Exhibit to Agenda Item #1

a. Discuss the monitoring report for **Strategic Direction SD-7, Environmental Leadership**.

b. Discuss, with possible amendment, **Strategic Direction SD-7, Environmental Leadership**.

Board Policy Committee and Special SMUD Board of Directors Meeting

Wednesday, September 9, 2026, scheduled to begin at 6:00 p.m.

Auditorium, SMUD Headquarters Building

Strategic Direction (SD)-7, Environmental Leadership

Environmental leadership is a core value of SMUD. In achieving this directive, SMUD will:

a. Conduct its business affairs and operations in a sustainable manner by continuously improving pollution prevention, minimizing environmental impacts, including Tribal and other cultural impacts, conserving resources, enhancing regional biodiversity and promoting equity within SMUD's diverse communities.

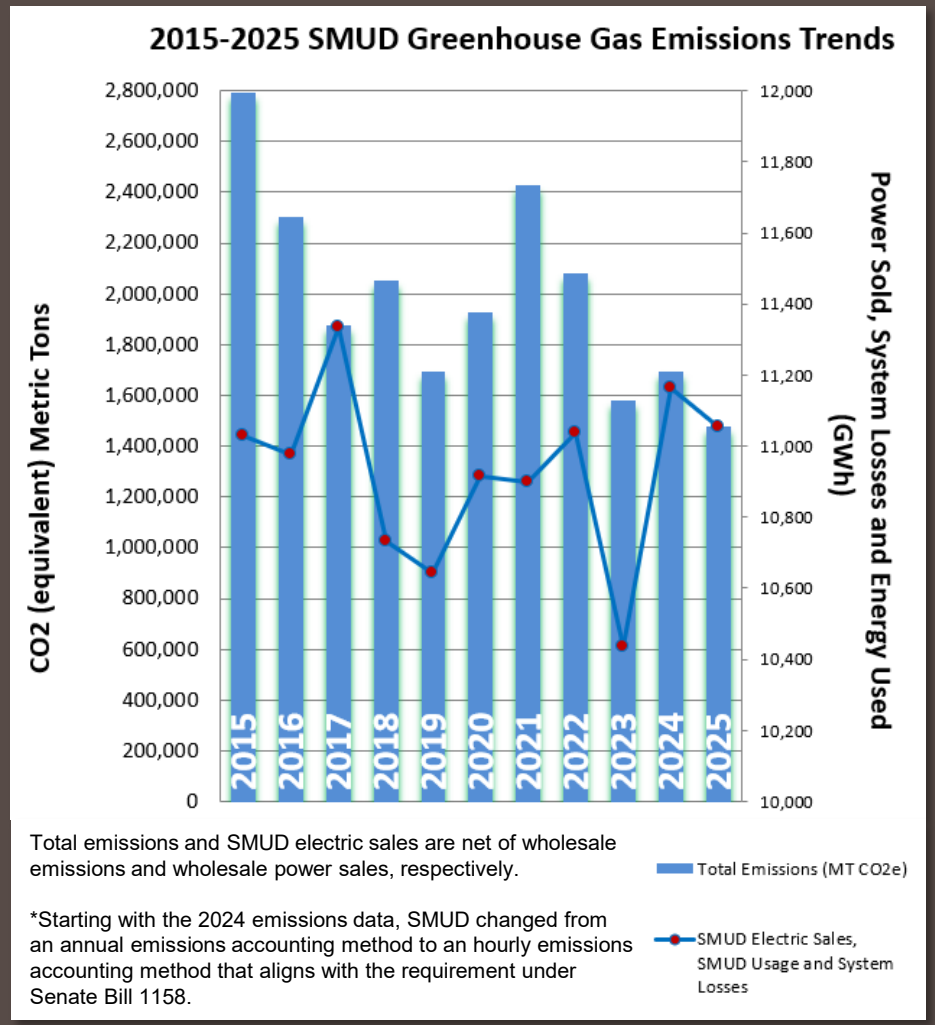
b. Provide leadership and innovation to improve air quality and reduce greenhouse gas emissions.

c. Promote the efficient use of energy by our customers.

d. Advance the electrification of vehicles, buildings, and equipment.

e. Attract and build partnerships with customers, communities, policy makers, the private sector and other stakeholders.

Leadership & Innovation to Reduce GHG Emissions



Total emissions and SMUD electric sales are net of wholesale emissions and wholesale power sales, respectively.

*Starting with the 2024 emissions data, SMUD changed from an annual emissions accounting method to an hourly emissions accounting method that aligns with the requirement under Senate Bill 1158.

Thermal Power Plant Greenhouse Gas Emissions			
Source	2024 Thousand Metric Tons GHG	2025 Thousand Metric Tons GHG	Percent Change
Thermal Emissions less any Cogen Sales			
Cosumnes	1,466	1,345	-8%
Proctor & Gamble	267	231	-13%
Campbell	301	253	-16%
Carson	48	44	-9%
McClellan	2.3	0.8	-64%
Specified Power Purchases	490	537	10%
Net Wholesale Adjustment	(882)	(934)	-6%
Total	1,692	1,477	-13%

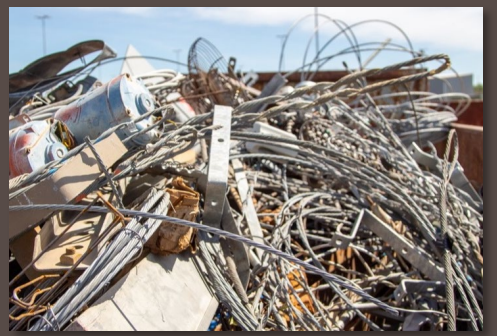
Minimize Environmental Impacts and Conserve Resources

Invasive Mussel Monitoring and Risk Mitigation

- Golden mussels found in San Joaquin River and Delta
- Began robust monitoring and inspection program
- Received $91,161 grant from California Department of Fish & Wildlife to enhance preparedness and response efforts

Environmental Review and Habitat Conservation Plan Initiatives

- Environmental Services reviewed 364 projects located near sensitive resources
- Prescribed Avoidance and Minimization Measures for 43%
- Performed 48 projects utilizing the Habitat Conservation Plan



Investment Recovery and Sustainable Solutions

- Generated $1.1 million from recycled metals and diverted 957 tons from landfill
- Helped avoid approximately 5,200 metric tons of GHG by recycling
- Saved over $2 million implementing a circular economy model
- Reused 388 wood reels and recycled or reused 2,245 wood pallets

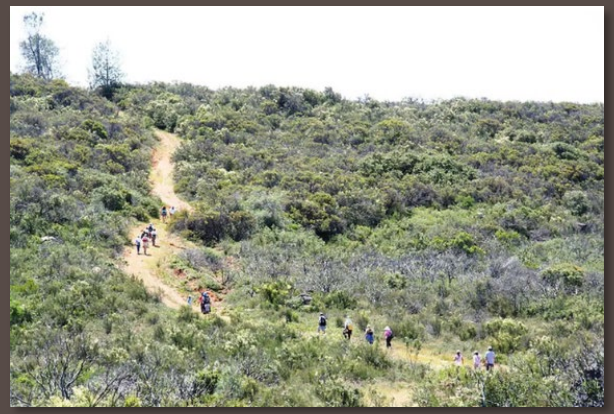
Enhance Regional Biodiversity

Biodiversity & Habitat Conservation Working Group

- Pine Hill Preserve restoration project
- Launched Nature-Based Carbon Solutions & Biodiversity feasibility study
- Joined Power in Nature initiative

Sacramento Tree Foundation Sacramento Shade Program

- Distributed 11,203 shade trees serving 2,695 customers
- 4,164 trees (37.2%) were planted in under-resourced communities
- Estimated 34,044 metric tons of carbon stored in biomass
- Started pilot to distribute shrubs



Avian Protection Program

- Upgraded 53 wood poles with avian protection guards, flight diverters, or pole reframing
- Installed three raptor nest platforms

Building Resilient Communities Through Partnership

Building Resilient Communities

Invested over $500,000 across 22 local nonprofits through the Shine Program

Increasing Energy Affordability & Access

Partnered with the Meadowview Community to install electrification measures in 372 homes

Strengthening Customer Engagement and Trust

Partnered with Volunteers of America to connect the unhousedpopulation near SMUD sites to support services & resources

Creating Workforce & Economic Opportunity

Offered hands on, experiential learning in energy careers to high school students in partnership with American River College's Native American Resource Center

Promote Efficient Use of Energy by our Customers

Goal

- Support residential and commercial customers across the region to achieve carbon savings

Outreach

- Increased participation with targeted email campaigns, bill inserts, and digital advertising

Education

- Hundreds of homeowners attended quarterly energy education courses and hundreds of trusted contractors in the SMUD Contractor Network joined office hours and webinars

Building Electrification and Energy Efficiency Programs

Advanced Home Solutions	Supported over 25,000 heat pump installations for space and water heating since 2018, including 4,994 in 2025
Go Electric campaign	Helped customers and contractors learn the benefits of energy-efficient upgrades
Xerohome online tool	Launched Xerohome, an easy online tool that lets customers clearly see how electrification can save energy and lower bills

Advance Electrification of Vehicles and Equipment

Residential and commercial transportation electrification programs

- Supported Clean Cars for All program
- Installed 86 EV chargers
- Installed 180 EV chargers and 344 EV circuits for income-qualified customers

Reduce Fleet Emissions

- Increased electric vehicle miles driven from 2,462 in 2016 to 358,635 in 2025
- Increased GHG emissions reduction from 1 metric ton in 2016 to 99 metric tons in 2025
- Reduced total fossil fuel emissions from 5,553 metric tons GHG in 2016 to 3,677 metric tons in 2025
- Increased fuel economy from 7.48 MPG in 2016 to 8.76 MPG in 2025

Replace gas/diesel-powered equipment with electric/battery-powered

- We achieved 98% hand tool electrification in 2025

Update on SMUD's process and principles for renewable energy development

Environmental Coalition and Developer Participants

Environmental Coalition Representatives

- Defenders of Wildlife: Kate Kelly, Kim Delfino, and Sophia Markowska
- CA Native Plant Society: Brendan Wilce
- Sierra Club & ECOS Habitat Committee: Sean Wirth
- 350 Sacramento: Rick Codina
- Third Act: Tim Washburn

Project Developers

- NextEra
- DESRI
- Clenera
- Pattern
- Clearway
- Golden State Clean Energy

Thank you!

Key Areas of Focus for Staff and Environmental Coalition

Principles	Modifications to Principles for Renewable Energy Procurement and Development
Procedure	Environmental Screening of sites proposed for development including transparency around results
Process	Power Purchase Agreement (PPA) Procurement Process including the Principles and Environmental Screening formalized

SD-7 Policy change

- Include the Principles for Renewable Energy Procurement and Development
- Ensure Board and public transparency around how projects meet the Principles prior to contract execution

Summary of Modifications to Principles for Renewable Energy Procurement and Development

Power Purchase Agreements

Makes principles apply to PPA procurement in addition to SMUD developed projects

Transparency and Engagement

Added language for transparency and new objective for Community Engagement, including the authority having jurisdiction

Tribal Cultural Resources

Added a principle to ensure consultation with local Tribes has occurred

Measurable Outcomes

Streamlined Sustainable Communities language to focus on measurable workforce outcomes

Publicly Available

To be posted on SMUD.org (pending website update)

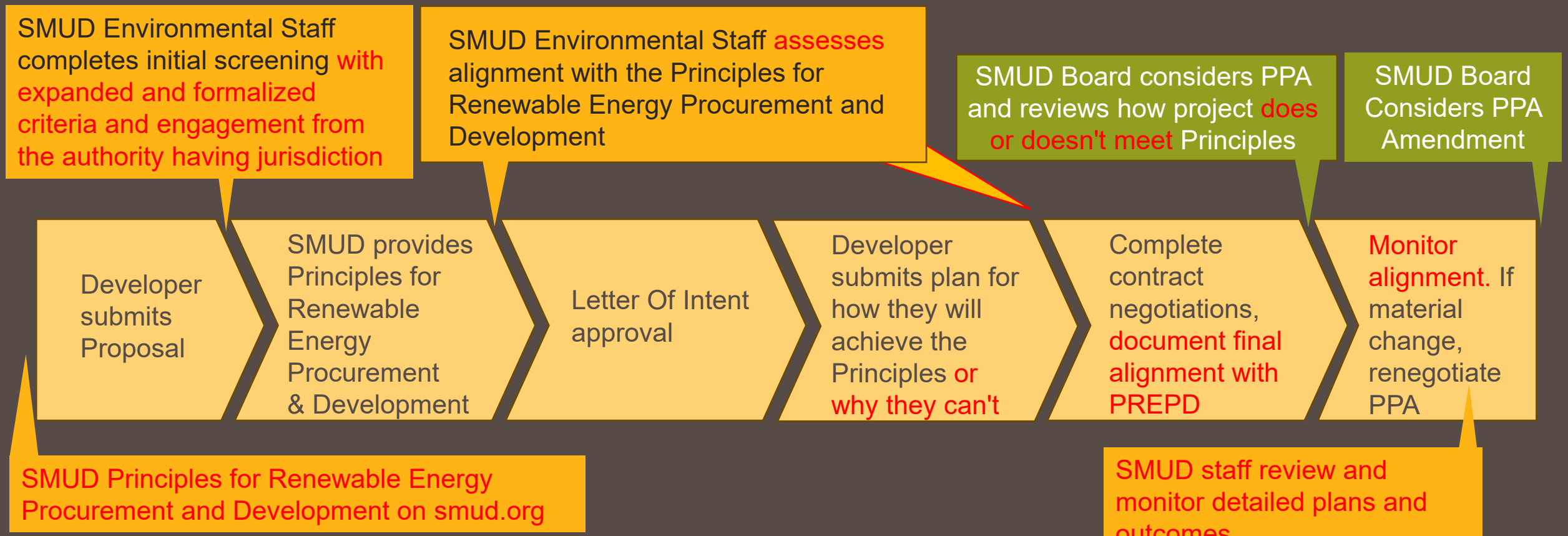
Formalized Environmental Screening Process

- Developed a screening document that formalizes environmental screening process
- Establishes rubric for categorization and scoring of impacts
- Includes confirmation of consultation with Tribes
- Adds habitat connectivity map review to inform when more detailed evaluation and risk categorization is warranted
- Adds review of adjacent sensitive or protected habitat
- Adds request for developer to provide updates on permitting and communicate concerns raised by authority having jurisdiction
- Adds a site visit for local projects

PPA Procurement Process

Consistency and Accountability	Developed a new Contract Management procedure document for staff training, consistency and accountability
Compliance Transparency	Includes the requirement to present how a project complies with the Principles for Renewable Energy Procurement and Development
Formal Environmental Screening	Modified the Contract Management procedure to include the formalized environmental screening

Modifications to Renewable Project PPA Governance Process



This process was updated to include the Principles in December 2021
RED - Proposed new steps and documentation 2026

Proposed changes to SD-7

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f. <u>Address SMUD's Principles for Renewable Energy Procurement and Development (PREPD)</u>

Pilot SMUD Environmental Forum

Purpose: A collaborative forum that supports SMUD's Environmental Leadership Strategic Directive and its project development and programs by:

- Facilitating dialogue with the regional environmental community
- Increasing awareness of local environmental research, knowledge, and priorities
- Streamlining communication among participants
- Promoting transparency in SMUD decision-making where appropriate
- Improving environmental outcomes in SMUD projects and throughout the region

Requested Action

- Accept the Monitoring Report for Strategic Direction SD-7, Environmental Leadership.
- Approve proposed revisions to Strategic Direction SD-7.