

Exhibit to Agenda Item #2

Discuss approval of proposed revisions to **Energy Risk Management and Energy Trading Standards** under **Board-Staff Linkage BL-12, Delegation to the CEO with Respect to Transactions Involving Transmission and Wholesale Energy, Fuel and Environmental Attributes** to address federal Public Utility Regulatory Policies Act (PURPA) Regulations.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, September 17, 2024, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Public Utility Regulatory Policies Act (PURPA)

- Adopted in 1978 to reduce dependence on fossil fuels by promoting conservation and alternative generation in the electric industry.
- Federal Energy Regulatory Commission (FERC) regulations implementing PURPA.

PURPA Title II Requirements

- Qualifying Facility (QF)
 - Renewable resource up to 80 MW
 - Cogeneration facility with no size limitation
- Interconnection
 - SMUD required to interconnect QF
 - QF pays for interconnection costs
- Must-Purchase Obligation
 - SMUD required to buy energy and capacity at “avoided cost”
 - Renewable Energy Credits (RECs) not part of PURPA

Energy Risk Management and Energy Trading Standards (Standards) under BL-12

- PURPA Power Purchase Agreement (PPA) interest by developers
- Current BL-12 Standards
 - Delegates authority to the CEO for PPAs with terms no greater than 3 years
 - Board required to approve PURPA PPAs with a term greater than 3 years to comply with federal law

Staff Requests to Revise the Standards under BL-12

- Proposed revision delegates authority for PURPA PPAs with any term length if consistent with federal PURPA regulations and the contract price does not exceed our avoided cost

Section 2. Public Utility Regulatory Policies Act of 1978 (PURPA) Transactional Authority. Notwithstanding the three (3) year term limit set forth in Section 1 above, to negotiate and execute on behalf of SMUD purchases for electricity and electric capacity from qualifying facilities for any term provided that: (i) the contract is consistent with federal regulations under PURPA, and ii) the prices paid under such agreements do not exceed SMUD's avoided cost.