

Exhibit to Agenda Item #4

Ratify the Chief Executive Officer and General Manager's execution of a contract between **Software AG USA, Inc.** and SMUD for a technology platform and Enterprise Service Bus (ESB) services for a five-year period for a contract not-to exceed amount of \$8.7 million.

Board of Directors Meeting

Thursday, July 18, 2024, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Background

- SoftwareAG is the provider of SMUD's Enterprise Service Bus (ESB).
- The ESB is a centralized integration platform used to enable communication between many of SMUD's core systems and 3rd party Software as a Service (SaaS) providers.
- The ESB has been in operation at SMUD since 2011 and was brought on as a part of the SmartSacramento initiative to support the integration of advanced metering infrastructure (AMI) data into various SMUD systems and processes.

Purpose

- Maintain operation of SMUD's critical systems and processes for the next 5 years without disruption.
- Support the implementation of a new outage management system (OMS) and customer self-service platform.
- Provide functionality for future solutions such as artificial intelligence (AI), automation, electric vehicle (EV) management and load flexibility.

Why ratification was needed

- SoftwareAG recently worked out a deal with IBM to sell off the portion of their software which included all the integration functionality SMUD is currently using.
- This sale was set to go into effect July 1, 2024.
- It was advantageous for SMUD to sign a deal with SoftwareAG by the end of June as they were motivated to lock in a final sale.
- Any contracts not signed by the end of June, IBM gave the directive to cancel and renegotiate.

Benefit to SMUD

New negotiated contract cost:

- \$8.7M for 5 years
- Includes provisions for new OMS integration environment
- Options included for early termination
- \$2.4M - \$3.7M in savings over 5 years vs. alternatives

Potential scenarios with IBM:

- **Best** – \$11.1M (based on year-to-year quote and assuming no increase over 5 years)
- **Likely** – \$12.4M (assuming a 5% YoY increase)
- **Most Likely** – much higher than 5% increase (this is the trend we have been seeing with many software contracts)

Requested Action

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