



2026 Budget

Sacramento Municipal Utility District

Powering forward. Together.



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CEO & GM 2026 Budget Letter



November 12, 2025
GM 25-156

Board of Directors

Re: 2026 SMUD Budget

Dear Board Members:

I'm pleased to present SMUD's proposed 2026 Budget of \$2.3 billion. It provides funding for Operations and Maintenance (O&M), Public Good and Capital Programs needed to successfully meet the Board's Strategic Directions. The proposed Budget maintains compliance with legislative and regulatory requirements while funding the work that will continue our significant progress toward the goals set out in our 2030 Clean Energy Vision.

The proposed 2026 Budget supports the following three priorities: Infrastructure Investment, Clean Energy Investments and Community Impact. Our Chief Financial Officer, Scott Martin, will present detailed information about our 2026 proposed Budget at the Nov. 18 Finance & Audit Committee meeting.

Executive Summary

Every year, we look holistically at our Budget, programs, projects and initiatives to make sure SMUD continues to deliver value to our customers and community. Our goal is to ensure every dollar we spend delivers the most value possible. The proposed 2026 Budget funds activities that are important to support the needs of our customers and community today, while also supporting our long-term success and leadership position, including investments to meet carbon reduction mandates, maintaining and improving our infrastructure, and delivering positive community impact through our many community programs and outreach. The proposed 2026 Budget also ensures SMUD's continued responsible and sustainable financial stewardship. Our rates remain among the lowest in California and are currently more than 51% lower than local investor-owned utilities, on average.

Our Capital budget is increasing by \$60 million (or about 10%) as we ramp up our investments in our infrastructure and clean energy solutions. Major capital projects for 2026 include:

- Construction of Station J Substation.
- Rebuilding the Elverta (El Rio) Substation.
- Ongoing construction for the Country Acres solar and storage project.
- Design and construction of our new Folsom Administrative Operations Building.
- Upgrading our Enterprise Resource Planning (ERP) software to S/4 HANA.
- Grid Edge Intelligence enabled meters and Outage Management System (OMS) replacement.

Our O&M budget is decreasing by \$17 million (or about 3%) as we shift resources to capital projects. The Public Good budget is increasing by \$5 million (or about 7%). Key initiatives in our 2026 proposed O&M and Public Good budgets include transportation and building electrification incentives, load flexibility programs and our Community Impact Plan. The O&M budget also includes funding for equipment maintenance, vegetation management, wildfire mitigation, cybersecurity and property and casualty insurance. We continue to minimize budget impacts from rising costs in these areas through ongoing Operational Excellence initiatives and securing grant funding.

The proposed 2026 Budget authorizes 2,295 full-time positions, flat to our 2025 plan. Also included is funding for our future workforce pipeline needs and flexibility for shorter-term needs, with limited-term, student and part-time positions, to support SMUD's key priorities.

In 2026, we expect a \$17 million decrease in our Commodity budget due to reclassification of some costs to operating expenses as a result of the consolidation of the Sacramento Municipal Utility District Financing Authority (SFA). Absent that consolidation, commodity costs have increased \$10 million from 2025. Commodity spending allows SMUD to meet energy and peak capacity needs and maintain reliability for our customers. California commodity markets for natural gas and electricity continue to be volatile. As a result, SMUD continues our long-standing commodity hedging program and we are conservative in our forecasting of commodity prices to help manage market volatility. The proposed 2026 Budget includes assumptions for a normal water year.

We recognize the potential for new growth in our service area and have maintained conservative planning assumptions so we can act nimbly as business conditions change. To manage potential impacts to our budget and operations, we'll monitor these and other factors throughout the year, including the local economy, construction costs and any supply chain and labor constraints.

In total, the proposed 2026 Budget allows us to:

- Deliver on the Board's Strategic Directives and the supporting priorities as outlined in our Enterprise Strategy.
- Execute on our vision to provide safe, reliable, clean and affordable energy.
- Maintain reliable service—today and in the future—through strong investments in our grid and other infrastructure.
- Invest in a clean energy future to benefit all communities.
- Maintain SMUD's strong financial position and meet financial metrics through prudent financial management.

Budget Breakdown

The table below provides a brief overview of the proposed 2026 Budget compared to the 2025 Budget.

	2025 (\$M)	2026 (\$M)	Change (\$M)
Commodity (a)	\$610	\$593	(\$17)
Public Good excluding subsidies (b)	68	73	5
Other O&M (c)	786	769	(17)
Subtotal	\$1,464	\$1,435	(\$29)
Debt Service (d)	205	216	11
Capital (e)	612	672	60
Total Budget Authorization	\$2,281	\$2,323	\$41

Additional budget details

The following sections provide details on the major initiatives, projects and programs funded in the proposed 2026 Budget, grouped by our budget priorities and aligned to the Board's Strategic Directions (SD).

Infrastructure Investment

In support of SD-4, SD-6, SD-8, SD-11, SD-14, SD-16 and SD-17

Maintaining world-class reliability is critical to our success, and we continue to invest in our infrastructure to ensure our service stays reliable. Safety, our employees, managing our risk, information security and our public power business model are integral to providing reliable service and key 2026 work in these areas are detailed in this section.

The proposed 2026 Budget includes funding to ensure our transmission and distribution systems have sufficient capacity and load serving capability to meet the needs of our customers safely, reliably and cost effectively, while meeting regulatory compliance requirements. Key initiatives in 2026 include:

- **Substation investments:** \$186 million to add capacity to support reliability and load growth. This includes \$42 million for Station J substation, \$37 million for Elverta (El Rio) substation upgrades, \$16 million for the UC Davis Medical Center (UCDMC), and \$9 million for the Station G Expansion.
- **Folsom Administrative Operations Building (FAOB):** \$89 million for a multi-year project to design, permit and construct a new building to support electric operations for the future.
- **Vegetation management & wildfire mitigation:** \$51 million for reliability and risk reduction for wildfire.
- **Pole and cable replacements:** \$31 million to replace ~850 poles and ~200,000 circuit feet of underground cable.
- **Reliability and load growth-driven initiatives:**
 - **Orangevale and Galt #2 transformer replacement:** A multi-year project to replace a 224MVA transformer and a 12.5MVA transformer due to load growth in the region.
 - **Pole Clearing Area (PCA) recloser installation:** Installing Supervisory Control and Data Acquisition (SCADA) enabled reclosers on 12kV feeders

- that serve customers in the PCA, supporting public safety and wildfire mitigation.
- **Station G to Station B network tie projects:** These projects provide redundancy between these Network substations, mitigating service disruptions to the downtown central business district.
 - **Maintain reliability and compliance of power generation assets, including:**
 - Transformer and generator protection upgrades at Camino, White Rock and Union Valley Powerhouses.
 - Road repairs at Jaybird Canyon and Chili Bar Powerhouses.
 - Hydromet system upgrades to enhance water resource monitoring at 6 sites.
 - Hydraulic power unit replacements at four sites.
 - Duct bank repair at Union Valley Powerhouse.
 - Controls upgrade at South Fork Powerhouse.
 - White Rock generator fire protection upgrade.
 - Major steam turbine inspections at Proctor & Gamble.

We continue to implement safety initiatives that maintain SMUD's position as a recognized safety leader and keep the safety of our employees, contractors and the public a top priority. In 2026, we'll continue to make progress with our Safety Road Map and further our journey toward our zero-incident goal. Key initiatives in 2026 include:

- Improving the physical posture of SMUD assets to safeguard employees, customers and visitors.
- Implementation of a new Advanced Leak Detection program for Gas Pipeline Operations.
- Installation of a rock fall protection system at Chili Bar Powerhouse.
- Supporting field operations and expanding mitigation measures to reduce hazards, including continuing to encourage and act on near-miss reporting, to proactively identify risks and drive closer to our goal of zero incidents.

Maintaining a positive employee experience and strengthening SMUD's talent pipeline remain top priorities. Investments in our employees are critical to creating a collaborative and culture to deliver on our Clean Energy Vision and succeed in a fast-changing industry and world. Key investments include:

- Cultivating, strengthening and growing SMUD's leadership through development, training and experiential learning opportunities. 2026 priorities include assessing and improving leadership programs, enhancing our Building Leadership Talent program, expanding the New Leader Onboarding program, growing the Field Leader program and using the Prosci change management methodology.
- Negotiating a new Memorandum of Understanding with the Public Safety Officers Association bargaining unit.
- Developing strategies that leverage artificial intelligence (AI) and new technologies to streamline processes, increase efficiency and enhance employee experience.

- Using data from sourcing and outreach efforts to attract and retain top diverse talent, improve candidate experience and strengthen our reputation as a preferred regional employer.
- Conducting strategic workforce and succession planning programs to identify and act on any workforce and/or talent development gaps.
- Continuing to leverage SMUD's robust Total Rewards & Benefits offerings for employees and internships to enhance retention and the development of the downstream workforce pipeline.

We'll continue to promote the public power business model and advocate for policies that provide us with the flexibility to pursue innovative solutions that meet the needs of our customers and community while providing safe, reliable, affordable and sustainable electricity. Key initiatives in 2026 include:

- Advocating at the legislature and relevant regulatory agencies to retain Cap-and-Invest utility allowances and influence the Advanced Clean Fleets regulation.
- Protecting the federal tax exemption for municipal bonds and preserving clean energy tax credits in a potential second budget reconciliation bill.
- Providing input on key legislative and regulatory proposals to address large load growth driven by AI and data centers and help support the Large Public Power Council, of which SMUD is a member, to establish a committee to address the emerging challenges of increasing energy demand.
- Protecting contracted grant awards from cancellation or claw-back.

In 2026, staff will continue working with several local jurisdictions on the following multi-year undergrounding projects. Together, these projects will underground approximately 6.1 miles of existing overhead lines.

- **Elk Grove:** Elk Grove Blvd. (between Waterman & School Streets), with a planned construction start date in 2025.
- **Rancho Cordova:** Folsom Blvd. (from Bradshaw Road to Sunrise Blvd).
- **Sacramento County:** Greenback Lane (from Chestnut Ave. to Folsom City limit), with a planned construction start date in 2026.
- **Sacramento County:** Arden Way (between Heskett Way to Morse Ave.) with a planned construction start date in 2027.

Technology is the backbone of how SMUD does business. The proposed 2026 Budget funds information management solutions and strategies to effectively manage cyber risk and enable SMUD's people, processes and technology to securely accomplish business priorities. This includes maintaining compliance and continuing to own and operate the Bulk Electric System. Key initiatives in 2026 include:

- Transition our core SAP ERP system to the **S/4HANA platform – implementation of Phase 1** is scheduled to commence in 2026. Adopting SAP S/4HANA represents a significant generational upgrade, aligning SMUD with the latest supported Enterprise Resource Planning (ERP) technology. This transition will enable SMUD to optimize and modernize business processes, enhance

productivity, accelerate task completion, increase the speed of reporting, and improve data accuracy across the organization.

- **Next generation utility road map:** Continue work to deploy 55,000 meters with distributed intelligence apps enabling several use cases such as electric vehicle (EV) awareness, solar awareness, high impedance detection, temperature detection, and active transformer voltage monitoring.
 - Continue replacement of the Outage Management System (OMS) to position our workforce with improved visibility and information to better service our customers.
 - Implement advanced DERMS functionality to support distributed energy resources (DERs) visibility for unplanned outages, control of non-SCADA DERs, and enhanced market participation and settlement capabilities.
- **Enterprise data management platform (Databricks):** This investment advances SMUD's long-term data strategy by migrating key customer and geospatial data into a centralized platform, reducing reliance on fragmented legacy systems. Consolidating this data will simplify access, improve accuracy and strengthen data security through better control and protection mechanisms. It also enables internal teams to enhance analytics capabilities, accelerating insights that support faster, smarter decision-making across the organization.
- **Enterprise service bus performance improvements:** This modernization initiative upgrades the technology that connects SMUD's internal and customer-facing systems. By enhancing the platform's performance and reliability, this investment aims to reduce system downtime, simplify maintenance and improve scalability. It also strengthens system monitoring and security, enabling more responsive and resilient digital services.
- **Zero trust cybersecurity road map:** Multiple initiatives will be kicked off in 2026, including threat intel automation and endpoint protection. These efforts will empower our Security Operations with generative AI and automation capabilities and add an additional layer of protection to our user workstations against identity-based attack techniques.
- Creating a sustainable governance model for information protection that will substantially limit legal, regulatory, and risk exposures (data loss prevention).

Lastly, effectively managing risk is crucial to all the work we do. We completed a refresh of our Enterprise Risk Management program in 2025 through a series of quarterly Board meetings. All risks are now organized around seven strategic risks and around two dozen Enterprise Risks that allow us to streamline and better communicate, anticipate and make decisions based on our changing risk landscape. We will continue to use the updated risk framework in 2026 while also improving our risk-aware culture and further embedding risk into our decision-making processes.

Clean Energy Investments

In support of SD-2, SD-3, SD-7, SD-9, SD-10 and SD-19

We continue to progress on our 2030 Zero Carbon Plan and toward the goal of delivering carbon-free energy by 2030. Achieving a clean energy future means more than decarbonizing our power supply. It also requires the electrification of buildings and

vehicles, which are California's largest sources of carbon emissions. Our proposed 2026 Budget supports these efforts by maintaining world-class reliability and low rates for customers, investing in carbon-free resources and exploring innovative business opportunities. Additionally, the Budget includes funds to expand local and regional renewable projects to help meet California's Renewable Portfolio Standard targets of 60% renewable energy by 2030 and 100% electric retail sales from renewable and zero-carbon resources by 2045 (SB 100).

SMUD is recognized as an environmental leader in our state, country and around the world. Our commitment to deliver clean, reliable and safe power to our community is unmatched, and we work hard to keep rates low and improve the lives of our customers and community. We're always working to reduce our impact on the environment, conserve resources and improve the environment for current and future generations. Key initiatives in 2026 include:

- Thornton Remedial Action Plan: SMUD acquired the Thornton Substation from PG&E in 1946 and operated it until 1993. This project will remove soil at the site contaminated with both arsenic and lead.
- Advancing the percentage of fleet vehicles and equipment with zero emission technology, while increasing the number of zero emission miles driven and reducing the overall fleet emissions profile.
- Continuing to increase waste diversion, recycling, and scrap metal revenue through investment recovery and sustainable resource management.
- Deploying EV charging infrastructure, including the SMUD EV charging app and DC fast chargers at key locations like Sacramento International Airport, Sacramento Valley Amtrak Station and Sacramento State University through the \$2.9 million FAST grant from the California Energy Commission (CEC). We'll also expand technology solutions for multi-family housing and high-mileage, on-demand transportation services via the FAST and REACH 2.0 grants.

In 2026, our Operational Excellence (OpEx) focus centers on the continued implementation of the Strategic Investment Plan (SIP) by actively driving targeted OpEx initiatives across business units. We will also leverage emerging technologies to streamline processes, reduce costs and enhance overall efficiency. This targeted approach supports our ongoing commitment to delivering reliable, cost-effective service while fostering innovation and continuous improvement across the organization.

In implementing our 2030 Zero Carbon Plan, we're reimagining our power generation portfolio by replacing/retooling our natural gas assets, expanding local and regional investments in proven clean technologies and launching pilot projects and programs for new and emerging technologies. Key initiatives in 2026 include:

- Continuing construction on the 344 MW solar and 172 MW 4-hour battery Country Acres project (powering the equivalent of 105,000 homes with renewable energy).

- Continuing to **expand local and regional renewable projects** to meet our California Renewable Portfolio Standard (RPS) goals of 60% by 2030, including **CEQA and permitting** activities.
- Beginning work to update the Integrated Resource Plan (IRP), kicking off the public process in late 2026.

Research, development, and new business models enable us to offer innovative solutions, products and services to our customers. In 2026, we'll strengthen our focus by aligning research with strategic partnerships and grants to support our 2030 Clean Energy Vision. Our efforts will target technologies, projects and programs that fill critical gaps in existing initiatives or speed up the rollout of emerging opportunities. Key initiatives in 2026 include:

- Completing smart panel testing and creating an implementation plan to enable customer adoption of electrification measures and minimize costly upgrades for the customer and for SMUD.
- Upgrading to inverters with grid forming capability for the Modular Energy Processing Pilot Installation (MEPPI)-Hedge battery at the Sacramento Power Academy. This will help us evaluate inverters that mimic some grid stabilization characteristics of traditional spinning generation.

Broadening and diversifying our products and services remains a priority. We actively seek opportunities that align zero-carbon initiatives with a range of business options to benefit our customers and community. Our goal is to create economic value, maintain a balanced and diverse portfolio, leverage our strengths and uphold our financial health and strong reputation. Key initiatives in 2026 include:

- Developing strategies and partnerships for on-site generation to quickly enable the connection of large loads and allowing time for the interconnection work.
- Leveraging new and evolving partnerships for use of SMUD intellectual property and pioneering of innovative technology and software in support of alternative revenue streams.

Community Impact

In support of SD-5, SD-13 and SD-15

SMUD is deeply embedded within the communities we serve. Through interactions with customers, economic development efforts, public events and regional workforce programs, we're truly making a difference in the lives of our customers. In 2026, we'll continue to deliver on the needs of our customers, focusing on outreach, education, customer technology enhancements and awareness to achieve a carbon-free future by 2030 that our customers can participate in. Key initiatives in 2026 include:

- Launching new multi-language campaigns sharing ideas, tips, information and resources with customers so they can reduce their carbon footprint.

- Leveraging our existing partnerships and pursuing new opportunities to connect with customers across our service area. Key work includes flagship partnerships such as our support for the SMUD Museum of Science & Curiosity (MOSAC), Sacramento Kings, the A's and Sacramento River Cats and deepening outreach to community groups to understand individual community priorities through our Community Impact Plan, Sustainable Communities partnerships, Speakers Bureau and Homeowners Association strategy.
- Delivering on our Clean PowerCity Champion engagement strategy to actively involve customers in our Zero Carbon journey and share stories of customer advocates and their actions. This work amplifies SMUD's messaging and demonstrates how anyone can take action to support decarbonization.

We're expanding our outreach and assistance efforts for our customers by:

- Creating comprehensive customer advocacy strategies to expand targeted proactive outreach.
- Connecting with our communities by holding a Resource Expo.
- Promoting collaboration, relationships and trust with customer advocacy community-based organizations (CBO's) through events, network mixers and one-on-one meetings.
- Holding neighborhood walks to meet customers where they're at.
- Expanding energy efficiency bundle solutions for low-moderate income (LMI) and income-eligible renters via SMUD Energy Store.

We're engaging with members of our diverse communities to deliver wide-reaching benefits, including expanded workforce development programs. These programs seek to give thousands of participants the skills and tools to find gainful employment in new and existing careers that support the clean energy economy. Career areas include construction, green manufacturing, electrical and other skilled trades, and EV and EV Supply Equipment (EVSE) maintenance. This work also includes classroom visits, scholarship programs and community events with hands-on, engaging activities to teach thousands of community members about careers in the energy industry.

Our **Community Impact Plan** continues to provide ways to diversify our portfolio of offerings, create broader economic development opportunities and expand our community education and outreach efforts to ensure no community is left behind. Key initiatives in 2026 include:

- Continuing business and residential electrification work, expanding into new communities and business districts.
- Standing up new customer assistance programs with a focus on including opportunities for low-moderate income customers and renters.
- Expanding our Solar & Storage for Nonprofits Pilot Program, with a goal of funding 3-5 installations in 2026.

SMUD promotes the economic vitality of our region and the growth of our customer base through strategic leadership and active contributions to regional economic

development. We're also helping build a strong innovation ecosystem through support for start-ups, entrepreneurs and business incubators, with a focus in under-resourced business communities. Key initiatives in 2026 include:

- Executing on the Regional Economic Development Strategy, with a focus on business attraction, retention, talent development and regional economic development readiness.
- Activating more than 10 partnerships to promote entrepreneur education and success throughout the business lifecycle; serve in the regional Sacramento Economic Growth Alliance (SEGA) on Global Entrepreneurship Week and regional start-up collaboratives to empower and launch new businesses, including clean tech.

Additionally, we're exploring technological solutions to enhance the customer experience. Key initiatives in 2026 include:

- Executing Phase 2 of the Digital Platform Transformation that expands SMUD's customer self-service capabilities and supports the retirement of the legacy My Account system.
- Launching a redesigned website (smud.org) that meets new, higher standards for digital accessibility. This project supports SMUD's core values of delivering exceptional customer service and ensuring broad, inclusive communications with our customers and community. It advances SMUD's customer satisfaction and Value For What You Pay goals by enhancing access to services, tools, transactions and information in a streamlined way.

I'm extremely excited to see all we'll accomplish in 2026. The outstanding momentum we've gained to reach our zero-carbon goal gives me confidence in SMUD's ability to achieve great things in 2026 and beyond. Through diversified programs and services to innovative partnerships and industry-leading pilots, we're demonstrating how setting a bold goal and aligning the organization around it can deliver positive impacts for the customers and communities we serve—today and for generations to come.

I look forward to providing the Board with regular updates on progress throughout the upcoming year.

Respectfully submitted,



Paul Lau
Chief Executive Officer and General Manager

cc: Executive Team
Special Assistant to the Board
Corporate Files

About SMUD

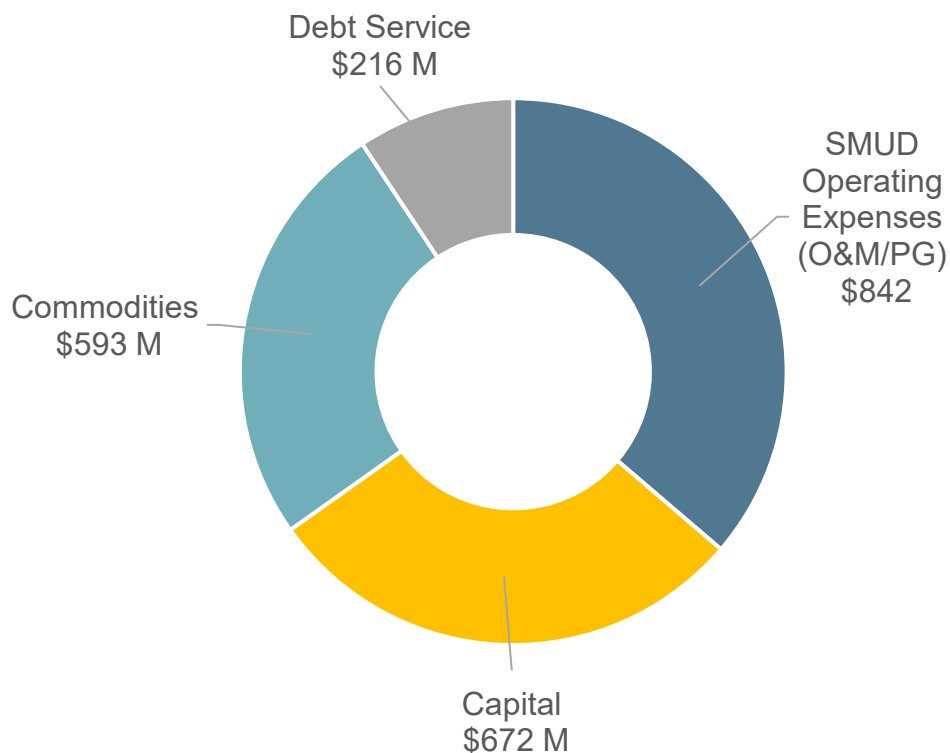
As the nation's sixth-largest, community-owned, not-for-profit electric service, SMUD has been providing safe, low-cost, reliable electricity to Sacramento County since 1946. SMUD is a recognized industry leader and award winner for its innovative energy efficiency programs, renewable power technologies and sustainable solutions for a healthier environment.

We provide electric service to most of Sacramento County and small, adjoining portions of Placer and Yolo counties. Our service area is divided into seven wards, each represented by an elected board member who serves a 4-year term. Our Board of Directors determines policy direction and appoints our Chief Executive Officer & General Manager, who is responsible for SMUD's day-to-day operations.

SMUD became a Control Area, presently called a Balancing Authority (BA), in June 2002 and since then has operated its transmission and generation system independently. On January 1, 2006, the Western Area Power Administration's Sierra Nevada Region was integrated into the SMUD BA, followed on December 1, 2006, by the California-Oregon Transmission Project a 500kV transmission line - and the Modesto Irrigation District (MID). On May 8, 2009, together with MID and the cities of Redding and Roseville, SMUD entered into a Joint Powers Agreement to create the new Balancing Authority of Northern California (BANC). With regulatory approval on May 1, 2011, the operations of SMUD BA were transferred to BANC BA. BANC uses SMUD's existing employees and physical resources to be the BANC Operator. BANC's General Manager reports to a five-person Commission made up of SMUD, MID, City of Redding, City of Roseville, and Trinity Public Utility Districts chief executives. This BA, as an independent entity, is not subject to market disruptions that result from financially induced supply shortages within the California Independent System Operator (CAISO) or investor-owned utilities. SMUD is still subject to certain CAISO transmission, grid management and other costs for transactions that use the CAISO controlled grid. These costs have been included in SMUD's 2026 Budget.

SMUD At a Glance

2026 Total Budget Authorization: \$2.3 billion



Service Area Population

1.6 million

Accounts Served (estimated)

606,950 Residential
78,545 Commercial

Expected System Peak

3,133 MW

Active Employees (at Oct 2025)

2,485 (all classifications)

Service Area Size

900 square miles

Miles of Power Lines We Own

11,476

Expected Retail Energy Sales

10,819 GWh

GHG Emissions 2026 Estimate

1.6 million metric tonnes

SMUD Governance

Our Board of Directors

SMUD is owned by its customers, who elect a seven-member Board of Directors. Each director represents a different geographic area or "ward." During their four-year terms, they establish policies and values about how we serve our customers and community and set the long-term direction SMUD will take moving forward.

The Board has final approval for large expenditures, such as bond issuances, contracts, land purchases and power purchase agreements. For the annual budget process, the Board approves budgeted expenses (authorization to spend) and monitors performance through Strategic Direction reporting and monthly financial updates.



Brandon Rose
Ward 1



Nancy Bui-Thompson
Ward 2



Gregg Fishman
Board President
Ward 3



Rosanna Herber
Ward 4



Rob Kerth
Ward 5



Dave Tamayo
Board Vice President
Ward 6



Heidi Sanborn
Ward 7

Strategic Direction – Purpose, Vision & Values

Our Strategic Direction guides us in the decisions we make about SMUD's policies and operations. Our Board continually reviews and refines these guidelines to make sure we'll meet your energy needs, both now and in the future.

Purpose Statement ([policy number: SD-1A](#))

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.

Vision Statement ([policy number: SD-1B](#))

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.

Core Values

- Competitive Rates ([policy number: SD-2](#))
- Access to Credit Markets ([policy number: SD-3](#))
- Reliability ([policy number: SD-4](#))
- Customer Relations ([policy number: SD-5](#))
- Safety Leadership ([policy number: SD-6](#))
- Environmental Leadership ([policy number: SD-7](#))
- Employee Relations ([policy number: SD-8](#))
- Resource Planning ([policy number: SD-9](#))
- Innovation ([policy number: SD-10](#))
- Public Power Business Model ([policy number: SD-11](#))
- Ethics ([policy number: SD-12](#))
- Information Management and Security ([policy number SD-16](#))
- Enterprise Risk Management ([policy number: SD-17](#))

Key Values

- Economic Development ([policy number: SD-13](#))
- System Enhancement ([policy number: SD-14](#))
- Outreach and Communication ([policy number: SD-15](#))
- Diversified Business ([policy number: SD-19](#))

Budget Process and Assumptions

The process to complete the 2026 Budget began with setting financial limits to ensure that the budget would result in achieving our key financial metrics: Positive Net Income, Fixed Charge Ratio of at least 1.70 and Days Cash of 150 or more. With input from every business unit, we looked holistically at the work planned for the upcoming year and identified the most important work that must be done to support our Clean Energy Vision, our customers, and community. In October 2025, we presented an early look of the budget to the Board before the budget was finalized. The load, revenue, and commodity forecasts were then completed which results in the final proposed 2026 Budget.

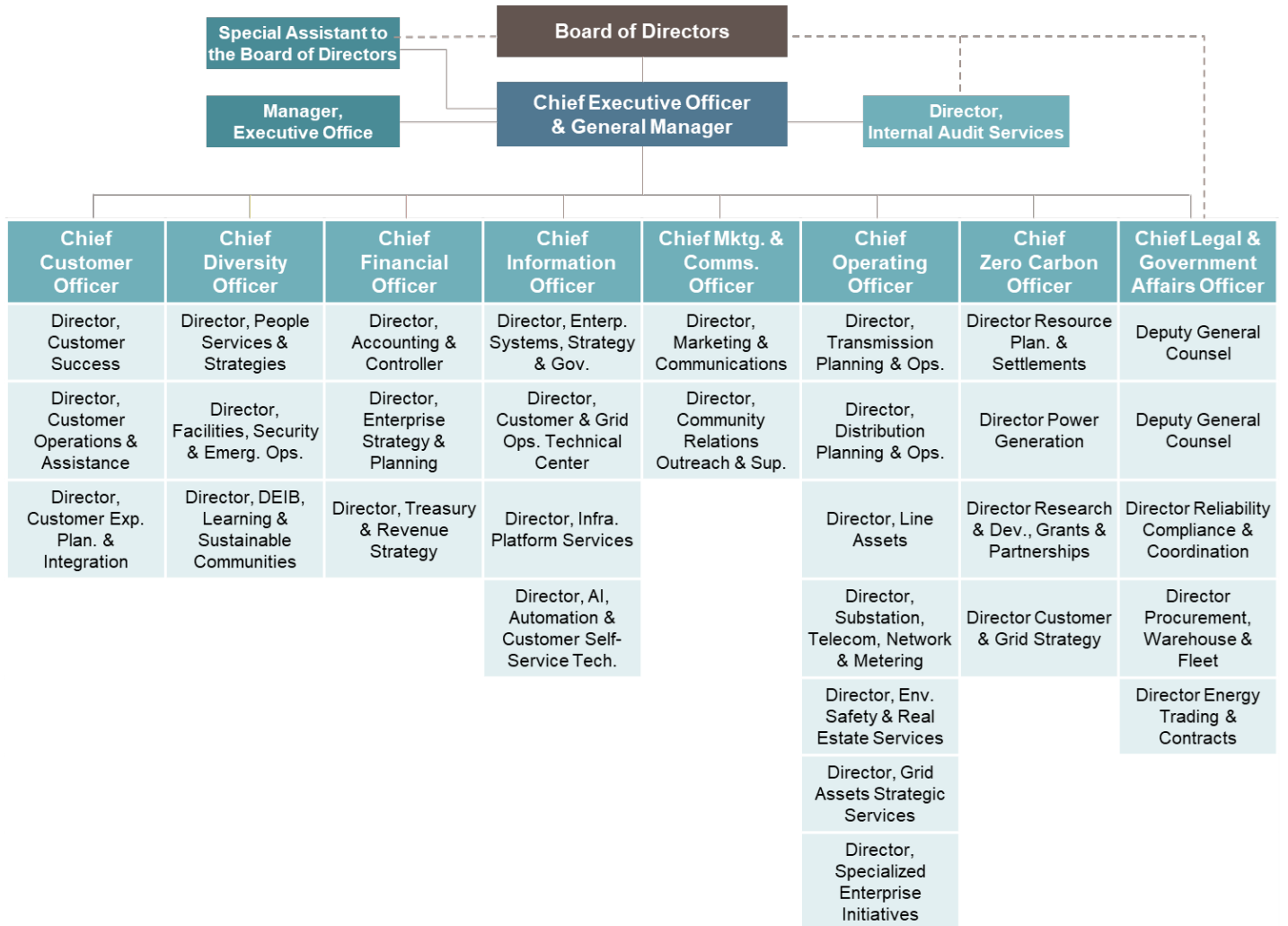
Our planning and budgeting philosophy is to plan and measure the total cost of SMUD business processes and set performance improvement targets for the processes and Business Units that will most efficiently accomplish strategic goals. This budgeting methodology also most efficiently allocates and plans resources throughout SMUD to the Business Units and work processes.

SMUD's Board of Directors has autonomous authority to establish the rates charged for all SMUD services. SMUD typically reviews and sets rates on a two-year cycle. This rate approval process is separate from the annual budget process. SMUD plans its revenue by using the Board approved rates in conjunction with the load forecast. Through approval of the budget, the Board provides the authorization to spend for SMUD to support the work we do to carry out our purpose of enhancing the quality of life for our customers and community by providing reliable and affordable electricity and leading the transition to a clean energy future. To learn more about our rate process please refer to the latest [General Manager's Report](#).

Organizational Structure

Organization Chart by Executive

SMUD resources support Business Unit processes regardless of organization/functional affiliation.



Executive Team

SMUD's senior management consists of the following:

Chief Executive Officer & 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 1.5 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, 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. H.

Chief Financial Officer. 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 she 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 & strategies, workforce development, diversity, equity, inclusion & belonging, regional workforce development, regional economic development, enterprise change, organizational effectiveness, facilities, security & 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 (AI), automation & customer self-service technologies, the customer & grid technology center, cybersecurity, enterprise systems, strategy & governance, and infrastructure platform services.

Chief Legal & Government Affairs Officer & 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 and North American Electric Reliability Corporation electric reliability standards. She also serves as the secretary to SMUD's elected board of directors.

Chief Marketing & Communications Officer. Farres Everly is responsible for all aspects of SMUD's marketing, market research, corporate communications, website, graphic design and printing, video services, social media, community engagement & outreach, crisis communications and public affairs activities.

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.

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.

Business Units & Segments

The SMUD Budget is planned by business unit processes which in some cases differ from the organizational/functional reporting structure. The Business Units and Segments are categorized based on work processes and operations and provide better alignment and allocation of costs to specific business functions.

Corporate	Zero Carbon Energy Solutions	Customer & Community Services	Energy Delivery & Operations	Information Technology	Workforce, Diversity & Enterprise Partnerships
Governance	Power Generation	Customer Success	Transmission Planning & Operations	Customer & Grid Operations Technology Center	People Services & Strategies
Finance & Strategy	Distributed Energy Solutions	Customer Operations & Assistance	Distribution Planning & Operations	Enterprise Systems, Strategy & Governance	Facilities, Security & Emerg Prep & Enterp Cont.
Legal, Government Affairs & Contracts	Research & Development, Grants & Partnerships	Customer Experience Planning & Integration	Line Assets	AI, Automation & Customer Self-Service Technologies	DEIB, Learning & Sust Communities
Communications, Marketing & Community Relations	Resource Planning and Settlements	Business Intelligence & Operations Support	Substation, Telecom, Network & Metering	Cybersecurity	Enterprise Change & Organizational Effectiveness
Enterprise Affairs			Environmental, Safety & Real Estate Services	Infrastructure Platform Services	
			Grid Assets Strategic Services		
			Operational Excellence		
			Specialized Enterprise Initiatives		

Budget Summary

Overview

The 2026 Budget Authorization totals \$2.3 billion. This represents an increase of \$41 million from the 2025 Budget. The 2026 Budget is a request to authorize spending.

Funding Type \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Commodities	\$610,000	\$592,500	(\$17,500)	-3%
Operating Expenses	786,248	769,165	(17,083)	-2%
Public Good Expenses	67,631	72,822	5,191	8%
Capital	612,032	671,570	59,538	10%
Debt Service	205,394	216,305	10,911	5%
TOTAL Budget Authorization	\$2,281,305	\$2,322,361	\$41,056	2%
Miscellaneous Revenues	(38,355)	(1,175)	37,180	
Net	\$2,242,950	\$2,321,186	\$78,236	3%

The 2026 SMUD Budget summarized on the following pages is a blueprint of planned commodity, operating, public good, debt service expenses and capital expenditures for the fiscal year beginning January 1, 2026. Comparisons to the 2025 Budget adopted by the Board on December 12, 2024, are shown to put the proposed 2026 Budget into perspective.

The O&M and Capital Budgets are shown on the following pages by cost type and Business Unit. SMUD Business Units correspond to business processes which deliver specific products and services to SMUD customers. The core business processes are represented by Customer & Community Services, Energy Delivery & Operations and Zero Carbon Energy Solutions Business Units. Included within Zero Carbon and Customer & Community are Public Good costs related to energy efficiency, low-income assistance, and research and development. These costs are shown separately because they are designated as Public Goods programs as determined by statute.

The Energy Delivery & Operations, Information Technology, Workforce, Diversity & Enterprise Partnerships and Corporate Business Units provide services which enable the other business units to perform their work. The Enterprise Business Unit contains contingency and reserve estimates for the organization.

Within each Business Unit budget, work processes are subdivided into business segments and individual business processes. Business segments and processes enable each business unit to effectively plan and measure performance of its operations at a manageable level.

The budgeted costs shown under each core Business Unit include all the costs of performing the work planned for 2026. These include labor costs from departments throughout SMUD which perform work in the core business processes. Labor costs include employee benefits.

SMUD 2026 Budget

Also included in the budget is a surcharge allocation of service costs such as fleet, facilities, information technology, workforce management and support, environmental services, real estate, safety and security. The Corporate budget includes insurance and casualty risk management, and cash and debt management; a portion of this budget is allocated to Capital and Public Good.

For detailed descriptions of the cost categories that make up SMUD's budget please see the Supplemental Information section of this document or follow these links – [Cost Categories](#) and [Expense Type Descriptions](#).

O&M Budget Summary

The O&M 2026 Proposed Budget totals \$1,434.5 million (including Public Good), which is \$29 million or 2 percent lower than the 2025 Budget. The O&M budget consists of commodity costs, business unit operating costs, public good and other employee benefit costs. The following sections present details for these O&M components.

Cost Type \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	\$277,824	\$286,510	\$8,686	3%
Materials & Equipment	12,985	16,249	3,264	25%
Other Expenses	67,599	56,189	(11,409)	-17%
Outside Services	234,970	212,235	(22,735)	-10%
Insurance	49,773	47,522	(2,250)	-5%
Rebates & Incentives	39,911	51,550	11,639	29%
Commodities (excl reimbursements)	740,268	799,900	59,633	8%
Total Operating Expenses	1,423,329	1,470,156	46,827	3%
Reimbursements	(175,865)	(235,982)	(60,117)	34%
Allocations/Surcharges	173,950	162,453	(11,497)	-7%
Expenditures Subtotal	1,421,414	1,396,627	(24,787)	-2%
Commodity Amortization	27,647	26,130	(1,518)	-5%
JPA Interest	3,382	-	(3,382)	-100%
Other Employee Benefits	11,436	11,730	294	3%
Total O&M Budget	\$1,463,879	\$1,434,487	(\$29,392)	-2%

Business Unit O&M Budget

The following report highlights the O&M 2026 Proposed Budget categorized by Business Unit. This gives a different perspective of the O&M expenditures (including Public Good) by where the work is performed.

Total Business Unit O&M and Public Good, excluding Commodity and Other Employee Benefits, is \$830.3 million, which is \$12.2 million lower than the 2025 Budget. The 2026 Proposed Budget includes mandatory spending for vegetation management and wildfire mitigation. The 2026 Budget also funds ongoing efforts for community initiatives like our Community Impact Plan, maintaining operations, insurance, load flexibility and transportation electrification. Transportation electrification and load flexibility is a critical part of our 2030 Zero Carbon Plan and an important part of our strategy to continue to provide a leadership role in the region's transformation to a zero-carbon future.

SMUD 2026 Budget

Business Unit \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Customer & Community Services	\$104,340	\$109,832	\$5,492	5%
Energy Delivery & Operations	226,422	230,328	3,906	2%
Zero Carbon Energy Solutions	258,289	260,811	2,522	1%
Information Technology	58,576	37,650	(20,926)	-36%
Workforce, Diversity & Enterprise Partnerships	25,859	26,845	986	4%
Corporate	146,251	161,988	15,737	11%
Enterprise	22,707	2,803	(19,904)	-88%
Total O&M Business Unit Budget	\$842,444	\$830,257	(\$12,187)	-1%
Commodity (incl reimbursements)	610,000	592,500	(17,500)	-3%
Other Employee Benefits	11,436	11,730	294	3%
Total O&M Budget	1,463,879	1,434,487	(29,392)	-2%

More detailed and specific information is provided within each Business Unit's documentation of their proposed budget. Please refer to this section for the detailed Business Unit budgets - [Business Unit Budgets](#).

Public Good Budget

Public Good is included in the total O&M budget and is captured within the costs of the Business Unit responsible for the work. Therefore, these costs are not shown on a separate line of the O&M budget and are provided here for *information only* and to present details as to the programs covered.

Total Public Good is \$104 million, which is \$0.8 million less than the 2025 budget, after inclusion of rate subsidies. The Public Good 2026 Proposed Budget is \$72.8 million and is the portion of the program that requires Board authorization.

Total subsidies are \$31.2 million. The total cost of the Energy Assistance Program Rate (EAPR) subsidy is budgeted at \$29.6 million in 2026, a decrease of \$5.2 million from 2025, and the subsidy for customers using medical equipment decreased by \$0.77 million for a total of \$1.6 million. By December 2026, the number of subsidized customers is expected to be approximately 79,391.

Energy efficiency proposed spending of \$57.5 million increased \$8.8 million over prior year. Building electrification is included in Energy Efficiency public good. The Energy Efficiency budget remains in line with the goal of reaching zero carbon by 2030. Residential Assistance increased slightly, \$0.4 million. Research & Development decreased \$4 million to \$7.4 million, as we shift resources to fund customer programs.

SMUD 2026 Budget

Description \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Energy Efficiency	\$48,692	\$57,511	\$8,819	18%
Residential Assistance	7,565	7,958	393	5%
Research & Development	11,374	7,353	(4,021)	-35%
New Renewable Generation ¹	-	-	-	-
Public Good Budget	\$67,631	\$72,822	\$5,191	8%
Rate Subsidy	37,160	31,152	(6,008)	-16%
Total Public Good	\$104,791	\$103,974	(\$817)	-1%

¹ New renewable generation projects are planned as capital projects

The following report shows the Public Good 2026 Proposed Budget categorized by Business Unit. This gives a different perspective of the public good expenditures by where the work is performed.

Business Unit \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Customer & Community Services	\$7,565	\$7,958	\$393	5%
Zero Carbon Energy Solutions	60,066	64,864	4,798	8%
Public Good Business Unit Budget	\$67,631	\$72,822	\$5,191	8%
Rate Subsidy	37,160	31,152	(6,008)	-16%
Total Public Good	\$104,791	\$103,974	(\$817)	-1%

Commodity Budget

Commodity costs are part of the total O&M budget. The Commodity 2026 Proposed Budget of \$592.5 million is \$17.5 million lower than the 2025 Budget. Commodities are net of surplus power sales. The budget for commodities assumes a typical water year. Continued volatility in gas and electric markets drives the need for SMUD to continue to have an active hedging program and conservatively forecast commodity prices.

Further details on power supply information can be found in the Supplemental Information of this document in these sections – [Power Supply & Requirements](#), [SMUD Generation Sources](#), and [Purchased Power](#).

Description \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Purchased Power	\$419,103	\$410,507	(\$8,596)	-2%
Fuel for Generation	190,897	181,993	(8,904)	-5%
Total Commodities	\$610,000	\$592,500	(\$17,500)	-3%

Other Employee Benefits Budget

Other Employee Benefits are part of the total O&M budget and are not allocated or included as a labor expense in the Business Unit expenditures. The Other Employee Benefits 2026 Proposed Budget is \$11.7 million, an increase of \$0.3 million compared to the 2025 Budget. Included are Other Post-Employment Benefits (OPEB) expenses of \$9.1 million which increased \$0.3 million from the prior year. Also, included is \$2.6 million of workers' compensation which remained flat compared to the prior year.

Benefit Type \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Other Post-Employment Benefits (OPEB)	\$8,829	\$9,128	\$299	3%
Workers Compensation	2,607	2,602	(4)	0%
Total Other Employee Benefits	\$11,436	\$11,730	\$294	3%

Capital Budget Summary

The Capital 2026 Proposed Budget totals \$672 million, which is \$59.5 million or 10 percent higher than the 2025 Budget.

Cost Type \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	\$74,700	\$112,992	\$38,291	51%
Materials & Equipment	154,315	127,383	(26,932)	-17%
Other Expenses	71,469	55,368	(16,101)	-23%
Outside Services	279,057	362,669	83,611	30%
Insurance	764	783	19	2%
Total Expenses	580,307	659,194	78,888	14%
Reimbursements	(34,773)	(58,971)	(24,197)	70%
Allocations/Surcharges	66,498	71,346	4,848	7%
Total Capital Budget	\$612,032	\$671,570	\$59,538	10%

The proposed 2026 capital investment budget is for planned investments in generation, transmission, distribution, buildings, vehicles, technology, and other assets critical to meeting the energy needs of our customers. Proposed capital expenditures go through a rigorous evaluation and prioritization process, based on value and risk, to ensure we fund those that have the highest contribution to the Board's strategic directions.

The increase in capital is mainly due to the following major projects: Station J Substation, Elverta (El Rio) Substation, Country Acres solar and storage project, our new Folsom Administrative Operations Building, upgrading our Enterprise Resource Planning (ERP) software to S/4HANA, and Grid Edge Intelligence and Outage Management System (OMS) replacement.

The following report shows the Capital 2026 Proposed Budget categorized by Business Unit. This gives a different perspective of the capital expenditures by where the work is performed.

Business Unit \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Customer & Community Services	\$5,494	\$5,947	\$453	8%
Energy Delivery & Operations	252,809	297,368	44,559	18%
Zero Carbon Energy Solutions	152,438	126,044	(26,395)	-17%
Information Technology	92,501	69,977	(22,524)	-24%
Workforce, Diversity & Enterprise Partnerships	37,259	108,910	71,651	192%
Corporate	21,271	17,666	(3,604)	-17%
Enterprise	-	(15,092)	(15,092)	100%
OPEB/PERS Amortization	50,260	60,749	10,489	21%
Total Capital Business Unit Budget	\$612,032	\$671,570	\$59,538	10%

SMUD 2026 Budget

More specific and detailed information is provided within each of the previously mentioned Business Unit's sections of this documentation. Please refer to this section for the Business Unit detailed budgets - [Business Unit Budgets](#).

Details of planned capital projects by Business Unit can be found in the Supplemental Information of this document here - [Capital Project Details](#)

Allocated Budget Summary

The Allocated 2026 Proposed Budget totals \$157.2 million, which is \$1 million lower than the 2025 Budget. This is shown as *information only* as 100% of these allocated expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

Cost Type \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	\$69,291	\$73,626	\$4,336	6%
Materials & Equipment	42,589	41,335	(1,254)	-3%
Other Expenses	2,701	2,457	(244)	-9%
Outside Sevices	24,175	19,666	(4,510)	-19%
Total Operating Expenses	138,756	137,083	(1,673)	-1%
Reimbursements	(375)	(190)	185	49%
Allocations/Surcharges	19,739	20,276	537	3%
Total Allocated Budget	\$158,120	\$157,169	(\$951)	-1%

Portions of Information Technology, Workforce, Diversity & Enterprise Partnerships, Corporate, and Energy Delivery & Operations business unit costs are allocated to all other business units based on the quantity of labor hours.

The following report shows the Allocated 2026 Proposed Budget categorized by Business Unit. This gives a different perspective of the allocated expenditures by where the work is performed.

Business Unit \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Information Technology	\$78,035	\$81,667	\$3,631	5%
Workforce, Diversity & Enterprise Partnerships	46,553	41,205	(5,348)	-11%
Corporate	27,776	28,343	567	2%
Energy Delivery & Operations	5,755	5,954	199	3%
Total Allocated Business Unit Budget	\$158,120	\$157,169	(\$951)	-1%

More specific and detailed information is provided within each of the previously mentioned Business Unit's sections of this documentation. Please refer to this section for the Business Unit detailed budgets - [Business Unit Budgets](#).

Position Count Summary

The full-time count of 2,295 is identified in the Board Resolution for approval. Total position growth for the 2026 budget year is flat to the prior year.

Executive Group	2025 Full-time	2025 Limited Term	2025 Part-time	2025 Positions Planned	2026 Full-time	2026 Limited Term	2026 Part-time	2026 Positions Planned	Increase/ Decrease
CEO & General Manager	32	2	0	34	32	2	0	34	0
Chief Communications & Mktg Officer	72	0	3	75	72	0	3	75	0
Chief Legal & Gov't Affairs Officer	182	0	4	186	181	1	4	186	0
Chief Financial Officer	104	5	10	119	104	5	10	119	0
Chief Operating Officer	864	21	13	898	864	21	10	895	(3)
Chief Zero Carbon Officer	257	3	9	269	257	3	9	269	0
Chief Customer Officer	299	4	101	404	299	4	102	405	1
Chief Diversity Officer	218	9	38	265	219	8	35	262	(3)
Chief Information Officer	267	3	45	315	267	3	45	315	0
Full-time				2,295				2,295	0
Limited Term				47				47	0
Part-time				223				218	(5)
Total Positions	2,295	47	223	2,565	2,295	47	218	2,560	(5)

Labor Cost Summary

The labor summary reflects the cost of wages for SMUD employees. The budget for labor and associated benefit costs is shown as *information only* as 100% of these expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

The cost-of-living increase for SMUD salaries and wages during 2026 is based on formulas contained in negotiated bargaining agreements and estimates established for unrepresented employees.

Executive Group \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
CEO & General Manager	\$9,249	\$9,299	\$50	1%
Chief Marketing & Communications Officer	9,676	10,089	413	4%
Chief Legal & Gov't Affairs Officer	26,747	28,381	1,634	6%
Chief Financial Officer	15,811	16,390	579	4%
Chief Operating Officer	155,149	164,791	9,642	6%
Chief Zero Carbon Officer	41,988	44,795	2,808	7%
Chief Customer Officer	38,071	40,020	1,948	5%
Chief Diversity Officer	32,914	34,880	1,965	6%
Chief Information Officer	45,631	47,249	1,618	4%
Total Salaries & Wages	351,446	364,934	13,488	4%
Total Overtime	23,791	30,961	7,170	30%
Total Salary Costs	\$375,237	\$395,895	\$20,658	6%

Benefits Summary

The Benefits Summary reflects allocated costs for active employee benefits, the costs to administer those benefits, and Social Security and retirement contributions for current staff. The 2026 Proposed Budget of \$137 million is an increase of \$8 million from the 2025 Budget.

The budget for benefit costs is shown as *information only* as 100% of these expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

Benefit Type \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Retirement Contribution	\$44,315	\$45,307	\$992	2%
Social Security Contribution	28,100	28,815	716	3%
Total Retirement & Social Security	72,415	74,123	1,708	2%
Health & Welfare	53,931	60,087	6,156	11%
Administer Benefits	2,671	2,859	189	7%
Total Health & Welfare	56,602	62,946	6,344	11%
Total Benefits Budget	\$129,016	\$137,069	\$8,052	6%

Debt Service

The following schedules show the summary and details of the Debt Service 2026 Proposed Budget. SMUD issues electric revenue bonds and commercial paper notes to finance long-lived capital assets. The Debt Service budget includes accrued interest expense on outstanding electric revenue bonds and commercial paper notes, net of any swap revenues tied to debt issues, scheduled principal repayments of bonds and commercial paper, trustee fees associated with administration of debt service payments, and interest expense and issuance costs associated with planned new debt issues.

Debt Service \$000s	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Interest Expense	\$116,318	\$113,403	(\$2,916)	-3%
Interest on New Debt Issuance	-	6,500	6,500	100%
Principal Repayments	90,045	94,565	4,520	5%
Fees/Bond Issuance Cost	2,102	1,837	(265)	-13%
Total Debt Service	208,465	216,305	7,839	4%
Allocated to JPAs	(3,072)	-	3,072	-100%
Net Debt Service	\$ 205,394	\$ 216,305	\$ 10,911	5%

Interest expense on existing debt totals \$113.4 million in the 2026 Proposed Budget, a decrease of \$2.9 million. This is primarily due to revenue bond interest decreasing \$2.8 million to \$109.3 million and a slight decrease to commercial paper interest of \$0.9 million. The Debt Service budget includes net debt related swap payments and interest on long-term, variable rate, and subordinated debt. The budget assumes an interest rate of 2.79% (including all related fees & swaps) on an average commercial paper balance of \$100 million.

Interest on new debt issuance totals \$6.5 million in the 2026 Proposed Budget. This is an estimate of interest expense for new debt expected to be issued within 2026.

Scheduled principal repayments of revenue bonds and commercial paper notes total \$94.6 million in 2026, a \$4.5 million increase from the 2025 Budget.

Fees/bond issuance cost of \$1.8 million are included for new 2026 bond issuances and related fees.

Please refer to this section for a [Summary of Debt Service on Existing SMUD Bond Issues](#).

Budget Financial Statements

The SMUD financial statements depict the expected results of operations (Income Statement), assets and liabilities (Balance Sheet) and cash position (Statement of Cash Flow) at the end of the 2026 budget year. The Income Statement also includes "non-cash" expenses such as depreciation and amortization of capital and regulatory assets, which are not included in the 2026 Budget because funds were expended in prior budget years.

The pro forma financial statements include the consolidated accounts and operations of SMUD, the Northern California Gas Agency No. 1 (NCGA No. 1) and the Northern California Energy Authority (NCEA). NCGA No.1 is a joint powers authority that has issued bonds and used the proceeds to prepay long-term natural gas supply contracts. SMUD has entered into an agreement to buy all the gas procured by NCGA No.1 but is not liable for repayment of the bonds in the event of a default. NCEA is a joint powers authority that has issued bonds and used the proceeds to prepay long-term commodity supply contracts. SMUD has entered into an agreement to buy all the commodities procured by NCEA but is not liable for repayment of the bonds in the event of a default. The relationship between SMUD, NCGA No.1 and NCEA meets the criteria established by the Governmental Accounting Standards Board (GASB) for consolidation in the controlling entity's financial statements.

Budget At a Glance

Projected Operations Budget

Revenues	\$1,968.3 M
Commodity Costs	\$592.5 M
Operating Expenses	\$768.8 M
Net Income	\$226.0 M

Public Good Projected Budget

Projected Budget (incl in Op Expenses)	\$72.8 M
Total including Rate Subsidy	\$104.0 M

Credit Ratings

Fitch	AA
Moodys	Aa2
Standard & Poors	AA

Other Budget Projections

Unrestricted Cash (at 12/31/2025)	\$482.7 M
Capital Additions	\$671.6 M
Net Debt Service	\$216.3 M

Rate Protection (at Sept. 2025)

Hydro Rate Stabilization	\$80.9 M
Rate Stabilization Fund	\$147.6 M

Key Financial Metrics

Fixed Charge Ratio (minimum 1.50)	2.69
Days Cash on Hand (target 150)	155

Consolidated Income Statement

\$ Millions	2025 Budget	2026 Proposed
Operating Revenues:		
Sales to Customers	\$1,859.6	\$1,968.3
RSF & Other Deferrals	29.6	39.3
Other Electric Revenue	39.4	34.9
Total Operating Revenues	1,928.6	2,042.5
Operating Expenses:		
Commodities	610.0	592.5
Customer & Community Services	96.8	101.9
Energy Delivery & Operations	226.4	230.3
Zero Carbon Energy Solutions	198.2	195.9
Workforce, Diversity & Inclusion	25.9	26.8
Information Technology	58.6	37.7
Corporate Services	146.2	161.6
Enterprise	34.1	14.5
Public Good (including EAPR & MED Discount)	104.8	104.0
Total Operations	1,501.0	1,465.3
Depreciation, Depletion, and Amortization	261.6	241.2
Total Operating Expenses	1,762.6	1,706.5
Net Operating Income	\$166.0	\$336.0
Other (Income) Expenses:		
Interest Income and Other	(\$51.5)	(\$53.6)
Other Non Cash	(8.5)	48.5
Total Interest Income & Other	(60.0)	(5.2)
Interest Expense:		
Interest expense	108.6	115.2
Net Interest Charges	108.6	115.2
Change in Net Position - Net Income (Loss)	\$117.4	\$226.0
Interest Payments	\$121.6	\$119.1
Principal Payments	111.9	102.2
Total Fixed Costs	\$233.5	\$221.2

The consolidated income statement reports all SMUD's revenues and expenses for the periods shown. The 2026 Proposed Budget will produce \$226 million of net income for SMUD, which is an increase of \$108.6 million from the 2025 Budget. The fixed charge coverage ratio is planned

at 2.69 times operating cash flow. Revenue from electric sales has increased compared to the 2025 Budget due to the impact of the approved 2025 rate increases, higher estimated load and increased customer count.

The budgeted and actual fixed charge ratio and net income as shown on the consolidated income statement are primary measures of SMUD's financial performance which are monitored closely by the bond rating agencies in setting SMUD's credit rating. The fixed charge ratio is a measure of the number of times net operating cash flow before interest expense covers total cash debt service payments, including both interest and principal, for SMUD, the JPAs and SMUD's share of Transmission Agency of Northern California (TANC) debt service. Net income is the residual after deducting all expenses from revenues for the period.

For detailed descriptions of the financial statement line items please refer to the Supplemental Information section using this link – [Financial Statement Line Item Descriptions](#).

Summarized Balance Sheet / Statement of Net Position

\$ Millions	Projected Yr End 2025	Projected Yr End 2026
Total Electric Utility Plant, Net	\$4,896.0	\$5,343.3
Total Restricted Funds (including RSF)	368.8	354.8
Total Current Assets	1,565.8	1,567.8
Total Noncurrent Assets	1,851.3	1,851.3
Total Assets	8,681.9	9,117.2
Deferred Outflows of Resources	275.4	275.4
Total assets and deferred outflows of resources	\$8,957.3	\$9,392.6
Long Term Debt - net	\$3,257.1	\$3,422.1
Total Current Liabilities	780.8	\$825.4
Total Noncurrent liabilities	587.7	\$587.7
Total Liabilities	4,625.9	\$4,835.2
Deferred Inflows of Resources	1,199.8	\$1,199.8
Total Net Position	3,131.6	\$3,357.6
Total Liabilities, Deferred Inflows of Resources & Net Position	\$8,957.3	\$9,392.6

The summarized balance sheet/statement of net position provides information about the nature and amount of resources and obligations at a specific point in time.

Total assets projected for 2026 increased \$435.3 million, net of depreciation. This growth is primarily due to an increase of \$447.3 million in electric utility plant – net, an increase of total current assets of \$2.0 million and a decrease in total restricted funds of \$14.0 million. Deferred outflows of resources is projected to remain flat for 2026 compared to 2025.

Total liabilities projected for 2026 increased \$209.3 million due to an increase of \$165 million in long term debt and a \$44.5 million increase in current liabilities. The total net position projected for 2026 increased \$435.3 million based on results of operations.

For detailed descriptions of the financial statement line items please refer to the Supplemental Information section using this link – [Financial Statement Line Item Descriptions](#).

Statement of Cash Flows

\$ Millions	2026 Proposed
Operating Uses/Sources of Funds:	
Receipts from Customers	\$1,929.0
Other Electric Revenue	65.5
Total Operating Sources of Funds	1,994.5
Net Operating Expenses	841.6
Commodity Expenses	565.5
Total Operating Uses of Funds	1,407.1
Net Source of Funds from Operations	587.4
Financing Uses/Sources of Funds:	
Proceeds from Debt Issuance	260.0
Commercial Paper Issuance	0.0
Total Financing Sources of Funds	260.0
Capital Expenditures & Other Cash Payments	670.4
Net Loans	0.0
Principal Payments on Debt	94.6
Interest Payments on Debt	115.2
Total Financing Uses of Funds	880.2
Net (Use) of Funds from Financing	(620.2)
Investing Uses/Sources of Funds:	
Interest Income	29.0
Net Source of Funds from Investing	29.0
Net Funds from 2026 Proposed Budget	(\$3.8)
Projected Unrestricted Cash Balance @ 1/1/26	\$486.5
Net Cash Outflow from 2026 Proposed Budget	(263.8)
New Debt & Commercial Paper Issue	260.0
Projected Unrestricted Cash Balance @ 12/31/26	\$482.7

The cash flow statement shows the budgeted sources and uses of cash and the projected year-end unrestricted cash balance for 2026. SMUD's current practice is to maintain unrestricted cash and Rate Stabilization Fund (RSF) balances at a minimum of 150 days cash on hand. At the end of 2026, SMUD's unrestricted cash balance is projected to be \$482.7 million, in addition to the Rate Stabilization Fund balance of \$188.3 million. The Hydro Rate Stabilization Fund balance, which is expected to be \$80.9 million, is not included in this target minimum.

SMUD generates positive net cash flow from operations because of net income and non-cash expenses such as depreciation and amortization. In 2026, cash generated from operations is estimated to total approximately \$587.4 million. The primary uses of this cash are capital investments, scheduled debt principal repayments and interest payments. The 2026 Proposed Budget for capital investment totals \$672 million less expected revenues of \$1.1 million. Scheduled debt principal repayments in 2026 total \$95 million for SMUD.

We currently maintain \$400 million in commercial paper capacity and a \$100 million line of credit. Any new money needs can be handled through short-term borrowing or issuing new long-term debt.

Business Unit Budgets

The following pages show the detailed budgets and organizational information for each Business Unit of SMUD.

Customer & Community Services

The Customer & Community Services budget includes all residential and commercial customer-focused services such as the Contact Center, retail client services and customer experiences. Also included are costs for billing, revenue assurance, and commercial development. Lastly, this budget includes support of Community Energy Services.

Segments & Work Processes

The Business Intelligence & Operations Support segment integrates operational excellence efforts, data analytics and reporting. It uses operational and customer insights to improve program and service delivery.

The Community Energy Services (CES) segment is SMUD's retail organization that provides strategic and operational products and services in support of public power. It extends our best-in-class service to Community Choice Energy providers in support of SMUD's diversified business strategic direction. CES provides our award-winning call center operations, billing services and product design and delivery solutions to our clients. This helps our clients deliver cleaner power to their communities and continues our efforts to be a leader in clean power efforts across California.

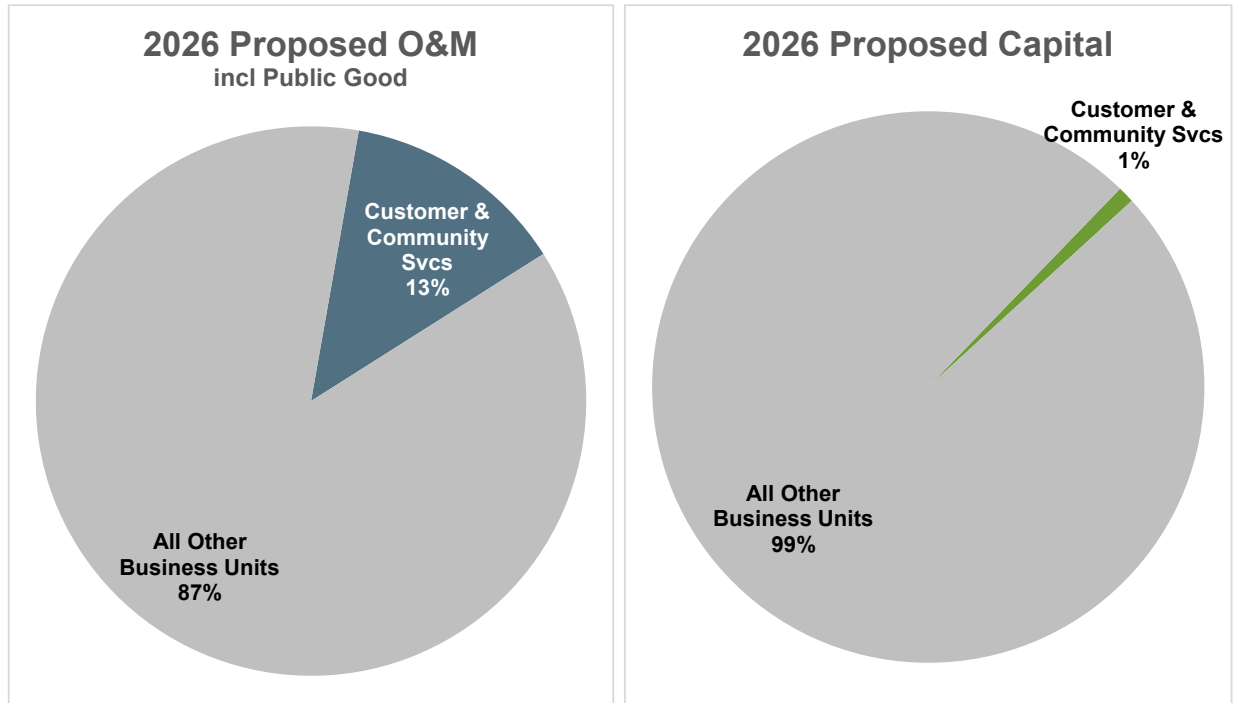
The Customer Experience Planning & Integration segment is responsible for identifying, developing and deploying strategic customer experience enhancements across a variety of channels and digital assets. We bring together our best customer experience strategy, planning and deployment systems for complete implementation in residential and business applications.

The Customer Operations & Assistance segment provides support for customer billing and payments, collections and claims activities. This group also provides customers and the community with essential support services and resources designed to ease financial challenges and connect to community care programs. We also design and offer personalized products and services aligned with SMUD's 2030 Clean Energy Vision.

The Customer Success segment is comprised of multiple departments with the unified goal of exceeding customer expectations. This group delivers best-in-class service and customized solutions for SMUD's residential and commercial segments. They empower SMUD customers with comprehensive resources and tools to increase energy efficiency, promote sustainability and lower the cost to serve our region. This team is also instrumental in driving the local business economy from business attraction to commercial development to account solutions and management. Once a business account is activated, SMUD's Strategic Account Advisors serve as dedicated energy experts and a first point-of-contact to address questions and provide customized energy solutions to help our business community thrive.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Customer & Community Services Business Unit represents for SMUD in each of the cost categories.



Customer & Community Services Budget Summary by Segment (\$000s)

Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
O&M Expense (incl Public Good)				
Customer Success	\$39,575	\$39,977	\$402	1%
Customer Operations & Assistance	35,877	39,655	3,778	11%
Community Energy Services	16,038	18,368	2,330	15%
Customer Experience Planning & Integration	6,867	6,257	(610)	-9%
Business Intelligence & Operations Support	5,983	5,575	(408)	-7%
Total O&M (incl Public Good)	\$104,340	\$109,832	\$5,492	5%
Capital Expenditures				
Customer Operations & Assistance	5,494	5,947	453	8%
Total Capital	5,494	5,947	453	8%
Total Business Unit Budget	\$109,833	\$115,778	\$5,945	5.4%

Energy Delivery & Operations

The Energy Delivery & Operations budget includes the costs of delivering electricity to our customers and maintaining the ability to do so safely and reliably. Also, the cost of electrical transmission, line inspections, corrective and preventative maintenance, vegetation management, and underground cable work are included here. Lastly, this budget includes program management services for construction and other non-technology projects, transmission and distribution planning and operations, operational efficiency efforts, and environmental, safety and real estate services.

Segments & Work Processes

The Distribution Planning & Operations (DP&O) segment develops short-term and long-term plans for SMUD's distribution system and asset management strategies for its transmission and distribution assets to ensure safety, capacity, reliability, and regulatory compliance requirements are achieved. DP&O operates SMUD's distribution system for the safe and reliable delivery of energy to our customers.

The Environmental, Safety & Real Estate Services segment provides environmental compliance; environmental stewardship; employee, contractor, and public safety; and real estate/land asset management services. This segment supports SMUD's business unit needs to achieve a zero-injury culture, a commitment to environmental leadership, and key support to the 2030 Clean Energy Vision.

The Line Assets segment includes all activities associated with design, modification, and installation of transmission and distribution lines; wildfire hardening and vegetation management; transmission and distribution system inspection; and prioritized system maintenance and improvement. This segment also includes design and installation of residential meters, service conductors, subdivision facilities, commercial, third party attachments, industrial developments, overhead and underground line extensions, outdoor lighting, and traffic signals.

The Operational Excellence segment supports the 2030 Clean Energy Vision by developing and managing a framework to reduce costs, increase efficiency and drive a culture of continuous improvement across the company.

The Strategic Services & Operations PMO segment provides portfolio management, program and project execution, continuous business process and technology solutions. This segment also delivers innovative solutions and provides business value by effectively managing the Operations PMO portfolio of projects and continuous improvement initiatives to reduce costs, increase efficiencies, and improve customer and stakeholder satisfaction.

This segment includes the Sacramento Power Academy (SPA), a vital resource to SMUD and the community that works to build skills and grow careers by providing the best training to our employees from development to analysis and delivery. The Sacramento Power Academy manages training for all Energy Delivery & Operations, Power Generation, Facilities, Warehouse and Fleet as well as manages SMUD's fifteen skilled trades apprenticeship programs of which twelve programs are state and/or federally certified.

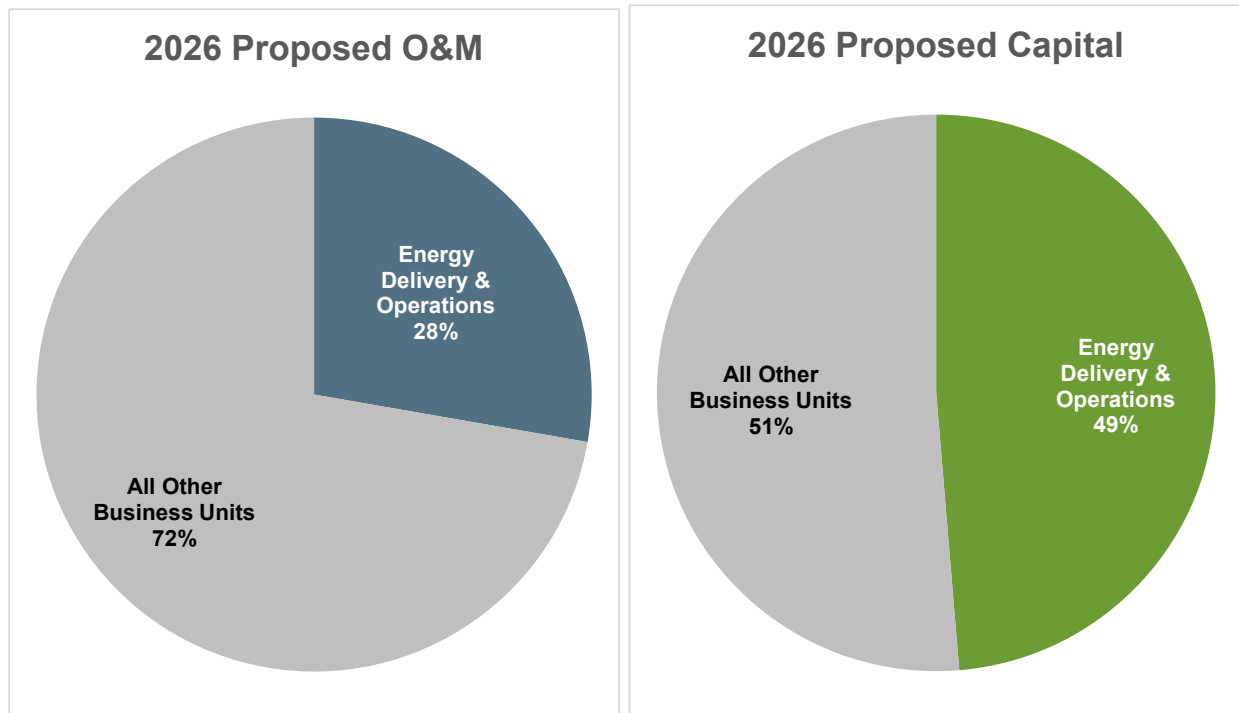
The Substation, Telecom, Network & Metering segment includes all activities associated with design, modification, and installation of transmission and distribution substations, transmission

and generation line design and modifications, transmission and generation line encroachments, installation and maintenance of the underground network grids, transmission and distribution substation system inspection, and prioritized system maintenance and improvement. This segment also includes design and installation of meters, the downtown network system, and telecommunication systems relaying critical substation information to the Power System Operations team.

The Transmission Planning & Operations (TP&O) segment develops short-term and long-term system plans for SMUD's transmission grid to meet load serving capability, reliability, and regulatory compliance requirements. TP&O manages and operates the assets which remotely control and monitor fuel to generation sources and SMUD's extra high voltage transmission, generation, and gas pipeline system to deliver electrical energy to SMUD's distribution system. This segment also operates the Balancing Authority of Northern California (BANC) that includes transmission and generation facilities for Western Area Power Administrations (WAPA), United States Bureau of Reclamation (USBR), City of Roseville, City of Redding, Modesto Irrigation District, and the 500kV COTP, which stretches SMUD's operational control from the California-Oregon border to south of Modesto.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Energy Delivery & Operations Business Unit represents for SMUD in each of the cost categories.

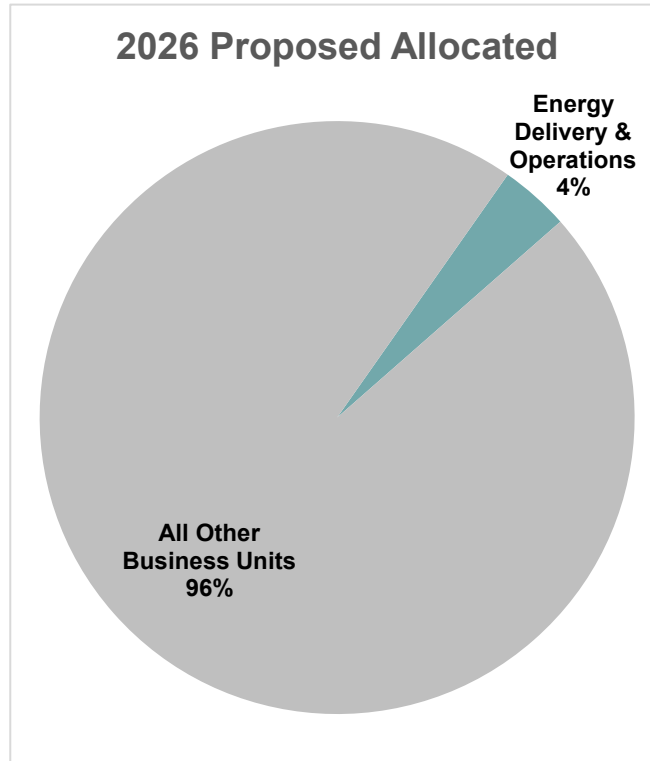


Energy Delivery & Operations Budget Summary by Segment (\$000s)

Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
O&M Expense				
Line Assets	\$123,613	\$120,072	(\$3,541)	-3%
Substation, Telecom, Network & Metering	31,043	32,538	1,495	5%
Transmission Planning & Operations	32,575	37,419	4,844	15%
Distribution Planning & Operations	25,340	24,908	(431)	-2%
Strategic Services & Operations PMO	7,040	8,469	1,429	20%
Environmental, Safety & Real Estate Services	5,271	5,369	98	2%
Operational Excellence	1,541	1,554	12	1%
Total O&M	226,422	230,328	3,906	2%
Capital Expenditures				
Line Assets	95,296	98,382	3,086	3%
Substation, Telecom, Network & Metering	147,007	186,102	39,095	27%
Transmission Planning & Operations	6,720	4,078	(2,642)	-39%
Distribution Planning & Operations	1,581	2,147	566	36%
Environmental, Safety & Real Estate Services	2,205	6,660	4,455	202%
Total Capital	252,809	297,368	44,559	18%
Total Business Unit Budget	\$479,231	\$527,696	\$48,465	10%

Energy Delivery & Operations Allocated Budget Summary by Segment (\$000s)

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated budget of this Business Unit is presented here for informational purposes only.



Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Allocated Expense				
Environmental, Safety & Real Estate Services	\$5,755	\$5,954	\$199	3%
Total Allocated	\$5,755	\$5,954	\$199	3%

Zero Carbon Energy Solutions

The Zero Carbon Energy Solutions budget includes SMUD's integrated resource planning processes; energy transaction settlements; and design, construction, maintenance, and transition of SMUD's power generation assets. This includes operating and maintaining SMUD's hydroelectric reservoirs and powerhouses, thermal and cogeneration power plants, gas pipeline, and renewable generation wind and solar resources. Also included is establishing and developing new business partnerships, grants and research and development that align and support SMUD's 2030 zero carbon goal, as well as customer program planning and implementation and development of the strategic roadmap for distributed energy resources.

Segments & Work Processes

The Distributed Energy Solutions segment integrates the strategy, planning, development, implementation, and operation of customer programs and strategic initiatives that advance our 2030 Zero Carbon Plan goals at the distribution level. With end-to-end responsibility from strategic vision through execution and ongoing program management, this division focuses on accelerating building electrification, enhancing energy efficiency, promoting transportation electrification, enabling load flexibility, and supporting customer renewables and distributed energy storage solutions.

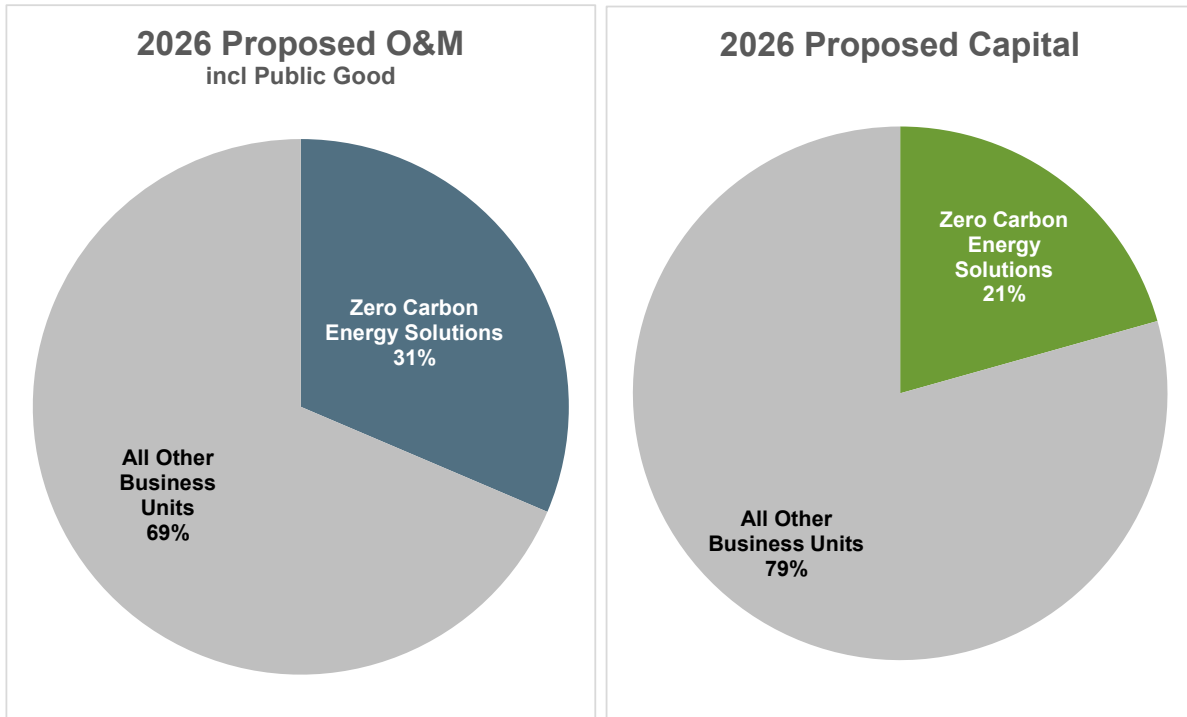
The Power Generation segment consists of the physical assets which provide natural gas and generate electrical power from hydro, thermal and renewable generation power sources and the employees who design, construct, operate, maintain, and manage those physical assets. Also included in the Power Generation segment is decommissioning, which is responsible for the monitoring of long-term fuel storage facilities.

The Research & Development, Grants and Partnerships segment is responsible for identifying and investigating partnerships and technologies that can contribute to the reliability and affordability of achieving the 2030 Zero Carbon Plan. This segment develops partnerships with community partners, peer utilities and technology developers to accelerate technology development and deployment that aligns with the needs of SMUD, as well as the region. Collaboration includes pursuit of grant funding, execution of pilot projects, and transitioning research-based initiatives into standard practices. Internal to SMUD, this group focuses on identification of gaps and barriers that exist along the path to zero carbon and focuses on delivering solutions that help overcome those key challenges.

The Resource & Market Planning and Settlements segment provides the organization with strategic, long-term integrated resource planning and market strategy to help SMUD achieve our long-term greenhouse gas goals, meet all state resource and environmental related mandates, expand renewable generation, and maintain a reliable electric system at reasonable rates. This segment also includes commodity settlements which is dedicated to the analysis, reconciliation, and settlement of SMUD owned and contracted wholesale generation, transmission, and gas supply portfolio, used to meet SMUD's load.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Zero Carbon Energy Solutions Business Unit represents for SMUD in each of the cost categories.



Zero Carbon Energy Solutions Budget Summary by Segment (\$000s)

Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
O&M Expense (incl Public Good)				
Power Generation	\$132,687	\$130,543	(\$2,144)	-2%
Distributed Energy Solutions	97,507	101,517	4,010	4%
Resource & Market Planning and Settlements	8,445	7,931	(514)	-6%
Research & Development, Grants & Partnerships	19,650	20,821	1,171	6%
Total O&M (incl Public Good)	\$258,289	\$260,811	2,522	1%
Capital Expenditures				
Power Generation	150,762	123,770	(26,992)	-18%
Research & Development, Grants & Partnerships	1,677	2,274	597	36%
Total Capital	152,438	126,044	(26,395)	-17%
Total Business Unit Budget	\$410,727	\$386,855	(\$23,872)	-6%

Information Technology

The Information Technology budget includes costs to deliver technology solutions to our community and employees that are secure, reliable, and supportive of SMUD's current and future technology needs. This encompasses delivery and support of information technology systems, applications, and hardware, protecting SMUD's technology and information assets, setting enterprise technology strategy, and planning for and deploying future evolutions in technology in alignment with SMUD's 2030 Zero Carbon Plan.

Segments & Work Processes

The AI, Automation & Customer Self-Service Technologies segment leads the design, delivery and ongoing evolution of SMUD's approach to Artificial Intelligence (AI)-enabled strategies, including data governance, analytics, Robotics Process Automation and test automation, enterprise document management, integration technologies and data science. The team is also responsible for the technical design, development, implementation, evaluation and modification of customer self-service technology programs, including integrated solutions to effectively deploy platforms including web, mobile, chat, text and other outbound communication channels.

The Customer & Grid Operations Technology Center segment is responsible for the development, oversight and implementation of Customer and Grid technology programs, projects, and solutions while ensuring the delivery of safe and reliable power. The team is focused on technology solutions to support the transformation of the distribution grid, which provide the building blocks necessary to accomplish SMUD's 2030 Zero Carbon Plan.

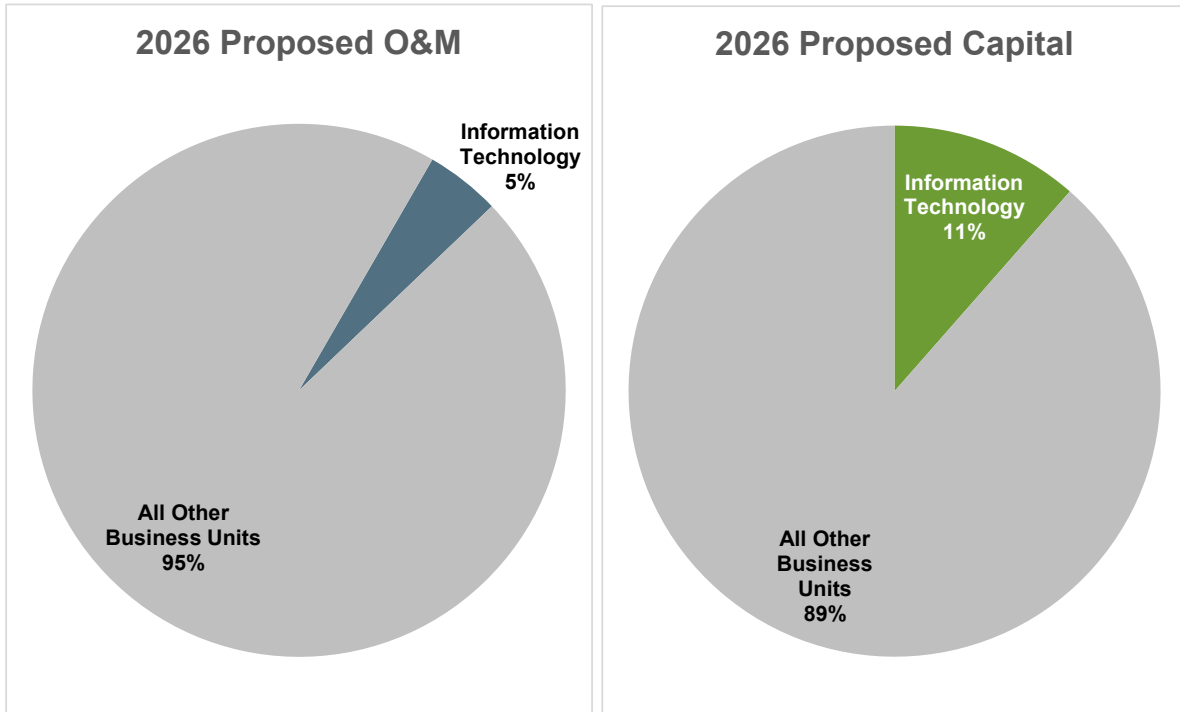
The Cybersecurity segment works as strategic advisors and subject matter experts to protect our people, processes, and technologies from possible cyberattacks and intrusions, using an organization-wide risk management approach.

The Enterprise Systems, Strategy & Governance segment provides architecture, analysis, design, configuration, development, platform administration, application security, enterprise content management and ongoing support for SMUD's core business platforms. In addition, the team provides oversight and governance for IT's agile practice, project management office, strategic planning, and relationship building services. Together, these teams enable feature-rich, reliable technology solutions for SMUD employees and customers, in alignment with SMUD's Enterprise Strategy and 2030 Zero Carbon Plan.

The IT Infrastructure Platform Services segment provides reliable, highly available technology infrastructure, services, and solutions. The Infrastructure Platform Services segment provides corporate data/voice network, server/storage infrastructure, corporate email, and system administration services, IT support center, endpoint computing, computer operations, data center administration, infrastructure change management, IT Disaster Recovery, and IT asset management.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Information Technology Business Unit represents for SMUD in each of the cost categories.

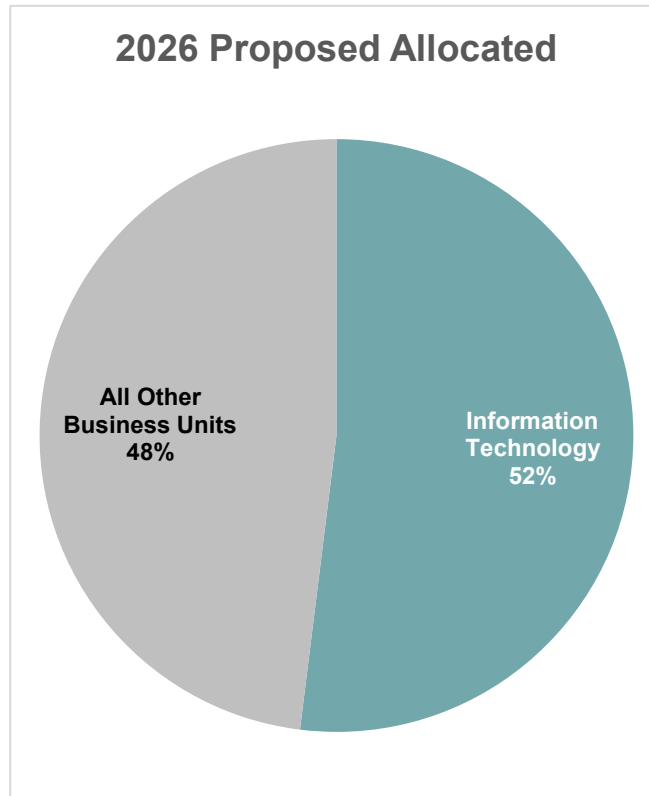


Information Technology Budget Summary by Segment (\$000s)

Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
O&M Expense				
Customer & Grid Operations Technology Center	\$22,376	\$13,449	(\$8,926)	-40%
Enterprise Systems, Strategy & Governance	20,783	15,203	(5,579)	-27%
AI, Automation & Customer Self-Service Technologies	7,591	3,491	(4,100)	-54%
Cybersecurity	4,400	3,951	(449)	-10%
IT Infrastructure Platform Services	3,426	1,555	(1,871)	-55%
Total O&M	58,576	37,650	(20,926)	-36%
Capital Expenditures				
Customer & Grid Operations Technology Center	72,936	34,309	(38,627)	-53%
Enterprise Systems, Strategy & Governance	8,845	26,527	17,682	200%
AI, Automation & Customer Self-Service Technologies	4,219	5,666	1,447	34%
Cybersecurity	685	763	77	11%
IT Infrastructure Platform Services	5,816	2,712	(3,104)	-53%
Total Capital	92,501	69,977	(22,524)	-24%
Total Business Unit Budget	151,077	107,627	(\$43,450)	-29%

Information Technology Allocated Budget Summary by Segment (\$000s)

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated budget of this Business Unit is presented here for informational purposes.



Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Allocated Expense				
Customer & Grid Operations Technology Center	\$21,913	\$23,453	\$1,540	7%
Enterprise Systems, Strategy & Governance	8,757	14,749	5,992	68%
AI, Automation & Customer Self-Service Technologies	10,961	6,991	(3,970)	-36%
Cybersecurity	8,829	9,983	1,154	13%
IT Infrastructure Platform Services	27,575	26,490	(1,085)	-4%
Total Allocated	\$78,035	\$81,667	\$3,631	5%

Workforce, Diversity & Enterprise Partnerships

The Workforce, Diversity & Enterprise Partnerships budget includes the costs of employee services such as talent management, benefits management, learning and development programs as well as implementing strategies to establish SMUD as a diverse and inclusive employer. Also included are Sustainable Communities initiatives and programs which support community partnerships and help drive energy equity ensuring all in our service territory benefit from SMUD's 2030 Zero Carbon goal. Lastly, this budget supports work that attracts and retains businesses throughout SMUD's service territory and establishes career pathways to zero carbon economy jobs through workforce training programs.

Segments & Work Processes

The DEIB, Learning & Sustainable Communities segment serves as a catalyst for change both within SMUD and across our service territory. This team deploys DEIB initiatives and programs to establish SMUD as a diverse and inclusive employer, and position SMUD as a key player in the utility industry to achieve equity for the communities it serves. The Economic Development & Partnerships team promotes the region's economic vitality by employing strategies to attract, retain, and grow rate-paying businesses in our service area. The Sustainable Communities team invests in community partnerships that strengthen our neighborhoods and provide equitable support to encourage inclusive economic development in our region. Through Regional Workforce Development programs, this segment creates equitable and diverse career pathways to zero carbon jobs through education and on-the-job opportunities for underrepresented individuals participating in our workforce training programs.

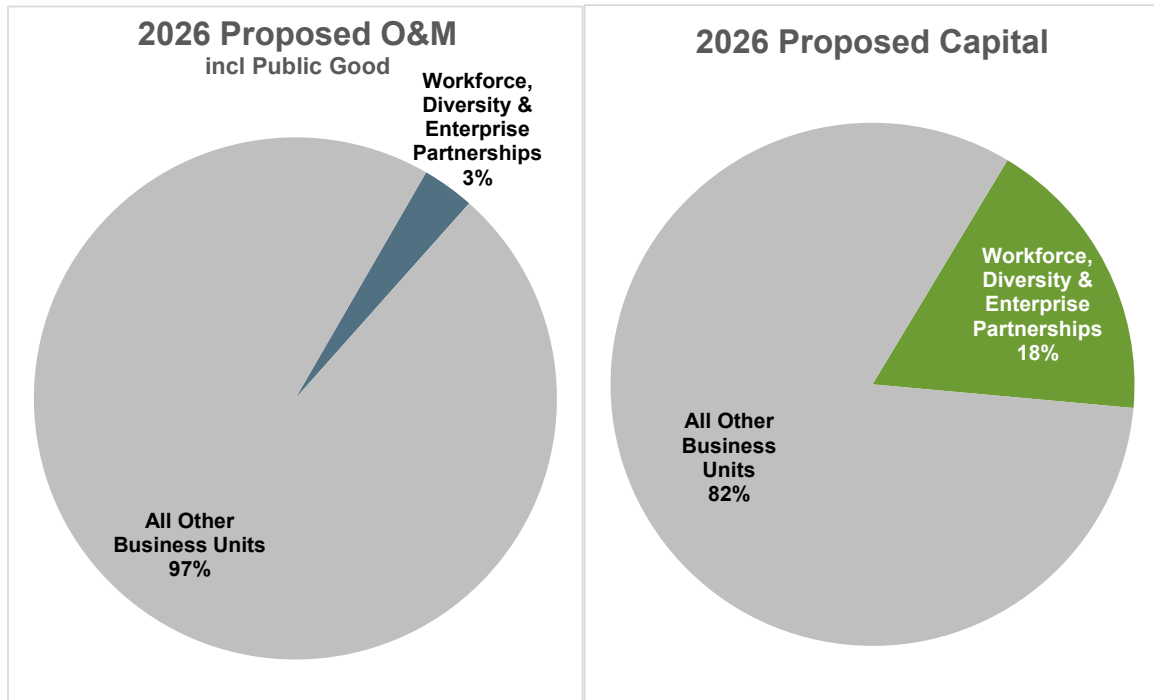
The Enterprise Change & Organizational Effectiveness segment provides expert consulting and support for people strategies that build organizational capacity. The organizational effectiveness team delivers programs in the areas of employee engagement, succession planning, and strategic workforce planning. The change management team develops change management plans for large scale, complex changes.

The Facilities, Security, & Emergency Operations segment provides planning, coordination, operations, and maintenance services for SMUD grounds and facilities. The segment also provides essential fire, physical security, emergency preparedness/response, and enterprise continuity services for SMUD.

The People Services & Strategies segment provides services, programs, and proactive strategic solutions for developing and maintaining a high quality and diverse workplace that engages and inspires employees to commit to SMUD's purpose, vision, and values. This segment delivers human resource services and strategies that include talent outreach & acquisition, benefits, performance, policies, employee & labor relations, and wellness programs to create an inclusive environment where SMUD employees thrive and do their best.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the chart below what proportion the Workforce, Diversity and Enterprise Partnerships Business Unit represents for SMUD in each of the cost categories.

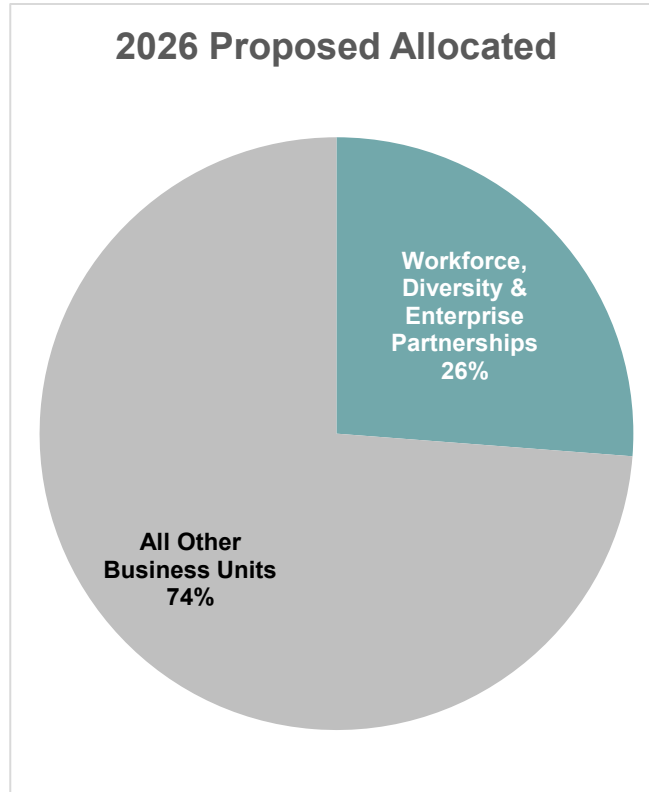


Workforce, Diversity & Enterprise Partnerships Budget Summary by Segment (\$000s)

Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
O&M Expense (incl Public Good)				
DEIB, Learning & Sustainable Communities	\$14,942	\$16,235	\$1,293	9%
Facilities, Security & Emergency Operations	7,293	7,652	359	5%
People Services & Strategies	3,623	2,958	(666)	-18%
Total O&M (incl Public Good)	\$25,859	\$26,845	986	4%
Capital Expenditures				
Facilities, Security & Emergency Operations	37,259	108,892	71,633	192%
Total Capital	37,259	108,910	71,651	192%
Total Business Unit Budget	\$63,118	\$135,755	\$72,638	115%

Workforce, Diversity & Enterprise Partnerships Allocated Budget Summary by Segment (\$000s)

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated budget of this Business Unit is presented here for informational purposes only.



Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Allocated Expense				
DEIB, Learning & Sustainable Communities	\$4,286	\$3,504	(\$782)	-18%
Facilities, Security & Emergency Operations	29,345	26,929	(2,416)	-8%
People Services & Strategies	10,025	7,792	(2,233)	-22%
Enterprise Change & Organizational Effectiveness	2,897	2,980	83	3%
Total Allocated	\$46,553	\$41,205	(\$5,348)	-11%

Corporate

The Corporate budget includes the costs associated with corporate governance such as executive management and internal audit; strategic and finance functions like accounting, treasury, financial planning, and enterprise performance; and enterprise services such as communications, marketing, and community relations, procurement, warehouse, fleet and energy trading and contracts. Also included are the legal functions of legislative, regulatory, government affairs, corporate legal and records management, as well as ensuring adherence to all industry reliability and compliance standards and requirements.

Segments & Work Processes

The Communications, Marketing & Community Relations segment promotes the adoption of the SMUD brand and increases awareness of programs, services, and value to the community through marketing, market research, community engagement, digital communication channels and image production and postal services.

The Enterprise Affairs segment includes business unit type costs that are unique and not associated with one work process. Examples include storm costs, hazard mitigation, and contingency funds.

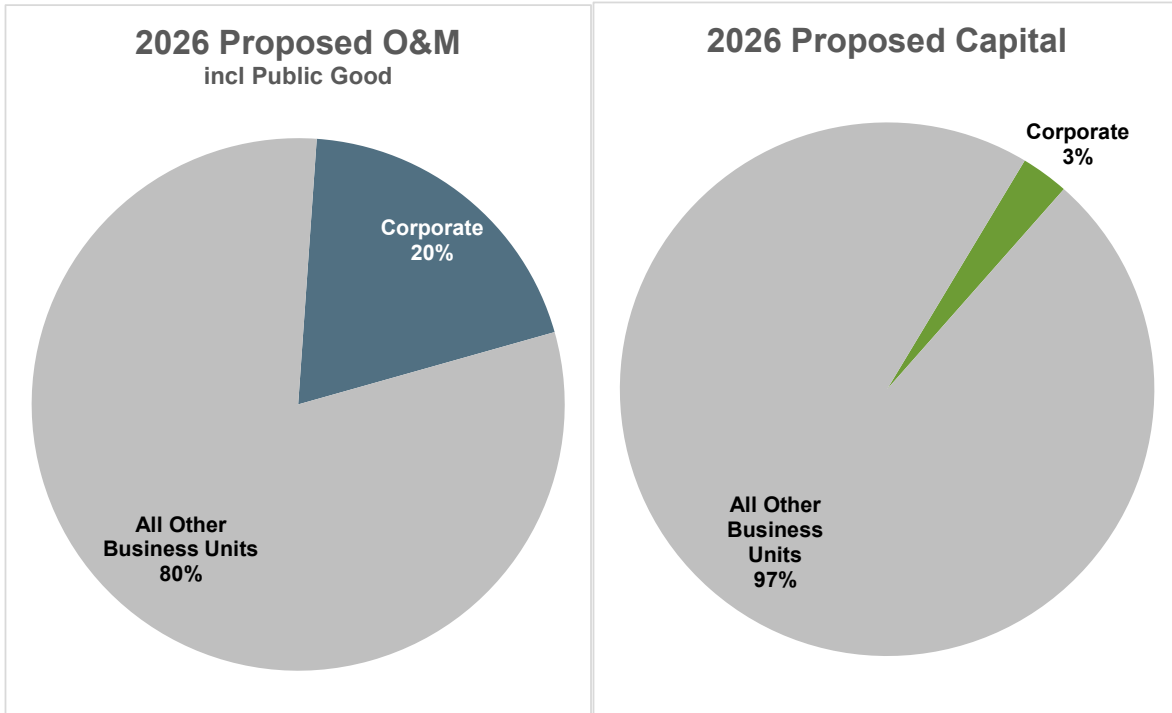
The Finance & Strategy segment coordinates the prioritization, development and reporting of strategic and operational plans, budgets, financial statements, and performance metrics for SMUD and JPAs. This area is also responsible for development of customer pricing of retail energy and load forecasting. This segment also manages accounting functions, investments, insurance programs and funding requirements, monitors enterprise-wide risk exposures, industry and market power issues and updates business and economic forecasts.

The Governance segment is responsible for the planning, organizing, staffing, leading/engaging, and controlling/monitoring of overall activities to ensure that SMUD goals are achieved.

The Legal, Government Affairs and Contracts segment has responsibility for all legal matters to which SMUD is a party or to which it is legally interested, and is responsible for enterprise records, management, and coordination regarding federal and state regulatory requirements, legislative initiatives and governmental policies, local and regional ordinances and policies and compliance filings to meet mandatory reliability standards. This segment also provides fleet equipment and services, warehousing and logistics support, and contracting solutions that support all other areas of SMUD. In addition, this segment is responsible for purchasing power to meet SMUD's energy needs and selling any excess power we generate to help ensure SMUD's energy resources are optimized and reliable in our service territory.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Corporate Business Unit represents for SMUD in each of the cost categories.

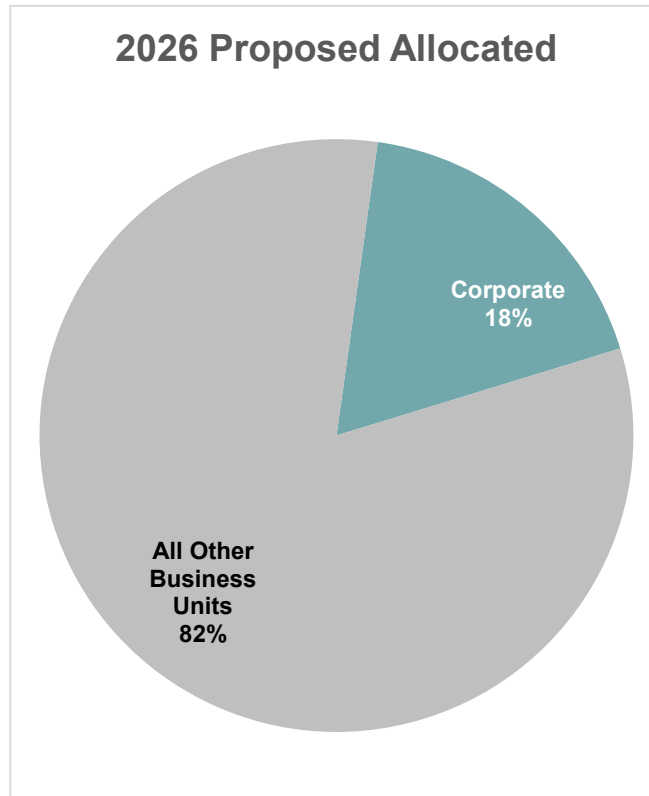


Corporate Budget Summary by Segment (\$000s)

Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
O&M Expense (incl Public Good)				
Finance & Strategy	\$67,001	\$79,863	\$12,861	19%
Communications, Marketing & Community Relations	35,830	35,200	(630)	-2%
Legal, Government Affairs & Contracts	28,002	32,679	4,677	17%
Governance	13,165	14,247	1,082	8%
Enterprise Affairs	2,254	-	(2,254)	-100%
Total O&M (incl Public Good)	\$146,251	\$161,988	15,737	11%
Capital Expenditures				
Legal, Government Affairs & Contracts	17,591	17,666	75	0%
Enterprise Affairs	3,680	-	(3,680)	-100%
Total Capital	21,271	17,666	(3,604)	-17%
Total Business Unit Budget	\$167,522	\$179,654	\$12,132	7%

Corporate Allocated Budget Summary by Segment (\$000s)

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated budget of this Business Unit is presented here for informational purposes only.



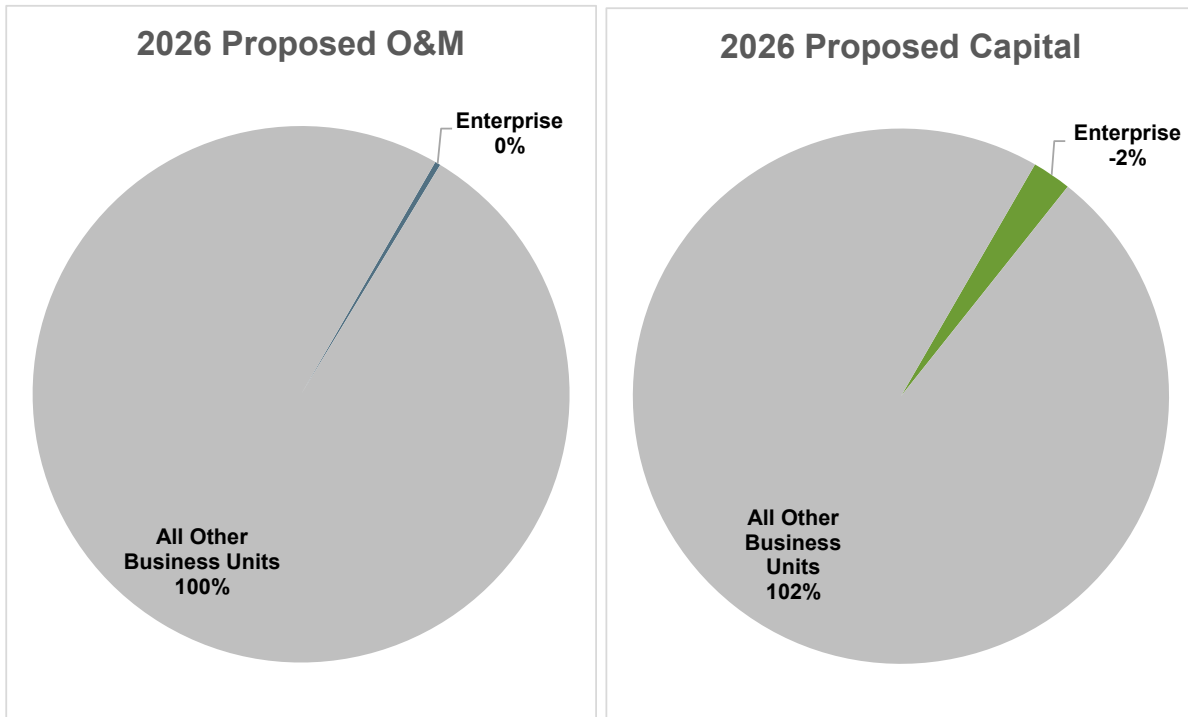
Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
Allocated Expense				
Legal, Government Affairs & Contracts	\$27,776	\$28,343	\$567	2%
Total Allocated	\$27,776	\$28,343	\$567	2%

Enterprise

The Enterprise budget includes corporate contingency, claims, reserves, settlements, and other company-wide special items.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Enterprise Business Unit represents for SMUD in each of the cost categories.



Enterprise Budget Summary by Segment (\$000s)

Funding Type by Segment	2025 Budget	2026 Proposed	\$ Change vs Budget	% Change vs Budget
O&M Expense				
General	\$1,866	\$1,874	\$7	0%
Contingency	17,459	929	(16,529)	-95%
Total O&M	19,325	2,803	(16,522)	-85%
Capital Expenditures				
General	-	-	-	-
Contingency	-	(15,092)	(15,092)	100%
Total Capital	-	(15,092)	(15,092)	100%
Interest Expense				
JPA Interest Expense	3,382	-	(3,382)	-100%
Total Business Unit Budget	\$22,707	(\$12,289)	(\$34,996)	-154%

Supplemental Information

1. [Power Supply & Requirements](#)
 - a. Power Supply Assumptions
 - b. Energy Sales & Requirements
 - c. Energy Requirements
2. [SMUD Generation Sources](#)
3. [Purchased Power](#)
4. [Greenhouse Gas Emissions Estimate](#)
5. [Capital Project Details](#)
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7. [Expense Type Descriptions](#)
8. [Financial Statement Line Item Descriptions](#)
9. [Summary of Debt Service on Existing SMUD Bond Issues](#)
10. [Resolutions](#)

Power Supply & Requirements

The 2030 Zero Carbon Plan is the foundation for the operating assumptions for the 2026 Proposed Budget. Forecasts indicate that power prices will be lower and natural gas prices will be higher than those projected in the 2025 Budget. 2026 Generation from the Upper American River Project (UARP) is expected to be consistent with 2025 levels. 2026 Renewable generation is anticipated to be higher than the 2025 budget, driven by the addition of Sloughhouse Solar, Hatchet Ridge Wind, SunZia Wind, and the extension of the Kiefer biomass contract. Thermal generation is expected to be higher due to market optimization.

Energy Sales & Requirements

Total expected supply requirements for the 2026 Proposed Budget are forecasted to be approximately 2% higher than the 2025 Budget. Our expected retail energy sales to customers are projected to increase and our expected system peak load is forecasted to increase.

The following tables provide additional information regarding generation, purchased power and market transactions.

Description	2025 Budget	2026 Proposed	Change vs Budget
Expected System Peak (MW)	2,977	3,133	156
Expected Retail Energy Sales (GWh)	10,500	10,819	319
Expected Wholesale Sales, Distribution & Transmission Losses (GWh)	485	340	(145)
Expected Supply Requirements (GWh)	10,985	11,159	174
Generation:			
Total SMUD Generation (GWh)	7,833	8,564	731
SMUD Generation as a % of expected supply requirement	71%	77%	5%
Purchased Power:			
Net Purchased Power (GWh)	3,153	2,595	(558)
Net Purchased Power as % of expected supply requirement	29%	23%	-5%
Gas:			
Expected Gas Burn (NG+Biogas) for Thermal Generation and Steam Sales (mmBtu)	38,012,002	44,247,334	6,235,332
Committed Fuel (NG+Biogas) Purchases (mmBtu)	34,845,701	44,685,859	9,840,158
Committed Purchases (NG+Green Gas) as a % of Expected for Thermal Generation and Steam Sales	92%	101%	9%
Actual / forward prices of uncommitted transactions:			
On Peak Power Price Forecast (\$/MWh)	\$52	\$49	(\$3)
Off Peak Power Price Forecast (\$/MWh)	\$51	\$52	\$1
Flat Power Price Forecast (\$/MWh)	\$51	\$50	(\$1)
Forward Natural Gas Price Forecast (\$/mmBtu)	\$4.24	\$4.43	\$0.19

Energy Supply Requirements

Description (GWh)	2025 Budget	2026 Proposed	Change vs Budget	% Change vs Budget
Generation:				
SMUD-Owned Large Hydro	1,586	1,591	4	0%
SMUD-Owned Gas Fired	5,186	6,028	842	16%
SMUD-Owned Renewable	1,061	945	(115)	-11%
Total Generation	7,833	8,564	731	9%
Market Energy:				
Market Sales	(3,188)	(3,765)	(577)	18%
Long-Term Contracts	5,507	5,859	352	6%
Short-Term Purchases	394	92	(302)	-77%
Market Purchases	450	423	(27)	-6%
Total Market Transactions	3,163	2,609	(554)	-18%
Market Energy:				
Transmission Losses	(10)	(14)	(4)	39%
Total Supply Requirement	10,986	11,159	174	2%

The following sections have details about the budget assumptions for SMUD's power supply by generation and purchasing sources.

Return to [O&M Budget Summary](#) section

SMUD Generation Sources

SMUD Hydroelectric (Upper American River Project)

The 2026 Budget assumes average rainfall and reservoir levels in 2026. The forecasted generation is expected to be 1,645 GWh.

Other SMUD Renewable Generation (South Fork, Chili Bar, Photovoltaic, Hedge Battery, Solano Wind)

The 2026 Budget assumes average generation subject to limitations governing the operation of each plant. The largest contributor, Solano Wind, is expected to generate 778 GWh.

Cosumnes Power Plant

This 603 MW gas-fired combined cycle power plant began commercial operation in February 2006. Forecasted generation from this facility in 2026 is 4,373 GWh.

Carson Cogeneration

This gas-fired cogeneration power plant, which began commercial operation in October 1995, consists of a 65 MW combined cycle unit and a 42 MW peaking unit. With the installation of an auxiliary steam boiler in 2017, if running the cogeneration unit is uneconomic, it can be turned off. Energy will be supplied from the auxiliary boiler instead of the cogeneration unit. The forecasted generation from this facility in 2026 is 322 GWh.

Procter & Gamble Cogeneration

This gas-fired cogeneration plant began commercial operation in March 1997. It consists of a 136 MW combined cycle power plant and a 50 MW peaking unit that became operational in May 2001. With the installation of an auxiliary steam boiler in 2016, if running the cogeneration unit is uneconomic, it can be turned off. Steam will be supplied from the auxiliary boiler instead of the cogeneration unit. Forecasted generation from this facility in 2026 is 673 GWh.

Campbell Soup Cogeneration

This 160 MW gas-fired combined cycle power plant began commercial operation in December 1997. Forecasted generation from this facility in 2026 is 722 GWh.

McClellan Peaker Plant

This 72 MW gas-fired simple-cycle peaking power plant began commercial operation in June 2006. Forecasted generation from this facility in 2026 is 15 GWh.

Return to the [O&M Budget Summary](#) section.

Purchased Power

The 2026 Budget assumes delivery of energy and capacity from the following contracts:

Counterparty	Capacity MW	Energy GWh	Expiration Date
Western Area Power Administration (WAPA) / Central Valley Project (CVP)	313 MW	665 GWh	2054
Western Area Power Administration (WAPA Wheeling)	18 MW	39 GWh	2029
Sutter Energy Center	258 MW	1,365 GWh	2028
Kiefer Landfill Biomass	10 MW	80 GWh	2028 (contract update in progress)
New Hope Dairy Biogas	0.4 MW	2 GWh	2033
Van Warmerdam Dairy Biogas	0.5 MW	2 GWh	2033
Yolo Biogas	2.4 MW	10 GWh	2026
CalEnergy Geothermal	30 MW	223 GWh	2039
Calpine Geysers Geothermal	100 MW	876 GWh	2032
Patua (aka Gradient) Geothermal	19 MW	146 GWh	2033
Conergy Solar	1.3 MW	2 GWh	2034
Drew Solar	100 MW	297 GWh	2052
Feed-in-Tariff Solar Projects	100 MW	207 GWh	2030
Rancho Seco Solar I	11 MW	22 GWh	2036
Rancho Seco Solar II	160 MW	328 GWh	2051
Recurrent Solar	60 MW	171 GWh	2037
Sloughhouse Solar	50 MW	131 GWh	2052
Wildflower Solar	13 MW	31 GWh	2045
Grady Wind	200 MW	897 GWh	2044
Hatchet Ridge Wind	101 MW	270 GWh	2032
SunZla Wind	150 MW	94 GWh	2041

The balance of energy requirements to meet forecasted sales to customers will be met by short-term purchases of energy.

Some of the long-term and short-term contracts will be delivered over SMUD's 528 MW share of the California-Oregon Transmission Project (Northwest) or under the South-of-Tesla transmission agreement with PG&E (Southwest & Southern California). These purchases are coordinated through SMUD's membership in the Western Systems Power Pool (WSPP), which facilitates sales and exchanges among its 30 member utilities, and through market trading.

Return to [O&M Budget Summary](#) section.

Greenhouse Gas Emissions Estimate

Source	Emissions (1,000 MT CO ₂ e)
Thermal Emissions less any Cogen Steam Sales: *	
Cosumnes	1,664
Proctor	280
Campbell	321
Carson	147
McClellan	10
Calpine Sutter	546
Short-Term Purchases	22
Uncommitted Purchases, Sales and Losses	(1,374)
Total	1,617

*SMUD thermal emissions are estimates based on 2026 forecast and historical emissions factors.

Based on 2026 budgeted generation from SMUD thermals, purchased power, hydro generation, and renewables, our SD-7 greenhouse gas emissions are estimated to be about 1.6 million metric tonnes. This estimate is based on normal conditions, and the use of our thermals and associated emissions could be lower or higher based on actual conditions in the 2026 operating year. Further, the estimate assumes our short-term power purchases are from general market power which carry an emissions factor. While carbon-free power purchases are subject to hydro conditions and availability year to year, SMUD's Energy Traders continually look for opportunities to purchase clean power from the market to reduce greenhouse gas emissions in our portfolio.

Capital Project Details

The following is additional detail of the \$672 million 2026 capital project budget for each Business Unit organized by major project groupings.

Energy Delivery & Operations Capital Projects

Transmission Substation Improvements	114,550
Major transmission substation projects including El Rio Substation, Carmichael 230kV CB 5930 Replacement, Station J new substation, Station G expansion 115/21 KV Work, Pocket Substation Rebuild, Transformer Spares, and Hurley Bank 1 Transformer Replacement.	
Distribution Substation Improvements	71,507
Grid Substation improvements such as Cargo Northgate Bank 2 upgrade, Cordova Hills Substation, Delta Shores substation, Franklin-Elk Grove Bank #2, Easton-Glenborough West Sub, CSUS Substation Trans Upgrade 25MVA, Bell Winter 12.5 Transformer Replacement, and Powerline-Allbaugh new substation.	
New Services Connections	26,955
Projects associated with the connection of Commercial/Industrial & Residential customers. Includes: Subdivisions, Local Agency projects, Regional Transit and System Enhancements.	
Line Distribution Projects	25,322
Equipment replacement, upgrades, and line work including Alder Creek Bradshaw 69kV Tap & 12kV, Rule 16 projects, 69kV feeder tie (Lone Tree, Pocket Line, Sunrise, Elk Grove), Delta Shores 69kV Tap and 12kV feeder, and 12kV Country Club.	
Cable Replacement & Rehabilitation	20,835
Program to reduce the yearly number of primary underground cable failures which decreases future outages, repair costs, customer issues and the quantity of poorly performing circuits.	
Distribution Replacements (Non-network)	12,316
Work to repair, replace or install transformers, switchgear, reclosers, capacitor banks, down line wires, air switches, etc.	
Pole Replacement & Reinforcement	10,664
Includes replacing poles that have failed an inspection and must be replaced as well as pole reinforcements.	
Environmental Projects	6,660
Developing and implementing soil/groundwater investigation and remediation projects under agency oversight within Sacramento County, including the Formerly Community Linen site with the majority of the spending on Thornton Remediation.	
Transmission & Planning Capital Projects	4,078
Includes customer interconnection project planning efforts and EMS Lifecycle Upgrades.	
Substation Easement & Land	2,147
Various land acquisitions such as Arco Arena Sub, Grant Line, Stonehouse Road and other distribution substations & easement land purchases.	
Grid Modernization	847
69kV motorized switches and line sensor upgrades, Distribution Automation (DA) recloser replacements.	
Transmission Line Projects	675
Projects associated with the transmission line structure replacement program.	
Other Various Projects	814
Total Proposed Capital Expenditures	\$297,368

Zero Carbon Energy Solutions Capital Projects

Renewable Projects	57,799
Projects include Country Acres Solar, Curry Creek Solar and Storage, Oveja Ranch Solar and Twin Cities Solar.	
Hydro Generation	39,937
Annual Regulatory Fees associated with the UARP License including Loon Lake Transformer replacement, White Rock and Union Valley Transformer Protection Relay Upgrade, Hydromet System Assessment & Upgrade, Jaybird Canyon, Camino T2 Replacement, UARP Radio Upgrade, Riverton UARP Transformer Storage Area, and Robb Peak Gate Refurbishing.	
Thermal Projects	11,319
Projects to upgrade and repair SMUD's thermal plants, including peaker generator protection, condenser retube, air compressor replacements, CO catalyst replacement, CT Rotor LTEs, and CT Hardware & Repair.	
Decommissioning	8,661
Used fuel management of the Rancho Seco Independent Spent Fuel Storage Installation (ISFSI) in accordance with Nuclear Regulatory Commission (NRC) regulation and SMUD specific license requirements.	
Hydro License & Other	5,077
Includes Recreation Plan Projects such as reservoir and campground upgrades and implementation fees.	
Grants	2,274
Execution of the Fast Access to Savings and Technology (FAST) Grant.	
Solano Wind	786
Solano 5.	
Gas Pipeline	124
Improvements and testing of the local gas pipeline.	
Storage Projects	66
McClellan Battery Energy Storage System (BESS).	
Total Proposed Capital Expenditures	\$126,044

Workforce, Diversity & Enterprise Partnerships Capital Projects

Folsom Administrative Operations Building (F)	89,243
This includes planning efforts, utilities work and construction for the new Folsom Administrative Operations Building.	
Facilities Projects	19,648
This includes the ECOC cement repair, UARP Hardening and facilities substation development work.	
Other Various Projects	19
Total Proposed Capital Expenditures	108,910

Information Technology Capital Projects

New Technology Projects	55,066
Development and implementation of new technologies including Replacement for SAP DSM, Vegetation Work Management Solution Phase 2, Fiber Optic Deployment, OMS Replacement, DERMS, Valley Sonet Transformation Phase 2, S/4 HANA implementation, SAC Planning, Workforce Optimization and Scheduling, GEI Deployment at scale, Digital Platform Transformation, SAP Marketing Cloud Replacement, Endpoint Identity Protection.	
Lifecycle Projects	7,495
Upgrades of storage, computers, and network. Includes Verint Billing/Credit WFM, OTNE Network Sync Clock, UARP Voice Radio System Refresh, Telecom Lead Acid Battery, Telecom Inverter, McLaren, Cybersecurity Hardware.	
Enhancement Projects	7,139
Improvements to existing technology including ACH-PUSH Payments, digitizing network inspection forms, OT Core Network Redesign, Extended Day Ahead Market (EDAM), SMUD Charging Network-EV App, Plant Fiber Optic Cable Enhancement.	
Other Various Projects	277
Total Proposed Capital Expenditures	69,977

Enterprise Capital Projects

OPEB & PERS Amortization	60,749
Retiree medical, dental and unfunded actuarial accrued liability amortization costs (OPEB) and retirement contributions (PERS) unfunded accrued liability costs shifted from expense to the balance sheet to align our budget with our accounting treatment.	
Contingency	(15,092)
Total Proposed Capital Expenditures	45,657

Corporate Capital Projects

Vehicle Replacement	13,951
Electric vehicle purchases and replacements related to work efficiency, legal and regulatory compliance and lifecycle.	
Fuel Supply Improvements	3,715
Capital improvements and modifications to SMUD's portion of PG&E gas lines.	
Total Proposed Capital Expenditures	\$17,666

Customer & Community Services Capital Projects

Meters	5,947
Purchase and installation of meters	
Total Proposed Capital Expenditures	\$5,947

Cost Categories (or funding types)

The budget includes the following major components:

Operating Expenses (O&M): Expenses related to producing and acquiring energy, operating and maintaining the electrical delivery system, providing service to customers including public goods (energy efficiency, low-income assistance, new renewable generation sources, and research and development of advanced technologies) programs, and corporate activities. Included within this category as a separate line item are commodity costs associated with energy supply. These costs include purchased power, fuel for energy production, and transmission wheeling costs.

Also included in O&M are operating and interest expense associated with SFA: Carson Cogeneration plant, Procter & Gamble plant, Campbell Soup Cogeneration plant, Cosumnes Power Plant; NCGA No. 1, and NCEA pass-through gas costs. These expenses are shown in the SMUD budget because SMUD will reimburse SFA, NCGA No. 1 and NCEA for their costs under the terms of the Power and Gas Purchase Agreements. The detailed SFA, NCGA No. 1 and NCEA budgets are also in separate booklets and/or resolutions as they will be approved by the SFA, NCGA No. 1 and NCEA Commissions.

Capital Investments: Investment in additions and improvements to SMUD's property, plant and equipment. The Capital investment budget includes all qualifying costs related to acquiring or constructing tangible and intangible assets which meet SMUD's capitalization guidelines - cost exceeding \$5,000 and an estimated service life greater than two years. SMUD follows Federal Energy Regulatory Commission (FERC) capitalization guidelines which dictate the inclusion of all direct costs (labor, employee benefits, materials, services and other) and a proportionate share of indirect costs (engineering and construction supervision and support, transportation, insurance, etc.) related to capital projects. Capital assets are depreciated on a straight-line basis over their estimated useful service life.

Allocated Expenses: A portion of the costs in four business units: Information Technology, Workforce, Diversity & Enterprise Partnerships, Energy Delivery & Operations and Corporate, which enable the business units to perform work. These costs are pooled and then allocated to both O&M and capital costs based on the quantity of labor hours planned in the receiving business unit. The aggregated allocated costs are presented in the budget documentation separately as information only; the actual costs are reflected in each of the Business Unit's budgets as part of the total cost of their work processes. Examples of allocated costs are enterprise-wide used software, safety services, human resources, procurement and fleet services.

Debt Service: Interest expense on and principal repayments of SMUD's outstanding long-term debt and commercial paper notes, any revenues or payments on interest rate swaps, and trustee fees and debt issuance costs.

Return to [Budget Summary Overview](#) section

Expense Type Descriptions

Activity Type Labor: SMUD employee labor planned to a business unit work process. Each Activity Type has a standard hourly charge-out rate that is based on work (non-leave) hours, average annual employee salaries, and includes benefits.

Materials & Equipment: Materials and equipment either issued from inventory or purchased for a specific project or task.

Other Expenses: Is a grouping of several non-material costs including dues and publications, memberships, training, travel, rents, leases, license fees, taxes, advertising, utilities, and postage.

Outside Services: The cost of outside services contracts, consultants, and outside legal counsel services.

Insurance: The cost of insurance premiums.

Rebates & Incentives: The cost of rebates and incentives paid to customers for energy efficiency, building electrification and electric transportation programs.

Commodities: The cost of purchased power, wheeling, and fuel for SMUD and JPA generating plants, net of surplus/wholesale power sales which represents revenues from the sale of generation and bulk power purchases which are surplus to our generation needs.

Reimbursements: Reimbursements, cost-sharing grants, or pass-through amounts received from outside parties to reduce net costs.

Allocations/Surcharges: Includes cost center overheads and surcharges. Cost center overheads are a rate developed to recover the indirect costs of a Cost Center and includes labor for administration, supervision, training, and miscellaneous expenses such as office supplies and travel. It is assessed per hour of labor planned directly to the work processes. Surcharge rates are developed to recover 1) an allocation of internal service costs such as transportation and technology assessed per hour of labor planned directly to the work processes, 2) the costs of procuring outside service agreements and costs of procuring, storing, and handling materials and equipment and 3) miscellaneous general and administrative SMUD expenses including insurance and risk management, cash management, debt management, and other assessed to capital and public good projects based on a flat percentage of overall SMUD labor.

Return to [Budget Summary Overview](#) section

Financial Statement Line Item Descriptions

Sales to Customers: The Sales to Customers budget is the revenue received from our residential and commercial electrical customers for power usage.

RSF & Other Deferrals: The Rate Stabilization Fund (RSF) & Other Deferrals budget includes revenues deferred to or recognized from the rate stabilization fund.

Other Electric Revenue: The Other Electric Revenue budget is the revenue received from other services such as Community Energy Services in support of Community Choice Aggregators, LCFS revenues, steam sales, rental income and miscellaneous services revenues.

Commodities: The Commodities budget includes the long, medium and short-term power, electric transmission, and natural gas purchases. The budget is shown net of surplus and wholesale power sales revenue, which represents revenues from the sale of generation and bulk power purchases which are surplus to our generation needs.

Customer & Community Services: Follow this [link](#) to learn more about this business unit.

Energy Delivery & Operations: Follow this [link](#) to learn more about this business unit.

Zero Carbon Energy Solutions: Follow this [link](#) to learn more about this business unit.

Information Technology: Follow this [link](#) to learn more about this business unit.

Workforce, Diversity & Enterprise Partnerships: Follow this [link](#) to learn more about this business unit.

Corporate: Follow this [link](#) to learn more about this business unit.

Enterprise: Follow this [link](#) to learn more about this business unit.

Public Good: Public Goods programs include customer public good programs such as solar rebates and incentives, low income & medical rate subsidies and administration, emerging technologies, energy efficiency and building electrification. It also includes research and development projects such as EV charging, renewable initiatives such as biomass gasification, and distributed technology.

Depreciation and Amortization: The depreciation and amortization budget are the depreciation of SMUD's electric utility property, plant and equipment as well as the assets of SFA. The budget amount is based on existing property, plant and equipment and estimated completion dates for construction work-in-progress, and the most current depreciation rates. It also includes amortization of costs associated with the operating license for SMUD's Upper American River Project (UARP) hydroelectric generation facilities and Rancho Seco fuel decommissioning.

Interest Income and Other: The interest income and other budget is SMUD's interest income, based on the assumption that SMUD will earn an average of approximately 2.90 percent on unrestricted and restricted cash balances. This line also includes any interest earned by SFA,

NCGA No. 1 and NCEA on their fund balances. Also included in this line is miscellaneous income.

Other Non-Cash: The other non-cash budget includes write-off of project costs, corporate capital surcharge, Contributions in Aid of Construction (CIAC), advance capacity payments and uncollectable expense for non-retail sales. Write-off of project costs includes an estimate of current projects undergoing feasibility studies that will not be developed. CIAC represents the recognition of money received for development costs, grant projects and capital items, which is offset by depreciation expense in the same period.

Interest Expense: The interest expense budget includes accrual basis interest on long-term debt and commercial paper which reflects SMUD's obligation for existing debt, and interest expense on SFA, NCGA No. 1 and NCEA bonds.

Interest Payments: Represents the cash basis interest payments on SMUD, SFA, NCGA No. 1 and NCEA bonds, commercial paper notes, and SMUD's share of TANC bonds, not including amortization of deferred bond issuance costs and gain/loss on bond refundings.

Principal Payments: Represents scheduled repayment of long-term debt.

Cash Available to Pay Fixed Costs: Represents the net cash flow before interest expense on a consolidated basis.

Fixed Charge Coverage Ratio: The fixed charge coverage ratio is a measure of the number of times net cash flow before interest expense on a consolidated basis covers total cash debt service payments, including both interest and principal, for SMUD, SFA and SMUD's share of TANC debt service.

Rate Stabilization Fund: Fund set up by the Board to provide protection against a rate increase in years where weather conditions or other non-controllable events cause large budget variances. No transfers in or out of the Rate Stabilization Funds are budgeted.

Unrestricted Cash: Cash available for operating and capital expenditures. Detail of change is shown on the Pro Forma Sources and Uses of Cash.

Restricted for Debt Service: Amounts deposited in restricted debt service funds as fixed by Bond Resolutions.

Total Electric Utility Plant: Production, transmission and distribution, and general plant facilities.

Total Restricted Funds (including Rate Stabilization Fund (RSF): Funds reserved for specific uses. The Rate Stabilization Fund is intended to defer the need for future rate increases when costs exceed existing rates.

Total Current Assets: Short-term, liquid assets that are expected to be converted to cash within one fiscal year. They include cash and cash equivalents, marketable securities, accounts receivable, inventory and supplies, prepaid expenses and other liquid assets.

Total Noncurrent Assets: Assets that are not expected to be converted into or used as cash within one year. They typically have a life of more than one year and their cost is spread out

over time either through depreciation, amortization or depletion over their estimated useful life. They include equipment, real estate, patents, and long-term investments.

Deferred Outflows of Resources: Resources expended over time rather than immediately.

Long Term Debt: Debt that matures in more than one year. Includes credit lines, loans and bonds with obligations and maturities greater than one year.

Total Current Liabilities: Debts or obligations that are due to be paid within one year.

Total Noncurrent Liabilities: Financial obligations that are not due for more than a year. They include longer-term loans, deferred revenue, lease obligations, pension obligations and bonds payable.

Deferred Inflows of Resources: Resources received before they are earned.

Total Net Position: The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

Return to [Financial Statements](#) section

Summary of Debt Service on Existing SMUD Bond Issues (\$000s)

Date Issued	Issue	1/1/2026 Principal Balance	Issued Interest Rate	Final Maturity Date	2026 Scheduled Principal Payment	2026 Interest Expense
Electric Revenue Bonds						
May-13	Series B (Refunding)	0	3.00% to 5.00%	2033	0	0
Jul-16	Series D (Refunding)	57,160	5.00%	2028	18,405	2,498
Dec-17	Series E (Refunding)	47,520	3.00% to 5.00%	2028	14,905	2,094
Aug-18	Series F (Refunding)	47,670	5.00%	2028	15,160	2,097
Apr-19	Series G	191,875	5.00%	2041	0	9,352
May-20	Series H	400,000	4.00% to 5.00%	2050	0	18,699
Jul-21	Series I (Refunding)	69,750	5.00%	2028	22,865	3,056
Jun-22	Series J (Refunding)	87,870	2.06%	2032	21,045	3,996
Jun-23	Series L (Refunding)	57,485	5.00%	2041	2,185	2,833
Jun-23	Series K	200,000	5.00%	2033	0	10,000
Apr-24	Series M	250,000	5.00%	2033	0	12,500
Apr-24	Series N	399,610	5.00%	2033	0	19,981
Jun-25	Series O	100,000	5.00%	2040	0	5,000
Subtotal		1,908,940			94,565	92,106
Subordinated Electric Revenue Bonds						
Jun-23	Series C ¹	132,020	Variable	2041	0	1,742
Jun-23	Series D	100,000	5%	2049	0	5,000
Jun-23	Series E	100,000	5%	2049	0	5,000
Jun-23	Series F	100,000	5%	2055	0	5,000
Subtotal		432,020			-	16,742
Total Outstanding Bonds		2,340,960	Principal & Interest Payments		94,565	108,848
Total Debt Service					94,565	108,848

Footnote:

- 1) Swapped to a fixed rate for the life of the debt, interest expense net of swap payment.
Interest expense without swap would be \$3,960,600.

Return to [Debt Service](#) section.

Resolutions

1. 2026 Budget Resolution
2. Debt Resolution

RESOLUTION NO. _____

WHEREAS, the proposed 2026 Budget is expected to result in a positive net income for 2026; **NOW THEREFORE**,

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

Section 1. This resolution may be referred to as the 2026 Budget Resolution.

Section 2. (a) There is hereby appropriated from the General Fund sufficient monies for the payment of demands against SMUD which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of SMUD's program for the period January 1, 2026, through December 31, 2026.

Operations and maintenance:

Commodity - purchased power, fuel, and wheeling	\$592,500,000
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Public Goods	72,821,981
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Customer, energy delivery, zero carbon, workforce diversity & enterprise partnerships, information technology, corporate services & Rancho Seco	769,164,806
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Sub-Total	\$1,434,486,787
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Debt Service	216,304,879
Capital and reserve	671,569,501

TOTAL	\$2,322,361,168
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(b) The Commodity line-item budget is based on assumptions of average rainfall and temperatures during 2026. SMUD has in place a Hydro Generation Adjustment (SMUD HGA) mechanism whereby, based on the actual rainfall amounts between April 1, 2025, and March 31, 2026 in comparison to the budget assumptions, SMUD may transfer funds to or from the Hydro Rate Stabilization Fund and, once pre-established limits are met, increase or decrease customer rates accordingly. The Commodity line-item budget will be increased or reduced based on the actual transfer and/or change in customer revenues from the SMUD HGA adjustment.

(c) SMUD has budgeted to receive energy in 2026 under its contract with the Western Area Power Administration (WAPA). SMUD has in place a WAPA Hydro Generation Adjustment (WAPA HGA) mechanism whereby, based on the actual delivery from WAPA between April 1, 2025, and March 31, 2026 in comparison to the budget assumptions, SMUD may transfer funds to or from the WAPA Rate Stabilization Fund and, once pre-established limits are met, increase or decrease customer rates accordingly. This energy primarily is generated at Central Valley Project hydroelectric plants, and the actual quantity of energy received will be dependent on rainfall, carryover water storage and operation of the WAPA system to meet contractual water deliveries. Because WAPA generation facilities are spread over a wide area, insurance is not practical for offsetting variations of energy deliveries due to weather. One purpose of the WAPA Rate Stabilization Fund is to mitigate such variations. The

Commodity line-item budget will be increased or reduced based on the actual transfer and/or change in customer revenues from the WAPA HGA.

(d) Budgeted energy purchases necessary to meet customer energy sales requirements (10,819 GWh) are based on average weather conditions and expected customer growth in 2026. Should actual weather conditions or growth levels cause SMUD retail sales and related energy requirements to be higher, the Commodity line-item budget will be increased by the NP15 power price per megawatt-hour of additional retail energy sales to offset the cost of these sales.

(e) SMUD participates in regulatory programs such as Low Carbon Fuel Standard (LCFS) and cap-and-invest. Under these programs, SMUD has the option to monetize the credits and allowances applicable to these programs through sales transactions. When SMUD collects revenues through these sales, it is required to apply the proceeds toward specific expenses that support the program goals. An additional purpose of the Rate Stabilization Funds is to mitigate fluctuations from regulatory programs. The Accountant is hereby authorized to transfer funds to or from the Rate Stabilization Funds to match LCFS and Cap-and-Trade revenues with expenses. The budgeted amounts will be increased or decreased accordingly.

(f) For purposes of Section 11891.6 of the Municipal Utility District Act, there shall be deemed added to each line item, in section 2a, a 10 percent contingency. Demands against SMUD which relate to obligations incurred for each line item and are within such line item amount plus the 10

percent contingency may be paid without prior specific approval of this Board, provided the total of such payments during 2026 may not exceed the total budget amount plus this 10% contingency, plus the commodity contingency and adjustments for weather hedge contracts, higher retail sales and Rate Stabilization transfers as set forth in paragraphs (b), (c), (d), (e) and (f) above.

Section 3. Demands against SMUD may be paid without the prior specific approval of this Board if they relate to obligations incurred for the purposes and within the amounts specified in Section 2, provided such demands are approved by the CEO & General Manager or someone to whom he has delegated such approval authority. It is the purpose and intent of this paragraph to delegate to the CEO & General Manager authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the administration of the business affairs of SMUD, all within the amounts and for the purposes set forth above, and subject to the provisions of existing law and of all the duly passed resolutions of this Board, including the Board-approved delegations of authority.

Section 4. At monthly intervals, the Treasurer shall transfer from the General Fund appropriate amounts into each of the various funds established to service SMUD's general obligation indebtedness, its Electric System Revenue Bond indebtedness, and its Electric Revenue Bond indebtedness in approximately equal installments as set forth in the tabulations on file with the Accountant. Investment authority, for all funds, is delegated to the Treasurer for a one-year period in accordance with California Code Section 53607.

Section 5. The number of permanent full-time employees during 2026 shall not exceed 2,295 employees plus a five percent contingency without further authorization of this Board.

Section 6. The Public Goods Charge shall be adjusted for expenditures of \$104 million, which exceeds the minimum of 2.85% of 1994 revenues. The percentage allocation for the public goods charge expenditures shall apply to low-income assistance, energy efficiency, research and development, and new renewable generation.

Section 7. The CEO & General Manager, or his designee, is authorized to make future changes to the **Budget** that, in his prudent judgment: (a) further the primary purpose of the **Budget**; (b) are intended to provide a net benefit to SMUD; and (c) do not exceed the authorized **Budget** amounts and applicable contingencies.

RESOLUTION NO. _____

Supplemental Resolution (Supplemental)
to Resolutions No. 6457, 8107, 83-7-26)
as amended by Resolution No. 87-10-22,)
No. 92-12-29, No. 93-12-19, No. 94-12-16,)
No. 95-12-10, No. 96-12-07, No. 97-12-18,)
No. 98-11-12, No. 99-12-10, No. 00-12-11,)
No. 01-12-02, No. 02-11-04, No. 03-12-14,)
No. 04-12-11, No. 05-12-13, No. 06-12-08,)
No. 07-12-08, No. 08-12-05, No. 09-12-08,)
No. 10-12-03, No. 11-12-08, No. 12-12-06,)
No. 13-12-09, No. 14-12-13, No. 15-12-08,)
No. 16-12-14, No. 17-12-13, No. 18-12-12,)
No. 19-11-05, No. 20-12-14, No. 21-12-11,)
No. 22-12-06, No. 23-12-10, and 24-12-07)
declaring the intention of the Board of Directors)
of the Sacramento Municipal Utility District to)
Authorize the issuance of additional)
Revenue Bonds)

WHEREAS, Sacramento Municipal Utility District ("SMUD") on
July 23, 1970, May 2, 1974, and July 21, 1983, by the adoption by its Board of
Directors of Resolutions No. 6457, 8107, and 83-7-26, as amended by
Resolution No. 87-10-22 adopted October 1, 1987; Resolutions No. 92-2-11,
No. 92-12-29, No. 93-12-19, No. 94-12-16, No. 95-12-10, No. 96-12-07,
No. 97-12-18, No. 98-11-12, No. 99-12-10, No. 00-12-11, No. 01-12-02,
No. 02-11-04, No. 03-12-14, No. 04-12-11, No. 05-12-13, No. 06-12-08,
No. 07-12-08, No. 08-12-05, No. 09-12-08, No. 10-12-03, No. 11-12-08, No. 12-
12-06, No. 13-12-09, No. 14-12-13, No. 15-12-08, No. 17-12-13, No. 18-12-12, 19-
11-05, 20-12-14, 21-12-11, 22-12-06, 23-12-14, 24-12-07 adopted by the Board
of Directors on February 6, 1992, December 17, 1992, December 16, 1993,
December 15, 1994, December 14, 1995, December 19, 1996, December 17,

1997, November 30, 1998, December 2, 1999, December 7, 2000, December 6, 2001, November 7, 2002, December 4, 2003, December 2, 2004, December 1, 2005, December 7, 2006, December 6, 2007, December 4, 2008, December 3, 2009, December 3, 2010, December 1, 2011, December 6, 2012, December 5, 2013, December 4, 2014, December 3, 2015, December 1, 2016, December 21, 2017, December 20, 2018, November 21, 2019, December 10, 2020, December 9, 2021, December 8, 2022, December 14, 2023, and December 12, 2024, respectively (collectively, the “Prior Resolutions”), found and determined that it was necessary to raise funds by the issuance of revenue bonds in the maximum principal amount of \$9,455,000,000 pursuant to Sections 12850, et seq., of the California Public Utilities Code (the “Act”); and

WHEREAS, to provide reliable electric service to its customers, it is necessary for SMUD to make certain capital improvements and other capital expenditures to its system, which capital improvements and other capital expenditures are designed to have useful lives of up to 40 years or more; and

WHEREAS, to fairly apportion the costs of such capital improvements and other capital expenditures among SMUD customers who will receive the benefits of such improvements, SMUD has determined to authorize the financing of such improvements and expenditures with SMUD bonds; and

WHEREAS, to provide bond financing for such improvements and expenditures, it now appears necessary to increase the authorized issuance of SMUD revenue bonds pursuant to the Act; and

WHEREAS, the Board of Directors desires to inform its customers and the public of its plans for financing capital improvements and other capital expenditures by specifying certain items for which the proceeds of said revenue bonds are to be used, which uses shall not include daily maintenance and operations costs; **NOW, THEREFORE**,

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

Section 1. The Board of Directors declares its intention to authorize the issuance of additional revenue bonds or Clean Renewable Energy Bonds for the purpose of financing, in whole or in part, the costs of the capital items identified in the 2026 capital budget, 2024 and 2025 capital expenditures not previously financed, the prepayment of purchased power or natural gas and the purchase of natural gas reserves, pipelines or storage facilities, for all of which SMUD is authorized by law to issue such bonds. SMUD has paid or reasonably expects to pay certain expenditures (the “Reimbursement Expenditures”) in connection with such capital items prior to the issuance of such bonds, and hereby officially declares its intent to use certain proceeds of such bonds to reimburse the Reimbursement Expenditures. The declarations in this section are made solely for purposes of establishing compliance with Section 1.150-2 of the U.S. Treasury Regulations, and do not bind SMUD to make any expenditure, incur any indebtedness or proceed with the above-mentioned capital expenditures.

Section 2. The maximum principal amount of the additional revenue bonds proposed to be issued under this supplemental resolution is

\$400,000,000. Such maximum principal amount is in addition to the \$9,455,000,000 principal amount of revenue bonds authorized pursuant to the Prior Resolutions. Such additional bonds may be issued in series from time to time, and it shall not be necessary that all of the bonds proposed to be issued be issued at any one time.

Proceeds from the issuance of these bonds will be used to finance capital improvements identified in the 2026 capital budget, 2024 and 2025 capital expenditures not previously financed, capital expenditures for the prepayment of purchased power or natural gas and the purchase of natural gas reserves, pipelines, or storage facilities. The declarations in this section are made solely to establish compliance with Section 12852 of the California Public Utilities Code, and do not bind SMUD to make any expenditure, incur any indebtedness or proceed with the above-mentioned capital expenditures.

Section 3. The maximum term of any of such bonds is 40 years. In the event the maximum authorized amount under a series of bonds is divided into two or more series, the said maximum term shall be calculated in each case from the date of each divided series of bonds.

Section 4. The maximum rate of interest to be payable upon such bonds shall not exceed the interest rate per annum equal to the greater of fifteen percent (15 percent) per annum or the yield of United States Treasury bonds having a remaining term equal, as nearly as practicable, to the final maturity of such bonds, as determined by SMUD as of the date of sale of such

bonds, plus three percent (3 percent). The maximum discount with respect to such bonds shall not exceed ten percent (10 percent).

Section 5. This resolution shall take effect immediately, subject only to the right of referendum provided in Article 6a of Chapter 6 of Division 6 of the California Public Utilities Code (beginning at Section 12850 thereof).

Section 6. The Secretary of SMUD is hereby directed to publish a copy of this resolution once a week for two successive weeks in a newspaper of general circulation published within SMUD's boundaries. At any time within 60 days after the date of the second such publication, a referendum petition signed by voters in number equal to at least three percent (3 percent) of the total vote cast, as defined in Section 11507 of the California Public Utilities Code, demanding the submission of this resolution to a vote of the voters of SMUD for their assent to the issuance of the proposed bonds, may be filed with the Secretary of SMUD. Upon presentation to the Secretary of SMUD of such a referendary petition, this resolution shall not be of effect unless and until it has been assented to by the voters.