Bill 1 (SB-1). The difference between the surcharge revenues received and the funds spent on solar initiatives will be recognized or deferred into future years. SMUD has spent less than it collected in SB-1 revenues and has recorded a regulatory credit. Collection of the solar surcharge ended in December 2017 when total collections reached $130.0 million. In 2025 and 2024, $1.5 million and $1.0 million were spent for SB-1 programs, respectively.

Sustainable Communities. In 2023, the Board authorized a $5.0 million restricted donation to be deferred to offset future expenses for sustainable communities. In 2025, $5.0 million was recognized, offsetting Community Impact Plan expenses.

Grant Revenues. In 2010, the Board authorized the deferral of all grant revenue for capital expenditures as regulatory liabilities. This regulatory credit is deferred to match the depreciable lives of the related capital assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

TANC Operations Costs. SMUD's cash payments to TANC exceeded TANC's accrual-based costs and SMUD has recorded a regulatory credit.

SMUD's total regulatory credits for future revenue recognition are presented below:

	December 31,	
	2025	2024
	(thousands of dollars)	
Regulatory Credits:		
CIAC	$ 329,646	$ 321,394
Rate stabilization	269,306	257,354
Hydro rate stabilization	80,867	88,035
Senate Bill 1	18	1,511
Sustainable Communities	-0-	5,000
Pension – deferred inflows	259,937	185,388
OPEB – deferred inflows	89,735	72,336
Grant revenues	49,317	28,255
TANC operations costs	40,681	35,490
Total regulatory credits	$ 1,119,507	$ 994,763

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

To help provide stable electric rates and to meet the forecasted power needs of its retail customers reliably, SMUD enters into various physical and financial fixed price purchase contracts for electricity and natural gas. These fixed price contracts and swap agreements are intended to hedge the exposure due to highly volatile commodity prices. SMUD also enters into interest rate swap agreements to reduce interest rate risk. SMUD utilizes these derivative financial instruments to mitigate its exposure to certain market risks associated with ongoing operations. SMUD has established policies set by an executive committee for the use of derivative financial instruments for trading purposes. These contracts are evaluated pursuant to GASB No. 53, ***"Accounting and Financial Reporting for Derivative Instruments,"*** (GASB No. 53) to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate and commodity price risk exposures.

SMUD applies hedge accounting for derivative instruments that are deemed effective hedges. Under hedge accounting, the increase or (decrease) in the fair value of a hedge is reported as a Deferred Inflow or Deferred Outflow in the Statements of Net Position. Accumulated gains and losses from derivative instruments that do not meet the effectiveness tests are deferred for ratemaking purposes as regulatory assets on the Statements of Net Position (see Note 8).

SMUD executed numerous new gas and power related purchase agreements, some of which are recorded as hedging or other derivative instruments and are therefore included in the following table. All hedging, investment or other derivative instruments are recorded at fair value in the Statements of Net Position (see Note 12).

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2025 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2025 Changes in Fair Value		Fair Value at December 31, 2025		
	Current Amount	Noncurrent Amount	Current Amount	Noncurrent Amount	Notional
Cash Flow Hedges:					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
Asset: Other Derivative Instruments					
Gas – Commodity	$ (31)	$ -0-	$ 49	$ -0-	78 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Total Other Derivative Instruments	$ (31)	$ -0-	$ 49	$ -0-	
Asset: Hedging Derivative Instruments					
Gas – Commodity	$ (9,355)	$ 456	$ 1,931	$ 3,622	45,652 Dth
Electric – Commodity	3,681	1,123	10,399	1,123	1,709 Dth
Gas – Storage	74	-0-	1,182	-0-	1,102 Dth
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	(625)	(2,843)	2,079	26,320	$132,020
Total Hedging Derivative Instruments	$ (6,225)	$ (1,264)	$ 15,591	$ 31,065	
Liability: Other Derivative Instruments					
Gas – Commodity	$ (731)	$ (49)	$ 1,112	$ 369	3,155 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Other Derivative Instruments	$ (731)	$ (49)	$ 1,112	$ 369	
Liability: Hedging Derivative Instruments					
Gas – Commodity	$ (12,194)	$ (923)	$ 33,525	$ 8,663	111,970 Dth
Electric – Commodity	(461)	(110)	461	110	302 Dth
Gas – Storage	(8)	-0-	29	-0-	78 Dth
Gas – Transportation	(9,488)	(1,394)	17,422	4,597	38,325 Dth
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Hedging Derivative Instruments	$ (22,151)	$ (2,427)	$ 51,437	$ 13,370	

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2024 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2024 Changes in Fair Value		Fair Value at December 31, 2024		
	Current Amount	Noncurrent Amount	Current Amount	Noncurrent Amount	Notional
Cash Flow Hedges:					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
Asset: Other Derivative Instruments					
Gas – Commodity	$ 80	$ -0-	$ 80	$ -0-	610 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Total Other Derivative Instruments	$ 80	$ -0-	$ 80	$ -0-	$0
Asset: Hedging Derivative Instruments					
Gas – Commodity	$ 7,177	$ (6,530)	$ 11,286	$ 3,166	46,728 Dth
Electric – Commodity	5,627	-0-	6,718	-0-	501 Dth
Gas – Storage	(835)	-0-	1,108	-0-	1,133 Dth
Gas – Transportation	(661)	-0-	-0-	-0-	
Interest Rate	(682)	4,014	2,704	29,163	$132,020
Total Hedging Derivative Instruments	$ 10,626	$ (2,516)	$ 21,816	$ 32,329	
Liability: Other Derivative Instruments					
Gas – Commodity	$ 779	$ (320)	$ 381	$ 320	2,535 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Other Derivative Instruments	$ 779	$ (320)	$ 381	$ 320	
Liability: Hedging Derivative Instruments					
Gas – Commodity	$ 28,904	$ 14,563	$ 21,331	$ 7,740	59,473 Dth
Electric – Commodity	3,749	-0-	-0-	-0-	
Gas – Storage	(21)	-0-	21	-0-	218 Dth
Gas – Transportation	1,158	(3,203)	7,934	3,203	19,840 Dth
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Hedging Derivative Instruments	$ 33,790	$ 11,360	$ 29,286	$ 10,943	

Objectives and Terms of Hedging Derivative Instruments. The objectives and terms of SMUD's hedging and other derivative instruments that were outstanding at December 31, 2025 are summarized in the table below. The table is aggregated by the trading strategy. Credit ratings of SMUD's counterparties can be found in the table under Credit Risk. Details of SMUD's interest rate derivative instruments can be found in Note 10.

	Notional Amount Dth	Beginning Date	Ending Date	Minimum Price/Dth	Maximum Price/Dth
Gas – Commodity	160,855	01/01/26	12/31/28	$ (0.12)	$ 5.04
Electric – Commodity	2,011	01/01/26	12/31/27	16.75	81.95
Gas – Storage	1,180	01/01/26	02/28/26	0.07	4.98
Gas – Transportation	38,325	01/01/26	12/31/27	(0.33)	0.61

The objectives and terms of SMUD's hedging and other derivative instruments that were outstanding at December 31, 2024 are summarized in the table below. The table is aggregated by the trading strategy.

	Notional Amount Dth	Beginning Date	Ending Date	Minimum Price/Dth	Maximum Price/Dth
Gas – Commodity	109,346	01/01/25	12/31/27	$ 0.91	$ 5.59
Electric – Commodity	501	01/01/25	09/30/25	59.50	89.76
Gas – Storage	1,350	01/01/25	03/31/25	0.75	3.92
Gas – Transportation	19,840	01/01/25	12/31/26	(0.29)	3.24

SMUD hedges its interest rate exposure with swaps. As of December 31, 2025 and 2024, SMUD has one interest rate swap outstanding. The swap is used to convert the interest expense associated with the 2023 Series C variable rate bonds to a fixed interest expense (see Note 10).

SMUD hedges its power and natural gas costs so that it can offer predictable rates to its retail electric customers and support its credit ratings. SMUD maintains a risk management program to control the price, credit, and operational risks arising from its power and natural gas market activities. Under the program, authorized SMUD employees assemble a portfolio of swaps, futures, and forward contracts over time with the goal of making SMUD's purchased power and fuel budget more predictable.

The hedged risks include those related to interest rate and commodity price fluctuations associated with certain forecasted transactions, including interest rate risk on long-term debt, and forward purchases of gas and electricity to meet load.

Derivative Instruments Not Designated as Hedging Derivative Instruments

Gas and Electric Contracts. SMUD utilizes certain gas swap and electric swap agreements under GASB No. 53 not designated as hedging derivative instruments to mitigate exposure to changes in the market price of natural gas and electricity. The fair value of each agreement, excluding the actual settlements to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, in Prepayments and other if in an asset position or Current Liabilities - Other Derivative Instruments or Noncurrent Liabilities in Self insurance and other, Other Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Regulatory Credits for future recovery in the Statements of Net Position. The actual settlement payable is recorded in Accounts Payable in the Statements of Net Position, and the actual settlement receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position. The payments and receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position.

Interest Rate Contracts. SMUD utilized certain interest rate swap agreements not designated as hedging derivative instruments under GASB No. 53 to mitigate exposure to fluctuations in interest rates. The fair value of each agreement, excluding the balance of interest to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, Other Derivative Instruments if in an asset position or Current or Noncurrent

Liabilities, Other Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Deferred Outflows or Inflows of Resources in the Statements of Net Position. The interest receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position and the accrued interest is recorded in Interest Payable in the Statements of Net Position. The payments or receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position. At December 31 2025, SMUD does not possess any outstanding ineffective interest rate swaps.

The Board has deferred recognition of the effects of reporting the fair value of Other Derivative Instruments for ratemaking purposes and maintains regulatory accounts to defer the accounting impact of these accounting adjustments (see Note 8). Fair values may have changed significantly since December 31, 2025.

Basis Risk. This is the risk that arises when a hedged item and a derivative instrument that is attempting to hedge that item are based on different indices. SMUD is exposed to basis risk when it hedges its natural gas purchases with NYMEX futures contracts, which settle based on the price at Henry Hub, Louisiana. SMUD enters into basis swaps to hedge against this risk, which converts the Henry Hub price to the various locations where SMUD purchases natural gas. SMUD is also exposed to basis risk with the Barclays interest rate swap which is based on 1-month Fallback SOFR whereas the 2023 Series C bonds are a tax-exempt variable-rate demand note with a daily or weekly rate reset.

Termination Risk. This is the risk that a derivative instrument will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, credit events upon merger, and other events. One aspect of termination risk is that SMUD would lose the hedging benefit of a derivative instrument that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination, the mark to market value of the derivative instrument was a liability to SMUD, SMUD could be required to pay that amount to the counterparty. Termination risk is associated with all of SMUD's derivative instruments up to the fair value amounts.

Counterparty Credit Risk. This is the risk of loss resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. SMUD can be exposed to significant counterparty credit risk on all derivative instruments. SMUD seeks to minimize credit risk by transacting with creditworthy counterparties. SMUD has established and maintained strict counterparty credit guidelines. SMUD continuously monitors counterparty credit risk and utilizes numerous counterparties to diversify the exposure to potential defaults. Under certain conditions as outlined in SMUD's credit risk management policy, SMUD may require additional credit support under its trading agreements.
Some of SMUD's derivative instrument master agreements contain credit contingent provisions that enable SMUD to maintain unsecured credit as a result of positive investment quality credit ratings from each of the major credit rating agencies. If SMUD's credit ratings were to be downgraded, there could be a step-down in SMUD's unsecured credit thresholds, and SMUD's counterparties would require additional collateral. If SMUD's credit ratings were to decrease below investment grade, SMUD's unsecured credit thresholds would be reduced to zero, and counterparties to the derivative instruments would demand ongoing full collateralization on derivative instruments in net out of the money positions (see Note 2).

Congestion Revenue Rights. In the normal course of business, SMUD acquires Congestion Revenue Rights (CRRs) as a hedge against congestion costs. While CRRs exhibit the three characteristics of derivative instruments as defined in GASB Statement No. 53, they are generally used by SMUD as factors in the cost of transmission. Therefore, these CRRs meet the normal purchases and sales scope exception and are thus reported on the Statements of Revenues, Expenses and Changes in Net Position as Transmission and distribution expenses a component of Operating Expenses.

The counterparties' credit ratings at December 31, 2025 and 2024 are shown in the table below. The credit ratings listed are from S&P or Moody's.

	December 31, 2025	2024
Counterparty Gas Contracts:		
Bank of Montreal	A+	A+
Barclays Bank PLC	A+	A+
Citigroup Energy	BBB+	BBB+
EDF North America	Baa3	Baa3
J.P. Morgan Ventures Energy	A	A
Merrill Lynch Commodities	A-	A-
Mitsui Bussan	A	A
Morgan Stanley Capital Group	A+	A+
Nextera	A-	A-
Royal Bank of Canada	AA-	AA-
Shell Trading Risk Management	A	A
Interest Rate Contracts:		
Barclays Bank PLC	A+	A+

NOTE 10. LONG-TERM DEBT

SMUD's total long-term debt is presented below:

	December 31, 2025	2024
	(thousands of dollars)	
Electric revenue bonds, 2.13%-5.0%, 2026-2054	$ 1,908,940	$ 1,898,985
Subordinated electric revenue bonds, 0.7%-5.0%, 2026-2055	432,020	332,020
Total electric revenue bonds	2,340,960	2,231,005
Component unit project revenue bonds, 5.0%, 2025	-0-	74,775
Gas and Commodity supply revenue bonds, index rates and 5.0%, 2026-2054	750,490	784,240
Total long-term debt outstanding	3,091,450	3,090,020
Bond premiums - net	281,826	299,304
Total long-term debt	3,373,276	3,389,324
Less: amounts due within one year	(130,825)	(138,065)
Total long-term debt - net	$ 3,242,451	$ 3,251,259

The summarized activity of SMUD's long-term debt during 2025 is presented below:

	January 1, 2025	Additions	Defeasance Payments or Amortization	December 31, 2025	Amounts Due Within One Year
			(thousands of dollars)		
Electric revenue bonds	$ 1,898,985	$ 100,000	$ (90,045)	$ 1,908,940	$ 94,565
Subordinate electric revenue bonds	332,020	200,000	(100,000)	432,020	-0-
Component unit project revenue bonds	74,775	-0-	(74,775)	-0-	-0-
Gas and Commodity supply revenue bonds	784,240	-0-	(33,750)	750,490	36,260
Total	3,090,020	300,000	(298,570)	3,091,450	$ 130,825
Unamortized premiums - net	299,304	31,574	(49,052)	281,826	
Total long-term debt	$ 3,389,324	$ 331,574	$ (347,622)	$ 3,373,276	

The summarized activity of SMUD's long-term debt during 2024 is presented below:

	January 1, 2024	Additions	Defeasance Payments or Amortization	December 31, 2024	Amounts Due Within One Year
			(thousands of dollars)		
Electric revenue bonds	$ 1,783,965	$ 649,610	$ (534,590)	$ 1,898,985	$ 90,045
Subordinate electric revenue bonds	332,020	-0-	-0-	332,020	-0-
Component unit project revenue bonds	87,890	-0-	(13,115)	74,775	14,270
Gas and Commodity supply revenue bonds	657,365	689,700	(562,825)	784,240	33,750
Total	2,861,240	1,339,310	(1,110,530)	3,090,020	$ 138,065
Unamortized premiums - net	197,381	147,666	(45,743)	299,304	
Total long-term debt	$ 3,058,621	$1,486,976	$ (1,156,273)	$ 3,389,324	

At December 31, 2025 scheduled annual principal maturities and interest are as follows:

	Principal	Interest	Total
		(thousands of dollars)	
2026	$ 130,825	$ 146,565	$ 277,390
2027	139,290	140,206	279,496
2028	112,085	133,859	245,944
2029	76,550	128,266	204,816
2030	82,475	125,272	207,747
2031 – 2035 (combined)	587,200	537,197	1,124,397
2036 – 2040 (combined)	643,505	391,991	1,035,496
2041 – 2045 (combined)	466,735	269,162	735,897
2046 – 2050 (combined)	529,705	157,221	686,926
2051 – 2055 (combined)	323,080	42,791	365,871
Total requirements	$ 3,091,450	$ 2,072,530	$ 5,163,980

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates, variable rate debt covered by interest rate swaps at their fixed rate, and variable rate debt not covered by interest rate swaps using the debt interest rate of 70.0 percent of 1 month SOFR plus a fixed fee. The SOFR rate is based on the rate in effect at December 31, 2025 for the issues. The 2023 Series D, 2025 Series E and 2025 Series F Put Bonds assume a 3.0 percent fixed rate coupon after mandatory remarketing. The 2024 NCEA Put Bonds assume a 5.0 percent fixed rate coupon after mandatory remarketing.

Principal in the preceding table includes known principal payments and the amortization schedule for mandatory remarketing bonds.

The following bonds have been issued and are outstanding at December 31, 2025:

Date	Issue	Final Maturity	Interest Rate	Original Amount	Outstanding Amount
				(thousands of dollars)	
Electric Revenue Bonds					
07/14/2016	2016 Series D Bonds	08/15/2028	2.125% - 5.0%	$ 149,890	$ 57,160
12/14/2017	2017 Series E Bonds	08/15/2028	5.0%	202,500	47,520
07/12/2018	2018 Series F Bonds	08/15/2028	5.0%	165,515	47,670
07/25/2019	2019 Series G Bonds	08/15/2041	2.375% - 5.0%	191,875	191,875
05/07/2020	2020 Series H Bonds	08/15/2050	4.0% - 5.0%	400,000	400,000
07/14/2021	2021 Series I Bonds	08/15/2028	5.0%	106,875	69,750
06/23/2022	2022 Series J Bonds	08/15/2033	5.0%	132,725	87,870
06/22/2023	2023 Series K Bonds	08/15/2053	5.0%	200,000	200,000
06/22/2023	2023 Series L Bonds	08/15/2033	5.0%	61,115	57,485
04/11/2024	2024 Series M Bonds	11/15/2054	5.0%	250,000	250,000
04/11/2024	2024 Series N Bonds	11/15/2036	5.0%	399,610	399,610
06/26/2025	2025 Series O Bonds	09/15/2040	5.0%	100,000	100,000
Subordinated Electric Revenue Bonds					
06/23/2023	2023 Series C Bonds	08/15/2041	0.7%	132,020	132,020
06/22/2023	2023 Series D Bonds	08/15/2048	5.0%	100,000	100,000
06/26/2025	2025 Series E Bonds	08/15/2049	5.0%	100,000	100,000
06/26/2025	2025 Series F Bonds	08/15/2055	5.0%	100,000	100,000
JPA Revenue Bonds					
05/31/2007	2007B NCGA#1 Bonds	07/01/2027	Index Rate	668,470	66,245
04/05/2024	2024 NCEA Bonds	12/01/2054	5.0%	689,700	684,245

2025 Bond Issuances. In June 2025, SMUD issued $100 million of 2025 Series E Subordinate Electric Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2019 Series B bonds and reimburse SMUD for capital projects in 2024. Proceeds from the 2025 Series E bonds defeased all the outstanding Series 2019 Series B bonds. A total of $100 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. As of December 31, 2025, none of the defeased bonds remain outstanding. The 2025 Series E Subordinate Bonds have a fixed interest coupon rate of 5.0 percent, amortized from 2042 to 2049, with an optional call date beginning April 15, 2032, and a mandatory purchase date of October 15, 2032. The refunding resulted in the recognition of a deferred accounting gain of $0.9 million as well as an increase in total debt service payments of $180.5 thousand and an economic loss of $191.5 thousand, which is the difference between the present values of the old and new debt service payments. The escrow agreement does not permit the substitution of essentially risk-free monetary assets with other assets.

In June 2025, SMUD issued $100 million of 2025 Series O Electric Revenue Bonds and $100 million of 2025 Series F Subordinate Electric Revenue Bonds. The 2025 Series O Bonds have a fixed coupon rate of 5.0 percent and amortize from 2029 to 2040. The 2025 Series F Subordinate Bonds have a fixed interest coupon rate of 5.0 percent, amortized from 2041 to 2049, with an optional call date beginning April 15, 2031, and a mandatory remarketing purchase date of October 15, 2031. Proceeds from the 2025 Series O Revenue Bonds and the 2025 Series F Subordinate Revenue Bonds were used to refund $75 million of outstanding commercial paper and reimburse SMUD for capital spending in 2023 and 2024.

Component Unit Bond Defeasance. In May 2025, SFA used $76.3 million of funds on hand to establish an escrow for the purpose of defeasing the 2015 Series Bonds which were to mature on July 1, 2025, and all the $60.5 million of 2015 Series Bonds were callable on July 1, 2025. The defeasance resulted in a current accounting gain of $2.9 million which is included in Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2025, non of the defeased bonds remain outstanding. The escrow agreement does not permit the substitution of essentially risk-free monetary assets with other assets.

2024 Bond Issuances. In April 2024, SMUD issued $399.6 million of 2024 Series N Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2009 Series V and 2010 Series W bonds. Proceeds from the 2024 Series N bonds defeased all the outstanding Series 2009 Series V and 2010 Series W bonds. A total of $450 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting loss of $26.9 million, which is being amortized over the life of the refunding issue. The 2024 Series N Refunding bonds reduced future aggregate debt service payments by $23.7 million and resulted in a total economic gain of $21.3 million, which is the difference between the present value of the old and new debt service payments.

In April 2024, SMUD issued $250 million of 2024 Series M Revenue Bonds. The 2024 Series M Bonds have a fixed coupon rate of 5.0 percent and amortize from 2037 to 2054. Proceeds from the 2024 Series M Bonds were used to refund $150 million of outstanding commercial paper and reimburse SMUD for capital expenses previously incurred.

2024 Commodity Supply Revenue Bond Issuance. In April 2024, NCEA issued $689.7 million of 2024 Commodity Supply Revenue Refunding bonds (2024 Bonds). The 2024 Bonds mature in December 2054 and come with a mandatory tender purchase in August 2030. The purpose of this transaction was to refund the debt associated with 2018 Commodity Supply Revenue bonds (2018 Bonds). Proceeds from the 2024 Bonds refunded all the outstanding 2018 Bonds. A total of $537.3 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-term debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred gain on bond refunding of $2.9 million, which is being amortized over the life of the refunding issue. The refunding increased future aggregate debt service payments by $97.5 million due to the bond term extension and resulted in a total economic gain of $8.4 million, which is the difference between the present value of the old and new debt service payments.

Terms of Debt Indentures. Debt indentures contain a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements. A summary of SMUD's interest rate swap agreement as of December 31, 2025 is as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
$ 132,020	Fixed	0.7179%	70% of 1M Fallback SOFR	08/15/2041	A+

A summary of SMUD's interest rate swap agreement as of December 31, 2024 are as follows:

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
$ 132,020	Fixed	0.7179%	70% of 1M Fallback SOFR	08/15/2041	A+

Component Unit Interest Rate Swap Agreements. NCGA had one interest rate swap agreement as of December 31, 2025, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	NCGA Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating
$ 66,245	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

NCGA had one interest rate swap agreement as of December 31, 2024, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	NCGA Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating
$ 94,540	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

At December 31, 2025 and 2024, NCGA had a variable-to-fixed interest rate swap agreement with a counterparty for the purpose of fixing the effective interest rate associated with the 2007 Series B Bonds. NCGA pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67 percent of the three-month SOFR (3.67 percent at December 31, 2025 and SOFR rate of 4.33 percent at December 31, 2024) plus an interest rate spread, as specified in the swap agreement. The total notional amount of the swap at December 31, 2025 and 2024 was $66.2 million and $94.5 million, respectively, and was equivalent to the outstanding principal balance on the NCGA Bonds. The swap is amortized over the life of the swap agreement in a manner corresponding to the principal repayment schedule of the NCGA Bonds. Early termination of the swap would occur upon termination of the prepaid agreement for any reason. Upon early termination, the swap would have no value to either party.

Subordinated Electric Revenue Bonds. Payment of and interest on the Subordinated Electric Revenue Bonds is subordinate to the payment of the principal and interest on SMUD's Electric Revenue Bonds.

Component Unit Bonds. The component units of SMUD have each issued bonds to finance their respective projects. The revenue stream to pay NCGA and NCEA bonds' debt service is provided by "take-and-pay" purchase agreements. Therefore, principal and interest associated with these bonds are paid solely from the revenues and receipts collected in connection with the operation of the project. Most operating revenues earned by NCGA and NCEA are collected from SMUD in connection with the sale of gas or electricity to SMUD. The ability for NCGA and NCEA to service debt is dependent on various parties (particularly MSCG, as gas supplier for NCGA and J. Aron, as commodity supplier for NCEA) meeting their contractual obligations.

Callable Bonds. SMUD has $170.8 million of Electric Revenue Bonds that are currently callable, $132.0 million of the 2023 Series C bonds, and $38.8 million of 2016 Series D Bonds. From 2026 through 2030, SMUD has $556.7 million that become callable. SMUD also has a six-month call period on the 2023 Series D, 2025 Series E and 2025 Series F in advance of their mandatory remarketing date in 2030, 2031 and 2032 respectively.

Collateral. The principal and interest on SMUD's bonds are payable exclusively from, and are collateralized by, a pledge of the net revenues of SMUD's electric system. Neither the credit nor the taxing power of SMUD is pledged to the payment of the bonds and the general fund of SMUD is not liable for the payment thereof.

Covenants. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage.

SMUD has pledged future net electric revenues to repay electric revenue and electric revenue refunding bonds issued from 2016 to 2025. Proceeds from the bonds provided financing for various capital improvement projects, component unit capital projects, and to refund previously issued bonds. The bonds are payable solely from the net revenues generated by SMUD's electrical sales and are payable through 2054 as of December 31, 2025.

Additionally SMUD has pledged net gas supply prepayment revenues to repay gas supply prepayment revenue bonds issued from 2007 through 2024. Proceeds from the bonds provided financing for the prepayment of a 20 year supply of fuel and a 30 year supply of commodity. The bonds are payable solely from the net revenues generated by the gas supply prepayment revenues and are payable through 2054 at December 31, 2025.

GASB Statement No. 48, ***"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,"*** disclosures for pledged revenues are as follows:

	December 31,	
	2025	2024
	(thousands of dollars)	
Pledged future revenues	$ 2,340,960	$ 2,231,005
Principal and interest payments for the year ended	$ 196,500	$ 197,826
Total net revenues for the year ended	$ 788,759	$ 599,876
Total remaining principal and interest to be paid	$ 3,818,614	$ 3,588,393
Annual principal and interest payments as a percent of net revenues for the year ended	25%	33%

NOTE 11. COMMERCIAL PAPER NOTES

SMUD issues Commercial Paper Notes (Notes) to finance or reimburse capital expenditures. SMUD's commercial paper program is $400.0 million. At December 31, 2025 and 2024, there were no Notes outstanding. SMUD's commercial paper program is backed by $409.9 million in letter of credit agreements (LOCs) with two banks. Additionally, SMUD has a $100 million revolving credit agreement with Wells Fargo Bank. As of December 31, 2025 and 2024, all $100 million of the Lines of Credit remained unused and available. The LOCs are calculated as the sum of the maximum principal amount of the Notes plus interest thereon at a maximum rate of ten percent per annum for a period of 90 days calculated on the basis of a year of 365 days and the actual number of days elapsed. There have not been any term advances under the LOCs or the revolving credit agreement. The LOCs and revolving credit agreement contain a provision that in an event of default, the outstanding amounts may become immediately due.

The summarized activity of SMUD's Notes during 2025 and 2024 is presented below:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
	(thousands of dollars)			
December 31, 2025	$ -0-	$ 75,000	$ (75,000)	$ -0-
December 31, 2024	$ 150,000	$ -0-	$ (150,000)	$ -0-

NOTE 12. FAIR VALUE MEASUREMENT

GASB No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SMUD utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect SMUD's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are as follows:

- U.S. Government Agency Obligations – uses a market-based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices.
- U.S. Treasury Obligations – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Corporate Notes – uses a market-based approach. Evaluations are based on various market and industry inputs.
- Municipal Bonds – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Hedging and Other Derivative Instruments:
  - Interest rate swap agreements – uses the present value technique. The fair value of the interest rate swap agreements are calculated by discounting the expected cash flows. The cash flows and discount rates are estimated based on a 1-month SOFR forward curve from Bloomberg and assuming SIFMA is equal to 70.0 percent of 1-month SOFR.
  - Gas and Electric related agreements – uses the market approach based on monthly quoted prices from an independent external pricing service. The fair values for natural gas and electricity derivative financial instruments are calculated based on prevailing market quotes in active markets (i.e., Henry Hub and So Cal) where identical contracts are available. When external quoted market prices are not available, SMUD uses an internally developed valuation model utilizing short-term-observable inputs.

The following tables identify the level within the fair value hierarchy that SMUD's financial assets and liabilities were accounted for on a recurring basis as of December 31, 2025 and 2024, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SMUD's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures	At fair value as of December 31, 2025		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
U.S. Government Agency Obligations	$ -0-	$ 9,881	$ 9,881
U.S. Treasury Obligations	725,083	-0-	725,083
Corporate Notes	-0-	65,625	65,625
Municipal Bonds	-0-	10,188	10,188
Total Investments, including cash and cash equivalents	$ 725,083	$ 85,694	$ 810,777
Other Derivative Instrument Assets:			
Gas related agreements	$ 49	$ -0-	$ 49
Total Other Derivative Instrument Assets	$ 49	$ -0-	$ 49
Hedging Derivative Instrument Assets:			
Gas related agreements	$ 6,735	$ -0-	$ 6,735
Electric related agreements	11,522	-0-	11,522
Interest rate swap agreements	-0-	28,399	28,399
Total Hedging Derivative Instrument Assets	$ 18,257	$ 28,399	$ 46,656
Other Derivative Instrument Liabilities:			
Gas related agreements	$ 1,481	$ -0-	$ 1,481
Interest rate swap agreements	-0-	-0-	-0-
Total Other Derivative Instrument Liabilities	$ 1,481	$ -0-	$ 1,481
Hedging Derivative Instrument Liabilities:			
Gas related agreements	$ 64,236	$ -0-	$ 64,236
Electric related agreements	571	-0-	571
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	$ 64,807	$ -0-	$ 64,807

Recurring Fair Value Measures	At fair value as of December 31, 2024		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
U.S. Government Agency Obligations	$ -0-	$ 77,314	$ 77,314
U.S. Treasury Obligations	469,146	-0-	469,146
Corporate Notes	-0-	89,535	89,535
Municipal Bonds	-0-	11,766	11,766
Total Investments, including cash and cash equivalents	$ 469,146	$ 178,615	$ 647,761
Other Derivative Instrument Assets:			
Gas related agreements	$ 80	$ -0-	$ 80
Total Other Derivative Instrument Assets	$ 80	$ -0-	$ 80
Hedging Derivative Instrument Assets:			
Gas related agreements	$ 15,560	$ -0-	$ 15,560
Electric related agreements	6,718	-0-	6,718
Interest rate swap agreements	-0-	31,867	31,867
Total Hedging Derivative Instrument Assets	$ 22,278	$ 31,867	$ 54,145
Other Derivative Instrument Liabilities:			
Gas related agreements	$ 701	$ -0-	$ 701
Interest rate swap agreements	-0-	-0-	-0-
Total Other Derivative Instrument Liabilities	$ 701	$ -0-	$ 701

Hedging Derivative Instrument Liabilities:			
Gas related agreements	$ 40,229	$ -0-	$ 40,229
Electric related agreements	-0-	-0-	-0-
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	$ 40,229	$ -0-	$ 40,229

NOTE 13. ACCRUED DECOMMISSIONING LIABILITY

Asset Retirement Obligations (ARO). SMUD recognizes AROs for its Rancho Seco nuclear power plant facility and the Carson power plant facility. GASB No. 83 requires measurement of the ARO be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should be determined using all available evidence and requires probability weighting of potential outcomes when sufficient evidence is available. This statement also requires the current value be adjusted for the effects of the general inflation or deflation and an evaluation of relevant factors that may significantly change the estimated asset retirement outlays at least annually.

Rancho Seco Nuclear Power Plant. With the completion of nuclear decommissioning of the former 913 MW nuclear power plant, and the subsequent termination of the 10 Code of Federal Regulations (CFR) 50 license by the Nuclear Regulatory Commission (NRC) effective August 31, 2018, all remaining Rancho Seco decommissioning liability relates to the Independent Spent Fuel Storage Installation (ISFSI) licensed under 10 CFR Part 72. Nuclear decommissioning is the process of safely removing nuclear facilities from service and reducing residual radioactivity to a level that permits termination of the NRC licenses and release of the property for unrestricted use. Final decommissioning of the ISFSI will occur after the spent nuclear fuel (SNF) and Greater Than Class C (GTCC) radioactive waste is removed from the site and SMUD demonstrates that the site is suitable for release in accordance with release criteria specified in 10 CFR 20, Subpart E and an approved License Termination Plan.

The Department of Energy (DOE), under the Nuclear Waste Policy Act (NWPA) of 1982 as amended, is responsible for permanent disposal of spent nuclear fuel and GTCC radioactive waste, which are currently stored in the Part 72 licensed ISFSI. SMUD has a contract with the DOE for the removal and disposal of SNF and GTCC waste. All SMUD's SNF and GTCC waste are currently stored in sealed canisters in the ISFSI. However, the date when DOE will remove the fuel and GTCC waste is uncertain. In 2010, the DOE formally withdrew the application for licensing of Yucca Mountain as a high-level waste repository. The DOE also announced in January 2010 the creation of a Blue-Ribbon Commission to study alternatives for developing a repository for the nation's used nuclear fuel. The Commission provided a final report on alternatives in January 2012. The DOE evaluated the recommendations and published the report "Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste" in January 2013.

The next phase of the process will be for Congress and the President of the United States to consider the recommendations and enact legislation to implement the recommendations. At this time, two license applications have been submitted to the NRC for the construction and operation of Consolidated Interim Storage Facility(s) that would store SNF and GTCC waste on an interim basis. One of these applications has been approved (and a license issued) and one application is currently under review by the NRC. Should the NRC license one or both facilities, Congress will have to modify the NWPA to allow for its use. In May 2018, the U.S. House of Representatives passed H.R. 3053 – the Nuclear Waste Policy Amendments Act, which was co-sponsored by Representative Doris Matsui and 109 other members of Congress. This bill includes a provision to allow a Consolidated Interim Storage Facility to store fuel from permanently shut down sites like Rancho Seco. The U.S. Senate did not act on the bill. Until legislation is passed which includes a significant step towards removal of the used nuclear fuel at the Rancho Seco facility, SMUD is committed to the safe and secure storage of its SNF and GTCC waste under its Part 72 license until DOE fulfills its obligation to dispose of this material in accordance with NWPA. In support of this commitment, SMUD submitted its ISFSI license renewal application to the NRC in March of 2018. The NRC issued Renewed Licensee No. SNM-2510 on March 9, 2020. This renewed license authorizes the continued storage of SMUD's SNF and GTCC until June 30, 2060.

The Rancho Seco decommissioning liability is based on an internal study of the remaining decommissioning costs, which consist of: 1) annual spent fuel management costs, 2) transportation of the canisters in the ISFSI and 3) termination of the Part 72 license. The largest part of the decommissioning estimate is the annual spent fuel management costs; next year's annual budget is used for the estimate. The other costs were estimated based on prior experience and studies and prepared by management representatives of the nuclear power plant facility. The transportation costs of the canisters in the ISFSI estimate were in 2019 dollars. The termination of the Part 72 license costs in the estimate were in 2022 dollars. An employment cost index was used to adjust the other costs portion of the obligation for inflation in 2025. Probability weighting was assigned for two scenarios: 1) spent nuclear fuel will be removed from the site by 2034 and 2) spent nuclear fuel will be removed from the site by 2041. SMUD uses its Trust Fund (see Note 2) to demonstrate financial assurance to the NRC that there are enough funds to complete the termination of the Part 72 license; the balance of the Trust Fund at December 31, 2025 is $10.3 million.

Carson Power Plant (Carson). SMUD's ground lease agreement with the Sacramento Regional County Sanitation District for Carson requires SMUD to restore the premises to its original condition upon termination of the contract. A new study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the most recent cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The estimated costs were in 2018 dollars. The result of this study was used to determine the new balance of the ARO and the deferred outflows at January 1, 2018, in order to account for the 2018 activity. The annual All Urban Consumer Price Index was used to adjust this obligation for inflation in 2025.

The current portion of the Accrued Decommissioning liability represents SMUD's estimate of actual expenditures for Rancho Seco in the next year, as set forth in the annual budget.

At December 31, 2025 and 2024, SMUD's Accrued Decommissioning balance in the Statements of Net Position was $132.9 million and $118.8 million, respectively.

NOTE 14. PENSION PLANS

Summary of Significant Accounting Policies. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (PERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD participates in PERS, an agent multiple-employer public employee defined benefit pension plan (PERS Plan). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and SMUD policies. The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon employee's years of credited service, age, and final compensation. A full description of the pension plan regarding number of employees covered, benefit provision, assumptions (for funding, but not accounting purposes), and membership information are included in the annual actuarial valuation reports as of June 30, 2024 and June 30, 2023.

GASB No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used for the year ended:

PERS Plan	December 31,	
	2025	2024
Valuation date	June 30, 2024	June 30, 2023
Measurement date	June 30, 2025	June 30, 2024

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms for the year ended:

PERS Plan	December 31,	
	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	3,258	3,217
Inactive employees entitled to but not yet receiving benefit payments	1,082	1,048
Active employees	2,323	2,282
Total employees covered by benefit terms	6,663	6,547

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through PERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the PERS fiscal years ended June 30, 2025 and 2024, the average active employee contribution rate is 7.1 percent of annual pay. For the PERS fiscal year ended June 30, 2025, the employer's contribution rate is 9.5 percent of annual payroll plus $10.7 million for the unfunded accrued liability contributions. For the PERS fiscal year ended June 30, 2024, the employer's contribution rate is 9.6 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. For the fiscal years ended June 30, 2025 and 2024, SMUD made contributions recognized by the PERS Plan in the amount of $66.2 million and $62.1 million, respectively.

Net Pension Asset (NPA) or Liability (NPL). SMUD's NPA or NPL at December 31, 2025 and 2024 was measured at June 30, 2025 and 2024, respectively. The total pension liability used to calculate the NPA or NPL was determined by actuarial valuations as of June 30, 2024 and 2023 rolled forward using generally accepted actuarial procedures to the June 30, 2025 and 2024 measurement dates for the PERS Plan.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2025 and December 31, 2024 total pension liabilities are as follows:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions*. Mortality rates incorporate full generational mortality improvement using 80% of scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	For 2024 and 2025, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

Discount Rates. For the PERS Plan, the discount rate used to measure the total pension liability for the years ended December 31, 2025 and 2024 was 6.90 percent. For the year ended December 31, 2025, this is based on the long-term expected rate of return on plan assets and is net of investment expenses but not reduced for administrative expenses. In determining the long-term expected rate of return, CalPERS took into account 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates to project compound (geometric) returns over the long term.

The expected real rates of return by asset class used for December 31, 2025 are as follows:

Asset Class	Current Target Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	37.0%	4.56%
Private Equity	17.0%	5.56%
Fixed Income	28.0%	2.53%
Real Assets	15.0%	3.03%
Private Debt	8.0%	4.93%
Strategic Leverage	(5.0%)	1.40%

The expected real rates of return by asset class used for December 31, 2024 are as follows:

Asset Class	Current Target Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.0%	4.54%
Global Equity – Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	(5.0%)	(0.59%)

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2025:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2025	$ 2,874,327	$ 2,565,913	$ 308,414
Changes recognized for the measurement period:			
Service cost	48,210	-0-	48,210
Interest	197,469	-0-	197,469
Changes in benefit terms	-0-	-0-	-0-
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	48,559	-0-	48,559
Contributions - employer	-0-	66,245	(66,245)
Contributions - employee	-0-	23,124	(23,124)

Net investment income	-0-	305,454	(305,454)
Benefit payments	(170,248)	(170,248)	-0-
Administrative expense	-0-	(1,833)	1,833
Net changes	123,990	222,742	(98,752)
Balances at December 31, 2025	$ 2,998,317	$ 2,788,655	$ 209,662

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2024:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2024	$ 2,679,268	$ 2,420,258	$ 259,010
Changes recognized for the measurement period:			
Service cost	46,378	-0-	46,378
Interest	189,234	-0-	189,234
Changes in benefit terms	-0-	-0-	-0-
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	120,696	-0-	120,696
Contributions - employer	-0-	62,116	(62,116)
Contributions - employee	-0-	21,417	(21,417)
Net investment income	-0-	225,340	(225,340)
Benefit payments	(161,249)	(161,249)	-0-
Administrative expense	-0-	(1,969)	1,969
Net changes	195,059	145,655	49,404
Balances at December 31, 2024	$ 2,874,327	$ 2,565,913	$ 308,414

Sensitivity of the NPA or NPL to Changes in the Discount Rate. The following presents the NPA or NPL of the Plan as of the measurement date, calculated using the current discount rate, as well as what the NPA or NPL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

PERS Plan	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
		(thousands of dollars)	
Plan's NPL (NPA), December 31, 2025	$ 585,384	$ 209,662	$ (102,832)

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's NPL (NPA), December 31, 2024	$ 670,730	$ 308,414	$ 7,220

Pension Plan Fiduciary Net Position. Detailed information about the PERS Plan's fiduciary net position is available in the separately issued PERS Plan financial statements. This report, the audited financial statements, and other reports can be obtained at the PERS' website at www.calpers.ca.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended December 31, 2025 and 2024, SMUD recognized pension expense of $50.7 million and $52.4 million, respectively.

At December 31, 2025 and 2024, SMUD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2025	December 31, 2024
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	$ 640	$ 7,049
Differences between expected and actual experience	111,935	118,058
Net differences between projected and actual earnings on pension plan investments	-0-	44,553
Employer's contributions to the Plan subsequent to the measurement of total pension liability	38,194	24,474
Total deferred outflows of resources	$ 150,769	$ 194,134
Deferred inflows of resources:		
Changes of assumptions	$ -0-	$ -0-
Differences between expected and actual experience	765	8,416
Net differences between projected and actual earnings on pension plan investments	62,115	-0-
Total deferred inflows of resources	$ 62,880	$ 8,416

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:	
2026	$ 92,154
2027	6,360
2028	(23,729)
2029	(25,090)
2030	-0-
Thereafter	-0-

Other Plans. SMUD provides its employees with two cash deferred compensation plans: one pursuant to Internal Revenue Code (IRC) Section 401(k) (401(k) Plan) and one pursuant to IRC Section 457 (457 Plan) (collectively, the Plans). The Plans are contributory plans in which SMUD's employees contribute the funds. Each of SMUD's eligible full-time or permanent part-time employees may participate in either or both Plans, and amounts contributed are vested immediately. Such funds are held by a Trustee in trust for the employees upon retirement from SMUD service and, accordingly, are not subject to the general claims of SMUD's creditors. SMUD is responsible for ensuring compliance with IRC requirements concerning the Plans and has the fiduciary duty of reasonable care in the selection of investment alternatives, but neither SMUD, nor its Board or officers have any liability for market variations in the Plans' asset values. SMUD employees are responsible for determining how their funds are to be invested and pay all ongoing fees related to the Plans. The Plans are currently not subject to discrimination testing, nor the requirements of the Employee Retirement Income Security Act of 1974. SMUD employees participating in the Plans are allowed to contribute a portion of their gross income not to exceed the annual dollar limits prescribed by the IRC.

SMUD makes annual contributions to the 401(k) Plan on behalf of certain employees pursuant to a memorandum of understanding with both of its collective bargaining units. SMUD also matches non-represented employee contributions to the 401(k) Plan up to a set amount. SMUD made contributions into the 401(k) Plan of $8.1 million in 2025 and $7.5 million in 2024. SMUD does not match employee contributions, nor make contributions on behalf of its employees to the 457 Plan. Participating employees made contributions into both Plans totaling $38.5 million in 2025 and $36.0 million in 2024.

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS

Summary of Significant Accounting Policies. For purposes of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the California Employers' Retiree Benefit Trust (CERBT). For this purpose, SMUD recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD is a member of CERBT. The CERBT Fund is an IRC Section 115 Trust set up for the purpose of receiving employer contributions to prefund OPEB for retirees and their beneficiaries. CERBT is an agent multiple-employer defined benefit OPEB plan (OPEB Plan) administered by PERS. The OPEB Plan provides medical, dental and long-term disability benefits for retirees and their beneficiaries, in accordance with SMUD policy and negotiated agreements with employee representation groups. The benefit, benefit levels, retiree contributions and employer contributions are governed by SMUD and can be amended by SMUD through its personnel manual and union contracts. Any changes to these benefits would be approved by SMUD's Board and unions.

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms:

	December 31,	
	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	2,454	2,410
Inactive employees entitled to but not yet receiving benefit payments	44	47
Active employees	2,327	2,261
Total employees covered by benefit terms	4,825	4,718

Contributions. OPEB contributions are elective and not required. In December 2018, SMUD split its CERBT assets across two asset strategies to better align trust assets with liabilities (Strategy 1 for active employees and retirements after June 30, 2018 and Strategy 3 for retirements before July 1, 2018). SMUD contributes the normal cost to the CERBT, and annually receives reimbursement for cash benefit payments from the CERBT. SMUD may also elect to put additional contributions into the OPEB Plan. For the OPEB Plan's fiscal years ended June 30, 2025 and 2024, SMUD made contributions recognized by the OPEB Plan in the amounts of $11.6 million and $11.3 million, respectively.

Net OPEB Asset (NOA) or Liability (NOL). SMUD's NOL at December 31, 2025 and 2024 were measured as of June 30, 2025 and 2024, respectively, and the total OPEB liability used to calculate the NOL was determined by actuarial valuations as of those dates.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2025 and December 31, 2024 total OPEB liabilities are as follows:

Discount Rate	5.93% (2025). Blended discount rate based on projected benefit streams expected to be paid from each Strategy. 6.02% (2024)
General Inflation	2.50% (2025 and 2024)
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study (2025 and 2024)
Mortality Improvement	Mortality projected fully generational with Scale MP-2021 (2025 and 2024)
Salary Increases	Aggregate – 2.75%; Merit - CalPERS 2000-2019 Experience Study (2025 and 2024)
Healthcare Cost Trend Rates	Non-Medicare: 7.35% for 2027, decreasing to an ultimate rate of 3.45% in 2076 (2025), 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024) Medicare: 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076 (2025), 6.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024)

Kaiser Medicare: 5.45% for 2027, decreasing to an ultimate rate of 3.45% in 2076 (2025), 5.65% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024)

Discount Rates. For the OPEB Plan, the discount rate used to measure the total OPEB liability was 5.93 percent and 6.02 percent for the years ended December 31, 2025 and 2024, respectively. This rate is a blended discount rate based on projected benefit streams expected to be paid from Strategies 1 and 3. The projection of cash flows used to determine the discount rate assumed that SMUD contributes the full normal cost to the trust and only takes reimbursement from the trust of the cash benefit payments. Because the implied subsidy benefit payments have a larger present value than the payments toward the unfunded accrued liability, there should be sufficient plan assets to pay all benefits from the trust. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. The long-term expected rate of return of 6.25 percent for Strategy 1 and 5.25 percent for Strategy 3 was applied to all periods of projected benefit payments to determine the total OPEB liability for the years ended December 31, 2025 and 2024.

The expected real rates of return by asset class used and presented as geometric means for December 31, 2025 are as follows:

Asset Class	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	20.0%	4.06%

Asset Class	Target Allocation CERBT Strategy 3	Expected Real Rate of Return
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	14.0%	4.06%

The expected real rates of return by asset class used and presented as geometric means for December 31, 2024 are as follows:

Asset Class	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	20.0%	4.06%

Asset Class	Target Allocation CERBT Strategy 3	Expected Real Rate of Return
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	14.0%	4.06%

Changes in the NOA or NOL. The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2025:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2025	$ 425,935	$ 391,803	$ 34,132
Changes recognized for the measurement period:			
Service cost	8,983	-0-	8,983
Interest	25,417	-0-	25,417
Changes in assumptions	4,635	-0-	4,635
Differences between expected and actual experience	30,227	-0-	30,227
Contributions - employer	-0-	11,597	(11,597)
Net investment income	-0-	43,474	(43,474)
Benefit payments	(25,426)	(25,426)	-0-
Administrative expense	-0-	(134)	134
Net changes	43,836	29,511	14,325
Balances at December 31, 2025	$ 469,771	$ 421,314	$ 48,457

The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2024:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2024	$ 397,699	$ 372,365	$ 25,334
Changes recognized for the measurement period:			
Service cost	8,709	-0-	8,709
Interest	23,720	-0-	23,720
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	20,552	-0-	20,552
Contributions - employer	-0-	11,250	(11,250)
Net investment income	-0-	33,053	(33,053)
Benefit payments	(24,745)	(24,745)	-0-
Administrative expense	-0-	(120)	120
Net changes	28,236	19,438	8,798
Balances at December 31, 2024	$ 425,935	$ 391,803	$ 34,132

Sensitivity of the NOA or NOL to Changes in the Discount Rate. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current discount rate, as well as what the NOA or NOL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	1% Decrease (4.93%)	Current Discount Rate (5.93%)	1% Increase (6.93%)
		(thousands of dollars)	
NOL/(NOA), December 31, 2025	$ 105,379	$ 48,457	$ 843

	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
		(thousands of dollars)	
NOL/(NOA), December 31, 2024	$ 85,371	$ 34,132	$ (8,752)

Sensitivity of the NOA or NOL to Changes in the Healthcare Cost Trend Rates. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current healthcare cost trend rate, as well as what the NOA or NOL would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare trend rate (see assumptions above for healthcare trend rate):

	1% Decrease	Current Healthcare Trend Rate	1% Increase
		(thousands of dollars)	
(NOA)/ NOL, December 31, 2025	$ (4,228)	$ 48,457	$ 112,819
(NOA)/ NOL, December 31, 2024	$ (13,227)	$ 34,132	$ 91,933

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued OPEB Plan's report. This report can be obtained at the PERS' website at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended December 31, 2025 and 2024, SMUD recognized OPEB expense of $12.1 million and $10.6 million, respectively. At December 31, 2025 and 2024, SMUD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2025	December 31, 2024
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	$ 13,205	$ 13,187
Differences between expected and actual experience	39,085	17,183
Net differences between projected and actual earnings on OPEB plan investments	-0-	15,244
Employer's contributions to the OPEB Plan subsequent to the measurement of total OPEB liability	12,281	12,601
Total deferred outflows of resources	$ 64,571	$ 58,215
Deferred inflows of resources:		
Changes of assumptions	$ 2,212	$ 5,020
Differences between expected and actual experience	9,039	18,536
Net differences between projected and actual earnings on OPEB plan investments	5,134	-0-
Total deferred inflows of resources	$ 16,385	$ 23,556

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:	
2026	$ 16,334
2027	3,326
2028	4,635
2029	4,987
2030	6,052
Thereafter	571

NOTE 16. INSURANCE PROGRAMS AND CLAIMS

SMUD is exposed to various risks of loss related to torts, theft of and destruction to assets, errors and omissions, cyber activities, natural disasters, employee injuries and illnesses, and other exposures. SMUD carries commercial insurance coverage to cover most claims in excess of specific dollar thresholds, ranging from $5.0 thousand to $10.0 million per claim. General liability (non-wildfire) limits are $150.0 million, excess of a $10.0 million self-insured retention. As of December 31, 2025, wildfire liability limits are $315.0 million ($280.0 million commercial insurance plus $25.0 million self-insured retention) excess of $10.0 million self-insured retention. SMUD's property insurance coverage is based on the replacement value of the asset. Effective January 1, 2025, SMUD discontinued its self-insurance programs for both short-term and long-term disability benefits. As a result, SMUD no longer retains liability for claims incurred after this date related to disability coverage, except for those claims incurred prior to January 1, 2025, which will continue to be administered and paid by SMUD under the former self-insurance arrangements. There have been no significant reductions in insurance coverage. In 2025, 2024, and 2023, the insurance policies in effect have adequately covered all settlements of the claims against SMUD. No claims have exceeded the limits of property or liability insurance in any of the past three years.

The claims liability is included as a component of Self Insurance and Other in the Statements of Net Position.

SMUD's total claims liability, comprising claims received and claims incurred but not reported, at December 31, 2025, 2024 and 2023 is presented below:

	2025	2024	2023
		(thousands of dollars)	
Workers' compensation claims	$ 9,741	$ 6,428	$ 6,926
General and auto claims	2,838	3,077	3,474
Short and long-term disability claims	152	1,204	68
Claims liability	$ 12,731	$ 10,709	$ 10,468

Changes in SMUD's total claims liability during 2025, 2024 and 2023 are presented below:

	2025	2024	2023
		(thousands of dollars)	
Claims liability, beginning of year	$ 10,709	$ 10,468	$ 10,790
Add: provision for claims, current year	2,960	2,722	2,635
Increase in provision for claims in prior years	2,912	343	1,752
Less: payments on claims attributable to current and prior years	(3,850)	(2,824)	(4,709)
Claims liability, end of year	$ 12,731	$ 10,709	$ 10,468

NOTE 17. COMMITMENTS

Electric Power and Gas Supply Purchase Agreements. SMUD has numerous power purchase agreements with other power producers to purchase capacity, transmission, and associated energy to supply a portion of its load requirements. SMUD has minimum take-or-pay commitments for energy on some contracts. SMUD has numerous long-term natural gas supply, gas transportation and gas storage agreements with Canadian and U.S. companies to supply a portion of the consumption needs of SMUD's natural gas-fired power plants.

At December 31, 2025, the approximate minimum obligations for the “take-or-pay” contracts over the next five years are as follows:

	Electric	Gas
	(thousands of dollars)	
2026	$ 63,040	$ 10,735
2027	92,722	11,342
2028	101,225	11,361
2029	101,782	11,454
2030	104,809	11,483

At December 31, 2025, the approximate minimum obligations for the remaining contracts, assuming the energy or gas is delivered over the next five years, are as follows:

	Electric	Gas
	(thousands of dollars)	
2026	$ 315,748	$ 120,362
2027	273,000	118,867
2028	303,940	116,536
2029	312,387	114,940
2030	343,991	113,082

Contractual Commitments beyond 2030 - Electricity. Several of SMUD’s purchase power and transmission contracts extend beyond the five-year summary presented above. These contracts expire between 2031 and 2057 and provide for power under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between $105.4 million in 2031 and $34.0 million in 2057. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the energy is delivered, ranges between $358.3 million in 2031 and $1.5 million in 2052. The Base Resource contract enables SMUD to receive a percentage of the amount of energy made available by Western, after meeting Central Valley Project use requirements, in any given year at a percent share of their revenue requirement; and SMUD has contracted for additional base resource power with no commitment until called upon. SMUD’s largest purchase power source (in volume) is the Country Acres contract, where SMUD has contracted ownership of 344 MW’s of Solar PV generation and 172 MW’s battery energy storage capacity. The Country Acres contract expires on December 31, 2057.

Contractual Commitments beyond 2030 - Gas. Several of SMUD’s natural gas supply, gas transportation and gas storage contracts extend beyond the five-year summary presented above. These contracts expire between 2031 and 2049 and provide transportation and storage under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between $11.5 million in 2031 and $1.5 million in 2049. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the gas is delivered, ranges between $108.6 million in 2031 and $8.2 million in 2049.

Electric Power Price Swap Agreements. SMUD has entered into multiple variable to fixed rate swap with a notional amount totaling 2,010,700 MWh for the purpose of fixing the rate on SMUD’s electric power purchases. This electric power price swap agreement results in SMUD paying fixed rates ranging from $16.75 to $81.95 per MWh. The swap agreements expire periodically from January 2026 through December 2027.

Gas Price Swap Agreements. SMUD has entered into numerous variable to fixed rate swaps with notional amounts totaling 199,472,500 Dths for the purpose of fixing the rate on SMUD’s natural gas purchases for its gas-fueled power plants and gas indexed electric contracts. These gas price swap agreements result in SMUD paying fixed rates ranging from $3.451 to $5.044 per Dth. The swap agreements expire periodically from January 2026 through December 2028.

Gas Transport Capacity Agreements. SMUD has multiple long-term natural gas transport capacity agreements with U.S. companies to transport natural gas to SMUD’s natural gas-fired power plants from the supply basins in the North to the

California-Oregon border and from supply basins in the southwest and Rocky Mountains to the Southern California border. These gas transport capacity agreements provide for the delivery of gas into SMUD-owned pipeline capacity within California. The gas transport capacity agreements provide SMUD with 48,206 Dth per day (Dth/d) of natural gas pipeline capacity from the North and 38,181 Dth/d from the Southwest or Rocky Mountain Basins through at least 2028.

Gas Storage Agreements. SMUD also has agreements for storage of natural gas at regional facilities of up to 3.0 million Dth through March 2029, lowering to 1.0 million Dth through March 2031.

Hydro License Agreements. SMUD has a hydro license for a term of 50 years effective July 1, 2014 (see Note 2). SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. Each contract is adjusted annually by an inflation index.

Construction Contracts. SMUD has entered into various construction contracts for the construction of the Folsom Administrative Operations Building, the El Rio substation, and meter replacements. As of December 31, 2025, the not-to-exceed price for these contracts totaled $195.7 million. The remaining contract obligations for these contracts as of December 31, 2025 was $148.7 million.

NOTE 18. CLAIMS AND CONTINGENCIES

FERC Administrative Proceedings. SMUD is involved in a number of FERC administrative proceedings related to the operation of wholesale energy markets, transmission and interconnection matters, gas transportation, and the development of NERC reliability standards. While these proceedings are complex and numerous, they generally fall into the following categories: (i) filings initiated by the California Independent System Operator Corporation (CAISO) (or other market participants) to adopt/modify the CAISO Tariff and/or establish market design and behavior rules; (ii) filings initiated by existing transmission owners (i.e., PG&E and the other Investor Owned Utilities) to pass through costs to their existing wholesale transmission customers; (iii) filings initiated by FERC orn market participants to establish market design and behavior rules or to complain about or investigate market behavior by certain market participants; (iv) filings initiated by transmission owners under their transmission owner tariffs for the purpose of establishing a regional transmission planning process and interconnection agreements; (v) filings initiated by providers of firm gas transportation services under the Natural Gas Act; and (vi) filings initiated by NERC to develop reliability standards applicable to owners, users, and operators of the bulk power system. In addition, SMUD is an active participant in other FERC administrative proceedings, including those related to reliability and cybersecurity standards, variable resource integration, hydropower operations, and transmission planning and cost allocation. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

CPUC Administrative Proceedings. SMUD monitors a number of CPUC proceedings. These proceedings generally fall into the following categories: (i) filings initiated by PG&E to adopt/modify its tariffs and/or rules; (ii) rulemakings initiated by the CPUC to establish market design and behavior rules or program rules affecting SMUD customers; and (iii) rulemakings initiated by the CPUC to establish electric and/or gas system safety design and maintenance rules. SMUD believes that determinations of these CPUC proceedings will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

State Agency Regulatory Proceedings. SMUD monitors regulatory activities and rulemakings initiated by key State agencies, including the California Air Resources Board ("CARB"), the California Energy Commission ("CEC"), and the State Water Resources Control Board ("SWRCB"). These proceedings generally fall into the following categories: (i) rulemakings establishing and implementing greenhouse gas emission limits, cap-and-trade program design, renewable energy targets, low carbon fuel mandates and market design, zero-emission vehicle mandates, and other measures implementing statewide climate goals; (ii) processes governing integrated resource planning, resource adequacy, energy efficiency and building standards, load management, and reliability programs; and (iii) proceedings related to Delta conveyance, water quality control planning, waste discharge permitting, and resource management activities that may indirectly affect power operations and statewide grid reliability. SMUD believes that determinations in these State regulatory proceedings will not have a material adverse effect on SMUD's financial position, liquidity, or results of operations.

Environmental Matters. SMUD was one of many potentially responsible parties that had been named in a number of actions relating to environmental claims and/or complaints. SMUD has resolved these environmental claims and/or complaints and entered into settlement agreements and/or consent orders. These settlement agreements and consent orders have statutory reopener provisions which allow regulatory agencies to seek additional funds for environmental remediation under certain limited circumstances. While SMUD believes it is unlikely that any of the prior settlements or consent orders will be reopened, the possibility exists. If any of the settlements or consent orders were to be reopened, SMUD management does not believe that the outcome will have a material adverse effect on SMUD's financial position, liquidity or results of operations.

Other Matters. Currently, SMUD is party to various claims, legal actions and complaints relating to its operations, including but not limited to property damage and personal injury, contract disputes, torts, and employment matters. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

NOTE 19. SUBSEQUENT EVENTS

SMUD evaluated subsequent events through March 6, 2026, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

On January 29, 2026, SMUD executed two significant changes to its credit facilities. The existing line of credit with Wells Fargo Bank was amended, reducing the available credit facility from $100 million to $50 million and a new revolving line of credit agreement with PNC Bank was entered into, providing an additional $100 million of available credit. As of March 6, 2026, the date these financials were available to be issued, SMUD has not drawn on either of these lines of credit.

Required Supplementary Information – Unaudited
For the Years Ended December 31, 2025 and 2024

Required Supplementary Information - Unaudited
For the Years Ended December 31, 2025 and 2024

Schedule of Changes in Net Pension Liability and Related Ratios
During the Measurement Period - PERS Plan

	December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(thousands of dollars)									
Total pension liability:										
Service cost	$ 48,210	$ 46,378	$ 42,960	$ 41,885	$ 38,900	$ 38,901	$ 38,061	$ 36,029	$ 35,040	$ 29,044
Interest	197,469	189,234	176,370	167,926	168,984	164,044	157,976	151,354	150,119	147,497
Changes of assumptions	-0-	-0-	1,890	26,275	-0-	-0-	-0-	(61,585)	123,043	-0-
Differences between expected and actual experience	48,559	120,696	53,599	(31,370)	(5,875)	9,981	18,877	1,293	(29,276)	(8,357)
Benefit payments, including refunds of employee contributions	(170,248)	(161,249)	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)
Net change in total pension liability	123,990	195,059	125,488	67,113	71,633	87,345	97,366	15,328	174,498	69,029
Total pension liability, beginning of year	2,874,327	2,679,268	2,553,780	2,486,667	2,415,034	2,327,689	2,230,323	2,214,995	2,040,497	1,971,468
Total pension liability, end of year (a)	$ 2,998,317	$ 2,874,327	$ 2,679,268	$ 2,553,780	$ 2,486,667	$ 2,415,034	$ 2,327,689	$ 2,230,323	$ 2,214,995	$ 2,040,497
Plan fiduciary net position:										
Contributions - employer	$ 66,245	$ 62,116	$ 92,504	$ 114,476	$ 229,440	$ 98,344	$ 69,119	$ 90,141	$ 32,389	$ 27,645
Contributions - employee	23,124	21,417	19,921	18,096	17,552	18,095	17,411	16,832	15,845	15,271
Net investment income	305,454	225,340	140,540	(189,479)	454,518	92,534	115,867	138,739	171,596	8,316
Benefit payments, including refunds of employee contributions	(170,248)	(161,249)	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)
Administrative expense	(1,833)	(1,969)	(1,705)	(1,566)	(1,943)	(2,628)	(1,270)	(7,474)	(2,275)	(969)
Other miscellaneous income/(expense)	-0-	-0-	-0-	-0-	-0-	-0-	4	(4)	-0-	34
Net change in plan fiduciary net position	222,742	145,655	101,929	(196,076)	569,191	80,764	83,583	126,471	113,127	(48,858)
Plan fiduciary net position, beginning of year	2,565,913	2,420,258	2,318,329	2,514,405	1,945,214	1,864,450	1,780,867	1,654,396	1,541,269	1,590,127
Plan fiduciary net position, end of year (b)	$ 2,788,655	$ 2,565,913	$ 2,420,258	$ 2,318,329	$ 2,514,405	$ 1,945,214	$ 1,864,450	$ 1,780,867	$ 1,654,396	$ 1,541,269
Net pension liability/(asset), ending (a) - (b)	$ 209,662	$ 308,414	$ 259,010	$ 235,451	$ (27,738)	$ 469,820	$ 463,239	$ 449,456	$ 560,599	$ 499,228
Plan fiduciary net position as a percentage of the total pension liability	93.0%	89.3%	90.3%	90.8%	101.1%	80.5%	80.1%	79.8%	74.7%	75.5%
Covered payroll	$ 305,515	$ 290,769	$ 265,184	$ 256,965	$ 257,613	$ 254,756	$ 247,759	$ 235,902	$ 223,685	$ 207,119
Net pension liability/(asset) as a percentage of covered payroll	68.6%	106.1%	97.7%	91.6%	-10.8%	184.4%	187.0%	190.5%	250.6%	241.0%

Notes to Schedule:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in Assumptions: There were no assumption changes in 2023 through 2025. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement date June 30, 2016.

Schedule of Plan Contributions for Pension - PERS Plan - Unaudited

	December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(thousands of dollars)									
Actuarially determined contribution	$ 40,150	$ 28,316	$ 45,171	$ 44,599	$ 54,315	$ 52,276	$ 49,119	$ 40,142	$ 32,389	$ 27,645
Contributions in relation to the actuarially determined contribution	(66,245)	(62,116)	(92,504)	(114,476)	(229,440)	(98,344)	(69,119)	(90,142)	(32,389)	(27,645)
Contribution excess	$ (26,095)	$ (33,800)	$ (47,333)	$ (69,877)	$ (175,125)	$ (46,068)	$ (20,000)	$ (50,000)	$ -0-	$ -0-
Covered payroll	$ 305,515	$ 290,769	$ 265,184	$ 256,965	$ 257,613	$ 254,756	$ 247,759	$ 235,902	$ 223,685	$ 207,119
Contributions as a percentage of covered payroll	21.7%	21.4%	34.9%	44.5%	89.1%	38.6%	27.9%	38.2%	14.5%	13.4%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2025 was derived from the June 30, 2022 funding valuation report.

Actuarial cost method	Entry age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2022 Funding Valuation Report
Asset valuation method	Fair value of assets. For details, see June 30, 2022 Funding Valuation Report
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.80%
Investment rate of return	6.80% Net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In 2024, the investment rate of return was changed from 7.00% to 6.80%. In 2021, the investment rate of return was changed from 7.25% to 7.00%. In 2020, the investment rate of return was 7.25%. Prior to 2024, the probabilities of retirement and mortality are based on the 2017 CalPERS Experience Study for the period from 2000 to 2019. Prior to 2020, the probabilities of mortality are based on the 2014 PERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. Prior to 2017, the retirement age and mortality assumptions were based on the 2010 PERS Experience Study for the period from 1997 to 2007. In addition, the mortality assumption for pre-retirement and post-retirement rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of Changes in Net OPEB Asset or Liability and Related Ratios During the Measurement Period - Unaudited

OPEB. The schedule of changes in NOA or NOL and related ratios is presented above for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
	(thousands of dollars)								
Total OPEB liability:									
Service cost	$ 8,983	$ 8,709	$ 8,303	$ 8,744	$ 8,426	$ 8,903	$ 8,946	$ 9,263	$ 8,993
Interest on total OPEB liability	25,417	23,720	22,126	22,728	25,008	26,653	26,766	29,656	28,676
Changes of assumptions	4,635	-0-	17,036	(7,127)	5,895	(11,453)	15,332	3,105	-0-
Differences between expected and actual experience	30,227	20,552	(5,263)	(12,231)	(18,938)	(23,529)	(6,885)	(59,921)	-0-
Benefit payments	(25,426)	(24,745)	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Net change in total OPEB liability	43,836	28,236	17,235	(12,055)	(3,690)	(23,274)	19,638	(42,569)	15,477
Total OPEB liability, beginning of year	425,935	397,699	380,464	392,519	396,209	419,483	399,845	442,414	426,937
Total OPEB liability, end of year (a)	$ 469,771	$ 425,935	$ 397,699	$ 380,464	$ 392,519	$ 396,209	$ 419,483	$ 399,845	$ 442,414
Plan fiduciary net position:									
Contributions - employer	$ 11,597	$ 11,250	$ 9,096	$ 860	$ 818	$ 13,299	$ 13,963	$ 34,243	$ 114,573
Net investment income (loss)	43,474	33,053	14,632	(52,917)	76,479	20,447	20,132	27,295	24,104
Benefit payments	(25,426)	(24,745)	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Administrative expense	(134)	(120)	(107)	(114)	(144)	(191)	(81)	(635)	(123)
Net change in plan fiduciary net position	29,511	19,438	(1,346)	(76,340)	53,072	9,707	9,493	36,231	116,362
Plan fiduciary net position, beginning of year	391,803	372,365	373,711	450,051	396,979	387,272	377,779	341,548	225,186
Plan fiduciary net position, end of year (b)	$ 421,314	$ 391,803	$ 372,365	$ 373,711	$ 450,051	$ 396,979	$ 387,272	$ 377,779	$ 341,548
Net OPEB (asset) or liability, ending (a) - (b)	$ 48,457	$ 34,132	$ 25,334	$ 6,753	$ (57,532)	$ (770)	$ 32,211	$ 22,066	$ 100,866
Plan fiduciary net position as a percentage of the total OPEB liability	89.7%	92.0%	93.6%	98.2%	114.7%	100.2%	92.3%	94.5%	77.2%
Covered payroll	$ 377,665	$ 346,382	$ 345,500	$ 301,746	$ 289,014	$ 287,001	$ 282,993	$ 269,753	$ 252,211
Net OPEB (asset) or liability as a percentage of covered payroll	12.8%	9.9%	7.3%	2.2%	-19.9%	-0.3%	11.4%	8.2%	40.0%

Notes to Schedule

Benefit Changes: There were no changes to benefits.

Changes in Assumptions: In 2025, the discount rate was updated based on cash flow projection of Strategy 1 and Strategy 3 funds. In 2024, there were no changes of assumptions. In 2023, the healthcare trends were updated. In 2022, the long-term rate of return for Strategy 3 was updated based on newer target asset allocation, the discount rate was updated based on crossover test, the demographic assumptions were updated to CalPERS 2000-2019 Experience Study, and the mortality improvement scale was updated to Scale MP-2021. In 2021, the discount rate was updated due to weighting of Strategy 1 and Strategy 3 and updated capital market assumptions, the mortality improvement scale was updated to Scale MP-2020, the inflation rate was changed to 2.5% and the implied subsidy was removed for Medicare Advantage Plans. In 2020, the discount rate reflected the split of assets between Strategy 1 and Strategy 3, the mortality improvement scale was updated to Scale MP-2019, and the Kaiser Medicare trend rates were updated.

Schedule of Plan Contributions for OPEB

OPEB Plan. The schedule of OPEB contributions is presented below for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
	(thousands of dollars)								
Actuarially determined contribution	$ 11,461	$ 10,650	$ 8,566	$ 5,425	$ 8,661	$ 12,201	$ 10,710	$ 15,366	$ 16,472
Contributions in relation to the actuarially determined contribution	(11,277)	(11,864)	(8,806)	(1,157)	(853)	(13,233)	(13,155)	(35,128)	(116,181)
Contribution deficiency (excess)	$ 184	$ (1,214)	$ (240)	$ 4,268	$ 7,808	$ (1,032)	$ (2,445)	$ (19,762)	$ (99,709)
Covered payroll	$ 381,485	$ 376,418	$ 342,236	$ 318,094	$ 285,425	$ 289,552	$ 286,835	$ 277,193	$ 260,210
Contributions as a percentage of covered payroll	3.0%	3.2%	2.6%	0.4%	0.3%	4.6%	4.6%	12.7%	44.6%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2025 were derived from the June 30, 2024 funding valuation report.

Actuarial cost method	Entry age normal, Level percent of pay
Amortization method	Level percent of pay
Amortization period	21-year fixed period for 2024/25
Asset valuation method	Market value of assets
Discount rate	6.25% for all actives and retirements after 6/30/2018, 5.25% for all retirements before 6/30/2018
Inflation	2.50%
Medical trend	Non-Medicare: 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser): 6.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser): 5.65% for 2026, decreasing to an ultimate rate of 3.45% in 2076
Mortality	CalPERS 2000-2019 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-21

In 2025, the amortization period was for a 21-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2024, the amortization period was for a 22-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2022, the amortization period was for a 24-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-20. In 2021, the amortization period was for a 25-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-19. In 2020, the amortization period was for a 26-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-18. In 2019, the amortization period was for a 27-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-17. In 2018, the amortization period was for a 28-year fixed period. Mortality assumption used PERS 1997-2011 experience study. The mortality improvement projected fully generational with Scale MP-16. In 2017, the amortization period was for a 29-year fixed period. The inflation rate was 3.0% and the discount rate was 7.25%. The mortality projected fully generational with Scale MP-14, modified to converge in 2022.

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APPENDIX C

BOOK-ENTRY SYSTEM

The information in this Appendix regarding DTC has been provided by DTC, and SMUD takes no responsibility for the accuracy or completeness thereof. SMUD cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest or principal with respect to the 2026 Series P Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2026 Series P Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

The Depository Trust Company ("DTC") will act as securities depository for the 2026 Series P Bonds. The 2026 Series P Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the 2026 Series P Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2026 Series P Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Series P Bonds on DTC's records. The ownership interest of each actual purchaser of each 2026 Series P Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Series P Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the 2026 Series P Bonds, except in the event that use of the book-entry system for the 2026 Series P Bonds is discontinued.

To facilitate subsequent transfers, all 2026 Series P Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2026 Series P Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026 Series P Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 Series P Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2026 Series P Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Series P Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the 2026 Series P Bonds may wish to ascertain that the nominee holding the 2026 Series P Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of a maturity of the 2026 Series P Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2026 Series P Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2026 Series P Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to SMUD as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2026 Series P Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, redemption proceeds and interest payments on the 2026 Series P Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from SMUD or the Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, its nominee, the Trustee or SMUD, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2026 Series P Bonds at any time by giving reasonable notice to SMUD or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

SMUD may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates for such 2026 Series P Bonds will be printed and delivered to DTC.

Neither SMUD nor the Trustee will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the 2026 Series P Bonds; (iii) any notice which is permitted or required to be given to Holders under the Resolution; (iv) the selection by DTC, any Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of 2026 Series P Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. Other provisions of the Resolution are described under the captions "THE 2026 SERIES P BONDS" and "SECURITY FOR THE BONDS." This summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise defined in this Official Statement shall have the meanings ascribed thereto in the Resolution.

Between July 1997 and August 2003, SMUD received consents to amend the Resolution from the owners of the requisite percentage of Outstanding Bonds. Pursuant to the authority granted by such consents, SMUD amended the Resolution in October 2003 by adopting the Forty-Eighth Supplemental Resolution and the Forty-Ninth Supplemental Resolution. The following summary of the Resolution reflects such amendments.

Between July 2010 and June 2025, SMUD received consents to amend the Resolution from the owners of the requisite percentage of Outstanding Bonds. Pursuant to the authority granted by such consents, SMUD amended the Resolution in June 2026 by adopting the Seventieth Supplemental Resolution. The following summary of the Resolution reflects such amendments.

Certain Definitions

"Assumed Interest Payments" means for any fiscal year or period interest which would accrue during such fiscal year or period on an amount equal to the then unamortized balance of the remaining sum of Assumed Principal Payments at the Assumed Interest Rate.

"Assumed Interest Rate" for any Parity Bond means an interest rate equal to the "Bond Buyer Revenue Bond Index" most recently published in The Bond Buyer prior to the date of issuance of the Parity Bond to which the Assumed Interest Rate is applicable.

"Assumed Principal Payments" means for any fiscal year or period the sum of all amortized portions of each Excluded Principal Payment which fall within such fiscal year or period after the Excluded Principal Payments have been amortized (for purposes of this definition) equally over the years (pro rata in the case of a partial year) in the period commencing on the date of issuance of the Parity Bonds to which such Excluded Principal Payment relates and ending on the date which is 30 years from such date of issuance. Notwithstanding the foregoing, if Parity Bonds determined by SMUD to be an Excluded Principal Payment are refinanced with Parity Bonds determined by SMUD to be another Excluded Principal Payment, (1) Assumed Principal Payments with respect to the refinancing Parity Bonds shall not include any amount of principal which has previously been assumed amortized with respect to the refinanced Parity Bonds and (2) the period over which the refinancing Parity Bonds shall be assumed to be amortized shall be the period commencing on the date of issuance of the refinancing Parity Bonds and ending on the date which is 30 years from the date of issuance of the refinanced Parity Bonds.

"Electric System" means the entire electric system of SMUD, together with all additions, betterments, extensions and improvements.

"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 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.

"Excluded Principal Payments" means each payment of principal on Parity Bonds which the Board of Directors of SMUD determines (on a date not later than the date of issuance of such Parity Bonds) that SMUD intends to refinance at or prior to the maturity date(s) of such Parity Bonds or otherwise to pay with moneys which are not Revenues. No such determination shall affect the security for such Parity Bonds or the obligation of SMUD to pay such payments from Revenues.

"Financial Products Agreement" means an interest rate swap, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, however denominated, entered into by SMUD with a Qualified Provider not for investment purposes but with respect to specific Parity Bonds for the purpose of (1) reducing or otherwise managing SMUD's risk of interest rate changes or (2) effectively converting SMUD's interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

"Financial Product Payments" means payments periodically required to be paid to a counterparty by SMUD pursuant to a Financial Products Agreement.

"Financial Product Receipts" means amounts periodically required to be paid to SMUD by a counterparty pursuant to a Financial Products Agreement.

"Maintenance and Operation Costs" means all actual maintenance and operation costs incurred by SMUD (including purchased power and fuel costs) or charges therefor made in conformity with generally accepted accounting principles, exclusive in all cases of depreciation, or obsolescence charges or reserves therefor, amortization of intangibles or other entries of a similar nature, interest charges and charges for the payment of principal of SMUD debt.

"Net 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 for treatment as Revenues for such fiscal period, less the sum of (c) all Maintenance and Operation Costs for such fiscal period, (d) all Energy Payments for such fiscal period not included in Maintenance and Operation Costs for such fiscal period, and (e) the amounts, if any, withdrawn by SMUD from Revenues for such fiscal period for deposit in the Rate Stabilization Fund pursuant to the Resolution.

"Parity Bonds" includes the Bonds and all revenue bonds issued on a parity with the Bonds as provided or permitted in the Resolution. No Parity Bonds (other than the Bonds) are currently outstanding.

"Qualified Provider" means any financial institution or insurance company which is a party to a Financial Products Agreement if the unsecured long-term debt obligations of such financial institution or insurance company (or of the parent or a subsidiary of such financial institution or insurance company if such parent or subsidiary unconditionally guarantees the performance of such financial institution or insurance company under such Financial Products Agreement and the Trustee receives an opinion of counsel to the effect that such guarantee is a valid and binding agreement of such parent or subsidiary), or obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor parent or subsidiary), are rated in one of the two highest rating categories of a national rating agency (without regard to any gradation or such rating category) at the time of the execution and delivery of the Financial Products Agreement.

"Rate Stabilization Fund" means the fund by that name established in the Resolution. From time to time, after provision for debt service, SMUD may deposit in the Rate Stabilization Fund from remaining Revenues such amounts as SMUD shall determine, provided that deposits may be made until (but not after) the date 120 days after the end of such fiscal year. SMUD may withdraw amounts from the Rate Stabilization Fund only for inclusion in Revenues for any fiscal year, such withdrawals to be made until (but not after) 120 days after the end of such fiscal year. All interest or other earnings on deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues. Notwithstanding the foregoing, no deposit of Revenues to the Rate Stabilization Fund may be made to the extent such Revenues were included in an engineer's certificate submitted in connection with the issuance of additional revenue bonds payable from Revenues and withdrawal of the Revenues to be deposited in the Rate Stabilization Fund from the Revenues employed in rendering said engineer's certificate would have caused noncompliance with the provisions of the Resolution restricting issuance of additional obligations or securities payable from Revenues or to the extent any withdrawal of amounts from remaining Revenues for the Rate Stabilization Fund for any fiscal year would have reduced the debt service ratio referred to in this Appendix under the caption "Reserve Fund for Certain Bonds" to or below 1.40.

"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 (consisting primarily of income derived from the sale or use of electric energy generated, transmitted or distributed by facilities of the Electric System, but also including receipts from the sale of property pertaining to the Electric System or incidental to the operation of the Electric System or from services performed by SMUD in connection with the Electric System and revenues derived from certain wholesale, but not retail, sales of water), but exclusive in every case of any moneys derived from the levy or collection of taxes upon any taxable property in SMUD.

"Subsidy" means any subsidy, reimbursement or other payment from the federal government of the United States of America under the American Recovery and Reinvestment Act of 2009 (or any similar legislation or regulation of the federal government of the United States of America or any other governmental entity or any extension of any of such legislation or regulation).

Reserve Fund for Certain Bonds

The Electric Revenue Bond Reserve Fund (the "Reserve Fund") is created under the Resolution. The Reserve Fund secures all Bonds issued prior to January 1, 2004 that are currently outstanding (and not otherwise deemed to be paid and discharged under the Resolution) and may secure additional Bonds issued in the future. However, the Reserve Fund does not secure and will not be available to pay debt service on the 2026 Series P Bonds.

After the close of each fiscal year, SMUD shall determine the ratio (herein called the "debt service ratio") of (1) the Net Revenues during said fiscal year to (2) the maximum annual debt service during the period of three fiscal years next following said fiscal year on all Bonds and Parity Bonds then outstanding. For this purpose, the term "maximum annual debt service" shall mean the sum of (i) the interest falling due on serial bonds and term bonds, (ii) the principal amount of serial bonds falling due by their terms, and (iii) the amount of minimum sinking fund payments required, as computed for the year in which such sum shall be a maximum. Interest during construction which has been funded and provided for shall not be included in "maximum annual debt service" for the purpose of the above calculation.

So long as the debt service ratio shall exceed 1.40, the amount required to be maintained in the Reserve Fund shall be an amount such that the amount in the combined reserve funds of all Parity Bonds then outstanding will at no time be less than the current annual interest requirements on all then

outstanding Parity Bonds, except only bonds (if any) for which payment has been provided in advance. If the debt service ratio in any fiscal year shall fall below 1.40, the Treasurer shall set aside in the Reserve Fund or in any other reserve fund or funds established for any one or more issues of the Parity Bonds (on or before the first day of each month of the next succeeding fiscal year) from the first available Net Revenues an amount not less than 15% of the sum of the current monthly interest requirements of all Parity Bonds then outstanding until the next year in which the debt service ratio shall exceed 1.40 or until the aggregate amount in the combined reserve funds established for all of the Parity Bonds (including the Reserve Fund) is equal to the maximum annual debt service on all of the Parity Bonds then outstanding, whichever shall first occur.

For purposes of the above calculation, the interest rates of Bonds which bear a variable rate of interest or a rate subject to periodic adjustment or to being fixed at some date after issuance shall be, if such Bonds bear a rate or rates of interest for a known period or periods of time, such interest rate or rates for such period or periods, and thereafter, for the portion of the calculation period not covered by such known period or periods, the interest rate shall be the greater of the numerical maximum rate that such Bonds may vary or be adjusted to and the numerical maximum rate (if any) that the interest rate for such Bonds may be fixed to, in both cases as set forth in the supplemental resolution authorizing such Bonds, or if such rate or rates have been increased in accordance with such supplemental resolution at such increased rate or rates.

Any amount in the Reserve Fund at any time in excess of the balance required to be then maintained therein shall be released to SMUD for any SMUD use.

SMUD shall not be required, notwithstanding anything herein contained, to maintain in the combined reserve funds appertaining to all Parity Bonds of SMUD, an aggregate amount in excess of the maximum annual debt service requirements in any subsequent fiscal year on all of the then outstanding Parity Bonds.

Any moneys at any time in any of said reserve funds shall be held by the Treasurer in trust for the benefit of the holder or holders from time to time of the Bonds and the coupons appertaining thereto entitled to be paid therewith, and SMUD shall not have any beneficial right or interest in any such moneys.

Notwithstanding the foregoing, a Supplemental Resolution adopted after the Forty-Eighth Supplemental Resolution may provide that a Series of Bonds issued pursuant to such Supplemental Resolution shall not be secured by the Reserve Fund. In such event, (i) payments of the principal of and interest on such Bonds shall be excluded from all calculations made in respect of the amount to be maintained in the Reserve Fund and (ii) amounts on deposit in the Reserve Fund shall not be applied to the payment of the principal of or interest on such Bonds, even if no other moneys are available therefor.

The 2026 Series P Bonds are not secured by the Reserve Fund.

In lieu of maintaining and depositing moneys in the Reserve Fund, SMUD may maintain and deposit in the Reserve Fund, for the sole benefit of the holders of Parity Bonds, a letter of credit (1) which is issued by a bank with a credit rating at the time of deposit of such letter of credit into the Reserve Fund within one of the top two rating categories (without regard to any refinement or graduation of such rating category by numerical modifier or otherwise) of Moody's Investors Service ("Moody's") and Standard & Poor's Rating Group, a division of The McGraw Hill Companies, Inc. ("S&P"), (2) the repayment obligation with respect to which is not secured by a lien on assets of SMUD senior to any lien which secures the Bondholders and (3) which has a term of at least 364 days from the date of issuance thereof. If the credit rating of the bank issuing such letter of credit falls below such top two rating categories,

SMUD shall within twelve months of such downgrading either (a) substitute a new letter of credit satisfying the requirements of this paragraph, (b) fund the Reserve Fund through the deposit of cash or an irrevocable surety bond policy satisfying the requirements of the immediately succeeding paragraph or (c) fund the Reserve Fund through a combination of (a) and (b). At least 120 days prior to the expiration date of a letter of credit on deposit in the Reserve Fund, SMUD shall either (a) substitute a new letter of credit satisfying the requirements of this paragraph, (b) fund the Reserve Fund through the deposit of cash or an irrevocable surety bond policy satisfying the requirements of the immediately succeeding paragraph or (c) fund the Reserve Fund through a combination of (a) and (b). Any such letter of credit shall permit SMUD to draw amounts thereunder for deposit in the Reserve Fund which, together with any moneys on deposit in, or surety bond policy available to fund, the Reserve Fund, are not less than the balance required to then be maintained in the Reserve Fund (the "Reserve Fund Requirement") and which may be applied to any purpose for which moneys in the Reserve Fund may be applied. SMUD shall make a drawing on such letter of credit and deposit the moneys obtained from drawing in the Reserve Fund (a) whenever moneys are required for the purposes for which Reserve Fund moneys may be applied, and (b) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys or an irrevocable surety bond are available in the Reserve Fund in the amount of the Reserve Fund Requirement.

In lieu of maintaining and depositing moneys in the Reserve Fund, SMUD also may maintain and deposit in the Reserve Fund, for the sole benefit of the holders of the Bonds, an irrevocable surety bond policy (1) which is issued by a bond insurance company with a claims-paying ability rating at the time of deposit of such surety bond policy into the Reserve Fund within one of the top two rating categories (without regard to any refinement or graduation of such rating category by numerical modifier or otherwise) from Moody's and S&P, (2) the repayment obligation with respect to which is not secured by a lien on assets of SMUD senior to any lien which secures the Bondholders and (3) has a term of at least 364 days from the date of issuance thereof. If the credit rating of the bond insurance company issuing such surety bond policy falls below such top two rating categories, SMUD shall, within twelve months of such downgrading, either (a) substitute a new surety bond policy satisfying the requirements of this paragraph, (b) fund the Reserve Fund through the deposit of cash or a letter of credit satisfying the requirements of the immediately preceding paragraph or (c) fund the Reserve Fund through a combination of (a) and (b). At least 120 days prior to the expiration date of a surety bond policy on deposit in the Reserve Fund, SMUD shall either (a) substitute a new surety bond policy satisfying the requirements of this paragraph, (b) fund the Reserve Fund through the deposit of cash or a letter of credit satisfying the requirements of the immediately preceding paragraph or (c) fund the Reserve Fund through a combination of (a) and (b). Any such surety bond policy shall permit SMUD to obtain amounts thereunder for deposit in the Reserve Fund which, together with any moneys on deposit in, or letter of credit available to fund, the Reserve Fund, are not less than the Reserve Fund Requirement and which may be applied to any purpose for which moneys in the Reserve Fund may be applied. SMUD shall make a drawing on such surety bond policy and deposit the proceeds derived from such drawing in the Reserve Fund (a) whenever moneys are required for the purposes for which Reserve Fund moneys may be applied, and (b) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys or a letter of credit are available in the Reserve Fund in the amount of the Reserve Fund Requirement.

Notwithstanding anything to the contrary in the prior two paragraphs, if at any time that there is on deposit in the Reserve Fund a combination of cash, a letter of credit and/or a surety bond as contemplated above, SMUD shall draw first on such cash to the extent required and available, then on (1) such surety bond and letter of credit on a pro rata basis (if both a surety bond and letter of credit are available) to the extent required and available, or (2) such surety bond or letter of credit (if either a surety bond or letter of credit, but not both, is available) to the extent required and available.

For purposes of calculating the "debt service ratio" and, unless otherwise specified in a Supplemental Resolution providing for the issuance of a series of Parity Bonds, the amount required to be maintained in the Reserve Fund as described above: (1) any calculation of principal of and interest on Parity Bonds for any period of time shall be reduced by the amount of any Subsidy that SMUD receives or expects to receive during such period of time relating to or in connection with such Parity Bonds; and (2) to the extent the calculation of principal of and interest on Parity Bonds is reduced by the Subsidy as provided in clause (1) of this paragraph, any calculation of Net Revenues for any period of time shall be reduced by the amount of any Subsidy received or expected to be received by SMUD with respect to or in connection with such Parity Bonds during such period of time.

Additional Covenants

The Resolution contains the following additional covenants, among others:

1. That the Electric System will be maintained in good repair, working order and condition at all times, and will be continuously operated in an efficient and economical manner.

2. That no electric energy shall be supplied free by SMUD, and a reasonable wholesale charge will be made for water distributed at any cost to SMUD and such charge will be deemed Revenues; but SMUD may supply without charge water furnished to it without distribution cost, and any moneys received from any retail sales of water will not be deemed Revenues.

3. That all taxes and governmental charges and other lawful claims which might become a lien on the Electric System or the Revenues or impair the security of the Bonds will be paid and discharged when due.

4. That SMUD will comply with all lawful orders of any governmental agency or authority having jurisdiction in the premises (except while the validity or application thereof is being contested in good faith) and with all necessary permits and licenses issued by the NRC.

5. That no lease or agreement will be entered into, or sale or other disposition of essential property made, that would impair the operation of the Electric System or the rights of Bondholders with respect to the Revenues; provided, however, that notwithstanding the foregoing or any other provision of the Master Resolution, SMUD may sell or otherwise dispose of its accounts receivable and customer loan balances due to SMUD provided that SMUD delivers to the Trustee:

   (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 the Master Resolution would not have been reduced to less than 1.40:1.0.

6. That proper records and accounts will be maintained of all transactions relating to the Electric System and the Revenues (open to inspection by the Trustee and the holders of not less than 10 percent in principal amount of the Bonds), to be audited annually by an independent certified public accountant within 90 days after close of the fiscal year, and copies of such financial statements supplied to Bondholders on request.

7. That insurance adequate in amounts and as to risks covered will be maintained against such risks as are usually insurable in connection with similar electric systems, and in addition public liability and property damage insurance in amounts not less than $1,000,000 per accident and adequate fidelity bonds on all officers and employees of SMUD handling or responsible for SMUD funds, subject in each case to the condition that such insurance is obtainable at reasonable rates and upon reasonable terms and conditions. See APPENDIX A – "INFORMATION REGARDING SACRAMENTO MUNICIPAL UTILITY DISTRICT – INSURANCE" attached to this Official Statement for a description of SMUD's insurance.

8. That the net proceeds realized by SMUD in the event all or any part of the Electric System is taken by eminent domain proceedings will be applied to the redemption or retirement of all Bonds and Parity Bonds if sufficient therefor, and, if not, then pro rata to the redemption or retirement of Bonds and Parity Bonds or to new facilities if the additional Revenues to be derived therefrom will sufficiently offset the loss of Revenues resulting from such eminent domain so that the ability of SMUD to meet its obligations will not be substantially impaired.

9. That SMUD will at all times use its best efforts to maintain the powers, functions and duties now reposed in it pursuant to law.

10. That SMUD will establish and at all times maintain and collect rates and charges for the sale or use of its electric energy sufficient to permit SMUD to purchase power or issue and sell Bonds or Parity Bonds to finance additions, betterments, extensions and improvements to the Electric System as may be reasonably necessary to satisfy its then projected electric demand upon its Electric System, and that unless the Board determines that SMUD will be able to satisfy such demand through the purchase of electric energy, SMUD will proceed with all reasonable diligence to issue and sell such Bonds or Parity Bonds.

11. That SMUD will not create, or permit the creation of, any mortgage or lien upon the Electric System or any property essential to the proper operation of the Electric System or to the maintenance of the Revenues. SMUD will not create, or permit the creation of, any pledge, lien, charge or encumbrance upon the Revenues except only as provided in the Master Resolution; provided that, notwithstanding the foregoing or any other provision of the Master Resolution, SMUD may create a pledge, lien, charge or encumbrance upon its accounts receivable and customer loan balances due to SMUD (which pledge, lien, charge or encumbrance shall be prior to any pledge, lien, charge or encumbrance created or made pursuant to the Master Resolution, including without limitation the pledge of Revenues made pursuant to the Master Resolution) to secure indebtedness with a term of one year or less provided that the principal amount of such indebtedness does not exceed 50% of the aggregate face amount of the accounts receivable and customer loan balances due to SMUD as shown on SMUD's most recent audited financial statements.

Amendment of the Resolution

The Resolution and the rights and obligations of SMUD and of the holders of the Bonds may be modified or amended at any time pursuant to the affirmative vote at a meeting of Bondholders, or with the written consent without a meeting, of the holders of 60 percent in aggregate principal amount of the

Bonds then outstanding, provided that no such modification or amendment shall (i) extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds required for consent to an amendment or modification, without the consent of the holders of all the Bonds then outstanding. Modifications or amendments may be made, without the consent of any Bondholders, to add covenants of SMUD or to surrender rights reserved by SMUD in the Resolution, to cure ambiguities or defective or inconsistent provisions or in regard to questions arising under the Resolution without adversely affecting the interests of the Bondholders, or to provide for the issuance of a series of Bonds, subject to the provisions contained in the Resolution with respect thereto.

Events of Default and Remedies of Bondholders

The Resolution declares each of the following to be an event of default:

(a) Failure to pay the principal of and premium on any Bond when due and payable;

(b) Failure to pay any installment of interest on any Bond when due and payable, if such default continues for a period of 30 days;

(c) Default by SMUD in the observance of any of the covenants, agreements or conditions on its part in the Resolution or in the Bonds, if such default continues for a period of 60 days after written notice thereof (specifying such default and requiring the same to be remedied) has been given to SMUD by the Trustee, or to SMUD and the Trustee by the holders of not less than 25 percent in aggregate principal amount of the Bonds at the time outstanding; and

(d) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of SMUD or of the whole or any substantial part of its property, and such custody or control shall not be terminated or stayed within 60 days.

In the event of default, the Trustee or the holders of not less than a majority in aggregate principal amount of the outstanding Bonds may, upon written notice to SMUD, declare the principal of all outstanding Bonds, and the interest accrued thereon, to be due and payable immediately. The Trustee is appointed as trustee to represent Bondholders and may take such action as may seem appropriate to it, and, upon the written request of the holders of 25 percent in aggregate principal amount of the outstanding Bonds, and upon being furnished with indemnity satisfactory to it, will take such action on behalf of Bondholders as is specified in such written request. Each Bondholder is entitled to proceed to protect and enforce the rights vested in such holder by the Resolution by such appropriate judicial proceedings as such holder deems most effectual.

The rights of Bondholders are limited and restricted to the use and application of Revenues as provided in the Resolution and do not extend to the levy of any attachment or execution upon or forfeiture of any of the properties of SMUD or to any moneys derived by SMUD from the levy or collection of taxes.

In addition to the limitations on remedies contained in the Resolution, the rights and remedies provided by the Bonds and the Resolution, as well as the enforcement by SMUD of contracts with customers of the Electric System, may be limited by and are subject to bankruptcy, insolvency, reorganization and other laws affecting the enforcement of creditors' rights.

Refunding of 2026 Series P Bonds

If Refunding Bonds are issued for the purpose of refunding 2026 Series P Bonds, then SMUD is authorized to apply proceeds of the sale of such Refunding Bonds to the payment of the purchase price of direct noncallable obligations of the United States of America ("Treasury Obligations") to be held by the Trustee to insure the payment or retirement at or before maturity of all or a portion of the outstanding 2026 Series P Bonds. Upon deposit with the Trustee, in trust, of money or Treasury Obligations (including, but not limited to, direct obligations of the United States of America issued in book-entry form on the books of the Department of the Treasury of the United States of America), or any combination thereof, sufficient, together with the interest to accrue on any such Treasury Obligations, to pay or redeem all or a portion of 2026 Series P Bonds then outstanding at or before their maturity date, all liability of SMUD in respect of such 2026 Series P Bonds shall cease, determine and be completely discharged, and the holders thereof shall thereafter be entitled only to payment by SMUD out of the money and Treasury Obligations deposited with the Trustee for their payment. If the liability of SMUD shall cease and determine with respect to all or a portion of the 2026 Series P Bonds, then said 2026 Series P Bonds shall not be considered to be outstanding Bonds for any purpose of the Resolution.

Discharge of Resolution

The Resolution may be discharged by depositing with the Trustee in trust, moneys or Federal Securities or general obligation bonds of the State of California, in such amount as the Trustee shall determine will, together with the interest to accrue thereon, be fully sufficient to pay and discharge the indebtedness on all Bonds at or before their respective maturity dates.

Investment of Funds

Moneys in any fund established by the Resolution may be invested in bonds, notes, certificates of indebtedness, bills, bankers 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. Currently this investment authority includes, among other things, the Local Agency Investment Fund which is administered by the Treasurer of the State of California for the investment of funds belonging to local agencies in the State of California.

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APPENDIX E

PROPOSED FORM OF LEGAL OPINION FOR 2026 SERIES P BONDS

July 14, 2026

Sacramento Municipal Utility District
Sacramento, California

Sacramento Municipal Utility District
Electric Revenue Bonds, 2026 Series P
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sacramento Municipal Utility District ("SMUD") in connection with the issuance of $125,000,000 aggregate principal amount of Sacramento Municipal Utility District Electric Revenue Bonds, 2026 Series P (the "2026 Series P Bonds"), issued pursuant to Resolution No. 6649 of the Board of Directors of SMUD, adopted January 7, 1971 (the "Master Resolution"), as supplemented and amended by later resolutions of said Board of Directors (as so supplemented and amended, the "Resolution"), including Resolution No. 26-06-07, adopted June 18, 2026 (the "Sixty-Ninth Supplemental Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution; the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by SMUD; opinions of counsel to SMUD and the Trustee; certificates of SMUD, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2026 Series P Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2026 Series P Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2026 Series P Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed that each document and each signature thereon provided to us is genuine and that each such document has been duly and legally executed by, and constitutes a valid and binding agreement of, each party thereto other than SMUD. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2026 Series P Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the 2026 Series P Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as SMUD in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated June 30, 2026, or other offering material relating to the 2026 Series P Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2026 Series P Bonds constitute the valid and binding limited obligations of SMUD.

2. The Resolution, including the Sixty-Ninth Supplemental Resolution, has been duly adopted by, and constitutes the valid and binding obligation of, SMUD. The Resolution creates a valid pledge, to secure the payment of the principal of and interest on the 2026 Series P Bonds, of the Net Revenues, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. Interest on the 2026 Series P Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the 2026 Series P Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the 2026 Series P Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2026 Series P Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Sacramento Municipal Utility District (the "Issuer") and U.S. Bank Trust Company, National Association, in its capacity as Dissemination Agent (the "Dissemination Agent") in connection with the issuance of $125,000,000 aggregate principal amount of Sacramento Municipal Utility District Electric Revenue Bonds, 2026 Series P (the "2026 Series P Bonds"). The 2026 Series P Bonds are being issued pursuant to the Issuer's Resolution No. 6649, adopted on January 7, 1971, as amended and supplemented by supplemental resolutions, including Resolution No. 26-06-07, adopted on June 18, 2026 (the "Resolution"). Pursuant to Section 152.11 of the Resolution, the Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the 2026 Series P Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2026 Series P Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Treasurer of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean U.S. Bank Trust Company, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system.

"Financial Obligation" shall mean, for purposes of the Listed Events set out in Section 5(a)(15) and Section 5(a)(16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriters" shall mean any of the original underwriters of the 2026 Series P Bonds required to comply with the Rule in connection with offering of the 2026 Series P Bonds.

"Repository" shall mean the MSRB through EMMA or any other entity or system designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the Issuer's fiscal year (presently December 31), commencing with the report for the 2026 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year changes for the Issuer, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the dates specified in subsection (a) for providing the Annual Report to each Repository, the Issuer shall provide its respective Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report from the Issuer, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report of the Issuer has been provided to each Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository and the MSRB (if the MSRB is not a Repository) in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each Repository and then-applicable rules and procedures for filing the Annual Report with each Repository, if any; and

(2) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing each Repository to which it was provided.

SECTION 4. Content of Annual Reports.

(a) The Issuer's Annual Report shall contain or include by reference the following:

(1) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and where not in conflict with the Financial Accounting Standards Board ("FASB") pronouncements or accounting principles prescribed by FASB. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the

Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(2) To the extent not included in the financial statements provided pursuant to Section 4(a)(1), an update of the following types of information contained in Appendix A to the official statement, dated June 30, 2026 and related to the 2026 Series P Bonds:

(i) The table entitled "Power Supply Resources."

(ii) The table entitled "Projected Requirements and Resources to Meet Load Requirements."

(iii) The table entitled "Average Class Rates" (to the extent such table relates to rates and revenues of the Issuer).

(iv) The table entitled "Selected Operating Data" (for the prior fiscal year only).

(v) The table entitled "Summary of Financial Information for SMUD and its Component Units" (for the prior fiscal year only).

(vi) The table entitled "Estimated Capital Requirements."

(b) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or public entities related thereto, which have been submitted to each Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2026 Series P Bonds not later than ten (10) business days after the occurrence of the event:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on any applicable debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancement reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the 2026 Series P Bonds or other material events adversely affecting the tax status of the 2026 Series P Bonds;

(7) modifications to rights of Bondholders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution or sale of property securing repayment of the 2026 Series P Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of the Trustee, if material;

(15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Bondholders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) For the purpose of the event identified in Section 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event is required to be reported pursuant to this Section 5.

(d) If the Issuer has determined that such event is required to be reported pursuant to this Section 5, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB (if the MSRB is not a Repository) and each Repository.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2026 Series P Bonds. If such termination occurs prior to the

final maturity of the 2026 Series P Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent; Filings.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank Trust Company, National Association.

(b) Unless and until one or more different or additional Repositories are designated or authorized by the Securities and Exchange Commission, all filings with a Repository which are required by this Disclosure Agreement shall be filed with the MSRB through EMMA and shall be in an electronic format and accompanied by such identifying information as prescribed by the MSRB in accordance with the Rule.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2026 Series P Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2026 Series P Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (1) is approved by the Holders of 60% of the 2026 Series P Bonds, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2026 Series P Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in its next respective Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles from those described in Section 4(a)(1), on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth

in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee shall, at the request of any Participating Underwriters or the Holders of at least 25% aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction from and against any costs, liability, expenses and fees of the Trustee, including, without limitation fees and expenses of its attorneys, or any Holder or Beneficial Owner of the 2026 Series P Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and no implied duties for obligation shall be read into this Disclosure Agreement against the Dissemination Agent. The Dissemination Agent has no power to enforce nonperformance on the part of the Issuer. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees provided to the Issuer and all expenses, legal fees and costs of the Dissemination Agent made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2026 Series P Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:

Sacramento Municipal Utility District
6201 S Street, MS B405
Sacramento, California 95817
Attention: Treasurer
Telephone: (916) 732-6509
Fax: (916) 732-5835

To the Dissemination Agent:	U.S. Bank Trust Company, National Association Global Corporate Trust One California Street, Suite 1000 San Francisco, California 94111 Telephone: (415) 677-3699 Fax: (415) 677-3769
To the Trustee:	U.S. Bank Trust Company, National Association Global Corporate Trust One California Street, Suite 1000 San Francisco, California 94111 Telephone: (415) 677-3699 Fax: (415) 677-3769

The Issuer, the Dissemination Agent and the Trustee may, by giving written notice hereunder to the other person listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, a party may give notice by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee and Dissemination Agent information appropriate to receiving such form of electronic transmission.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2026 Series P Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: July 14, 2026.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By _____
Treasurer

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Dissemination Agent

By_____
Authorized Officer

ACKNOWLEDGED:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Sacramento Municipal Utility District
Name of Bond Issue:	Electric Revenue Bonds, 2026 Series P
Name of Borrower:	Sacramento Municipal Utility District
Date of Issuance:	July 14, 2026

NOTICE IS HEREBY GIVEN that the Sacramento Municipal Utility District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 152.11 of Resolution No. 26-06-07 adopted June 18, 2026, by the Issuer. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated:_____

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
on behalf of Sacramento Municipal Utility District

_____

cc: Sacramento Municipal Utility District

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APPENDIX G

SECOND PARTY OPINION

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Second Party Opinion

Issuer:	**Sacramento Municipal Utility District**
Issue Description:	Electric Revenue Bonds, 2026 Series P (Green Bonds) Subordinated Electric Revenue Bonds, 2026 Series G (Green Bonds)
Project:	Electric System Improvements
Green Standard:	ICMA Green Bond Principles
Green Categories:	Clean Grid Infrastructure Renewable Energy
Keywords:	Renewables, transmission and distribution, electrification, hydropower, automated metering infrastructure, net zero, carbon-free, decarbonized grid, climate resilience, solar, battery storage, emerging technologies, California
Par:	$250,000,000
Evaluation Date:	June 18, 2026

GREEN BONDS DESIGNATION

Kestrel, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the Sacramento Municipal Utility District Electric Revenue Bonds, 2026 Series P (Green Bonds) and the Subordinated Electric Revenue Bonds, 2026 Series G (Green Bonds) (together, the "2026 Bonds) to evaluate conformance with the Green Bond Principles (June 2025 with June 2022 Appendix 1) established by the International Capital Market Association. In addition, the 2026 Bonds were benchmarked using Kestrel Sustainability Intelligence™. Our team for this engagement included analysts with experience in sustainability and environmental science.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight, and conformance of the 2026 Bonds with the Green Bond Principles. In our opinion, the 2026 Bonds are impactful, net zero aligned, conform with the four core components of the Green Bond Principles, and qualify for Green Bonds designation. Based on benchmarking with Kestrel Sustainability Intelligence™, the 2026 Bonds are in the top 7% of assets in the electric utility sector, reflecting leading sustainability and resilience practices. The analysis is derived from Kestrel Sustainability Intelligence, which benchmarks more than 16,500 municipal bond series representing $3.2 trillion of infrastructure investment.

ABOUT THE ISSUER

Sacramento Municipal Utility District ("SMUD") is a community-owned, not-for-profit electric utility in Sacramento, California. SMUD has served Sacramento for over 75 years, is the sixth-largest community owned electric utility in the US, and provides electricity to a service area of 1.6 million people.[1]

Approximately 20% of the power SMUD delivers comes from the Upper American River Project, an approximately 697-megawatt hydroelectric system in the Sierra Nevada mountains. The hydroelectric system owned by SMUD includes eight small reservoirs and three large storage reservoirs, eight tunnels with a combined length of over 26 miles and nine powerhouses. In addition to carbon-free energy generated through the Upper American River Project, SMUD also has five gas-fired power plants, ownership interests in approximately 2 MW of solar photovoltaic generating facilities, over 300 MW of wind-powered generating facilities, and long duration energy storage and virtual power plants ("VPP") intended to aggregate distributed energy resources. SMUD purchases additional power resources including battery storage capacity and generation from gas, solar, wind, geothermal and hydropower.

As the first California utility to receive more than 20% of its energy from renewable sources, SMUD has established renewable energy and carbon emission reduction goals that are ahead of and more aggressive than California state mandates. SMUD is forecast to source 63% of energy from clean energy sources in 2026.[2] In April 2021, the SMUD Board of Directors approved the Zero Carbon Plan, a roadmap to eliminate carbon emissions.[3] SMUD continues to meet and exceed decarbonization targets included in its Zero Carbon Plan, adding 1,000 MW of renewable energy resources between 2010-2024, with additional renewable generation and energy storage in planning and development stages.[4] Based on these achievements, commitments, and ongoing investment, Kestrel views SMUD as having a clean grid. SMUD also maintains a voluntary Greenergy® program, which provides customers with the option to receive electricity from 100% renewable resources.

Other significant sustainability objectives established in SMUD's strategic planning documents include:

- Support expansion of regional electric transportation and electrification of buildings;
- Test emerging technologies such as vehicle-to-grid technology, carbon capture and storage, and clean alternative fuels;
- Add distributed energy resources and load flexibility options to improve grid resilience; and
- Support equitable access to electrification projects, with investments and outreach to under-resourced and low-income communities.

Within its service area, SMUD provides financial incentives, loans, energy audits and education to facilitate advancements in building electrification, energy efficiency, and renewable energy. As of January 2026, approximately 425 MW of behind-the-meter solar has been added by residential and commercial customers. Many of SMUD's distributed energy resources are dispatchable, meaning they can be turned on and off and adjusted to meet changing demand. This provides critical flexibility to keep the power grid stable and balanced. For example, approximately 12 MW of batteries are enrolled in SMUD's virtual power

[1] "Company information," SMUD, accessed June 15, 2026, https://www.smud.org/en/Corporate/About-us/Company-Information.
[2] Information provided by SMUD is an estimate and is subject to weather and hydroelectric generation.
[3] "2030 Zero Carbon Plan," SMUD, April 2021, https://www.smud.org/-/media/Documents/Corporate/Environmental-Leadership/ZeroCarbon/2030-Zero-Carbon-Plan-Technical-Report.ashx.
[4] "2030 Zero Carbon Plan: Progress Report," SMUD, September 2024, https://www.smud.org/-/media/Documents/Corporate/Environmental-Leadership/ZeroCarbon/2030-ZCP-Progress-Report---Sept-2024_FINAL.ashx.

plant program and time of day rates have reduced peak demand by about 8%. These achievements represent meaningful progress toward goals in the Zero Carbon Plan.

ALIGNMENT TO GREEN STANDARDS[5]

Use of Proceeds

The 2026 Bonds reimburse and refinance improvements to generation, transmission and distribution infrastructure. The projects improve efficiency and reliability of the electric system and support SMUD's initiatives to decarbonize the electrical grid. The improvements are eligible projects as defined by the Green Bond Principles in the project categories of *Renewable Energy* and *Clean Grid Infrastructure*.

Overview of Capital Improvement Projects

The reimbursed and refinanced projects directly support SMUD's ambitious roadmap to eliminate carbon emissions from electricity production by 2030. All projects, including substations, transformers, cable and pole replacements, generation projects, and other infrastructure upgrades, are designed to support rapid transformation of the electrical grid to meet decarbonization targets. An overview of allocation of proceeds is provided in Appendix A. Capital projects are diverse and fall under the following general categories:

- **Generation Facilities**: Capital projects to support the Upper American River Project, including dam safety compliance activities;
- **Transmission and Distribution Infrastructure:** Replacing aging equipment, such as transformers, switchgear, cables, and poles; construction and upgrades to substations, including replacement of circuit breakers, transformers, and switchgear; design and installation of new residential meters, and telecommunication systems for relaying critical substation information; and
- **Grid Modernization and Control Systems:** Upgrades to energy control facilities, automated metering infrastructure projects such as extension of fiber-optic cable, upgrade of line sensors, and improvements to distributed energy management systems.

Several capital improvements have significant environmental benefits and are highlighted below.

Hydroelectric Generation: The 2026 Bonds finance projects that modernize and extend the useful life of hydropower generation facilities at the Upper American River Project ("UARP"), which constitutes 697 MW of SMUD's carbon-free energy mix. Projects reimbursed by the bonds include replacement of transformers; fire protection at Loon Lake Powerhouse; and unit breaker and switchgear upgrades for Loon Lake reservoir. Projects also include improvements to the hydrological and meteorological (hydromet) system, which monitors water levels and flows at storage reservoirs.

[5] Green Bonds are any type of debt instrument where the proceeds will be exclusively applied to finance or refinance eligible Green Projects which are aligned with the four core components of ICMA Green Bond Principles.

Hydropower is a clean alternative to fossil fuel power generation and thus supports climate change mitigation. Hydropower systems also require investment to adapt to changing hydrologic regimes. Although some hydropower systems have been associated with negative environmental impacts, SMUD mitigates risks to surrounding natural areas and wildlife through monitoring and implementation of comprehensive habitat conservation plans.

Transmission and Distribution System Upgrades: Grid infrastructure improvements will support expected load growth from electrification of building and transportation sectors. The 2026 Bonds finance grid infrastructure projects such as cable replacements, upgrades to transformers, and new or upgraded substations. For example, the new substation J will expand grid capacity so the system can accommodate clean energy resources, and improvements at the Elverta (El Rio) substation will improve system reliability and redundancy, while enabling connection of 800 MW of renewable power.[6]

Net Zero Alignment

The 2026 Bonds enable decarbonization of the power sector and advance SMUD's goal to be 100% carbon-free by 2030. SMUD's goals exceed California's statewide renewable portfolio standard targets of 60% renewables by 2030 and 100% carbon-free by 2045. Electricity production is the third highest source of greenhouse gas emissions in California and providing renewable and carbon-free energy through local utilities is critical to reducing these emissions. The projects reimbursed with these proceeds exemplify SMUD's commitment to address climate change and lead with ambitious emission reduction targets.

Resilience and Adaptation

In addition to mitigating greenhouse gas emissions by adding clean power, SMUD is planning for resilience to natural disasters and physical climate change impacts. Table 1 summarizes notable programs and capital projects that contribute to resilience.

[6] "2023 Budget," Sacramento Municipal Utility District, 2022, https://www.smud.org/-/media/Documents/Corporate/About-Us/Company-Information/Reports-and-Documents/2023/SMUD-2023-Approved-Budget.ashx.

Table 1. Notable resilience factors based on Kestrel's review

Resilience Factor	Description
Climate Assessments	• Comprehensive climate assessments inform resource planning and capital investment priorities.
Grid Modernization	• Advanced monitoring and automated systems are critical to rapid response and recovery from disruptions. • Demand-response programs reduce peak demand, ease grid stress, and enhance regional resilience of the grid as more renewable energy is integrated. SMUD programs include smart thermostats, optimized home battery charging, and batteries enrolled in a virtual power plant program. • The Distributed Energy Resource Management System ("DERMS") software supports optimized management of distributed resources and helps pinpoint outages and issues in grid infrastructure. • Automated metering infrastructure ("AMI") facilitates real-time data on customer energy consumption, improves reliability, and enables demand-response management, as well as energy efficiency incentive programs. AMI is a cornerstone of a smart, modernized grid. SMUD is undertaking a Smart Meter 2.0 project to upgrade smart meters to further improve outage monitoring and reliability. • The Gridscope pilot program provides real-time monitoring data from pole-mounted sensors in remote areas. This data is useful in identifying and mitigating fire risks and reducing outage times.
Wildfire Mitigation	• Comprehensive vegetation management is a cornerstone of the SMUD Wildfire Mitigation Plan. Lines are inspected by ground crews, helicopter, and Lidar, and a buffer of up to 1000 feet of defensible space is maintained under transmission lines. • To reduce wildfire ignition risks, SMUD is undergrounding power lines in high fire risk areas, replacing wood poles, and installing insulated conductors. Over 60% of distribution lines in SMUD's system are already underground.
Heat and Flood	• SMUD Installed segments of high-temperature, low-sag conductors to mitigate fire risks associated with excessive sag into vegetation during hot weather and to enhance grid performance under high heat conditions. • Advanced monitoring and automated systems are critical to rapid response and recovery from disruptions. • Through the Shade Tree program, SMUD offers free trees to local residents and businesses to reduce heat-related risks. • SMUD has elevated multiple substations to reduce flood risk. • In partnership with the community, SMUD is piloting microgrid capabilities designed to operate an emergency shelter in the event of grid failure.

Advancing the Just Transition to a Decarbonized Economy

The 2026 Bonds also finance activities which align with the just transition, characterized by the equitable inclusion and accommodation of all individuals, with a special focus on disadvantaged groups who may be directly or indirectly affected by the structural changes necessary for the transition to a low-carbon economy. As utilities rapidly transition to clean and renewable energy resources and overhaul infrastructure to accommodate the new resource mix, communities are at risk of being left behind in the transition.

SMUD prioritizes equity in resource planning, by addressing disparities in under-resourced communities, and involving diverse stakeholders and communities in the net zero vision. SMUD developed a Sustainable Communities Resource Priorities Map and co-developed a Community Impact Plan with local organizations. SMUD tracks its progress on implementing these plans and metrics for energy efficiency improvements in low-income households are now reported on a monthly basis.

Process for Project Evaluation and Selection

The 2026 Bonds advance (i) California statewide GHG emission reduction goals, (ii) SMUD's adopted Integrated Resource Plan, and (iii) decarbonization targets set out in the 2030 Zero Carbon Plan. The 2026 Bonds also align with SMUD's Environmental Sustainability Roadmap.

SMUD has an adopted Integrated Resource Plan ("IRP") that is the primary planning document for long term priorities and strategies. As required by state law, the IRP must be certified by the California Public Utilities Commission every two years. The IRP includes information about how SMUD will meet statewide requirements for reducing greenhouse gas emissions while ensuring grid reliability and competitive rates. The 2019 IRP informed the development of the 2030 Zero Carbon Plan, both of which established the priority and need for these bond-financed projects.

Management of Proceeds

Proceeds from the 2026 Bonds reimburse SMUD for new capital needs, repay Green Commercial Paper Notes that financed eligible capital improvements, and pay underwriter's discount. Proceeds will be used at closing and not held in temporary investments. The Treasury & Revenue Strategy department is responsible for overseeing allocation of proceeds.

Reporting

SMUD provides multiple forms of ongoing financial disclosures and reporting on progress toward decarbonization goals.

- As required by the California Energy Commission Power Source Disclosure Program, SMUD provides an annual power content label report that includes greenhouse gas emissions data. These disclosures are made available on the California Energy Commission website: energy.ca.gov/programs-and-topics/programs/power-source-disclosure-program.
- As required by the California Energy Commission, SMUD submits annual reports that describe the status of progress toward the Renewable Portfolio Standard Plan.
- SMUD produces annual reports that highlight progress toward decarbonization and customer service goals. These reports are made available on the SMUD website: smud.org/corporate/environmental-leadership/2030-clean-energy-vision.

- SMUD will submit continuing financial disclosures to the Municipal Securities Rulemaking Board ("MSRB") as long as the 2026 Bonds are outstanding, as well as reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access ("EMMA") system.
- Kestrel will also provide one update report on the 2026 Bonds within approximately 12 months of issuance. This report is expected to be produced after all proceeds have been spent and will include confirmation of continued alignment with the Green Bond Principles and relevant updates on financed projects including allocation of proceeds.

ALIGNMENT WITH UN SDGs

The 2026 Bonds support and advance the vision of the United Nations Sustainable Development Goals ("UN SDGs"), including:

Affordable and Clean Energy (Targets 7.1, 7.2)
Providing customers with reliable and clean energy; and transmission infrastructure directly connected to renewable generation facilities and necessary for delivering clean energy to customers

Industry, Innovation and Infrastructure (Targets 9.1, 9.4)
Construction and retrofit of infrastructure to reduce wildfire risk and improve resilience; Installation of infrastructure to increase flexibility of the grid in alignment with large-scale electrification and deployment of renewables

Sustainable Cities and Communities (Target 11.6)
Comprehensive upgrades to grid infrastructure to maintain service reliability with electrification of buildings and vehicles

Climate Action (Target 13.2)
Adoption of and continued implementation of projects to reach long-term climate action targets

Full text of the Targets for these Goals is on the United Nations website: un.org/sustainabledevelopment

BENCHMARKING: KESTREL SUSTAINABILITY INTELLIGENCE™

Project Information	
Sector	Electric Utility
Subsector	Power, Mixed
Project Complete	No

Sustainability Benchmarks	
Composite Score	4.88 out of 5.00
Rank *	Top 7%

***Compared to all municipal bonds evaluated in the electric utility sector (n = 538), within a broader universe of more than 16,500 municipal bond series representing $3.2 trillion of infrastructure investment. To learn more about benchmarking with Kestrel Sustainability Intelligence, including additional data fields not shown here, visit kestrelesg.com.**

Sustainability Scores (out of 5)		Weight in Composite Score Calculation
Environmental	5.00	55%
Social	4.50	25%
Transparency	5.00	20%

Score Rationale		
Environmental	Climate Change / Transition Planning	10%
	Climate Resilience & Adaptation — Wildfire	10%
	Smart Cities and Automation	10%
	Electrification	10%
	Clean Fuel Sources	10%
Social	Equitable Access to Essential Services	20%
	Safe & Healthy Communities	10%
Transparency	Disclose Activities, Impacts & Risks	20%

Climate Risk Strategies	
Resilience Programs	✓ Climate risk incorporated in planning ✓ Distributed energy resources improve grid flexibility ✓ Pilot program for microgrids at emergency shelter sites ✓ Innovative pilot project for real-time monitoring ✓ Hydromet system for monitoring storage reservoirs ✓ Wildfire risk reduction
Renewable Energy	✓ Adopted goal to reach 100% carbon-free by 2030

This bond was evaluated on 6/16/2026 and reference data for benchmarking was accessed on 6/16/2026. Kestrel Sustainability Scores are fixed for a minimum period of one year from the date of our Opinion. During this period, scores will not be changed. Afterward, scores may be updated, including when Kestrel prepares a Post-Issuance Report.

CONCLUSION

Based on our independent external review, the 2026 Bonds are impactful, net zero aligned, conform, in all material respects, with the Green Bond Principles (2025) and are in complete alignment with the *Renewable Energy* and *Clean Grid Infrastructure* eligible project categories. The 2026 Bonds advance SMUD's ambitious decarbonization goals. Based on benchmarking with Kestrel Sustainability Intelligence, the 2026 Bonds are in the top 7% of assets in the electric utility sector, reflecting leading sustainability and resilience practices.

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About

Kestrel Sustainability Intelligence™ for municipal markets helps set the market standard for sustainable finance. We do this through verification and our comprehensive Sustainability Analysis and Scores.

Kestrel is a leading provider of external reviews for green, social and sustainability bond transactions. We evaluate transactions in public and private markets for conformance with international green, blue and social bond standards.

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Disclaimer

This Opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information that was provided by SMUD or made publicly available by SMUD and relied upon by Kestrel only during the time of this engagement (June 2026), and only for purposes of providing this Opinion.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Opinion, Kestrel is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Green Bonds. It was beyond Kestrel's scope of work to review for regulatory compliance, and no surveys or site visits were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Opinion delivered by Kestrel is for informational purposes only, is current as of the Evaluation Date, and does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of SMUD, nor its ability to pay principal and interest when due. This Opinion does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions.

This Opinion may not be altered without the written consent of Kestrel. Kestrel reserves the right to revoke or withdraw this Opinion at any time. Kestrel certifies that there is no affiliation, involvement, financial or non-financial interest in SMUD or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services, or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

Appendix A.
CAPITAL IMPROVEMENTS

Table 1. Approximate use of proceeds for reimbursement and repayment of commercial paper

Category	Amount*
Distribution System	$158,833,837
Transmission System	$30,900,660
Generation Plant Improvements (Hydro)	$20,987,026
Enterprise Resource Planning / Systems Development	$9,539,883
Folsom Administrative Operations Building	$9,349,666
Facilities Improvement	$8,705,183
UARP Licensing	$7,940,446
Customer Metering Services	$2,018,283
Energy Control Systems Improvements	$1,442,159
Automated Metering Infrastructure	$282,855

*Includes major project categories and shorter-lived assets with smaller spending amounts. Provided for general information purposes only.

SACRAMENTO MUNICIPAL UTILITY DISTRICT • ELECTRIC REVENUE BONDS, 2026 SERIES P (GREEN BONDS)

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