Chief Executive Officer and General Manager's Report and Recommendation on

Rates and Services

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Chief Executive Officer
& General Manager's Report
and Recommendation on

Rates and Services

Residential, Agricultural, Commercial and Lighting Rate Changes

March 20, 2025

A Sacramento Municipal Utility District Publication

Chief Executive Officer & General Manager's Report and Recommendation on Rates and Services

March 20, 2025

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Planning and Revenue Strategy

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For additional copies of this volume, or for information on issues included in the report, call SMUD at: 1-855-736-7655

Table of Contents

List of Figures **5**

List of Tables **6**

Rate Requirements and Recommendations **7**

Executive Summary 7

Board Strategic Direction 9

Rate Increase Drivers 10

Competitive Position 15

Workshops and Community Participation 18

Revenue Requirement **20**

Summary of Changes 20

Changes to Residential Rates **22**

Rate Increase for Residential Rates 22

Optional Rate for Residential Customers 24

Changes to Commercial Rates **31**

Rate Increase for Agricultural and Commercial & Industrial Rates 31

Changes to Street, Traffic and Lighting Rates **33**

Rate Increase for Street/Traffic/Lighting Rates 33

Miscellaneous Rate Changes **34**

Modifications to Distribution Wheeling Service (DWS) 34

Modifications to Standby Service Charge Language 34

Changes to Rules and Regulations **36**

Rule 6 – Billing, Payment of Bills, and Credit 36

Rule 16 – Extension of Facilities to Nonresidential Premises 36

Detail of Rate Changes **38**

Residential Rates 38

Agricultural Rates 40

Small Commercial & Industrial Rates (0-299 kW) 41

Small Commercial & Industrial Rates (300-499 kW) 42

Medium Commercial & Industrial Rates (500-999 kW) 43
Large Commercial & Industrial Rates (1000+ kW) 44
Temperature Dependent Pricing Rate (TDP) 45
Combined Heat & Power (CHP) Distributed Generation 45
Distribution Wheeling Service 45
Miscellaneous Commercial Charges 46
Outdoor Street and Traffic Lighting Rates 46
Information on SMUD Performance 47
Customer Satisfaction 47
System Average Interruption 48
Customer Contacts 49
Other Customer Service Information 50
Environmental Assessment 52
SMUD Programs and Web Links 53
Strategic Direction 54
Compliance 63
Introduction 63
Cost-Justified Fees for Benefits and Services 63
Proposed Adjustments 63
Fees for Use of SMUD Property; Fines and Penalties 64
Glossary 65
Unaudited Financial Statistics 70
SMUD Retail Energy Sales Forecast 70
Pro Forma Tables 72
Annual Sales Data Tables 75
Appendix I 79
Historical Adopted Rate Increases 79
Appendix II 80
NERA Residential Optional Rate Review Letter 80
Audited Financial Statements 83
December 31, 2024 and 2023 83

List of Figures

Figure 1 – Capital Expenditures and Funding....12
Figure 2 – Cost Breakout (Millions)....13
Figure 3 – Projected Commodity Costs....13
Figure 4 – Bond Debt Service Payments (Millions)....14
Figure 5 – Annual Rate Increase vs. Consumer Price Index....15
Figure 6 – SMUD vs. PG&E System Average Rates....16
Figure 7 – California Utilities System Average Rates ($/kWh)....18
Figure 8 – Rate Increase Monthly Bill Impacts for Standard Rate Customers....23
Figure 9 – Rate Increase Monthly Bill Impacts for EAPR....23
Figure 10 – Rate Increase Monthly Bill Impacts for MED....24
Figure 11 – Average Summer Maximum Use by Panel Size....26
Figure 12 – Average Summer 2024 Residential Daily Energy Usage....26
Figure 13 – SIFC Cost Components....27
Figure 14 – Potential Bill Impacts of the Time-of-Day (Low Use) Rate....29
Figure 15 – Customer Satisfaction Survey Results....47
Figure 16 – J.D. Power 2024 Residential Satisfaction Index....48
Figure 17 – J.D. Power 2024 Business Satisfaction Index....48
Figure 18 – SMUD Outage Duration and Frequency by Year....49
Figure 19 – Customer Contacts Answered by Year....50
Figure 20 – Self-Service transactions vs. the CSR Channel in 2024....51

List of Tables

Table 1 – Forecast of Selected Financial and Rate Information 15

Table 2 – SMUD vs. PG&E Comparison Class Average Rates ($/kWh) 17

Table 3 – SMUD Forecasted Revenue after Proposed Increases* 20

Table 4 – EAPR Maximum Monthly Discounts.....22

Table 5 – SIFC Percentage of Bill 25

Table 6 – Prices for the Optional Time-of-Day (Low Use) Rate 28

Table 7 – Average Monthly Bill Impacts.....29

Table 8 – Average Commercial and Agricultural Bill Impacts.....31

Table 9 – SMUD Retail Energy Sales Forecast.....71

Table 10 – Pro Forma Consolidated Income Statement 72

Table 11 – Pro Forma Capital Expenditures 73

Table 12 – Pro Forma Consolidated Sources and Uses of Cash.....74

Table 13 – Annual Sales Data by Rate Schedule – 2023 75

Table 14 – Annual Sales Data by Rate Schedule – 2024 77

Rate Requirements and Recommendations

Executive Summary

This Chief Executive Officer & General Manager's Report and Recommendation on Rates and Services (Report) explains staff's proposed changes to SMUD Rates, Rules and Regulations.

The electric utility industry continues to face substantial change in technology, business models, regulatory and cost pressures, while simultaneously striving to achieve ambitious climate goals. In 2021, the SMUD Board approved our 2030 Zero Carbon Plan, which is a road map to achieve zero carbon in our power supply by 2030, with broad air quality, health and inclusive economic and workforce development benefits. It's the most ambitious carbon reduction goal of any large utility in the United States.

The 2030 Zero Carbon Plan creates a flexible pathway to a clean energy future that's anchored on our longstanding commitment to provide safe and reliable power with rates among the lowest in California. Importantly, the 2030 Zero Carbon Plan is inclusive to help ensure all communities benefit from decarbonization. We won't compromise on this commitment.

We've made significant progress on our 2030 Zero Carbon Plan, forging strong partnerships to deliver key projects, including electric vehicle charging hubs and the largest all-electric multi-family retrofit project in California. In 2025, the ongoing economic conditions, uncertain inflation, and evolving energy markets continue to pose challenges, as fluctuations in the cost of goods, services, and energy prices affect people and businesses alike.

In 2025, staff is recommending increasing rates by 3% in 2026 and in 2027 for all rates except the proposed optional residential rate, which is discussed in more detail below.

SMUD continues to take a strategy led, risk-based approach to prioritize spending. Our disciplined, cross-company approach to operational excellence has delivered significant operational savings that helps mitigate the impact of higher costs. However, SMUD is not immune from the significant, economy-wide cost pressures. The most significant costs putting upward pressure on our rates include:

- **Increasing commodity costs:** Additional $34 million in commodity costs. These renewable energy contracts and resource adequacy costs are to ensure we comply with new state Renewable Portfolio Standards (RPS), ensure grid reliability, and advance our 2030 Zero Carbon Plan goals.
- **Capital spending to support reliability**: To maintain our world-class reliability, we're investing in our grid's resilience to meet growing energy demands, utilizing borrowing to minimize rate impacts by spreading the costs of capital projects over time.
    - **New generation and storage assets -** $280 million to support new wind, solar and storage projects to help us meet our California mandates for RPS compliance requirements.

    - **Substation and line capacity projects -** $251 million for projects such as El Rio, Station J and Pocket substations to help ensure our grid stays reliable.
    - **Folsom Administrative Operations Building -** $90 million for a modern power control center, which is critical to supporting the delivery of reliable service to our region and will help ensure our grid remains modern, resilient and reliable.
- **Wildfire mitigation and inflation impacts**: Expenditures for wildfire mitigation and inflation are increasing by $22 million to address rising wildfire risks in California and the higher costs of essential materials and services, while also enhancing reliability and response to outages from severe winter storms.

SMUD strives to equitably allocate costs across and within customer classes, while providing customers with flexibility and choices. With that in mind, staff is recommending an optional residential rate designed specifically for customers that don't use much energy and have a small electrical panel size of up to 125 Amps. This rate will include a lower monthly System Infrastructure Fixed Charge (SIFC) that reflects a smaller contribution of distribution facilities with a corresponding energy cost addition to ensure revenue neutrality. This rate will offer an alternative option for residential customers whose SIFC represents a large proportion of their monthly bill.

This new optional rate will only have the rate increase applied to the energy charges. In order to ensure that the rate increase for the optional rate provides a 3% revenue increase, the energy prices will be increased by 3.88% on Jan. 1, 2026 and 3.85% on Jan. 1, 2027. The proposed SIFC for the optional rate will not be increased by the proposed rate increases in 2026 and 2027.

These rate increases put our cumulative rate increases below the rate of inflation. Even with these proposed rate increases, our rates will remain among the lowest in the state. In alignment with the 2030 Zero Carbon Plan, we have kept rate increases below inflation since 2021, with an average annual increase of 3.6% compared to an average inflation rate of 3.8%, ensuring that electric service in the Sacramento area remains affordable.

SMUD has worked diligently to keep the proposed rate increases as low as possible while supporting the investments necessary to deliver on our commitments to our customers and community. Many utilities have increased their electric rates significantly across the state to align with the increasing cost to do business, and we continue to see surrounding utilities raising their electric rates.

We recognize that rate increases, however small, impact our customers. So before recommending a rate increase, we looked at our processes and operations to identify ways we can improve efficiency and save money. Over the last year, our Operational Excellence program delivered numerous savings, including refunding outstanding bonds at lower interest rates. Our 2024 Operational Excellence efforts alone have resulted in over $52 million in ongoing and multi-year savings.

We invite our customers and the community to learn more about the rate proposals and share feedback. Public workshops will be held in-person and virtually to allow customers options for how they would like to share their feedback. For more information, see the Workshops and Community Participation section on page 19.

Board Strategic Direction

SMUD's Board established 19 Strategic Directions (SDs) to guide business decisions and SMUD's operations. The full description of all SDs can be found in the Strategic Direction section in this Report and at smud.org/StrategicDirection. The recommendations in this Report are primarily driven by the Board's Competitive Rates Strategic Direction 2 (SD-2). SD-2 includes the following objectives:

- Establish rate targets that are 18% below Pacific Gas and Electric (PG&E) system average rates and at least 10% below PG&E published rates for each customer class.
- Be competitive with other local utilities on a system average rate basis.
- Reflect the cost of energy when it is used or exported to the grid.
- Reduce consumption during periods of high system demand.
- Encourage energy efficiency, conservation, and carbon reduction.
- Encourage cost-effective and environmentally beneficial Distributed Energy Resources (DERs) (examples include but are not limited to rooftop solar, battery storage, and energy reduction applications).
- Minimize the rate of change in the transition from one rate design to another.
- Provide customers flexibility and choices.
- Be as simple and easy to understand as possible.
- Address the needs of people with low incomes and severe medical conditions.
- Equitably allocate costs across and within customer classes.

In addition to these rate design objectives, the proposed rate changes can help meet SMUD's financial targets and other strategic directions by:

- Maintaining cash coverage of all debt service payments (fixed charge ratio) of at least 1.50.
- Maintaining days cash on hand of at least 150 days.
- Maintaining access to credit markets.
- Maintaining SMUD's credit rating, which reduces borrowing costs and related rate increases.
- Striving to achieve our 2030 Zero Carbon Plan goal of eliminating carbon emissions from our electricity production by 2030, while maintaining reliable and affordable service and partnering with our customers, communities and a wide-range of stakeholders.
- Meeting the Board's reliability targets while making funds available to increase efforts to support system upgrades and preventive and corrective maintenance of our existing infrastructure, which is critical to the safe and reliable operation of the transmission and distribution systems.
- Providing SMUD with the resources to invest in safety, customer satisfaction, public trust and confidence.

Rate Increase Drivers

SMUD must cover costs for clean energy compliance and state mandates, as well as make investments in new generation and storage assets to ensure the safe and efficient operation of the grid. Additionally, we continue to face cost pressures due to wildfire and inflation impacts, along with expenses to maintain a reliable and resilient grid. It's important that we balance keeping rates affordable while ensuring we maintain strong financial metrics, which are measures of financial health. Ensuring our financial viability is crucial for us to achieve our vision and purpose, as outlined in the Board's Strategic Direction.

Based on current forecasts, staff proposes a rate increase of 3.0% on Jan. 1, 2026 and another 3.0% on Jan. 1, 2027 for all rates classes. To ensure that the rate increase for the proposed optional rate provides a 3% revenue increase, the energy prices will be increased by 3.88% on Jan. 1, 2026 and 3.85% on Jan. 1, 2027 while the SIFC will remain at $17.

These support our commitment to keep rate increases at or below the rate of inflation through 2030. These increases translate into approximately an average monthly bill increase for residential customers of $4.35 from the Jan. 1, 2026 rate increase, and an increase of $4.48 from the Jan. 1, 2027 rate increase.

The proposed rate increases are driven by increased costs. Our largest cost drivers are outlined below, with the amount of the expected cost increase. There are other areas of increasing costs, but these are the key contributors to the rate increase.

- **Commodity costs** are increasing by $34 million over the next two years for our reliability and to meet new state RPS requirements. This is being driven by additional renewable energy and resource adequacy to ensure we can meet our electricity needs at all times. SMUD is investing in clean energy resources like more wind, solar, geothermal, hydropower, battery storage and biogas to meet updated state requirements and keep the grid reliable and safe, while also supporting our 2030 Zero Carbon Plan goals.
- **Capital Spending to support reliability:** Maintaining our world-class reliability is critical to our success, therefore we continue to invest to ensure our grid stays reliable and resilient, capable of meeting the demands of a growing population and evolving energy needs. Because we borrow for a portion of our capital spending, the rate impact is based on the additional interest costs of the borrowing. Borrowing helps keep rate increases lower because it spreads the cost of capital projects over many years. Here are some key areas we're expecting to see cost increases to support our reliability:
    - **New generation & storage assets -** $280 million to support new wind, solar and storage projects to help us meet our California mandates for RPS compliance requirements.
    - **Substation and line capacity projects -** $251 million for projects such as El Rio, Station J and Pocket substations to help ensure our grid stays reliable.
    - **Folsom Administrative Operations Building -** $90 million for a modern power control center, which is critical to supporting the delivery of reliable service to our region and will help ensure our grid remains modern, resilient and reliable.
- **Wildfire mitigation and inflation** impacts are rising by $22 million. These expenditures are aimed at preventing and mitigating wildfires, as well as addressing the increased costs of

essential materials and services due to higher inflation. The risk of wildfires in California continues to escalate. Additionally, we are investing in enhancing our reliability and improving our response to outages caused by severe winter storms.

We continue to use a risk-based approach to prioritize spending for 2026 and 2027, while looking to find ways to offset higher costs and ensure that the required rate increases stay within general inflation. By focusing on Operational Excellence, staff works to identify small and large efforts that can deliver significant, sustainable savings and create permanent cost reductions and operational efficiencies. In the past, we've successfully created permanent cost reductions through Operational Excellence efforts and continue to double down on our efforts to achieve further cost savings. For example, we recently saved about $33 million in ongoing interest savings from refunding our bonds with lower interest rates, refunding a commodity prepayment bond and forming a captive for insurance coverage. These financial strategies collectively strengthen SMUD's fiscal health, operational efficiency and helped reduce the recommended rate increases.

Utility operations are complex. SMUD is required to meet a wide range of mandates, regulations and environmental, cybersecurity and wildfire prevention requirements, while ensuring reliability and safety. Moreover, as a community-owned, not-for-profit, SMUD adds new programs, services and initiatives each year to ensure we're meeting our customers' expectations and advancing our leadership position in the industry. Our goal is to absorb cost increases and new program costs within existing budgets wherever possible.

It's important to note that community-owned utilities, and specifically SMUD, are viewed positively by credit rating agencies. In addition to superior risk management, sustainable levels of debt issuance and prudent cash reserves, rating agencies cite the Board's willingness to act decisively and set rates necessary to ensure financial sustainability and meet targets and goals. While the independent ability to set rates has always been an advantage, Fitch, Moody's and S&P have recognized it as a factor that helps keep community-owned utilities' credit ratings relatively higher, which lowers borrowing costs and helps minimize overall rate increases. We estimate that our current credit rating of AA by Fitch and S&P, and Aa2 by Moody's, saves SMUD customers approximately $150,000 annually for every $100 million borrowed over an A rating. This adds up to a significant amount over the life of a 20- to 30-year bond issuance. Our higher credit rating reduces letter of credit expenses and collateral posting requirements, gives us additional options for types of variable rate debt, and helps to negotiate better power purchase agreement prices.

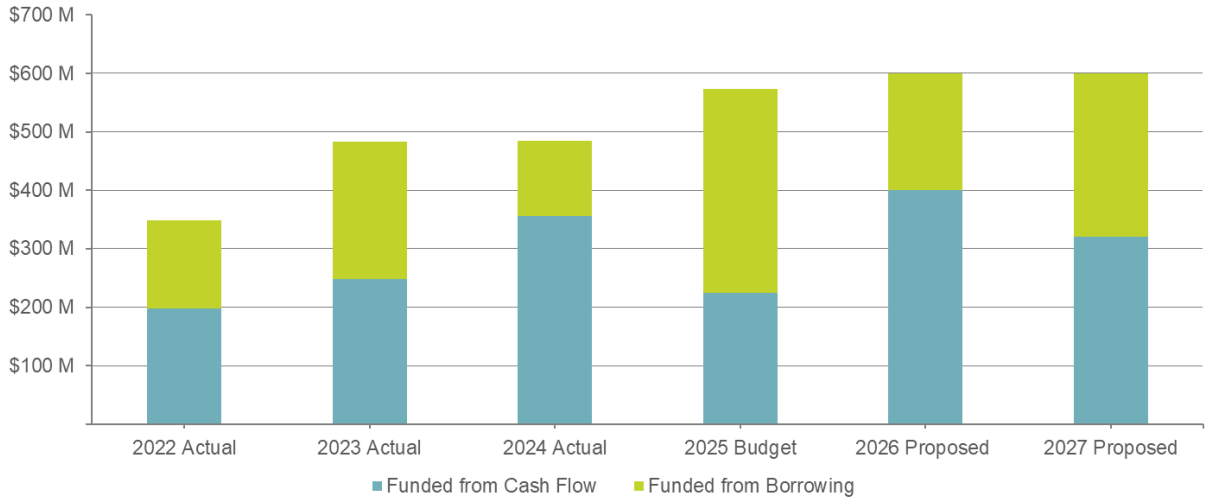
Capital Expenditure Forecast and Funding

In addition to upgrading the electric system, we continue to build additional renewable and grid infrastructure projects to ensure reliability, reduce carbon and meet customers' needs. Major projects planned include new renewable generation and energy storage capital projects; substation and line capacity projects, such as El Rio, Station J and Pocket substations; and our Folsom Administrative Operations Building–a modern power control center critical to maintaining reliable service in our region. Ongoing projects include required maintenance overhauls on our natural gas-fired power plants to ensure reliable operation before being retooled or retired as part of the 2030 Zero Carbon Plan, improvements to hydro generation facilities, updating infrastructure such as replacing poles and underground cable and distribution system enhancements for load serving capability. Load serving capability is the maximum

load that can be served with all power-generating facilities in service while meeting all applicable reliability standards. Figure 1 shows capital expenditures through 2027.

SMUD funds its capital projects in two ways: through cash flow (customer revenue in excess of operating costs and debt service) and through new borrowing/debt. To help fund the capital program, we're forecasting debt issuances in 2025-2027. SMUD matches the term of any new debt with the economic life of the asset it is funding. To have sustainable access to credit markets at favorable rates, and to maintain our long-term financial health, we must balance the percentage of capital projects funded by debt and cash flow. Investments like technology and our vehicle fleet have relatively short lives and are typically funded with cash flow. Longer life assets, such as electric substations, are funded with a combination of cash flow and debt. These investments are funded through a combination of resources including power purchase agreements (PPA), debt and cash. Figure 1 shows the proposed amount of capital funding by cash flow and by borrowing.

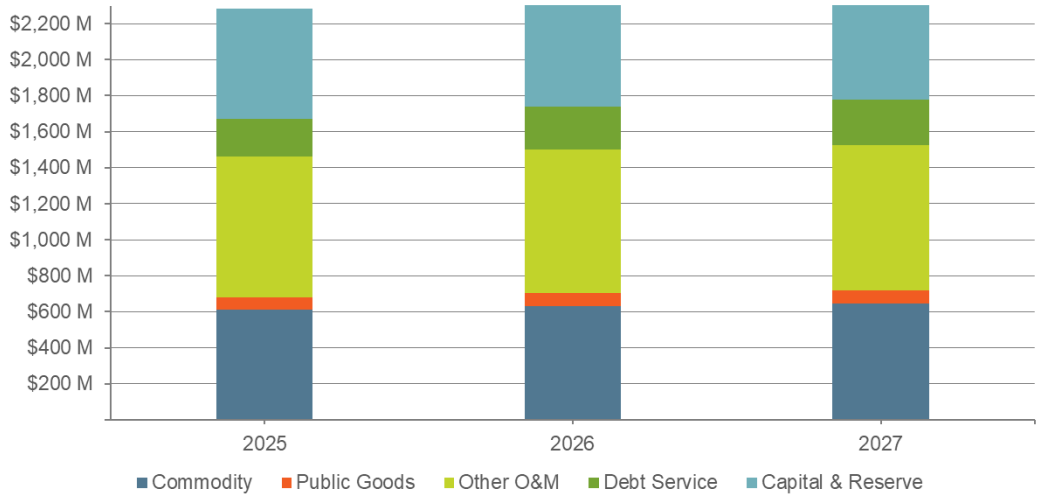
Figure 1 – Capital Expenditures and Funding



SMUD's Operating Costs

One of our largest operating costs is power supply, which consists primarily of wholesale electricity purchases, resource adequacy costs, the cost to procure transmission and the cost of fuel used to generate electricity to serve our customers. Debt service, which is 9% of our total 2025 Budget, is the cost of money borrowed to acquire and build the power plants and infrastructure needed to serve SMUD customers. Power supply and debt service together represent approximately one-third of total operating costs. As shown in Figure 2, Capital, O&M and Public Goods represent the remaining two-thirds of our operating costs.

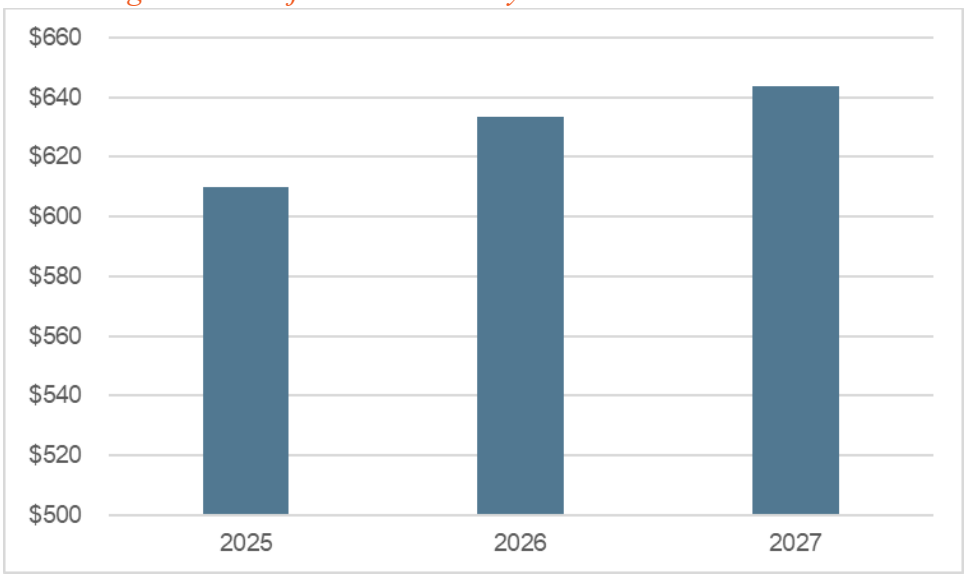
Figure 2 – Cost Breakout (Millions)



Power Supply Costs

In addition to being one of the largest parts of the operating budget, power supply costs have the most potential to change dramatically from year to year due to fluctuations in commodity prices, load, project online dates, precipitation and weather. We've locked most of our energy costs with multi-year, fixed-price power purchase agreements, and energy and natural gas storage agreements. We also hedge electricity and fuel costs, and set aside money in rate stabilization funds, to reduce price volatility for customers.

Figure 3 – Projected Commodity Costs



In an average year, we receive about 20% of our energy from hydroelectric generation, primarily from the Upper American River Project (UARP) and deliveries from the Western Area Power Administration (WAPA). The actual amount of hydroelectric energy received can vary from 8% to 35%, depending on reservoir levels and the amount of precipitation received during the water year. WAPA's generation is

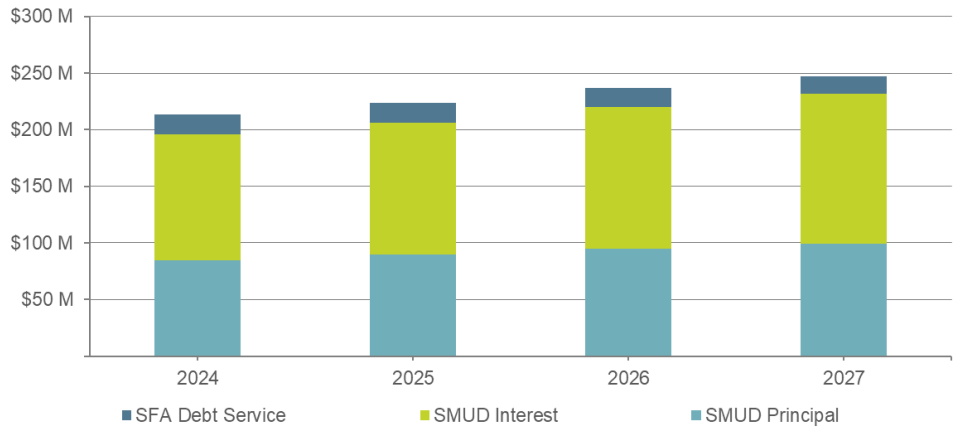
also influenced by WAPA's energy use for pumping, water deliveries for agriculture, and flow and temperature requirements in the Sacramento-San Joaquin River Delta. These variations can have a major impact on the volume of energy we must buy from the market in any one year, which significantly impacts our power supply costs. The rate increases proposed in this Report are based on hydro generation from a normal water year.

We have a revenue smoothing mechanism that sets aside revenue generated in a wet year to pay for the extra power purchases needed in a dry year. This has helped insulate SMUD customers' bills from weather impacts, even during prolonged droughts.

Debt Service

Our current rates generate sufficient annual cash flows to cover existing debt service (principal and interest) payments. However, due to projected increased capital expenditures as shown in Figure 1 – Capital Expenditures and Funding, we may need to increase debt levels and debt service payments to partially fund these investments, in addition to what's already forecasted in 2025. This increase may impact financial metrics and may also require future rate increases to maintain the fixed-charge coverage ratio – the ratio of annual cash flows to annual debt service payments. Maintaining a strong fixed-charge coverage ratio and sufficient days cash on hand helps ensure we maintain our credit rating, which in turn helps keep costs low, minimizing overall costs and the need for rate increases.

Figure 4 – Bond Debt Service Payments (Millions)



SFA stands for SMUD Financing Authority.
The figures in the chart above do not include debt service relating to the commodity prepay transactions.

Table 1 shows the forecast of select financial and rate information for 2025 through 2027, including a forecast of new debt issuance and fixed charge ratio. We plan to a fixed-charge ratio of at least 1.7 and a minimum of 150 days cash on hand. A fixed-charge ratio of at least 1.7 allows us to stay in compliance with bond requirements in the event of various weather and operating conditions or any unforeseen events. With the proposed rate increase and projected debt issuances, the 2027 projection ends with 151 days cash on hand.

Table 1 – Forecast of Selected Financial and Rate Information

	2025 Budget	2026 Projection**	2027 Projection**
Proposed January System Rate Change	*	3.00%	3.00%
Net Income ($M)	$117	$174	$158
Fixed Charge Ratio	2.03	2.32	2.56
Amount of Debt Issued ($M)	$350	$200	$280
Net Change in Debt ($M)	$246	$92	$168
Days Cash on Hand	151	154	151

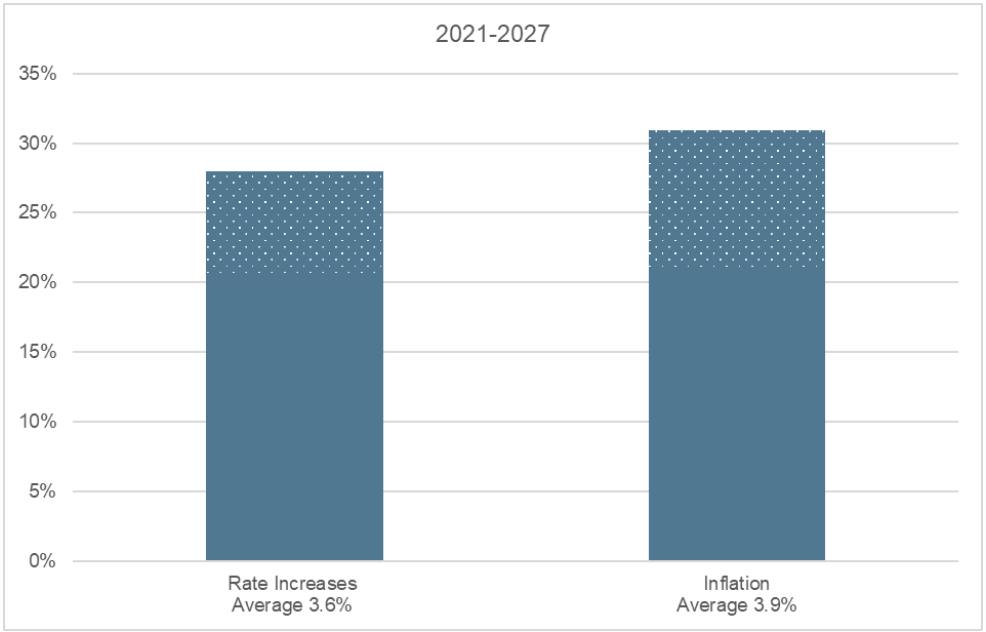
*2025 two rate increases of 2.75% for all customers already adopted and not presented here.
**Projections for 2026 and 2027 includes two 3.0% rate increases, one each on Jan. 1, 2026 and Jan. 1, 2027.

Competitive Position

Strategic Direction 2, Competitive Rates

SD-2 establishes guidelines for SMUD's rates compared to neighboring utilities. We've consistently met or exceeded SD-2 guidelines. As part of the 2030 Zero Carbon Plan, we pledged to keep rate increases below inflation. As shown in Figure 5, rate increases since the adoption of the 2030 Zero Carbon Plan in 2021 have stayed below the general rate of inflation, as measured by the Consumer Price Index (CPI). As a result, electric service in the Sacramento area has remained affordable.

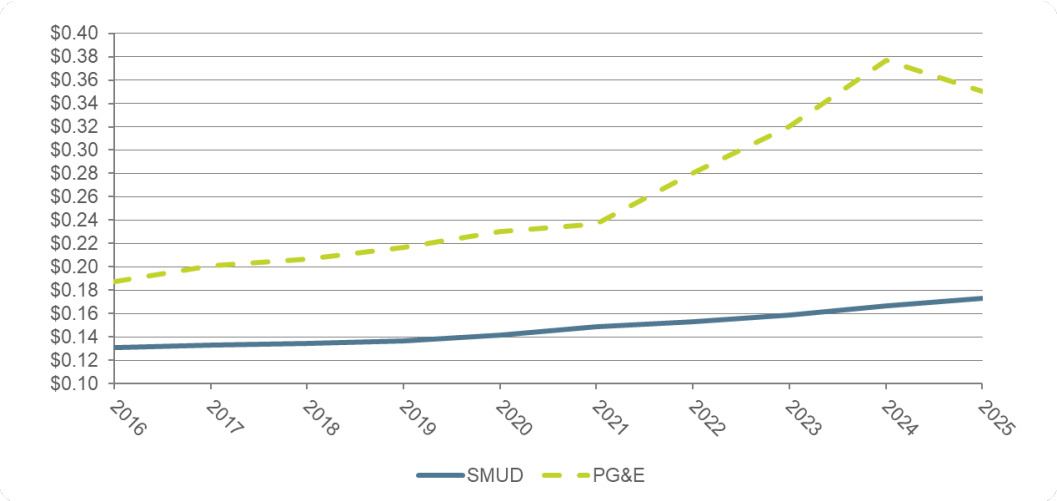
Figure 5 – Annual Rate Increase vs. Consumer Price Index



Source: SMUD's historical adopted rate increases from 2021 through 2025, and proposed rate increases for 2026 and 2027. Historical CPI data from Bureau of Labor Statistics. Forecasted CPI data for 2025 to 2027 from Bloomberg.

The SMUD Board's SD-2 specifies that we will maintain a system average rate at a level that's at least 18% below that of PG&E. Our projected 2025 system average rate is 17.28 cents per kWh, which is 50.7% lower than PG&E's projected system average rate for the same year. SMUD rates have been significantly below PG&E's rates for more than a decade. Figure 6 shows the comparison of the last decade.

Figure 6 – SMUD vs. PG&E System Average Rates



Source: EIA 861 survey through 2023. 2024 rates from EIA 861M. 2025 rates from PG&E's Advice Letter 7469-E, dated 12/30/24 and SMUD's 2025 forecasted system rate.

Table 2 shows that our average system rates with the approved 2025 rate increases are projected to be 50.7% lower than PG&E and most commercial rates are priced even lower. SD-2 also establishes a metric for competitive system rates that are 10% below PG&E for every major rate class. After the proposed rate increases in 2026 and 2027, and assuming PG&E's rates do not increase for the same years, SMUD rates would remain 48.8% and 47.3% lower than PG&E respectively.

Although not included in Table 2, PG&E filed its 2023 General Rate Case requesting an additional rate increase for 2025 of approximately 1.6% and a decrease for 2026 of approximately 2.8%.

Table 2 – SMUD vs. PG&E Comparison Class Average Rates ($/kWh)

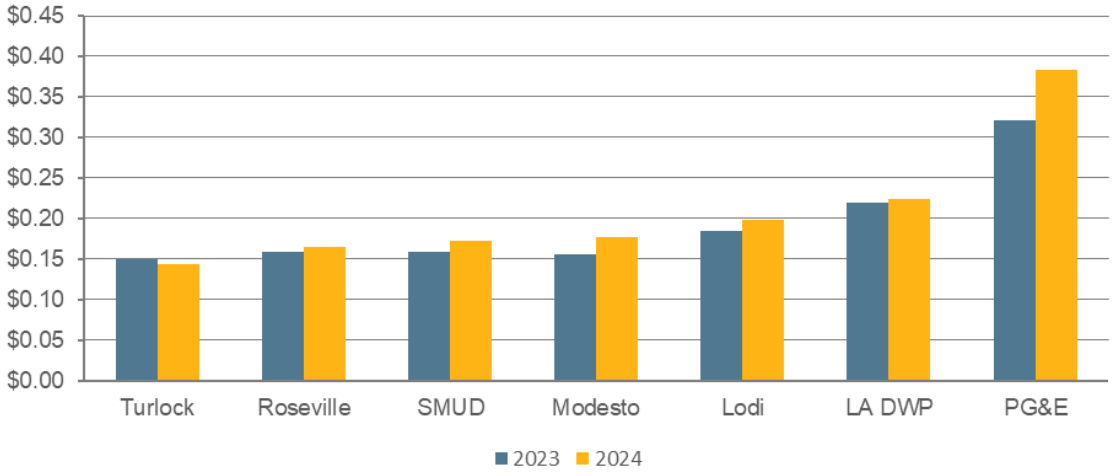
Customer		Rate Categories		Average Annual Rate [1]		SMUD Difference Below PG&E		
Class	Description	PG&E	SMUD	PG&E	SMUD			
				2025	2025	2025	2026	2027
Residential	Standard	E-1	TOD	$ 0.4247	$ 0.1970	-53.6%	-52.1%	-50.9%
	Low-income	CARE [3]	EAPR EAPR/MED [3]	$ 0.2476	$ 0.1353	-45.4%	-42.2%	-39.7%
All Residential				**$ 0.3588**	**$ 0.1888**	**-47.4%**	**-45.5%**	**-43.9%**
Small Commercial [2]	≤ 20 kW	B-1	CITS-0	$ 0.4357	$ 0.1931	-55.7%	-53.9%	-52.4%
	21 - 299 kW	B-6	CITS-1	$ 0.4318	$ 0.1782	-58.7%	-57.2%	-55.9%
Medium Commercial [2]	300 - 499 kW	B-10	TOD-2	$ 0.3863	$ 0.1674	-56.7%	-55.1%	-53.8%
	500 - 999 kW	B-19	TOD-3	$ 0.3391	$ 0.1551	-54.3%	-52.5%	-51.2%
Large Commercial [2]	≥ 1 MW	B-20	TOD-4	$ 0.2247	$ 0.1275	-43.3%	-40.8%	-38.7%
Lighting	Traffic Signals	TC-1	TS	$ 0.4327	$ 0.1519	-64.9%	-63.3%	-62.1%
	Street Lighting	Various	SLS, NLGT	$ 0.4675	$ 0.1783	-61.9%	-60.9%	-60.2%
Agriculture	Ag & Pumping	AG	ASN/D, AON/D	$ 0.3923	$ 0.1683	-57.1%	-55.5%	-54.2%
System Average				**$ 0.3504**	**$ 0.1728**	**-50.7%**	**-48.8%**	**-47.3%**

SMUD revenue excludes pilot rates and Greenergy® program revenue. Revenue is based on 21-cycle forecasted monthly sales. The totals may not add up due to rounding.

1. Projected 2025 average prices for SMUD with 1/1/2025 and 5/1/2025 rates. PG&E average prices in 2025 reflect rates effective 1/1/25, per Advice Letter 7469-E, dated 12/30/24.
2. SMUD commercial & industrial rates include WAPA credits.
3. CARE vs. EAPR includes EAPR and EAPRMED customers. There is no indication from PG&E that their CARE rates include customers who have a medical allowance only.

In addition, SMUD rates are lower than those of most other California electric utilities. As shown in Figure 7, our system average rate was more than 50% lower than PG&E. We continue to have one of the lowest system average rates as compared to other neighboring utilities.

Figure 7 – California Utilities System Average Rates ($/kWh)



Source: 2023 data from EIA 861. 2024 data from EIA 861M and self-reported through September 2024.

Workshops and Community Participation

We'll hold two public rate workshops and a final public hearing on the dates outlined below. At these meetings, staff will present details about the proposed rate changes and provide additional information on the expected impacts to customer bills.

We invite customers and the community at large to attend these public forums to learn more about the proposed changes, offer comments and ask questions. These forums will also provide valuable feedback for SMUD Board members, who will consider the proposed measures at the public hearing. The public hearing on June 4, 2025 will provide the last opportunity for public discussion before the SMUD Board vote on June 19, 2025.

During this rate process, we'll conduct an extensive public engagement and outreach process to share more details about the 2025 rate proposal with all customers. This includes communication with community groups and organizations to provide information about the proposals in the Report through various methods, including newsletter articles, videos and other channels to reach the organizations' members and constituents most effectively.

Customers and other interested parties may also provide input or ask questions by contacting us at 1-855-736-7655 or by email at ContactUs@smud.org.

Workshops and Public Hearing Schedule

Detailed information on the workshops will be posted on smud.org/RateInfo and is provided below:

Date & Time	Event	Location	Address
April 30, 2025, at 5:30 p.m.	Public workshop	SMUD Headquarters Auditorium and virtual meeting on Zoom.gov	6201 S Street, Sacramento
May 13, 2025, at 10:00 a.m.	Public workshop	SMUD Headquarters Auditorium and virtual meeting on Zoom.gov	6201 S Street, Sacramento
June 4, 2025, at 6:00 p.m.	Public hearing	SMUD Headquarters Auditorium and virtual meeting on Zoom.gov	6201 S Street, Sacramento

Revenue Requirement

Summary of Changes

This section explains the proposed rate increases for 2026 and 2027. To ensure we are collecting enough revenue to cover our increasing costs, staff proposes two 3.0% rate increases, one on Jan. 1, 2026, and one on Jan. 1, 2027 for all rates. To ensure a 3.0% revenue increase, the optional rate energy charges will be increased by 3.88% on Jan. 1, 2026 and 3.85% on Jan. 1, 2027, while the SIFC will remain at $17. Table 3 shows the effect of the recommended changes for 2026 and 2027.

*Table 3 – SMUD Forecasted Revenue after Proposed Increases**

Customer Class	2026 Revenue Forecast	2026 Forecast with Proposed Increase	2026 Proposed Increase Percent Impact	2027 Revenue Forecast	2027 Forecast with Proposed Increase	2027 Proposed Increase Percent Impact
Residential**	$ 970.74	$ 999.89	3.0%	$ 1,021.92	$ 1,052.61	3.0%
Small Commercial < 300 kW	$ 468.27	$ 482.32	3.0%	$ 482.36	$ 496.82	3.0%
Small Commercial 300 - 500 kW	$ 88.49	$ 91.14	3.0%	$ 92.70	$ 95.49	3.0%
Medium Commercial 500 - 1,000 kW	$ 103.61	$ 106.71	3.0%	$ 109.72	$ 113.01	3.0%
Large Commercial > 1,000 kW	$ 189.96	$ 195.66	3.0%	$ 200.28	$ 206.29	3.0%
Agricultural	$ 12.57	$ 12.95	3.0%	$ 12.95	$ 13.34	3.0%
Lighting	$ 5.68	$ 5.85	3.0%	$ 5.85	$ 6.03	3.0%
Total Revenue	**$ 1,839.30**	**$ 1,894.52**	**3.0%**	**$ 1,925.78**	**$ 1,983.58**	**3.0%**
EAPR & Medical Equipment Discounts* **	**(36.96)**	**(37.10)**		**(37.02)**	**(37.16)**	

*Revenue based on 21-cycle month and excludes special contracts, pilot rates and lighting fees. Total Revenue may not add due to rounding. Total Revenue will not match the income statement due unbilled revenue and other factors. Total revenue is in millions.

** Includes the proposed Time-of-Day (Low Use) rate revenue requirement.

***Subsidy numbers are an approximation.

The remainder of this Report presents the detailed recommendations for rate changes and changes to SMUD's Rules and Regulations.

Changes to Residential Rates

Rate Increase for Residential Rates

Purpose

This proposal recommends two 3.0% rate increases, one on Jan. 1, 2026, and one on Jan. 1, 2027, for all residential rates except for the Time-of-Day (Low Use) rate. The proposed rate increases will be applied to all rate components, including the monthly System Infrastructure Fixed Charge (SIFC), energy charge and miscellaneous charges on customers' bills.

This proposal recommends applying the rate increases only to the energy charges of the Time-of-Day (Low Use) rate. To ensure a 3.0% revenue increase, the increase to the energy charges will be 3.88% on Jan. 1, 2026 and 3.85% on Jan. 1, 2027. Customers on this rate will not experience an increase in the proposed SIFC of $17.

Customers on the income-qualified Energy Assistance Program Rate (EAPR) will continue to receive a discount, keeping electric service affordable for low-income customers. The discount formula and caps approved in prior rate actions will remain unchanged in 2026 and 2027, as shown in Table 4.

Table 4 – EAPR Maximum Monthly Discounts

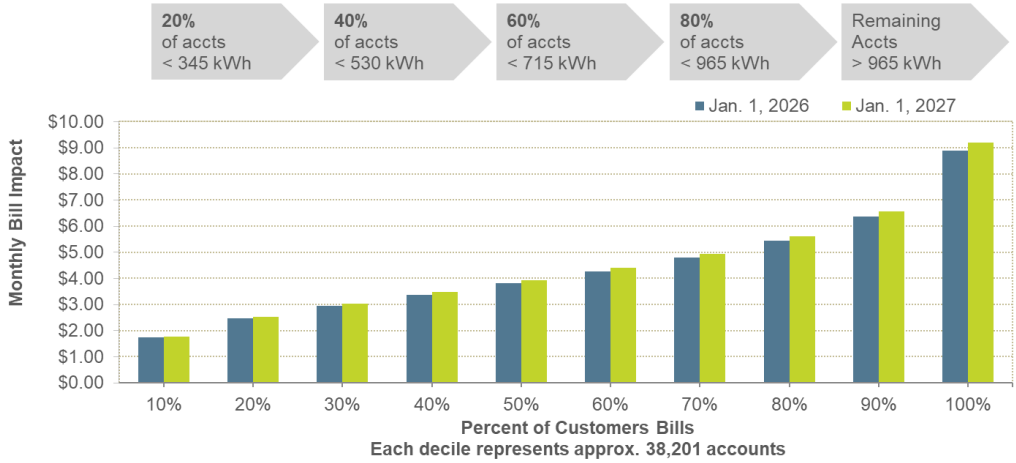
Charge Component	Federal Poverty Level	Maximum Discount
SIFC Discount	All levels (0-200%)	$10
Maximum Energy Discount	0-50%	$60-$95[1]
	>50-100%	$32
	>100-150%	$10

1.Discount includes an additional monthly discount, which can range from $0 to $35.

Bill Impact

Bill impacts depend on how much electricity a customer uses each month and when they use energy. Figure 8 shows an overview of the distribution of bill impacts for standard rate customers in 2026 and 2027 if energy consumption remains the same. As a reference, a standard residential customer using 750 kWh per month on average will see an average monthly bill impact of $4.35 in 2026 and an additional increase of $4.48 in 2027. On average, about 80% of customers will see monthly bill impacts of approximately $5.43 or less in 2026 and $5.60 or less in 2027.

Figure 8 – Rate Increase Monthly Bill Impacts for Standard Rate Customers



Analysis based on stable population of standard customers for calendar year 2024.

EAPR customers' bill impacts differ from standard rate customers, depending on their discount rate and energy usage. The EAPR rate discount is based on the Federal Poverty Level (FPL), with more assistance to customers with household incomes below 100% FPL, while continuing to provide some assistance to EAPR customers whose income falls within the 100% to 200% FPL range. Figure 9 illustrates the bill impacts for EAPR customers by FPL. On average, EAPR customers across all ranges of FPL will see an average monthly bill impact of $3.83 in 2026 and an additional increase of $3.95 in 2027.

Figure 9 – Rate Increase Monthly Bill Impacts for EAPR

Jan. 1, 2026

Average Monthly Bill Impact:

FPL	Avg kWh	
0-50%:	737	$3.45
50-100%:	628	$3.67
100-150%:	672	$4.00
150-200%:	708	$4.18
Average	***663***	***$3.83***

Jan. 1, 2027

Average Monthly Bill Impact:

FPL	Avg kWh	
0-50%:	737	$3.59
50-100%:	628	$3.78
100-150%:	672	$4.12
150-200%:	708	$4.31
Average	***663***	***$3.95***

Analysis based on stable population of EAPR customers for calendar year 2024. Amounts may reflect minor rounding differences.

Figure 10 provides average bill impacts to customers on the Medical Equipment Discount Program (MED Rate). It's important to keep in mind that MED Rate customers tend to have higher average electricity usage due to the equipment in their homes, so their bill impact is higher than that for standard and EAPR customers. On average, MED Rate customers will see an average monthly bill impact of $4.94 in 2026 and an additional increase of $5.10 in 2027.

Figure 10 – Rate Increase Monthly Bill Impacts for MED

Jan. 1, 2026

Average Monthly MED Bill Impact:

% of Population	Avg kWh	
0-25%	1,507	$7.87
26-50%	927	$5.20
51-75%	660	$3.93
76-100%	387	$2.61
Average	***875***	***$4.94***

Jan. 1, 2027

Average Monthly MED Bill Impact:

% of Population	Avg kWh	
0-25%	1,507	$8.13
26-50%	927	$5.36
51-75%	660	$4.05
76-100%	387	$2.68
Average	***875***	***$5.10***

Analysis based on stable population of MED customers for calendar year 2024. Amounts may reflect minor rounding differences.

Revenue Impact

The rate increase in 2026 is forecasted to generate approximately $29 million in added revenues from all residential rate categories, and the rate increase in 2027 is forecasted to generate an approximate additional $31 million in added revenues from all residential rate categories.

Recommendation

Staff recommends adoption of two 3.0% rate increases, one on Jan. 1, 2026, and one on Jan. 1, 2027, for all residential rates.

Staff recommends adoption of a 3.88% rate increase on Jan. 2026 and 3.85% on Jan. 2027 on energy charges for the proposed Time-of-Day (Low Use) rate. The SIFC will remain at $17 in 2026 and 2027.

Revisions described above are detailed in the residential Rate Schedules included in Volume 2 of this Report.

Optional Rate for Residential Customers

Purpose

SMUD's standard residential Time-of-Day (TOD) rate consists of a monthly fixed charge, the SIFC, as well as energy charges based on the season and time of day. The SIFC is designed to recover a portion of the cost of the grid that connects the customer to the distribution system through the local transformer and wires, metering costs and the costs to provide customer service and support. As of May 1, 2025, the approved residential SIFC will be $26.20.

All residential customers use energy differently. Some customers, such as those who live in average and large houses, use the grid more and consume more energy compared to customers who live in apartments and smaller houses, which tend to use much less energy.

For customers that do not use much energy, the SIFC in the standard TOD rate can be a large proportion of the monthly bill. Table 5 shows the portion of a customer's bill the SIFC could be, depending on their electricity usage. A customer on the standard TOD rate using 750 kilowatt hours (kWh) a month would see the SIFC being approximately 18% of their bill, while a customer using only 150 kWh a month would see the SIFC being approximately 52% of their bill. The discrepancy in the proportion of the SIFC to the overall bill has led staff to explore alternative options.

Table 5 – SIFC Percentage of Bill

Monthly Usage (kWh)	Monthly Bill*	SIFC Share of Monthly Bill
750	$145	18%
300	$75	35%
150	$51	52%

*The 750 kWh monthly bill is based off of a weather normalized load shape, while the 300 and 150 kWh monthly bills are based off of a load shape determined by an average of the 2024 usage data for customers with panel sizes ≤125 amps and usage under 465 kWh on average per month.

Impact of panel size on usage

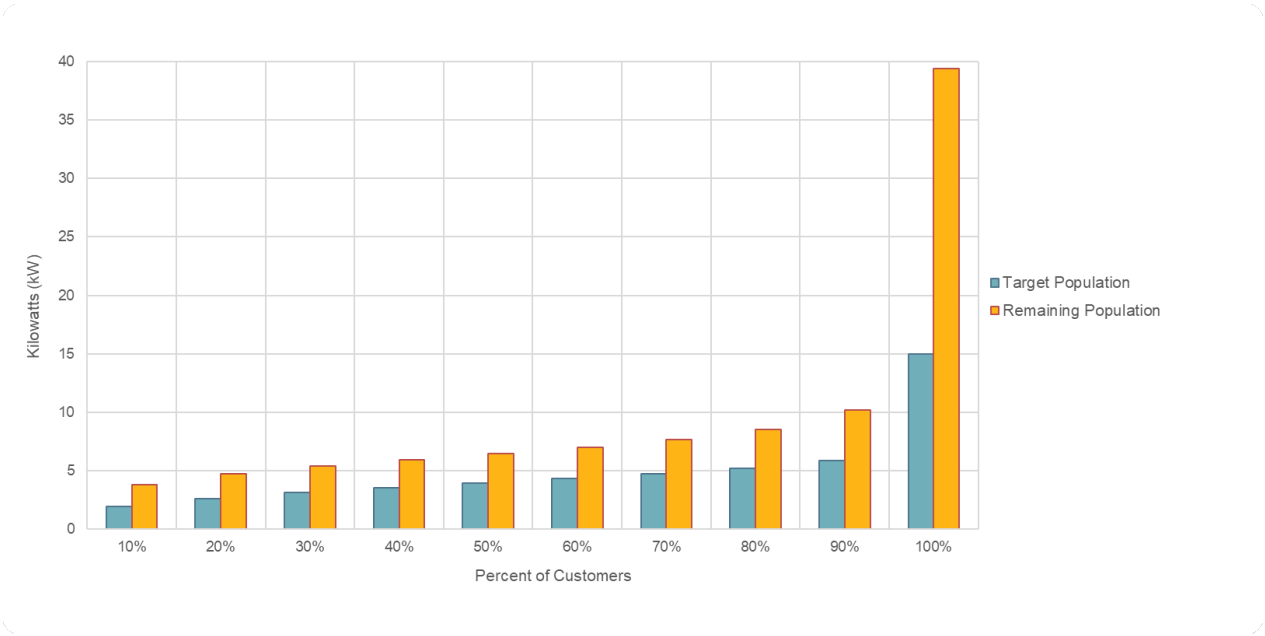
Every home has an electrical panel, which is the main point where electricity from the utility enters the house through the electric meter and is distributed to the various circuits throughout the home. The panel size is measured in amperes (amps) and can come in a variety of sizes from less than 100 amps to 200 amps, and even 400 amps and higher. Smaller, older homes and apartments tend to have smaller panel sizes, while larger and newer homes typically have larger panel sizes, generally 200 amps or higher.

The size of the panel doesn't directly determine the amount of energy a customer uses but does limit the amount of energy a customer could use and limits the stress that a customer can contribute to the grid. A higher amp panel can support larger loads, such as numerous appliances, HVAC (heating, ventilation and air conditioning) systems, pools, heat pumps and electric vehicles (EVs).

Staff's analysis found that customers with a panel size of 125 amps or less, on average, use less of the grid than the rest of the residential population because customers are limited by the maximum capacity of the 125 amp panel, particularly those customers that use a small amount of energy. Homes with lower energy demands use a smaller portion of the local transformer they're connected to, which means that one transformer can serve more residences compared to homes with larger panel sizes. On the other hand, homes with larger demands use a greater portion of a transformer's capacity, which limits the number of homes it can serve.

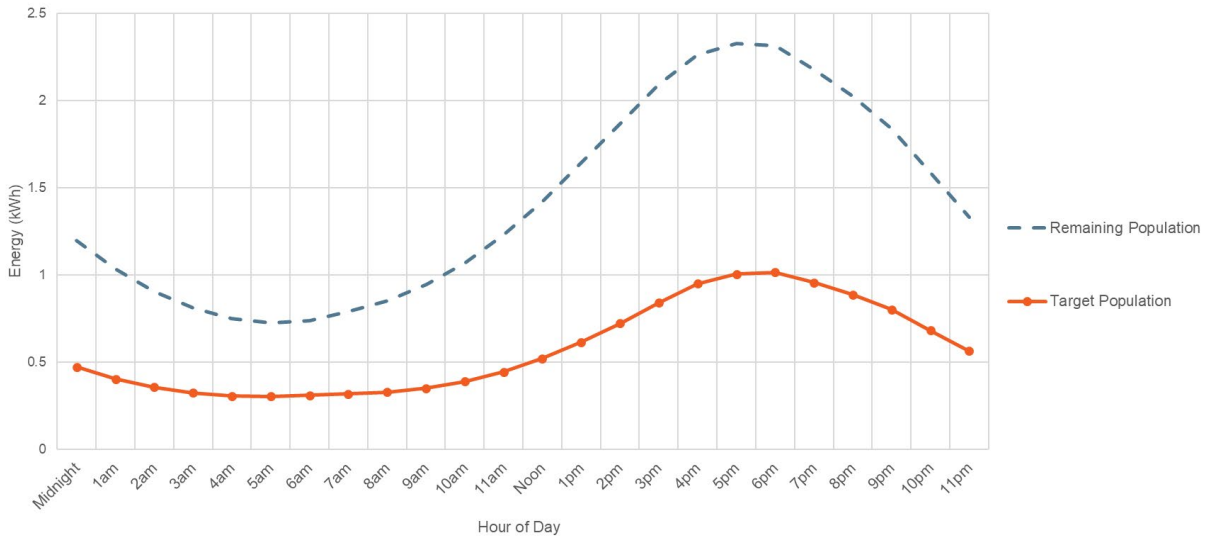
Staff analyzed the maximum usage in kilowatts (kW) for customers with 125 amp panels or less that use a small amount of energy, the target population for the optional rate, and compared it to the maximum usage for the remaining customers, as shown in Figure 11 below. On average, customers' power needs in the target population are approximately 43% less than the other customers.

Figure 11 – Average Summer Maximum Use by Panel Size



During the summer months when the stress on the grid reaches it's peak, customers within the target population use approximately 41% less energy than the other customers. This is reflected in the gap between the load shapes shown in Figure 12.

Figure 12 – Average Summer 2024 Residential Daily Energy Usage



Optional rate for residential customers

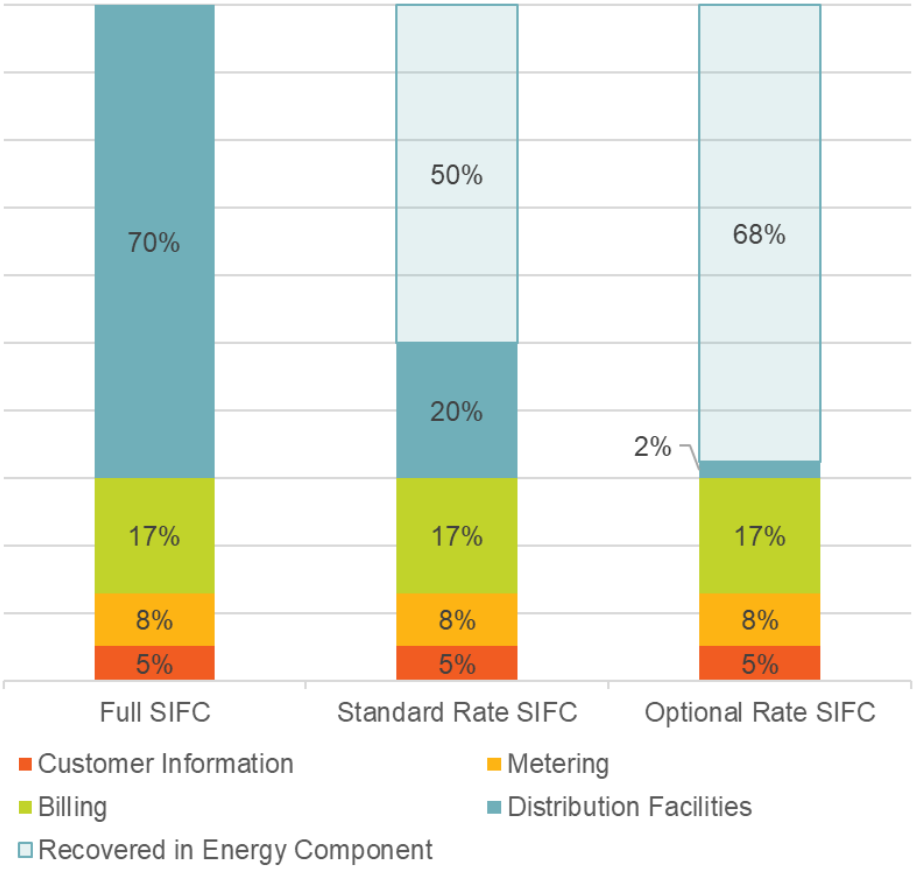
SD-2 directs staff to design rates that equitably allocate costs within customer classes, encourage energy efficiency, and provide customers flexibility and rate options. With this direction in mind, staff

recommends adopting an optional Time-of-Day (Low Use) rate, designed specifically for customers with small panel sizes that do not use much energy.

The proposed optional Time-of-Day (Low Use) rate will have a lower SIFC with higher energy charges to make the rate revenue neutral and will be limited to customers with a panel size of 125 amps or less. The higher energy prices will encourage customers to continue to conserve energy.

Figure 13 shows the SIFC components, and the shares being recovered through the SIFC for the standard TOD and optional Time-of-Day (Low Use) rates. The SIFC for both rates recover the full costs associated with customer information, metering and billing; however, less than half of the costs associated with connecting the customer to the grid through the local transformer and wires (the distribution facilities) are recovered through the SIFC for the standard TOD rate and a small fraction is recovered through the SIFC for the optional Time-of-Day (Low Use) rate. The reduction in collection for the distribution facilities for the optional Time-of-Day (Low Use) rate reflects the lower impact these customers have on the grid.

Figure 13 – SIFC Cost Components



To ensure revenue neutrality, the reduction in the SIFC will be made up through an increase in the energy charges. The increase will be applied equally to all time periods, as shown in Table 6. The Standard TOD prices are the previously approved rates effective May 1, 2025.

Table 6 – Prices for the Optional Time-of-Day (Low Use) Rate

Rate Component	Unit	Standard TOD	Price Adjustment	Optional Low Use
SIFC	per month	$26.20	($9.20)	$17.00
Non-Summer Peak	per kWh	$0.1724	$0.0344	$0.2068
Non-Summer Off-Peak	per kWh	$0.1248	$0.0344	$0.1592
Summer Peak	per kWh	$0.3655	$0.0344	$0.3999
Summer Mid-Peak	per kWh	$0.2077	$0.0344	$0.2421
Summer Off-Peak	per kWh	$0.1505	$0.0344	$0.1849

Note: Prices are show without the proposed rate increases

Bill Impact

The optional Time-of-Day (Low Use) rate was designed by looking at the energy use for residential customers that use approximately 465 kWh or less on average per month, which was approximately 107,000 customers, based on 2024 usage data. When a rate is designed to be revenue neutral, some customers will benefit from the rate, while others will not. We expect that customers that use roughly 270 kWh per month on average will benefit from this rate. A customer that uses more than 270 kWh on average will pay more than if they were on the standard TOD rate. Because most SMUD residential customers use more than 270 kWh per month, over 90% of our residential customers will benefit by staying on the standard TOD rate.

The bill impacts shown in Table 6 do not include the recommended rate increases in order to show the full impact of switching to the optional rate. Bill impacts are based on the stable population (customers with 12 months of billing data) and show the impact of customers moving from the standard TOD rate to the proposed optional Time-of-Day (Low Use) rate by kWh range.

SMUD expects non-EAPR customers who use less than 90 kWh per month to save approximately $7.56 per month. Customers that use between 271 and 465 kWh on average per month could pay on average $3.72 more per month than if they stayed on the standard TOD rate. Bill impacts will vary based on energy usage and FPL.

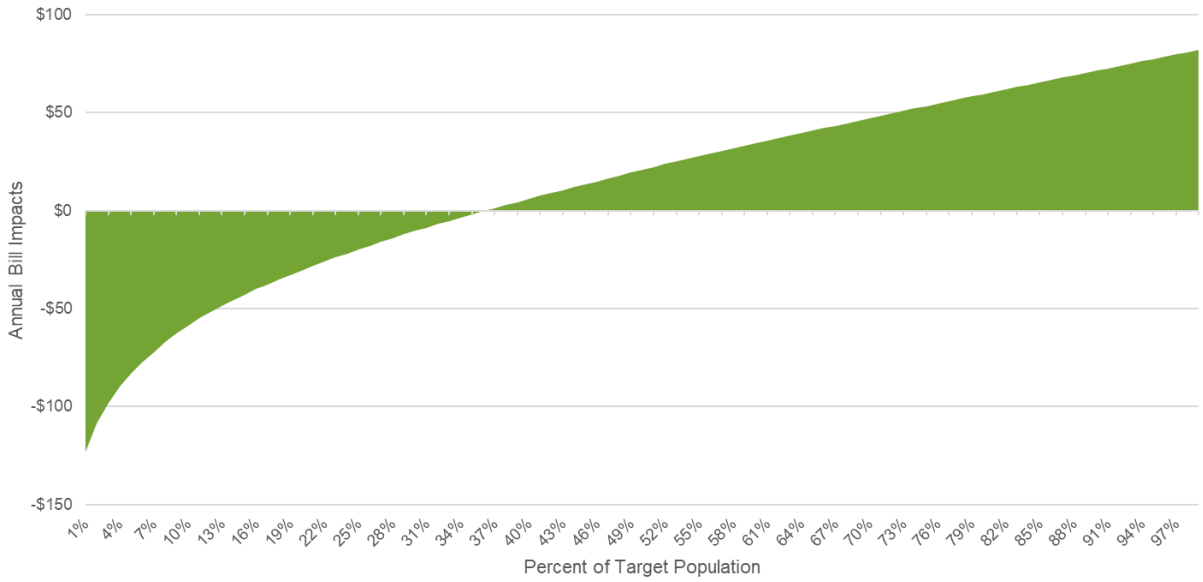
Table 7 – Average Monthly Bill Impacts

Average Monthly Bill Impacts*					
Average Monthly Usage	Residential Non-EAPR	EAPR Tier 1 0-50% FPL	EAPR Tier 2 50-100% FPL	EAPR Tier 3 100-150% FPL	EAPR Tier 4 150-200% FPL
0-90 kWh	($7.56)	($8.77)	($8.66)	($6.14)	($6.11)
91-180 kWh	($4.29)	($8.67)	($7.39)	($4.26)	($3.92)
181-270 kWh	($1.29)	($6.71)	($3.92)	($1.28)	($1.26)
271-465 kWh	$3.72	($1.39)	$2.64	$3.61	$3.78
# of Customers	85,861	1,292	10,296	5,377	2,354

*Impacts shown based on 2024 actual usage
Note: Negative numbers mean customers could save on the optional rate, while positive numbers mean customers could pay more than if they stayed on the standard TOD rate.

Figure 14 shows the potential annual bill impacts for all customers considered for the rate design. Depending on energy usage, some customers will save on the rate while others could pay more than if they had stayed on the standard TOD rate. Customers who take steps to further reduce their energy consumption could see additional savings under this optional rate.

Figure 14 – Potential Bill Impacts of the Time-of-Day (Low Use) Rate



Revenue Impact

The optional Time-of-Day (Low Use) rate is designed to have a neutral financial impact. However, there could be a negative impact on revenue if only customers who expect to experience bill savings opt into the optional rate. Staff will review the revenue impact from customers who enroll on this rate and will adjust the energy charges accordingly in the next rate action to ensure it remains revenue neutral.

Recommendation

Effective June 20, 2025, add Subsection B to Section I in Rate Schedule R-TOD as follows:

> *B. Optional Time-of-Day (Low Use) Rate (rate category RTL1)*
>
> *1. The Time-of-Day (Low Use) Rate is an optional rate for residential customers that use a low amount of energy. Customers must have a panel size less than or equal to 125 amps to be eligible for this rate. This optional rate will be available as of January 1, 2026.*
>
> *2. This rate has five kilowatt-hour (kWh) prices, depending on the time of day and season as shown in Section V. Billing Periods along with the holidays.*

Effective June 20, 2025, add Subsection B, to Section II to show the prices for the Time-of-Day (Low Use) rate in Rate Schedule R-TOD as follows:

		Proposed	
Season and Charge Component	**Unit**	**January 1, 2026**	**January 1, 2027**
Residential Time-of-Day (Low Use) Rate (RTL1)			
System Infrastructure Fixed Charge	per month	$17.00	$17.00
Non-Summer Peak	per kWh	$0.2148	$0.2231
Non-Summer Off-Peak	per kWh	$0.1654	$0.1718
Summer Peak	per kWh	$0.4154	$0.4314
Summer Mid-Peak	per kWh	$0.2514	$0.2610
Summer Off-Peak	per kWh	$0.1920	$0.1993
Electric Vehicle Credits	per kWh	-$0.0150	-$0.0150

Effective June 20, 2025, modify the title of Section II, Subsection C to include rate category RTL1.

Revisions described above are detailed in the Rate Schedules R-TOD included in Volume 2 of this Report.

Changes to Commercial Rates

Rate Increase for Agricultural and Commercial & Industrial Rates

Purpose

The two proposed 3.0% rate increases, one on Jan. 1, 2026, and one on Jan. 1, 2027, will be applied equally to all rate components of SMUD's commercial & industrial and agricultural rates. These rate components include the following:

- Energy Charges;
- System Infrastructure Fixed Charge;
- Summer Peak Demand Charge;
- Site Infrastructure Charge;
- Maximum Demand Charge;
- Generator Standby Charge and
- Power Factor and Other Miscellaneous Charges.

Bill Impact

Actual bill impacts depend on the rate, how much electricity a customer uses each month, as well as when and how the customer uses energy. On average, SMUD's commercial and agricultural customers will see rate increases on their electric bills as follows: 3.0% rate increase on Jan. 1, 2026, and Jan. 1, 2027, for SMUD's commercial & industrial and agricultural rates. Average bill impacts are shown in Table 8 below.

Table 8 – Average Commercial and Agricultural Bill Impacts

Average Monthly Bill Impacts				
Size	Average Monthly Bill	3.00% Rate Impact January 1, 2026	3.00% Rate Impact January 1, 2027	Total Bill Impact
Small Commercial (<20 kW) Example - Small Office, Strip Mall Store	$202	$6	$6	$12
Small Commercial (20-299 kW) Example - Restaurant, Bank	$3,425	$103	$106	$209
Medium Commercial (500-999 kW) Example - Large Retail, Hospital	$32,736	$982	$1,012	$1,994
Large Commercial (>1,000 kW) Example - Large Manufacturing	$101,901	$3,057	$3,149	$6,206
Agriculture (Ag & Pumping)	$445	$13	$14	$27

Revenue Impact

The rate increase in 2026 is forecasted to generate approximately $26 million in added revenues from all commercial and agricultural classes and the rate increase in 2027 is forecasted to generate an approximate additional $27 million in added revenues from all commercial and agricultural classes.

Recommendation

Staff recommends adoption of two 3.0% rate increases, one on Jan. 1, 2026 and one on Jan. 1, 2027 for all commercial and agricultural rates.

Revisions described above are detailed in Rate Schedules AG, CHP, CI-TOD1, CI-TOD2, CI-TOD3, CI-TOD4, DWS and GS-TDP included in Volume 2 of this Report.

Changes to Street, Traffic and Lighting Rates

Rate Increase for Street/Traffic/Lighting Rates

Purpose

The two proposed 3.0% rate increases, one on Jan.1, 2026 and one on Jan. 1, 2027, will be applied to the SIFC, Electricity and Switching Charge, Electricity Usage Charge and Monthly Charges of the Lighting Schedules. The rate increases will not apply to monthly leasing and maintenance charges for street lighting lamps and fixtures. We review the street lighting fees annually and post them separately on smud.org.

Bill Impact

On average, SMUD's street lighting, traffic lighting and night lighting customers will see rate increases on their annual bills of 3.0% on Jan. 1, 2026, and 3.0% on Jan. 1, 2027. Street lighting fees are not subject to the proposed rate increases, those are updated annually to reflect ongoing cost escalation.

Revenue Impact

The rate increase in 2026 is forecasted to generate approximately $171,000 in added revenues from all lighting classes and the rate increase in 2027 is forecasted to generate an additional $176,000 in added revenues from all lighting classes. As stated above, this increase does not apply to street lighting fees.

Recommendation

Staff recommends adoption of two 3.0% rate increases, one on Jan. 1, 2026, and one on Jan. 1, 2027, for street lighting, traffic lighting and night light rates.

Revisions described above are detailed in Rate Schedules NLGT, SLS, TC ILS and TSS included in Volume 2 of this Report.

Miscellaneous Rate Changes

Modifications to Distribution Wheeling Service (DWS)

Purpose

Staff updated the Open Access Transmission Tariff rates, which included the distribution wheeling service charges. Staff recommends updating the distribution wheeling service charges by voltage to reflect the increased cost of service.

No customers currently take service under Rate Schedule DWS.

Bill Impact

None.

Revenue Impact

None.

Recommendation

Staff recommends updating the distribution wheeling service charges by voltage to reflect the increased cost of service.

Revisions described above are detailed in Rate Schedule DWS included in Volume 2 of this Report.

Modifications to Standby Service Charge Language

Purpose

The Standby Service Charge allows customers to generate their own power but still rely on SMUD as a service when needed, such as when the customer's generator is not producing or during a planned maintenance outage of their generation facilities. The Standby Service Charge is a per kW charge that is added to a customer's bill. If that customer uses energy provided by SMUD, they will be billed for that energy as any other customer would. Staff recommends simply modifying the reference to the name of the charge in the Standby Service Charge section of tariffs AG, CI-TOD1, CI-TOD2, CI-TOD3, CI-TOD4, R, and R-TOD to make the language consistent across all tariffs. These changes will not impact how the Standby Service Charge is applied or implemented.

Bill Impact

None.

Revenue Impact

None.

Recommendation

Effective June 20, 2025, staff recommends updating Section IV, Subsection A of Rate Schedule AG as follows:

> *In addition to the Standby Service Charge, SMUD will continue to bill for all applicable charges under this rate schedule. ~~These charges include System Infrastructure Fixed Charges and Site Infrastructure Charges, as well as Electricity Usage and Maximum Demand Charges for SMUD-provided power.~~*

Effective June 20, 2025, staff recommends updating Section IV, Subsection D of Rate Schedule CI-TOD1 as follows:

> *In addition to the Standby Service Charge, SMUD will continue to bill for all applicable charges under this rate schedule~~, including, but not limited to, System Infrastructure Fixed Charges, Site Infrastructure Charges, Maximum Demand Charge, Summer Peak Demand Charges and electricity usage charges for SMUD-provided power~~.*

Effective June 20, 2025, staff recommends updating Section IV, Subsection D of Rate Schedule CI-TOD2 as follows:

> *In addition to the Standby Service Charge, SMUD will continue to bill for all applicable charges under this rate schedule. ~~These charges include System Infrastructure Fixed Charges, Site Infrastructure Charges, Summer Peak Demand Charges, as well as electricity usage charges for SMUD-provided power.~~*

Effective June 20, 2025, staff recommends updating Section IV, Subsection D of Rate Schedule CI-TOD3 and CI-TOD4 as follows:

> *In addition to the Standby Service Charge, SMUD will continue to bill for all applicable charges under this rate schedule~~, including, but not limited to, System Infrastructure Fixed Charges, Site Infrastructure Charges, Summer Peak Demand Charges, and electricity usage charges for SMUD-provided power~~.*

Effective June 20, 2025, staff recommends updating Section IV, Subsection E of Rate Schedule R as follows:

> *In addition to the Standby **Service** Charge, SMUD will continue to bill for all applicable charges under this rate **schedule**. ~~These charges include SIFC and electricity usage charges for SMUD-provided power.~~*

Effective June 20, 2025, staff recommends updating Section IV, Subsection D of Rate Schedule R-TOD as follows:

> *In addition to the Standby Service Charge, SMUD will continue to bill for all applicable charges under **this rate schedule**. ~~the selected residential TOD rate. These charges include System Infrastructure Fixed Charges and electricity usage charges for SMUD-provided power. All energy provided to the customer by SMUD will be billed at the applicable residential TOD rates.~~*

Revisions described above are detailed in Rate Schedules AG, CI-TOD1, CI-TOD2, CI-TOD3, CI-TOD4, R, and R-TOD included in Volume 2 of this Report.

Changes to Rules and Regulations

Rule 6 – Billing, Payment of Bills, and Credit

Purpose

If a customer has multiple accounts and one has unpaid charges, those charges may be transferred to another active account bill, giving that customer a chance to pay the outstanding balance before involving a collection agency. Staff recommends adding a line to Rule 6 to clarify SMUD's current practice of transferring unpaid charges to an active bill.

Bill Impact

None.

Revenue Impact

None.

Recommendation

Effective June 20, 2025, staff recommends modifying Section V of Rule and Regulation 6 as follows:

> *V. Payment of Delinquent Bills ~~Required Before Service Is Supplied~~*
>
> ***SMUD has the right to transfer a customer's unpaid charges for electric service to an active bill prior to being assigned to a collection agency.***
>
> *Service may be refused or discontinued pursuant to Rule and Regulation 11 until all unpaid charges for electric service to applicant at all locations have been paid or have otherwise been discharged, or have been barred by the statute of limitations, except that residential service may not be refused or discontinued because of nonpayment of bills for other classes of service or nonelectric bill amounts.*

Revisions described above are detailed in Rule and Regulation 6 included in Volume 2 of this Report.

Rule 16 – Extension of Facilities to Nonresidential Premises

Purpose

Staff recommends updating Rule 16 to make it consistent with current business practices by clarifying both SMUD's and the customer's responsibilities regarding who installs, owns, and maintains equipment. Staff also recommends taking out Section XII as it is no longer relevant.

Bill Impact

None.

Revenue Impact

None.

Recommendation

Effective June 20, 2025, staff recommends modifying Section VI and redacting Section XII of Rule and Regulation 16 as follows:

VI. Service at Secondary Voltage

A. Overhead Service

*In those areas where it has been determined that SMUD will continue to serve its customer's overhead distribution and where SMUD's distribution pole line is located on a street, highway, lane, alley, road, or private easement immediately contiguous to the customer's premises, SMUD will, at its expense, furnish, ~~and~~ install, **and own** a service drop from its pole line to the nearest point of attachment to the customer's building or other permanent support provided by the customer, at a point to be approved by SMUD.*

B. Underground Service

*In designated underground areas, SMUD will connect to underground service runs furnished, ~~and~~ installed, **owned, and maintained** by the customer, at the customer's expense, at a service location specified by SMUD. Service run facilities shall include conductor to reach the service location, shall be subject to applicable City and County ordinances, and shall be subject to approval by SMUD as to design and specifications. No customer will be required to install facilities **they own and maintain** beyond a location in the public utility right of way adjacent to their property. Cost recovery of underground distribution facilities within a development will conform to the provisions of section IV. of this Rule and Regulation.*

~~*XII. Service to Annexation Customers*~~

~~*SMUD will maintain existing service conductor previously installed by Pacific Gas and Electric Company to commercial/industrial services until such time as the customer modifies, alters, or changes the existing electrical service equipment. It will be the customer's responsibility to provide additional duct when necessary.*~~

Revisions described above are detailed in Rule and Regulation 16 included in Volume 2 of this Report.

Detail of Rate Changes

Years 2026 and 2027 include proposed rate increases.

Residential Rates

Time-of-Day Rates

Season and Charge Component	Unit	Adopted May 1, 2025	Proposed January 1, 2026	Proposed January 1, 2027
Residential Time-of-Day (5-8 p.m. Peak) Rate (RT02)				
System Infrastructure Fixed Charge	per month	$26.20	$27.00	$27.80
Non-Summer Peak	per kWh	$0.1724	$0.1776	$0.1829
Non-Summer Off-Peak	per kWh	$0.1248	$0.1285	$0.1324
Summer Peak	per kWh	$0.3655	$0.3765	$0.3878
Summer Mid-Peak	per kWh	$0.2077	$0.2139	$0.2203
Summer Off-Peak	per kWh	$0.1505	$0.1550	$0.1596
Electric Vehicle Credits[1]	per kWh	-$0.0150	-$0.0150	-$0.0150
Residential Time-of-Day (Low Use) Rate (RTL1)				
System Infrastructure Fixed Charge	per month	n/a	$17.00	$17.00
Non-Summer Peak	per kWh	n/a	$0.2148	$0.2231
Non-Summer Off-Peak	per kWh	n/a	$0.1654	$0.1718
Summer Peak	per kWh	n/a	$0.4154	$0.4314
Summer Mid-Peak	per kWh	n/a	$0.2514	$0.2610
Summer Off-Peak	per kWh	n/a	$0.1920	$0.1993
Electric Vehicle Credits[1]	per kWh	n/a	-$0.0150	-$0.0150

[1] Credits apply to applicable time-based pricing periods between midnight and 6 a.m. under residential Time-of-Day Rates.

Fixed and Closed Rates

Season and Charge Component	Unit	Adopted May 1, 2025	Proposed Jan. 1, 2026	Proposed Jan. 1, 2027
Residential Fixed Rate (RF01)				
System Infrastructure Fixed Charge	per month	$26.20	$27.00	$27.80
Non-Summer	per kWh	$0.1331	$0.1371	$0.1412
Summer	per kWh	$0.2126	$0.2189	$0.2255
Master-Metered Multifamily Accommodation and Mobile Home Park Energy Rate (RSMM) (Closed)				
System Infrastructure Fixed Charge	per month per unit	$26.20	$27.00	$27.80
Non-Summer	per kWh	$0.1476	$0.1520	$0.1566
Summer	per kWh	$0.1690	$0.1740	$0.1792

Miscellaneous Charges

Season and Charge Component	Unit	Adopted May 1, 2025	Proposed Jan. 1, 2026	Proposed Jan. 1, 2027
Miscellaneous Residential Pricing				
Standby generation (Secondary level)	per kW	$8.597	$8.855	$9.121
Three-phase power	per month	$56.25	$57.95	$59.70

Agricultural Rates

Season and Charge Component	Unit	Adopted	Proposed	
		May 1, 2025	Jan. 1, 2026	Jan. 1, 2027
Non-Demand ASN Rate (30 kW and below)				
System Infrastructure Fixed Charge	per month	$14.30	$14.75	$15.20
Winter kWh	per kWh	$0.1592	$0.1640	$0.1689
Summer kWh	per kWh	$0.1743	$0.1795	$0.1849
Demand ASD Rate (Over 30 kW)				
System Infrastructure Fixed Charge	per month	$33.20	$34.20	$35.20
Site Infrastructure Charge <= 30 kW	per kW	$0.000	$0.000	$0.000
Site Infrastructure Charge > 30 kW	per kW	$3.289	$3.388	$3.489
Winter First 8,750 kWh	per kWh	$0.1761	$0.1814	$0.1868
Winter Additional kWh	per kWh	$0.1382	$0.1424	$0.1467
Summer First 8,750 kWh	per kWh	$0.1688	$0.1738	$0.1790
Summer Additional kWh	per kWh	$0.1221	$0.1258	$0.1296
Non-Demand Time-of-Use AON Rate (30 kW and below)				
System Infrastructure Fixed Charge	per month	$19.25	$19.85	$20.45
Winter On-Peak	per kWh	$0.1829	$0.1884	$0.1940
Winter Off-Peak	per kWh	$0.1560	$0.1607	$0.1655
Summer On-Peak	per kWh	$0.2652	$0.2732	$0.2814
Summer Off-Peak	per kWh	$0.1425	$0.1468	$0.1512
Demand Time-of-Use AOD Rate (Over 30 kW)				
System Infrastructure Fixed Charge	per month	$115.70	$119.15	$122.75
Winter Site Infrastructure Charge	per kW	$3.277	$3.375	$3.477
Winter On-Peak	per kWh	$0.1821	$0.1876	$0.1932
Winter Off-Peak	per kWh	$0.1547	$0.1593	$0.1641
Summer Site Infrastructure Charge	per kW	$4.581	$4.718	$4.860
Summer On-Peak	per kWh	$0.2818	$0.2903	$0.2990
Summer Off-Peak	per kWh	$0.1502	$0.1547	$0.1593

Small Commercial & Industrial Rates (0-299 kW)

Season and Charge Component	Unit	Adopted	Proposed	
		May 1, 2025	Jan. 1, 2026	Jan. 1, 2027
GFN: Service at Secondary Voltage Level				
System Infrastructure Fixed Charge	per month	$11.70	$12.05	$12.40
All	per kWh	$0.1715	$0.1766	$0.1819

Season and Charge Component	Unit	Adopted	Proposed Rate Increases[1]		
		May 1, 2025	Jan. 1, 2026	Jan. 1, 2027	2028*
CITS-0: C&I Secondary 0-20 kW					
System Infrastructure Fixed Charge	per month	$40.30	$42.00	$43.85	$44.45
Maximum Demand Charge	per kW	$1.546	$2.389	$3.281	$4.101
Non-Summer Peak	per kWh	$0.1532	$0.1540	$0.1546	$0.1506
Non-Summer Off-Peak	per kWh	$0.1377	$0.1346	$0.1312	$0.1237
Non-Summer Off-Peak Saver	per kWh	$0.1295	$0.1244	$0.1186	$0.1092
Summer Peak	per kWh	$0.3049	$0.3246	$0.3449	$0.3558
Summer Off-Peak	per kWh	$0.1448	$0.1465	$0.1482	$0.1453
CITS-1: C&I Secondary 21-299 kW					
System Infrastructure Fixed Charge	per month	$326.05	$412.90	$502.85	$502.85
Site Infrastructure Charge	per kW	$6.993	$6.454	$5.876	$5.876
Summer Peak Demand Charge	per kW	$7.732	$9.960	$12.316	$12.316
Non-Summer Peak	per kWh	$0.1412	$0.1477	$0.1546	$0.1546
Non-Summer Off-Peak	per kWh	$0.1248	$0.1264	$0.1280	$0.1280
Non-Summer Off-Peak Saver	per kWh	$0.0958	$0.0888	$0.0817	$0.0817
Summer Peak	per kWh	$0.2252	$0.2341	$0.2433	$0.2433
Summer Off-Peak	per kWh	$0.1203	$0.1215	$0.1227	$0.1227

1 Adopted prices with proposed rate increases.

*Adopted prices with proposed rate increases for 2026 and 2027. These prices are subject to future rate increases.

Small Commercial & Industrial Rates (300-499 kW)

Season and Charge Component	Unit	Adopted May 1, 2025	Proposed Rate Increases[1] Jan. 1, 2026	Jan. 1, 2027	2028*
CITS-2: C&I Secondary 300-499 kW					
System Infrastructure Fixed Charge	per month	$980.55	$1,281.95	$1,600.65	$1,878.75
Site Infrastructure Charge	per kW	$5.286	$5.538	$5.790	$5.876
Summer Peak Demand Charge	per kW	$11.251	$11.708	$12.181	$12.316
Non-Summer Peak	per kWh	$0.1410	$0.1471	$0.1531	$0.1550
Non-Summer Off-Peak	per kWh	$0.1148	$0.1199	$0.1252	$0.1270
Non-Summer Off-Peak Saver	per kWh	$0.0973	$0.0932	$0.0889	$0.0817
Summer Peak	per kWh	$0.2427	$0.2489	$0.2551	$0.2540
Summer Off-Peak	per kWh	$0.1359	$0.1332	$0.1302	$0.1234
CITP-2: C&I Primary 300-499 kW					
System Infrastructure Fixed Charge	per month	$331.40	$341.35	$351.60	$351.60
Site Infrastructure Charge	per kW	$3.485	$3.590	$3.697	$3.697
Summer Peak Demand Charge	per kW	$11.389	$11.731	$12.083	$12.083
Non-Summer Peak	per kWh	$0.1598	$0.1646	$0.1695	$0.1695
Non-Summer Off-Peak	per kWh	$0.1377	$0.1418	$0.1461	$0.1461
Non-Summer Off-Peak Saver	per kWh	$0.0873	$0.0899	$0.0926	$0.0926
Summer Peak	per kWh	$0.2012	$0.2072	$0.2135	$0.2135
Summer Off-Peak	per kWh	$0.1240	$0.1277	$0.1315	$0.1315

1 Adopted prices with proposed rate increases.

*Adopted prices with proposed rate increases for 2026 and 2027. These prices are subject to future rate increases.

Medium Commercial & Industrial Rates (500-999 kW)

Season and Charge Component	Unit	Adopted	Proposed Rate Increases	
		May 1, 2025	Jan. 1, 2026	Jan. 1, 2027
CITS-3: C&I Secondary 500-999 kW				
System Infrastructure Fixed Charge	per month	$2,339.50	$2,409.70	$2,482.00
Site Infrastructure Charge	per kW	$5.539	$5.705	$5.876
Summer Peak Demand Charge	per kW	$11.609	$11.957	$12.316
Non-Summer Peak	per kWh	$0.1405	$0.1447	$0.1491
Non-Summer Off-Peak	per kWh	$0.1160	$0.1195	$0.1231
Non-Summer Off-Peak Saver	per kWh	$0.0750	$0.0772	$0.0796
Summer Peak	per kWh	$0.2294	$0.2363	$0.2434
Summer Off-Peak	per kWh	$0.1118	$0.1152	$0.1186
CITP-3: C&I Primary 500-999 kW				
System Infrastructure Fixed Charge	per month	$331.40	$341.35	$351.60
Site Infrastructure Charge	per kW	$3.485	$3.590	$3.697
Summer Peak Demand Charge	per kW	$11.389	$11.731	$12.083
Non-Summer Peak	per kWh	$0.1465	$0.1509	$0.1554
Non-Summer Off-Peak	per kWh	$0.1272	$0.1310	$0.1349
Non-Summer Off-Peak Saver	per kWh	$0.0811	$0.0835	$0.0860
Summer Peak	per kWh	$0.2375	$0.2446	$0.2520
Summer Off-Peak	per kWh	$0.1208	$0.1245	$0.1283
CITT-3: C&I Subtransmission 500-999 kW				
System Infrastructure Fixed Charge	per month	$1,379.50	$1,420.90	$1,463.50
Site Infrastructure Charge	per kW	$3.820	$3.935	$4.053
Summer Peak Demand Charge	per kW	$11.102	$11.435	$11.778
Non-Summer Peak	per kWh	$0.1268	$0.1306	$0.1345
Non-Summer Off-Peak	per kWh	$0.1059	$0.1091	$0.1124
Non-Summer Off-Peak Saver	per kWh	$0.0689	$0.0710	$0.0731
Summer Peak	per kWh	$0.2132	$0.2196	$0.2262
Summer Off-Peak	per kWh	$0.1027	$0.1058	$0.1090

Large Commercial & Industrial Rates (1000+ kW)

Season and Charge Component	Unit	Adopted	Proposed Rate Increases	
		May 1, 2025	Jan. 1, 2026	Jan. 1, 2027
CITS-4: C&I Secondary 1000+ kW				
System Infrastructure Fixed Charge	per month	$3,897.40	$4,014.30	$4,134.75
Site Infrastructure Charge	per kW	$5.539	$5.705	$5.876
Summer Peak Demand Charge	per kW	$11.609	$11.957	$12.316
Non-Summer Peak	per kWh	$0.1442	$0.1485	$0.1530
Non-Summer Off-Peak	per kWh	$0.1186	$0.1222	$0.1259
Non-Summer Off-Peak Saver	per kWh	$0.0765	$0.0788	$0.0812
Summer Peak	per kWh	$0.2367	$0.2438	$0.2511
Summer Off-Peak	per kWh	$0.1151	$0.1186	$0.1221
CITP-4: C&I Primary 1000+ kW				
System Infrastructure Fixed Charge	per month	$331.40	$341.35	$351.60
Site Infrastructure Charge	per kW	$4.904	$5.051	$5.203
Summer Peak Demand Charge	per kW	$11.389	$11.731	$12.083
Non-Summer Peak	per kWh	$0.1444	$0.1488	$0.1532
Non-Summer Off-Peak	per kWh	$0.1172	$0.1207	$0.1243
Non-Summer Off-Peak Saver	per kWh	$0.0757	$0.0780	$0.0804
Summer Peak	per kWh	$0.2226	$0.2293	$0.2362
Summer Off-Peak	per kWh	$0.1130	$0.1164	$0.1199
CITT-4: C&I Subtransmission 1000+ kW				
System Infrastructure Fixed Charge	per month	$1,379.50	$1,420.90	$1,463.50
Site Infrastructure Charge	per kW	$3.820	$3.935	$4.053
Summer Peak Demand Charge	per kW	$11.102	$11.435	$11.778
Non-Summer Peak	per kWh	$0.1404	$0.1446	$0.1490
Non-Summer Off-Peak	per kWh	$0.1148	$0.1182	$0.1217
Non-Summer Off-Peak Saver	per kWh	$0.0742	$0.0764	$0.0787
Summer Peak	per kWh	$0.1978	$0.2037	$0.2098
Summer Off-Peak	per kWh	$0.1100	$0.1133	$0.1167

Temperature Dependent Pricing Rate (TDP)

Season and Charge Component	Unit	Adopted May 1, 2025	Proposed Jan. 1, 2026	Proposed Jan. 1, 2027
GDT-99: Service at Subtransmission Voltage Level (Closed)				
System Infrastructure Fixed Charge	per month	$372.40	$383.55	$395.10
Site Infrastructure Charge	per kW	$0.726	$0.748	$0.770
Winter On-Peak	per kWh	$0.1288	$0.1326	$0.1366
Winter Off-Peak	per kWh	$0.0921	$0.0949	$0.0977
Summer Super-Peak Demand Charge				
Heat Storm	per kW	$7.478	$7.702	$7.933
Extremely Hot	per kW	$7.028	$7.239	$7.456
Very Hot	per kW	$1.304	$1.343	$1.383
Mild to Hot	per kW	$0.000	$0.000	$0.000
Summer Super-Peak	per kWh	$0.1752	$0.1805	$0.1859
Summer On-Peak	per kWh	$0.1540	$0.1586	$0.1634
Summer Off-Peak	per kWh	$0.1158	$0.1193	$0.1229

Combined Heat & Power (CHP) Distributed Generation

Charge Component	Unit	Adopted May 1, 2025	Proposed Jan. 1, 2026	Proposed Jan. 1, 2027
Combined Heat & Power (CHP) Distributed Generation				
Reserved Capacity Charge				
Secondary	per kW	$8.274	$8.522	$8.778
Primary	per kW	$8.274	$8.522	$8.778
Subtransmission	per kW	$7.951	$8.190	$8.435

Distribution Wheeling Service

Voltage Level	Unit	Adopted May 1, 2025	Proposed Jul. 1, 2025	Proposed Jan. 1, 2026	Proposed Jan. 1, 2027
12/21 kV	$/kW-month	$12.430	$15.252	$15.710	$16.181
69 kV	$/kW-month	$1.936	$3.538	$3.644	$3.753

Miscellaneous Commercial Charges

Charge Component	Unit	Adopted May 1, 2025	Proposed Jan. 1, 2026	Proposed Jan. 1, 2027
Power Factor Adjustment	per excess kVar x kWh	$0.0142	$0.0146	$0.0151
Power Factor Waiver	per excess kVar	$0.3759	$0.3872	$0.3988
Standby Charges for Customer Generation				
Secondary Voltage Service	per kW of contract capacity	$8.597	$8.855	$9.121
Primary Voltage Service		$6.832	$7.037	$7.248
Subtransmission Voltage Service		$3.451	$3.555	$3.661

Outdoor Street and Traffic Lighting Rates

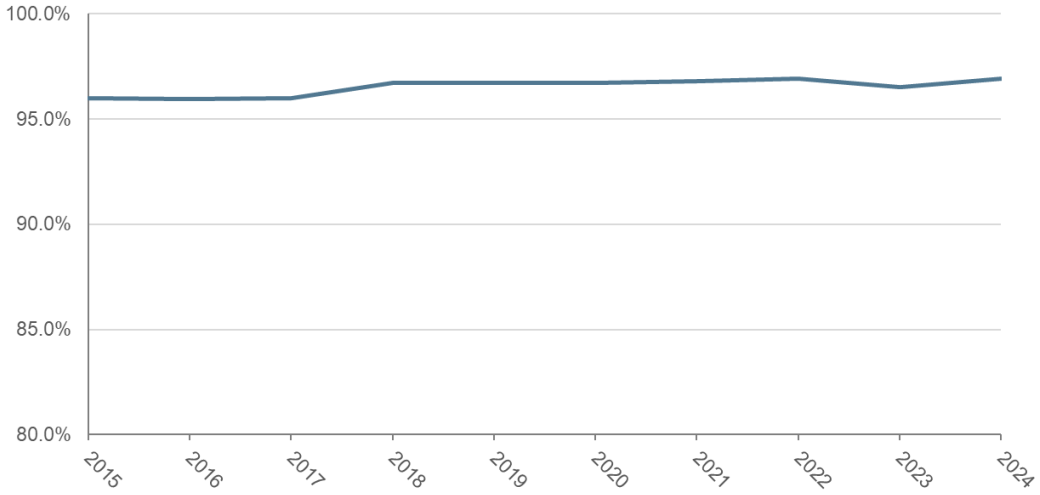
Charge Component	Unit	Adopted May 1, 2025	Proposed Jan. 1, 2026	Proposed Jan. 1, 2027
Metered Customer owned and maintained (COM_M)				
System Infrastructure Fixed Charge	per month	$11.95	$12.30	$12.70
Year-round energy charges	per kWh	$0.1031	$0.1062	$0.1093
Unmetered Streetlighting Rates				
Monthly charge (per rated wattage of lamp & ballast)				
NLGT Outdoor Lighting Service		$0.0343	$0.0353	$0.0364
Customer-owned and maintained (COM)		$0.0343	$0.0353	$0.0364
SMUD (District) owned and maintained (DOM)		$0.0343	$0.0353	$0.0364
Customer-owned SMUD (District) maintained (CODM)		$0.0343	$0.0353	$0.0364
TC ILS Traffic Control -- Intersection Lighting Service				
System Infrastructure Fixed Charge	per month	$7.09	$7.30	$7.52
Year-round energy charges	per kWh	$0.1294	$0.1333	$0.1373
TSS Traffic Signal Service SL_TSF (Closed)				
<70 watts	per unit	$5.14	$5.29	$5.45
> 70 watts	per lamp per watt	$0.0360	$0.0371	$0.0382
Minimum monthly charge		$5.14	$5.29	$5.45

Information on SMUD Performance

Customer Satisfaction

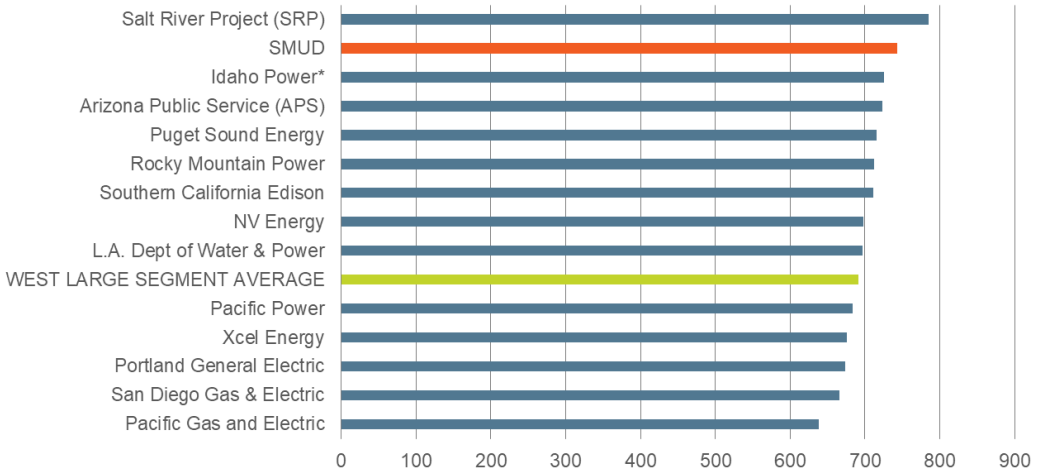
SMUD continues to earn high marks from customers for customer satisfaction. The following chart shows the percentage of customers who were satisfied or very satisfied in follow-up surveys. These ongoing surveys are conducted after performing services, including troubleshooting problems, new service connections and tree trimming, starting service, billing inquiries and outage communication. Customer satisfaction ratings have been 96.0% or higher for the past decade and came in at 96.5% in 2023 and 96.9% in 2024.

Figure 15 – Customer Satisfaction Survey Results



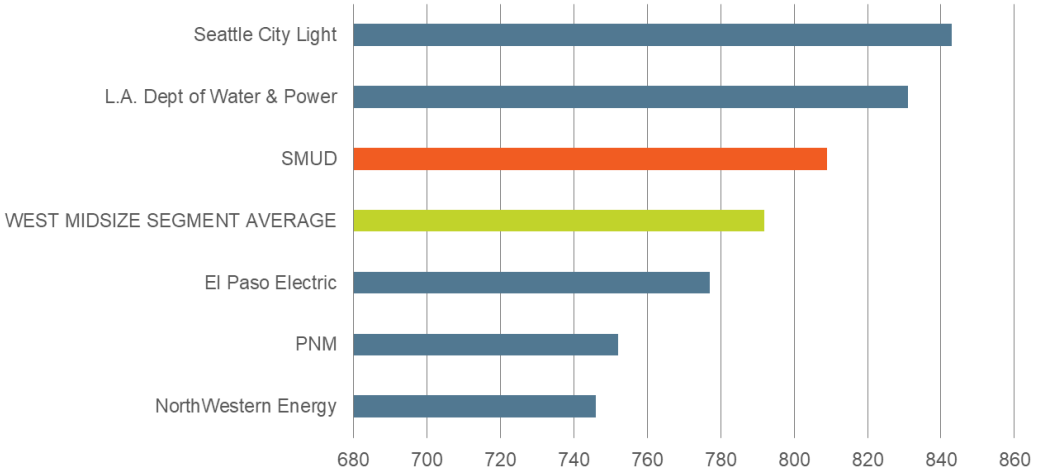
Since 2000, we've participated in the annual Electric Utility Residential Customer Satisfaction Study conducted by J.D. Power and Associates. This study ranks electric utilities from across the United States on a Customer Satisfaction Index and on six sub-components to the overall satisfaction index. We've ranked in the top three in the West Large segment on the residential Customer Satisfaction Index since 2002 and top three in the West Midsize segment on the business Customer Satisfaction Index since 2010. Results of the 2024 surveys for residential and business are shown in Figures 16 and 17.

Figure 16 – J.D. Power 2024 Residential Satisfaction Index



*Idaho Power moved into the West Large segment in 2024.

Figure 17 – J.D. Power 2024 Business Satisfaction Index



System Average Interruption

SMUD measures the overall reliability of the distribution system using the System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI).

For SAIFI, SD-4 Reliability limits the average frequency of outages per customer per year to:

- With a major event: 0.99 to 1.33
- Excluding a major event: 0.85 to 1.14

For SAIDI, SD-4 Reliability limits the average duration of outages per customer per year to:

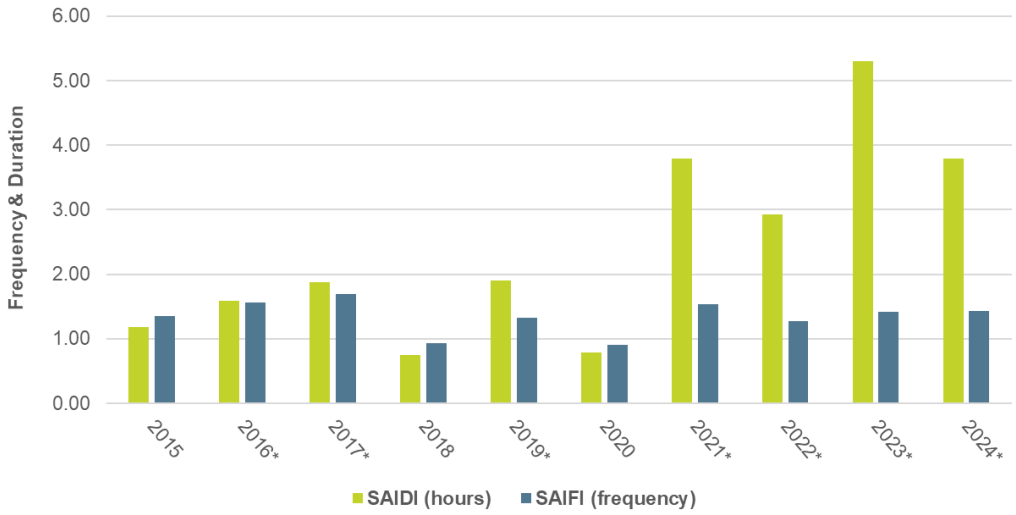
- For a major event: 67.5 to 93.3 minutes

- Excluding a major event: 49.7 to 68.7 minutes

Our system reliability for SAIDI and SAIFI with major events, as well as SAIDI without major events, fell outside the acceptable range set by Board Policy SD-4 on Reliability for 2023. The standard for SAIFI excluding major events was met in 2023. In 2024, the system reliability standards for SAIDI and SAIFI with major events was not met. However, the system reliability standard was met for SAIDI and SAIFI without major events.

In 2023, there were two qualifying major events, which occurred on Jan. 1 and Jan. 7-8. In 2024, there was one qualifying major event from Feb. 4-5. Annual system maintenance initiatives designed to enhance reliability include the Distribution Line Inspection Program, Cable Replacement Program and Vegetation Management Program. In 2024, extensive work was done to improve the speed of storm response, as well as the communications given to customers when their power goes out. Additional staff were trained to assess damage, we increased our capacity to run contract crews, and we added information on outage status to the smud.org outage center.

Figure 18 – SMUD Outage Duration and Frequency by Year



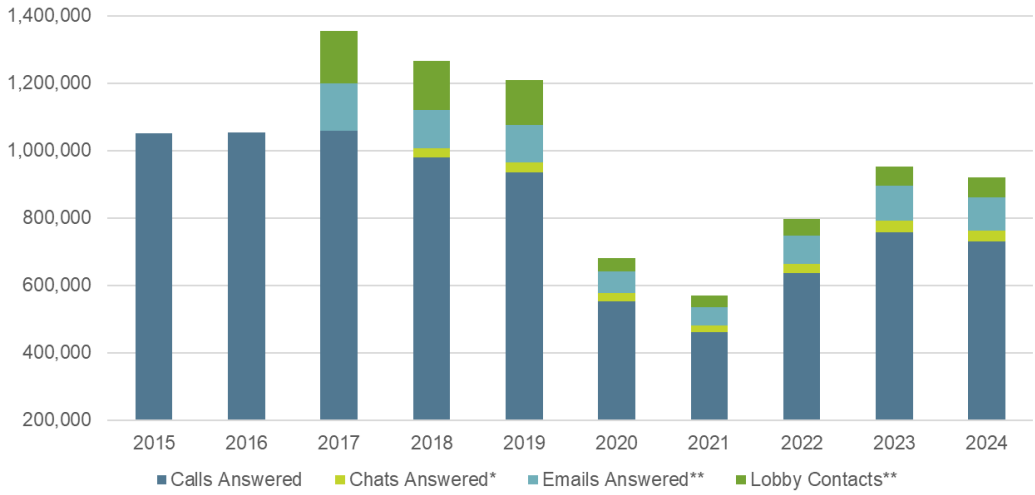
*Years with major events.

Customer Contacts

SMUD's Contact Center and Lobby continue to manage a high volume of customer contacts each year. In the past, we only tracked data on calls answered, but in 2016 we expanded tracking by including all emails answered and all lobby contacts. In addition, in 2017 we introduced an online chat feature on smud.org. 2018 was the first full year that online chat was available to customers. All the customer contact data from 2015 to 2024 can be seen in Figure 19. From 2015 to 2019, we had more than 1 million customer contacts per year including calls, chats, emails, faxes and lobby interactions. The total number of contacts dropped significantly in 2020 to 681,639 for all channels. This can be explained by our decision to suspend customer power shutoffs for non-payment and closing the SMUD lobby in mid-March of 2020 due to the impact of COVID-19. We resumed collections activities in the first quarter of

2022 and opened the lobby to customers in alignment with all safety protocols. Customer contacts increased back to 796,020 in 2022. Customers behind on payments have been encouraged to contact us to make payment arrangements or to inquire about energy assistance rates and other programs that could be beneficial.

Figure 19 – Customer Contacts Answered by Year



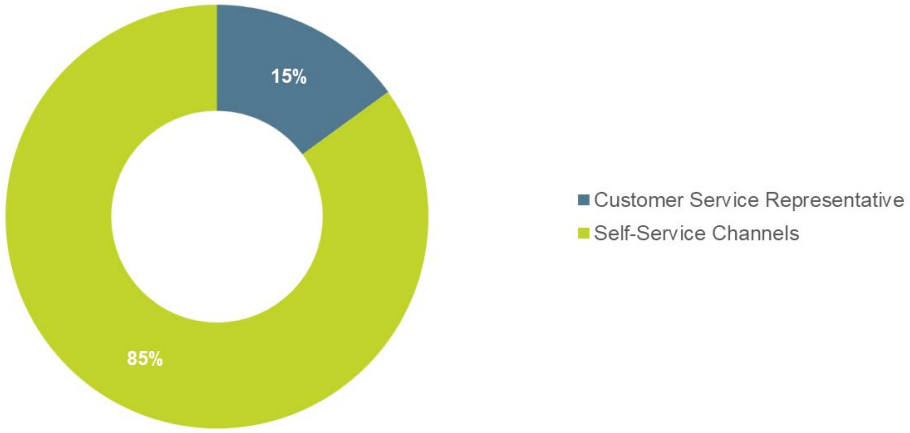
*2018 was the first full year that chat was available.
**2017 was the first full year tracking all emails answered and lobby contacts.

Other Customer Service Information

When customers need to make a payment, create an installment plan, move/transfer service and report an outage, they have the option to use our self-service channels or go through a Customer Service Representative (CSR). If a CSR performs one of these transactions by phone, email, chat or lobby, it's counted as an assisted transaction. If the customer completes the transaction without the help of a CSR, it's counted as an unassisted transaction.

The use of SMUD's self-service channels continues to grow, with 85% of primary transactions completed in a self-service channel in 2024. This number is up from 82% in 2022, which demonstrates the need to continue to invest in technology enhancements that promote and expand self-service options.

Figure 20 – Self-Service transactions vs. the CSR Channel in 2024



Environmental Assessment

1.0 Section 21080(b)(8) of the California Public Resources Code and Section 15273 of the California Environmental Quality Act (CEQA) Guidelines (California Code of Regulations, Title 14, Sections 15000, et seq.) provide that CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies which the public agency finds are for the purpose of:

(1) Meeting operating expenses, including employee wage rates and fringe benefits;

(2) Purchasing or leasing supplies, equipment, or materials;

(3) Meeting financial reserve needs and requirements;

(4) Obtaining funds for capital projects necessary to maintain service within existing service areas; or

(5) Obtaining funds that are necessary to maintain such intra-city transfers as are authorized by city charter.

2.0 Section 15061(b) (3) of the CEQA Guidelines provides that where it can be said with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

3.0 The proposed action to add an optional rate – TOD (Low Use) -, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

4.0 The proposed actions to increase the residential, agricultural, commercial & industrial, and street/traffic/lighting rates, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

5.0 The proposed action to modify the distribution wheeling service charges under Rate Schedule DWS, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

6.0 The proposed action to modify the Standby Service Charge language, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

7.0 The proposed action to modify Rule 6 regarding the recovery of unpaid charges, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

8.0 The proposed action to modify Rule 16 to clarify responsibilities for certain equipment, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

SMUD Programs and Web Links

We have information on a variety programs and bill assistance options available to customers that can be found at the following links:

Rebates, Incentives and Financing

https://www.smud.org/Rebates

Calculate Energy Consumption

https://www.smud.org/MyEnergyUse

Learn About Energy Efficiency

https://www.smud.org/EnergyTips

Payment Assistance Programs

https://www.smud.org/FinancialAssistance

Business Solutions and Rebates

https://www.smud.org/Business

Energy Assistance Program Rate

https://www.smud.org/EAPR

Clean PowerCity

https://www.CleanPowerCity.org

Strategic Direction

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 customers' energy needs, both now and in the future.

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.

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.

SD-2

Maintaining competitive rates is a core value of SMUD.

Therefore:

a) The Board establishes a rate target of 18 percent below Pacific Gas & Electric Company's published rates on a system average basis. In addition, the Board establishes a rate target of at least 10 percent below PG&E's published rates for each customer class.

b) SMUD's rates shall be competitive with other local utilities on a system average basis.

c) In addition, SMUD's rates shall be designed to balance and achieve the following goals:

i) Reflect the cost of energy when it is used or exported to the SMUD grid;

ii) Reduce consumption during periods of high system demand;

iii) Encourage energy efficiency, conservation and carbon reduction;

iv) Encourage cost effective and environmentally beneficial Distributed Energy Resources (DERs) (examples of DERS include but are not limited to rooftop solar, battery storage, and energy reduction applications);

v) Minimize the rate of change in the transition from one rate design to another;

vi) Provide customers flexibility and choices;

vii) Be as simple and easy to understand as possible;

viii) Address the needs of people with low incomes and severe medical conditions; and

ix) Equitably allocate costs across and within customer classes.

SD-3

Maintaining access to credit is a core value of SMUD.

Therefore:

a) For SMUD's annual budgets, the Board establishes a minimum target of cash coverage of all debt service payments (fixed charge ratio) of 1.5 times.

b) When making resource decisions, SMUD shall weigh the impacts on long-term revenue requirements, debt, financial risk and flexibility.

c) SMUD's goal is to maintain at least an "A" rating with credit rating agencies.

SD-4

Meeting customer energy requirements is a core value of SMUD.

Therefore:

a) SMUD will assure all customer energy requirements are met. This will be accomplished through the use of: (i) its generation resources and purchase power portfolio 100 percent of the time; and (ii) its transmission assets to assure an overall availability of at least 99.99 percent.

b) SMUD will achieve distribution system reliability by:

Limiting the average frequency of outage per customer per year to:

- With major event: 0.99 – 1.33
- Excluding major event: 0.85 – 1.14

Limiting the average duration of outages per customer per year to:

- With major event: 67.5 – 93.3 minutes
- Excluding major event: 49.7 – 68.7 minutes

Ensuring that no individual circuits exceed these targets for more than two consecutive years. For circuits that exceed these targets for two consecutive years, a remedial action plan will be issued and completed within 18 months.

c) SMUD will maintain the electric system in good repair and make the necessary upgrades to maintain load serving capability and meet regulatory standards.

SD-5

Maintaining a high level of customer relations is a core value of SMUD. Additionally, the Board sets a customer satisfaction target of 95 percent with no individual component measured falling below 85 percent. In addition, the Board establishes an overall customer experience "value for what you pay" target of 70 percent by the end of 2025 and 80 percent by the end of 2030, with neither the average commercial customer score falling below 69 percent nor the average residential customer score falling below 65 percent in any year.

As part of this policy:

a) SMUD customers shall be treated in a respectful, dignified and civil manner.

b) SMUD shall communicate a procedure for customers who believe they have not received fair treatment from SMUD to be heard.

SD-6

Creating a safe environment for employees and the public is a core value of SMUD.

Through best practice methods and continuous improvement, SMUD will be recognized as a leader in employee safety while also assuring the safety of the public related to SMUD operations and facilities. SMUD commits to a proactive approach, including the active involvement of SMUD leadership, employees, contractors, and the community, as well as comprehensive monitoring of organizational and public safety performance.

Therefore, SMUD will continue to improve safety results to:

Workplace Safety

a) Reduce SMUD's injury severity incidents to 13 or less than by 2025, as measured by OSHA's Days Away Restricted Time (DART), a rate that demonstrates top quartile safety performance for similar size utilities using the Bureau of Labor Statistics (BLS) work-related safety data.

b) Provide timely, quality health care for injured employees that aids their recovery while maintaining positive financial performance of the workers' compensation program.

Contractor Safety

a) Support contractors to reduce and eliminate potential hazards for Serious Injuries and/or Fatality (SIF) when conducting high risk work.

Public Safety

a) Track and report injuries to the public related to SMUD operations or facilities.

b) Implement measures to protect the public from injuries related to SMUD operations or facilities.

SD-7

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.

SD-8

Developing and maintaining a high quality, diverse and inclusive workplace that engages and inspires employees to commit to SMUD's purpose, vision and values is a core value of SMUD.

SMUD is committed to diversity and inclusion and will foster and support a workplace that values employees representing a variety of backgrounds, including but not limited to, race, ethnicity, gender, gender identification and/or expression, sexual orientation and identification, national origin, age, physical abilities, veteran status, socio-economic status, life experiences, talents, and thinking styles.

Therefore:

a) SMUD shall attract and retain a highly qualified and diverse workforce.

b) SMUD shall promote inclusion and diversity and engage its workforce in activities that demonstrate and support inclusion and diversity across the organization.

c) SMUD shall engage its workforce in personal and professional development.

d) SMUD's percentage of engaged employees as measured through the Engagement Index shall exceed 80%.

e) SMUD shall use a broad mix of communication and outreach channels to ensure its recruitment activities reflect the diversity of the communities it serves.

d) SMUD shall maintain and communicate written policies that define procedures and expectations for staff and provide for effective handling of grievances.

f) Annually, and consistent with State and Federal law, the Board shall receive a report detailing the demographics and trends of the SMUD workforce, the available workforce, and the Sacramento region. The report shall also provide information on veterans as a part of SMUD's workforce.

SD-9

It is a core value of SMUD to provide its customers and community with a sustainable power supply using an integrated resource planning process.

A sustainable power supply is one that reduces SMUD's greenhouse gas (GHG) emissions to serve retail customer load to Zero by 2030. Zero GHG emissions will be achieved through investments in energy efficiency, clean distributed energy resources, renewables portfolio standard (RPS) eligible renewables, energy storage, large hydroelectric generation, clean and emissions free fuels, and new technologies and business models. Additionally, SMUD will continue pursuing GHG savings through vehicle, building and equipment electrification.

SMUD shall assure reliability of the system, minimize environmental impacts on land, habitat, water and air quality, including Tribal and other cultural impacts, and maintain competitive rates relative to other California electricity providers.

To guide SMUD in its resource evaluation and investment, the Board sets the following energy supply goal:

Year	Greenhouse Gas Emissions (metric tons)
2020	2,318,000
2030 - beyond	0

In keeping with this policy, SMUD shall also achieve the following:

a) Pursue energy efficiency and electrification to reduce carbon emissions by 365,000 metric tons from buildings and 1,000,000 metric tons from transportation in 2030 (the equivalent of 112,000 single family homes and 288,000 passenger vehicles electrified).

b) Procure renewable resources to meet or exceed the state's mandate of 33% of SMUD's retail sales by 2020, 44% by 2024, 52% by 2027, and 60% of its retail sales by 2030 and thereafter, excluding additional renewable energy acquired for certain customer programs.

c) In meeting GHG reduction goals, SMUD shall:

i) Emphasize local and regional benefits.

ii) Improve equity for under-served communities.

d) Explore, develop, and demonstrate emerging GHG-free technologies and business models.

e) Promote cost effective, clean distributed generation through SMUD programs.

SD-10

Delivering innovative solutions, products and services to our customers is a core value. To assure our long-term competitiveness, SMUD shall invest in research and development projects that support its core and key values, and integrate emerging technologies and new business models into SMUD's customer offerings in a way that balances risk and opportunity and benefit our customers and community.

SD-11

Supporting and strengthening the public power business model is a core value. Local decision making and flexibility are essential to effective and responsible local governance. Community-owned utilities are primarily accountable to their customers, not stockholders. Community citizens have a direct voice in public power decisions.

Preservation of this business model is vital to ensure public power systems continue to provide innovative solutions tailored to best meet the needs of their customers and communities.

SD-12

Maintaining the public trust and confidence in the integrity and ethical conduct of the Board and SMUD employees is a core value. Therefore, to ensure the public interest is paramount in all official conduct, the Board shall adopt and update, as necessary: a Conflict of Interest Code as required by State law. SMUD shall also maintain and enforce a code of conduct applicable to all employees.

Among other things the code of conduct shall:

a) Require high ethical standards in all aspects of official conduct;

b) Establish clear guidelines for ethical standards and conduct by setting forth those acts that may be incompatible with the best interests of SMUD and the public;

c) Require disclosure and reporting of potential conflicts of interest; and

d) Provide a process for (i) reporting suspected violations of the code of conduct and policies through multiple channels, including an anonymous hotline, and (ii) investigating suspected violations.

SD-13

Promoting the economic vitality of our region and the growth of our customer base is a key value of SMUD. Therefore, SMUD shall exercise strategic leadership and actively participate in regional economic development.

Specifically:

a) SMUD shall promote innovation while maintaining rate affordability and balancing the other strategic directions.

b) SMUD shall align its economic development activities with regional economic development initiatives.

c) SMUD shall assist in retaining, recruiting and growing commercial and industrial rate-paying customers.

d) SMUD shall offer economic development rates and program incentives.

e) SMUD shall offer a contracting program for certified small businesses who are rate-paying customers.

SD-14

As a community-owned utility, SMUD recognizes that the relocation or underground placement of primary voltage power lines may be desirable to local jurisdictions to improve aesthetics, economic vitality, safety and disabled access. Therefore, it is a key value of SMUD to make selected distribution system enhancements, such as permanent relocation or underground placement of existing primary power lines below 69 kV.

a) SMUD will, at its expense and where technically feasible, permanently relocate or underground existing overhead distribution facilities provided the governing body of the city or county in which the electric facilities are and will be located has:

i) Identified, after consultation with SMUD, a specific system enhancement project;

ii) Determined the project is in the public interest;

iii) Ensured all existing overhead communication facilities related to the project will also be permanently relocated or placed underground;

iv) Obtained and provided SMUD with all easements necessary for the project.

b) After achievement of core financial targets, SMUD will annually commit up to one-half of one percent of its annual gross electric sales revenue to system enhancements. The proposed projects will be subject to SMUD's annual budget approval process, and uncommitted funds from any given year will not be carried over to future years. Funding will be assigned to projects brought forward by local cities or counties based on applying the following criteria (not in order of preference):

i) Project scale and/or cost when measured against available SMUD resources.

ii) Requesting entity has developed full scope, obtained all necessary easements, and development plan for customer service conversion from overhead to underground, as required.

iii) Extent to which the costs are borne by others.

SD-15

Providing broad outreach and communication to SMUD's customers and the community is a key value of SMUD.

Specifically:

a) SMUD shall provide its customers the information, education and tools they need to best manage their energy use according to their needs.

b) SMUD will use an integrated and consistent communication strategy that recognizes the unique customer segments that SMUD serves.

c) SMUD's communication and community outreach activities shall reflect the diversity of the communities we serve. SMUD shall use a broad mix of communication channels to reach all customer segments. This communication shall be designed to ensure that all groups are aware of SMUD's major decisions and programs.

SD-16

Proper management of cyber and physical information, as well as physical security, is a core value. Robust information management and physical security practices are critical to effective risk management and to ensure regulatory compliance, business resiliency and customer satisfaction. SMUD shall take prudent and reasonable measures to accomplish the following:

a) Cybersecurity: SMUD will protect customer, employee and third party information, and SMUD technology systems are protected from unauthorized access, use, disclosure, disruption, modification, or destruction.

b) Physical Security: SMUD will safeguard its employees while at work as well as customers and visitors at SMUD facilities. SMUD will also protect its facilities and functions that support the reliability of the electric system and overall operation of the organization from unauthorized access or disruption of business operations.

c) Privacy: SMUD will annually notify customers about the collection, use and dissemination of sensitive and confidential customer information. Except as provided by law or for a business purpose, SMUD will not disseminate sensitive and confidential customer information to a third

party for non-SMUD business purposes unless the customer first consents to the release of the information. Where sensitive and confidential information is disseminated for a business purpose, SMUD will ensure: (i) the third party has robust information practices to protect the sensitive and confidential customer or employee information, and (ii) use of the information by the third party is limited to SMUD's business purpose. SMUD will maintain a process that identifies the business purposes for which SMUD will collect, use and disseminate sensitive and confidential customer and employee information.

d) Information Management: SMUD will maintain the efficient and systematic control of the creation, capture, identification, receipt, maintenance, use, disposition, and destruction of SMUD information, in accordance with legal requirements and Board policies.

SD-17

Effectively balancing and managing risk to further SMUD's policies and business goals is a core value of SMUD.

Therefore:

SMUD will implement and maintain an integrated enterprise risk management process that identifies, assesses, prudently manages and mitigates a variety of risks facing SMUD, including financial, supply, operational, physical and cyber security, climate change, legal, legislative and regulatory, and reputational risk.

SD-19

Broadening and diversifying the products and services that SMUD offers is a key value. The desired results are to: a) generate new revenues that contribute to SMUD's long-term financial health; b) spur the creation of innovative products and services; c) capture the value of SMUD's brand and intellectual property; d) better leverage and optimize SMUD's assets; and e) enable SMUD to continue to attract and retain a talented workforce.

Therefore:

a) SMUD shall broaden and diversify its lines of business, which may include:

i) Being an external service provider;

ii) Expanding wholesale energy market opportunities;

iii) Capitalizing on intellectual property and assets to develop products and services either solely or through strategic partnerships;

iv) Selling products and services aligned with SMUD's purpose and Strategic Directions.

b) SMUD shall ensure any new lines of business:

i) Benefit SMUD's customers and our community;

ii) Achieve a balanced, diversified portfolio of rewards and risks;

iii) Create economic value without compromising SMUD's financial health;

iv) Do not pose unreasonable risk to SMUD's reputation;

v) Align with, leverage, and optimize SMUD's strengths, assets and expertise;
vi) Position SMUD for the future.

Compliance

Introduction

California voters approved Proposition 26 in November 2010, and that measure provides that every "levy, charge, or exaction of any kind imposed by a local government" is treated as a tax subject to voter approval, with exceptions discussed below. (Cal. Const., art. XIII C, § 1, subd. (e).) Proposition 26 therefore applies only to charges that are "imposed" by local government. SMUD rates are not "imposed" on customers for purposes of Proposition 26 as SMUD provides services to customers in a competitive market. SMUD customers pay only for the voluntary use of service, and they have meaningful alternatives to that service, such as self-generation and storage with solar, hydro, fuel cell, wind, geothermal power and batteries.

Although Proposition 26 arguably does not govern SMUD electric rates, the rate structure developed for this Chief Executive Officer and General Manager's Report and Recommendation on Rates and Services ("Report") complies with Proposition 26, which includes seven exceptions that treat certain charges imposed by local government agencies as fees rather than taxes, four of which are relevant to SMUD charges.

Cost-Justified Fees for Benefits and Services

First, charges for benefits conferred upon the payor, or for specific government services provided directly to the payor, are excepted under Cal. Const., art. XIII C, subdivisions (e)(1) and (e)(2), respectively, provided that the charge does not exceed the reasonable cost of providing that benefit or service. The proposed rate adjustments are based upon cost of service principles, because these adjustments bring charges in accord with the reasonable cost of service. Indeed, it is significant that SMUD's rates remain *lower* than PG&E's for every major rate class, as the CPUC also requires the rates of privately owned utilities to track costs of service, and there is no reason to believe customers who get their electricity from PG&E receive a greater benefit or a better product than customers who get their electricity from SMUD.

The cost-of-service analysis that demonstrates cost-justification for the proposed rates is the SMUD Rate Costing Study ("2024 Rate Study") which is incorporated herein by this reference.

Proposed Adjustments

The rate proposals in this Report include: 1) an optional residential TOD rate for customers with small electric panels, (2) a rate increase that applies to all customer classes, and (3) an increase in distribution wheeling charges. All of these adjustments comply with Proposition 26.

1) Optional Residential TOD (Low Use) Rate

   The Report proposes a new optional TOD rate for customers with a panel size of 125 amps or less to reflect the fact that such customers generally use less energy than those with larger

panels. This increases flexibility for customers while also maintaining revenue neutrality — collecting neither more nor less than SMUD needs from rates to support its operations. As a result, rates will remain tethered to cost-of-service principles, especially the reasonable allocation among customer classes, with the inclusion of a self-selected class of volunteers for the new TOD rate. (Cal. Const., art. XIII C, § 1(e)(1) & (e)(2) [plus last unnumbered paragraph].)

2) Rate Increases for All Customer Classes

SMUD has determined that current rates are not sufficient to recover SMUD's cost of service for any customer class and therefore recommends rate increases for each customer class to align with the cost of service. The proposed rate increases (See section titled "Rate Increase for Residential Rates") are based on cost of service principles because the primary cost-drivers of this rate increase are increased costs for wildfire mitigation, reliability compliance, technology solutions, materials and O&M and IRP implementation. As noted above, charges for services and benefits that reasonably reflect the cost of providing those services or benefits is excepted from the definition of a "tax." (Cal. Const., art. XIII C, § 1, subd. (e)(1) & (e)(2).) The proposed rate increases therefore comply with Proposition 26.

3) Distribution Wheeling Service Charge

The Rate Schedule DWS applies to customers that install, interconnect and operate generation resources, and wheel the power outside of SMUD. Those microgrid customers will be subject to the standby charge, which just recovers the cost of distribution wheeling service and therefore falls within the Proposition 26 exception for a charge to cover the cost of a service or product. (Cal. Const., art. XIII C, § 1, subd. (e)(1) & (e)(2).)

Fees for Use of SMUD Property; Fines and Penalties

In addition to the exceptions applicable to legacy treatment and charges for benefits and services, Proposition 26 also provides exceptions for the following categories of charges, which are not treated as taxes subject to voter approval: (1) charges for the use of government property and (2) fines and penalties. (Cal. Const., art XIII C, § 1, subd. (e)(4) & (e)(5).) Unlike charges for benefits and services, which cannot exceed the reasonable cost of providing those benefits and services, Proposition 26 does not limit charges for property and fines and penalties to the cost of service. Therefore, to the extent that SMUD's charges are for the use and purchase of SMUD property (such as wholesale rates) or fines and penalties (such as late-payment charges), those charges comply with Proposition 26 even without a showing that such charges are limited to SMUD's costs.

Glossary

2030 Zero Carbon Plan

A comprehensive roadmap to eliminate carbon emissions from our power supply by 2030, making it the most ambitious carbon reduction goal of any large utility in the United States. The plan outlines key strategies and investments to transition away from fossil fuels while ensuring affordable, reliable and equitable energy for our customers and community.

Analog and Digital Non-Communicating Meters

Analog meters have mechanical dials that a utility worker has to read each month to measure a customer's power usage. Digital non-communicating meters incorporate digital sensors and do not have communication capabilities for automatic monitoring, control and two-way communication through a wireless mesh network.

California Public Utilities Commission (CPUC)

An agency that regulates investor-owned utilities in the state of California.

Consumer Price Index (CPI)

Government-produced monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

Core Values

SMUD's core values are part of the SMUD Board's Strategic Direction and are a component of all solutions for meeting customers' electrical needs. SMUD core values include competitive rates, access to credit markets, reliability, customer relations, safety, environmental leadership, employee relations, resource planning, public power business model, ethics, information management and security, enterprise risk management and emerging technologies.

Credit Markets

A financial market where participants buy and sell debt securities, usually in the form of bonds.

Days Cash on Hand

A financial metric that indicates the number of days of operating expenses that could be paid with the current cash available.

Distributed Energy Resources (DERs)

A device that produces or reduces electricity and is connected to the electric distribution system. It can provide value to the grid by reducing demand, increasing supply, or supporting voltage regulation. Examples of DERs include solar panels, wind turbines, energy storage, electric vehicles, and energy management systems.

Digital Communicating Meter

A computerized meter that incorporates digital sensors and communication capabilities for automatic monitoring, control and two-way communication through a wireless mesh network.

Distributed Generation

Distributed generation, also called on-site generation or decentralized generation, typically generates electricity from either sunlight or natural gas combustion. Distributed generation systems are small-scale power generation technologies (typically in the range of 3 to 10,000 kW) that may provide electricity directly for customer use onsite or deliver electricity back into the distribution grid.

Electrical Panel

A central point which takes the power coming into a building and distributes it to different circuits throughout the property.

Energy Assistance Program Rate (EAPR)

A SMUD program that offers eligible low-income customers a discount on their monthly energy bills.

Energy Information Administration (EIA)

An independent agency within the U.S. Department of Energy that develops surveys, collects energy data, and analyzes and models energy issues.

Federal Poverty Level (FPL)

A measure of income issued every year by the United States Department of Health and Human Services. Federal poverty levels are used to determine eligibility for certain programs and benefits.

Fixed Charge Coverage or Fixed Charge Ratio

The fixed charge ratio is a measure of cash flow available for debt service payments.

Fixed Rate

The SMUD rate with fixed energy prices; one price for all kWh usage in summer, and one price for all kWh usage in non-summer months. Prices are subject to rate changes during a public rate process.

Greenhouse Gases (GHG)

Gases such as carbon dioxide, methane and nitrous oxides that trap heat in the atmosphere. Because of fossil fuel use and other human activity, greenhouse gases have been concentrating at higher levels, leading to general climate warming. SMUD produces greenhouse gases primarily through its operation of natural gas-fired power plants. SMUD is committed to reducing its GHG emissions through the use of renewable power and other means. SMUD’s goal is to eliminate its greenhouse gas emissions by 2030.

Holidays

Weekend pricing shall apply during the following holidays:

Holiday	Month	Date
New Year's Day	January	1
Martin Luther King Jr. Day	January	Third Monday
Presidents Day	February	Third Monday
Memorial Day	May	Last Monday
Juneteenth National Independence Day	June	19
Independence Day	July	4
Labor Day	September	First Monday
Indigenous Peoples' Day/ Columbus Day	October	Second Monday
Veterans Day	November	11
Thanksgiving Day	November	Fourth Thursday
Christmas Day	December	25

J.D. Power and Associates

J.D. Power and Associates is a global marketing information services company providing forecasting, performance improvement, social media and customer satisfaction insights and solutions.

Key Values

Key Values, part of the Board's Strategic Direction, define SMUD's course of action regarding research and development, economic development, system enhancement and outreach and communication.

Load

The amount of power carried by a utility system or subsystem, or the amount of power consumed by an electric device, at a specified time. Load may also be referred to as demand.

Load Serving Capability

The maximum demand that can be served with all facilities in service while meeting all applicable reliability standards.

Low-income Household

For SMUD program eligibility, households with income that is less than or equal to twice the federal poverty level.

Marginal Cost

The economic concept of the change in total costs that result when output is increased or decreased by a single unit.

Net Energy Metering (NEM)

Customers who have qualifying renewable energy technologies, as defined by the NEM1 and NEM2 rate schedules, are charged for the energy SMUD delivers to them, and credited for the energy they export to SMUD (for example, solar). The amount of energy remaining after the deduction of any energy generation from metered energy consumption. SMUD's NEM pricing, rules and regulations are described in Rate Schedules NEM1 and NEM2.

Peak Periods

Hours when SMUD experiences its highest seasonal system peak and electricity is more expensive. In its time-based rates, SMUD charges higher prices for energy during the peak periods to reflect the cost of service.

Photovoltaic (PV)

Photovoltaic is a generation technology that uses semiconductors to convert solar radiation into electricity.

Plug-in Electric Vehicle (PEV)

A passenger vehicle powered by battery packs that can be recharged from an external source of electricity. Plug-in hybrid electric vehicles also have an internal combustion engine.

Power Factor

The fraction of power actually used by a customer's electrical equipment, compared to the total apparent power supplied, usually expressed as a percentage.

Rates Book

A legal document that codifies prices and fees for SMUD electric rates.

Standard Customer Bill

Refers to customers who are on the standard residential rate and are not receiving any Energy Assistance Program Rate (EAPR) discount or the Medical Equipment Discount (MED).

Strategic Direction (SD)

Guidelines used by SMUD's Board of Directors in the decisions made about SMUD's policies and operations. The Board continually reviews and refines these guidelines to make sure SMUD will meet customer's energy needs, both now and in the future.

System Average Interruption Duration Index (SAIDI)

SAIDI is an index of electric system reliability that measures the average length of time for electric service outages per customer on an annual basis. Board Policy SD-4 on Reliability sets the SAIDI, excluding major events, at between 49.7 to 68.7 minutes.

System Average Interruption Frequency Index (SAIFI)

SAIFI is an index of electric system reliability that measures the frequency of electric service outages per customer on an annual basis. Board Policy SD-4 on Reliability sets the SAIFI, excluding major events, at between 0.85 to 1.14 outages per customer per year.

System Average Rate

Total retail revenue divided by the total kilowatt-hours sold.

System Infrastructure Fixed Charge (SIFC)

A fixed monthly charge that helps cover the cost of infrastructure, including poles, lines, transformers, service drop and meter equipment, as well as billing and customer service expenses such as the Contact Center.

Tariff

A schedule of prices and fees including terms, conditions, rules and regulations for any given electric service rate or electric rule. Tariff sheets are listed in the rates book, which is available on smud.org. Often referred to as a rate schedule.

Time-of-Day (TOD) Rate

SMUD name for a residential time-based rate that charges different prices based on the time-of-day electricity is used. With time-based rates such as the TOD (5-8 p.m. Peak) Rate, the price charged per kilowatt-hour depends on the time of day and reflects energy supply and demand. Power is typically most expensive between 5 p.m. and 8 p.m. on weekdays, especially in the summer, when heavy air-conditioning use causes spikes in electricity consumption.

Unaudited Financial Statistics

SMUD Retail Energy Sales Forecast

Table 9 – SMUD Retail Energy Sales Forecast

SMUD Retail Energy Sales Forecast

Managed Monthly Megawatt Hours (MWh) by Rate Class

Year	Month	Residential	Agricultural & Irrigation	Small Commercial		Commercial Time-of-Use			Street & Traffic	Night Lighting	Total Sales (MWh)
				< 20 kW	20-299 kW	300 - 499 kW	500 - 999 kW	≥ 1000 kW			
2026	1	451,511	2,139	65,547	145,658	45,709	54,382	162,415	4,147	214	931,722
	2	382,203	2,274	58,571	135,997	42,320	53,049	158,077	4,097	213	836,801
	3	343,220	2,672	54,936	130,224	39,825	51,631	154,188	4,062	212	780,971
	4	300,140	3,670	52,126	128,040	38,429	51,103	152,038	4,027	212	729,785
	5	300,519	6,702	54,971	136,577	40,069	52,289	153,522	4,009	211	748,868
	6	399,116	10,344	64,163	158,596	44,659	56,672	162,206	4,010	211	899,976
	7	513,470	13,008	72,570	179,103	48,969	60,927	171,136	3,999	210	1,063,393
	8	554,221	12,109	72,389	178,132	48,212	61,494	170,247	3,990	210	1,101,003
	9	507,019	9,676	72,044	177,091	49,313	61,257	171,981	4,025	209	1,052,614
	10	350,976	5,748	59,766	149,380	43,355	55,743	160,578	4,019	209	829,774
	11	324,053	3,439	54,734	134,623	41,252	52,960	155,867	4,028	208	771,164
	12	411,379	2,486	63,267	145,569	45,739	55,103	163,226	4,087	208	891,063
2027	1	461,182	2,139	65,216	145,565	46,522	55,874	165,181	4,152	207	946,038
	2	391,488	2,274	58,253	136,038	43,147	54,524	160,912	4,101	207	850,944
	3	352,141	2,672	54,673	130,433	40,674	53,124	157,083	4,067	206	795,074
	4	305,921	3,670	51,471	127,461	38,976	52,500	154,444	4,031	205	738,680
	5	303,072	6,702	53,809	134,805	40,198	53,517	155,255	4,013	205	751,576
	6	411,047	10,344	64,536	160,671	46,003	58,661	166,175	4,015	204	921,656
	7	522,453	13,008	72,313	179,720	49,785	62,747	174,240	4,003	204	1,078,473
	8	560,370	12,109	72,079	178,445	48,960	63,205	173,124	3,994	203	1,112,489
	9	515,263	9,676	71,942	177,831	50,247	63,052	175,171	4,029	203	1,067,414
	10	356,627	5,748	59,439	149,470	44,157	57,315	162,926	4,023	202	839,908
	11	333,959	3,439	54,583	134,819	42,118	54,577	158,243	4,032	202	785,973
	12	425,160	2,486	63,468	146,518	46,936	56,997	166,192	4,091	201	912,049

Notes: Includes energy usage of SMUD facilities. Total Sales may not add due to rounding.

Pro Forma Tables

Table 10 – Pro Forma Consolidated Income Statement

PRO FORMA CONSOLIDATED INCOME STATEMENT
2025-2027 ($ Millions)

	2025 Budget	2026 Projection	2027 Projection
Operating Revenues:			
Billed Sales	1,859.6	1,900.8	1,930.1
EAPR/MED Discounts	(37.2)	(37.1)	(37.1)
Recommended Revenue Adjustment	-	55.1	112.7
Uncollectable Electric Sales	(3.0)	(5.9)	(5.9)
Net Sales	**1,819.4**	**1,912.9**	**1,999.9**
Other Revenue	69.0	87.6	79.1
Total Revenue	**1,888.4**	**2,000.4**	**2,079.0**
Operating Expenses:			
Commodity	610.0	633.5	643.7
Zero Carbon Energy Solutions	198.2	201.7	209.9
Energy Delivery & Operations	226.4	230.4	233.1
Customer/Community	96.8	100.8	103.4
Workforce, Diversity & Inclusion	25.9	28.5	24.4
Information Technology	58.6	45.4	38.7
Corporate	146.2	170.1	181.6
Enterprise	34.1	18.7	18.3
Public Good (excluding EAPR/MED Discount)	67.6	73.0	73.1
Total Operations	**1,463.8**	**1,502.0**	**1,526.1**
Depreciation and Amortization	261.6	294.5	330.8
Total Operating Expenses	**1,725.4**	**1,796.5**	**1,857.0**
Net Operating Income	**163.0**	**204.0**	**222.1**
Other (Income) Expenses:			
Interest Income and Other	(54.5)	(46.9)	(42.3)
Other Non Cash	(8.5)	(27.3)	(5.6)
Total Interest Income & Other	**(63.0)**	**(74.2)**	**(47.8)**
Interest Expense			
Interest Expense	108.6	104.3	112.1
Net Interest Charges	**108.6**	**104.3**	**112.1**
Change in Net Position - Net Income (Loss)	**117.4**	**173.8**	**157.8**
Cash Available for Fixed Debt Service	475.8	574.5	661.9
Interest Payments	121.8	131.1	137.9
Principal Payments	112.6	116.5	120.7
Total Fixed Debt Service	**234.5**	**247.5**	**258.6**
Fixed Charge Coverage Ratio	**2.03**	**2.32**	**2.56**

Notes: The recommended revenue adjustment amount per year reflects the calendar year impact of the rate increase. Totals may not add due to rounding.

Table 11 – Pro Forma Capital Expenditures

PRO FORMA CAPITAL EXPENDITURES
2025-2027 ($ Millions)

	2025 Budget	2026 Projection	2027 Projection
Zero Carbon Energy Solutions	$ 152.4	$ 181.3	$ 198.6
Energy Delivery & Operations	252.8	246.3	285.0
Customer/Community	5.5	4.7	4.6
Workforce	37.3	63.4	39.1
Information Technology	92.5	61.2	38.4
Corporate/Enterprise	33.2	43.1	34.1
Total Capital	$ 573.7	$ 600.0	$ 599.8

Note: Totals may not add due to rounding.

Table 12 – Pro Forma Consolidated Sources and Uses of Cash

PRO FORMA CONSOLIDATED SOURCES AND USES OF CASH
2025-2027 ($ Millions)

	2025 Budget	2026 Projection	2027 Projection
Operating Sources of Funds:			
Receipt from Customers	1,821.9	1,866.5	1,889.5
Recommended Revenue Adjustment	-	55.1	112.7
Other Electric Revenue	63.7	61.3	61.4
Total Operating Sources of Funds:	**1,885.6**	**1,982.9**	**2,063.7**
Operating Uses of Funds:			
Net Operating Expenses	850.5	848.6	884.3
Commodity Expenses	549.7	609.9	619.8
Total Operating Uses of Funds:	**1,400.2**	**1,458.5**	**1,504.1**
Net Source of Funds from Operations:	**485.4**	**524.4**	**559.6**
Financing Sources of Funds:			
Issuance of Debt	350.0	200.0	280.0
Total Financing Sources of Funds:	**350.0**	**200.0**	**280.0**
Financing Uses of Funds:			
Capital & Reserve Expenditures	573.7	600.0	599.8
Principal Payments on Debt	104.3	108.2	112.4
Net Loans	-	-	-
Interest Payments on Debt	112.0	107.0	114.1
Total Use of Funds from Financing:	**790.0**	**815.2**	**826.4**
Net Use of Funds from Financing:	**440.0**	**615.2**	**546.4**
Investing Sources of Funds:			
Interest Income	30.1	25.7	21.0
Net Source of Funds from Investing:	**30.1**	**25.7**	**21.0**
Net Source (Use) of Funds	**75.5**	**(65.1)**	**34.2**
Days Cash on Hand	**151.0**	**154.0**	**151.0**

Notes: The recommended revenue adjustment amount per year reflects the calendar year impact of the rate increases. Totals may not add due to rounding.

Annual Sales Data Tables

Table 13 – Annual Sales Data by Rate Schedule – 2023

SACRAMENTO MUNICIPAL UTILITY DISTRICT
YTD TOTAL SALES DATA BY RATE SCHEDULE
AS OF: DECEMBER 2023

		RATE CATEGORY	YTD CUSTOMERS (a)	YEAR-TO-DATE BILLED KWH	YEAR-TO-DATE BILLED REVENUE	YEAR-TO-DATE EST. UNBILLED KWH	YEAR-TO-DATE EST. UNBILLED REVENUE
AGRICULTURAL		AOD	36	84,968	20,788	70,010	16,190
		AON	48	75,512	10,795	72,392	10,561
		ASD	6,208	48,656,319	7,216,556	42,902,339	6,438,146
		ASN	22,076	18,642,805	3,137,241	16,195,207	2,722,973
	(b)	Various_1	0	0	9,565	0	0
TOTAL AGRICULTURAL			**28,368**	**67,459,604**	**10,394,945.30**	**59,239,948**	**9,187,869.93**
COMMERCIAL AND INDUSTRIAL							
SMALL		CITS-0	683,662	745,679,320	131,191,286	469,624,594	84,491,435
		GFN	5,544	284,211	101,520	106,236	60,224
		GFN_C	15,916	13,947,476	3,395,846	12,090,843	2,003,999
		GSN_T	5	350,057	67,743	0	44
	(b)	Various_2	0	-24,443,000	-2,359,829	0	0
TOTAL SMALL			**705,127**	**735,818,064**	**132,396,565.87**	**481,821,673**	**86,555,701.45**
LARGE		CITP-2	846	28,596,130	4,463,160	23,155,590	3,542,563
		CITS-1	94,262	1,765,330,489	289,389,080	1,202,124,097	199,189,497
		CITS-2	4,677	466,252,394	70,767,610	324,136,471	49,286,337
		CITS-EV1	50	195,726	61,520	170,219	34,556
		CITS-EV2	47	2,445,697	385,904	1,666,306	180,586
		CITS-EV3	77	15,730,402	2,143,017	11,245,395	1,018,458
		GSS_T	0	137,247	23,962	0	0
		Sub-total	99,959	2,278,688,085	367,234,253.64	1,562,498,078	253,251,996.56
		CITP-3	130	25,454,108	3,376,852	18,394,324	2,440,689
		CITS-3	2,907	579,290,518	80,979,722	376,137,074	53,465,099
		CITT-3	72	6,259,084	1,050,486	5,626,841	968,233
		Sub-total	3,109	611,003,710	85,407,060.25	400,158,239	56,874,021.61
		CITP_N1	12	13,677,933	1,713,032	12,167,722	1,507,213
		CITP-4	386	336,031,766	42,807,393	248,579,188	31,648,048
		CITS-4	1,105	503,766,878	70,416,331	355,090,655	50,609,467
		CITS_N1	12	53,115,939	7,597,486	57,964,149	9,280,910
		CITT_N1	12	2,746,652	981,087	2,684,775	907,681
		CITT_N2	24	116,343,283	11,030,372	43,480,350	6,797,041
		CITT-4	264	535,604,681	64,592,160	396,682,280	48,513,545
		GDT_99	24	124,444,220	12,079,216	124,597,695	12,982,044
		Various_3	0	0	-1,039,899	4,433,418	3,360
		Sub-total	1,839	1,685,731,352	210,177,177.28	1,245,680,232	162,249,309.23
TOTAL LARGE			**104,907**	**4,575,423,147**	**662,818,491.17**	**3,208,336,549**	**472,375,327.40**
TOTAL COMMERCIAL AND INDUSTRIAL			**810,034**	**5,311,241,211**	**795,215,057.04**	**3,690,158,222**	**558,931,028.85**
STREET LIGHTS		SL_CODM	343	228,639	38,097	109,345	18,328
	(b)	SL_COM	3,342	37,927,698	3,475,451	16,435,179	1,517,778
		SL_COM_M	5,708	2,107,705	248,230	1,411,898	171,582
		SL_DOM	7,515	2,768,386	2,299,615	1,251,876	1,095,978
		SL_TSF	60	255,766	27,057	79,507	8,539
		Various_4	0	0	16	0	0
TOTAL STREET LIGHTS	(b)		**16,968**	**43,288,194**	**6,088,466.07**	**19,287,805**	**2,812,204.58**
INTERSECTION LGHT		TS	22,765	6,404,574	894,902	4,461,664	616,354
		TS_F	600	74,167	12,806	44,105	7,526
	(b)	Various_5	0	0	0	0	0
TOTAL INTERSECTION LIGHT	(c)		**23,365**	**6,478,741**	**907,707.61**	**4,505,769**	**623,879.82**
NIGHT LIGHTS		NLGT	47,022	2,871,512	1,036,310	1,806,123	655,968
		Various_6	0	0	-20,804	0	0
TOTAL NIGHT LIGHTS			**47,022**	**2,871,512**	**1,015,506.00**	**1,806,123**	**655,968.48**

RESIDENTIAL		RF01	191,736	124,529,752	23,172,566	74,194,935	13,760,800
		RF01_E	27,947	18,890,287	2,661,617	11,421,883	2,078,194
		RF01_EL	2,498	1,916,724	235,383	1,096,633	193,197
		RF01_L	2,884	2,302,080	371,737	1,299,601	229,652
		RSCH	27	257,605	24,685	152,385	23,710
		RSCH_E	1	13,368	2,815	8,347	1,304
		RSCH_EL	1	1,186	14	2,132	329
		RSCH_L	0	7,169	503	4,838	721
		RSEH	77	973,384	107,285	580,362	88,684
		RSEH_E	15	137,354	16,953	85,643	13,047
		RSEH_EL	2	11,693	1,959	11,397	1,687
		RSEH_L	1	26,873	2,953	18,441	2,712
		RSMM	1,008	30,913,899	5,132,657	18,997,790	3,291,629
		RWCH	6	96,273	11,138	69,357	10,071
		RWCH_E	0	4,044	14	2,567	355
		RWCH_EL	0	2,982	391	564	79
		RWCH_L	0	4,207	567	2,697	387
	(b)	RWEH	9	222,018	16,315	152,563	22,017
		RWEH_E	1	19,100	797	14,403	2,080
		RWEH_L	1	6,549	882	4,485	652
		Various_7	0	0	0	0	0
		Sub-total	226,214	180,336,547	31,761,231.87	108,121,023	19,721,306.22
		RSGH	1,258	6,710,569	890,002	3,807,255	661,022
		RSGH_E	79	406,378	48,622	245,990	42,030
		RSGH_EL	10	51,849	5,047	38,821	6,057
		RSGH_L	21	160,579	14,577	88,846	14,728
	(b)	RWGH	16	211,759	23,501	121,895	18,734
		RWGH_E	1	5,619	1,677	4,325	623
		RWGH_L	3	21,659	2,641	17,576	2,492
		Various_8	0	0	307,124	0	0
		Subtotal	1,388	7,568,412	1,293,192.05	4,324,708	745,686.55
		RTC1_E	648	372,154	57,721	211,537	41,253
		RTC1	5,152	3,550,766	652,907	2,175,670	395,050
		RT01	502	3,154,245	353,016	1,861,183	269,264
		RT01_E	25	133,873	11,731	81,804	12,455
		RT01_EL	1	17,323	1,595	10,939	1,558
		RT01_L	7	62,822	5,601	33,284	4,743
	(b)	RT02	5,598,666	3,730,605,370	657,653,327	2,206,057,717	409,084,889
	(d)	RT02_E	1,008,540	641,748,595	85,516,999	377,314,646	70,277,256
		RT02_EL	69,930	49,473,941	5,663,721	29,982,927	5,426,342
		RT02_L	88,419	71,058,418	10,784,185	41,440,801	7,358,946
		Various_9	0	0	-4,936,135	0	0
	(c)	Subtotal	6,771,890	4,500,177,507	755,764,667.84	2,659,170,508	492,871,756.00
TOTAL RESIDENTIAL			**6,999,492**	**4,688,082,466**	**788,819,091.76**	**2,771,616,239**	**513,338,748.77**
TOTAL ALL CLASSES			**7,925,249**	**10,119,421,728**	**1,602,440,773.78**	**6,546,614,106**	**1,085,549,700.43**

(a) Customer count is defined as the number of active electric contracts per the Monthly General Ledger Balancing Report, excluding SMUD properties.

(b) Manual adjustments to billings and other adjustments.

(c) Night Light customers contracts are included in "Total All Classes" count beginning in 2016.

Note: YTD Customers represents customer bills.

Table 14 – Annual Sales Data by Rate Schedule – 2024

SACRAMENTO MUNICIPAL UTILITY DISTRICT
YTD TOTAL SALES DATA BY RATE SCHEDULE
AS OF: DECEMBER 2024

		RATE CATEGORY	YTD CUSTOMERS (a)	YEAR-TO-DATE BILLED KWH	YEAR-TO-DATE BILLED REVENUE	YEAR-TO-DATE EST. UNBILLED KWH	YEAR-TO-DATE EST. UNBILLED REVENUE
AGRICULTURAL		AOD	36	99,322	24,896	80,613	19,322
		AON	58	89,831	13,386	83,005	13,033
		ASD	6,195	50,776,507	7,926,889	43,372,818	6,870,975
		ASN	22,101	19,001,053	3,356,581	16,152,516	2,863,298
	(b)	Various_1	0	0	6,868	0	0
TOTAL AGRICULTURAL			**28,390**	**69,966,713**	**11,328,619.41**	**59,688,952**	**9,766,628.85**
COMMERCIAL AND INDUSTRIAL							
SMALL		CITS-0	688,179	766,820,115	141,579,923	482,143,286	90,722,071
		GFN	5,552	291,442	108,469	107,720	62,846
		GFN_C	16,417	12,468,848	3,293,265	11,177,342	1,954,706
		GSN_T	0	21,721	3,790	0	0
	(b)	Various_2	0	-36,958,000	-4,105,953	0	0
TOTAL SMALL			**710,148**	**742,644,126**	**140,879,493.34**	**493,428,348**	**92,739,622.65**
LARGE		CITP-2	831	27,468,635	4,499,781	21,418,709	3,465,674
		CITS-1	93,633	1,800,585,603	306,222,519	1,199,549,838	208,284,084
		CITS-2	4,852	491,959,327	78,189,382	333,070,064	53,673,379
		CITS-EV1	52	131,956	50,373	94,948	17,638
		CITS-EV2	95	4,146,309	805,988	2,716,372	276,441
		CITS-EV3	109	24,745,467	3,544,745	19,521,294	1,894,581
		Sub-total	99,572	2,349,037,297	393,312,788.17	1,576,371,225	267,611,796.77
		CITP-3	145	32,362,346	4,451,590	24,282,523	3,364,707
		CITS-3	2,805	570,946,619	83,888,974	371,461,602	55,779,296
		CITT-3	68	6,497,564	1,121,255	5,447,063	1,005,267
		Sub-total	3,018	609,806,529	89,461,819.41	401,191,188	60,149,269.39
		CITP_N1	12	14,969,726	1,912,861	13,549,946	1,728,025
		CITP-4	398	350,254,548	46,513,410	259,314,859	34,662,231
		CITS-4	1,240	573,278,424	82,988,727	384,039,289	57,333,591
		CITS_N1	12	58,567,228	8,639,001	55,777,090	9,837,690
		CITT_N1	12	4,736,696	1,246,009	4,598,940	1,185,299
		CITT_N2	22	215,247,911	21,744,159	86,950,256	8,618,475
		CITT-4	270	539,368,009	66,908,111	415,583,151	51,586,621
		GDT_99	24	131,565,466	13,468,140	119,527,180	13,426,950
		Various_3	0	0	-1,164,398	0	0
		Sub-total	1,990	1,887,988,008	242,256,019.59	1,339,340,711	178,378,882.21
TOTAL LARGE			**104,580**	**4,846,831,834**	**725,030,627.17**	**3,316,903,124**	**506,139,948.37**
TOTAL COMMERCIAL AND INDUSTRIAL			**814,728**	**5,589,475,960**	**865,910,120.51**	**3,810,331,472**	**598,879,571.02**
STREET LIGHTS		SL_CODM	336	239,872	50,667	101,530	21,542
	(b)	SL_COM	3,217	37,223,554	3,545,733	16,102,651	1,551,935
		SL_COM_M	6,659	2,399,734	296,229	1,612,767	206,095
		SL_DOM	7,484	2,754,972	2,555,495	1,250,135	1,238,202
		SL_TSF	60	255,766	28,238	83,034	9,327
		Various_4	0	0	0	0	0
TOTAL STREET LIGHTS	(b)		**17,756**	**42,873,898**	**6,476,362.54**	**19,150,117**	**3,027,100.82**
INTERSECTION LGHT		TS	23,117	6,593,545	960,272	4,587,579	661,155
		TS_F	594	74,336	13,360	44,932	7,961
	(b)	Various_5	0	0	0	0	0
TOTAL INTERSECTION LIGHT	(c)		**23,711**	**6,667,881**	**973,631.60**	**4,632,511**	**669,115.34**
NIGHT LIGHTS		NLGT	45,622	2,685,883	1,108,735	1,685,231	698,969
		Various_6	0	0	-16,582	0	0
TOTAL NIGHT LIGHTS			**45,622**	**2,685,883**	**1,092,153.28**	**1,685,231**	**698,969.43**

RESIDENTIAL		RF01	207,604	141,930,266	27,727,136	83,934,059	16,492,693
		RF01_E	25,914	18,097,623	2,613,907	10,781,704	2,082,307
		RF01_EL	2,596	2,143,038	264,171	1,246,214	232,491
		RF01_L	3,272	2,870,760	490,099	1,638,579	305,392
		RSMM	1,003	32,448,403	5,635,242	19,718,113	3,603,815
		Various_7	0	0	0	0	0
		Sub-total	240,389	197,490,090	36,730,554.73	117,318,669	22,716,698.02
		RTC1_E	701	478,506	66,605	277,910	53,508
		RTC1	6,505	5,258,171	916,727	3,095,965	574,996
	(b)	RT02	5,854,484	4,088,119,385	758,937,648	2,359,904,294	467,112,556
	(d)	RT02_E	851,190	564,859,419	75,936,431	320,798,910	63,494,864
		RT02_EL	62,777	48,088,024	5,567,804	28,288,386	5,423,818
		RT02_L	94,640	81,541,442	13,130,938	46,514,521	8,854,333
		Various_9	0	0	-2,873,602	0	0
	(c)	Subtotal	6,870,297	4,788,344,947	851,682,551.10	2,758,879,986	545,514,075.83
TOTAL RESIDENTIAL			**7,110,686**	**4,985,835,037**	**888,413,105.83**	**2,876,198,655**	**568,230,773.85**
TOTAL ALL CLASSES			**8,040,893**	**10,697,505,372**	**1,774,193,993.17**	**6,771,686,938**	**1,181,272,159.31**

(a) Customer count is defined as the number of active electric contracts per the Monthly General Ledger Balancing Report, excluding SMUD properties.

(b) Manual adjustments to billings and other adjustments.

(c) Night Light customers contracts are included in "Total All Classes" count beginning in 2016.

Note: YTD Customers represents customer bills

Appendix I

Historical Adopted Rate Increases

Year	Rate Increase	
	Residential	Non-Residential
2000	0.00%	0.00%
2001	13.00%	21.00%*
2002	0.00%	0.00%
2003	0.00%	0.00%
2004	0.00%	0.00%
2005	6.00%	6.00%
2006	0.00%	0.00%
2007	0.00%	0.00%
2008	7.00%	7.00%
2009	5.50%	5.50%
2010	5.50%	5.50%
2011	2.25%	2.25%
2012	0.00%	0.00%
2013	0.00%	0.00%
2014	2.50%	2.50%
2015	2.50%	2.50%
2016	2.50%	2.50%
2017	2.50%	2.50%
2018	1.50%	1.00%
2019	0.00%	1.00%
1/1/2020	3.75%	3.75%
10/1/2020	3.00%	3.00%
1/1/2021	2.50%	2.50%
10/1/2021	2.00%	2.00%
3/1/2022	1.50%	1.50%
1/1/2023	2.00%	2.00%
1/1/2024	2.75%	2.75%
5/1/2024	2.75%	2.75%
1/1/2025	2.75%	2.75%
5/1/2025	2.75%	2.75%

* Medium Commercial, Agricultural and Lighting rates increased by 16%

Appendix II

NERA Residential Optional Rate Review Letter

Kurt Strunk
Senior Managing Director
NERA
1166 Avenue of the Americas
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New York, NY 10036
212 345-5023
Kurt.Strunk@nera.com

March 12, 2025

Revenue Strategy
Sacramento Municipal Utility District
6201 S Street, MS B256
Sacramento, CA 95817-1899

Review of SMUD's 2025 Optional Time-of-Day (Low Use) Rate Design Options

Dear Pricing Staff,

The Sacramento Municipal Utility District (SMUD) engaged Kurt Strunk and Willis Geffert, of NERA Economic Consulting (NERA), to provide an independent review of SMUD's proposed optional rate for customers with small electrical panels that has a lower SIFC and higher energy charge. Our remit was to evaluate the reasonableness of the proposed optional rate, considering the direction given by SMUD's board and the context of broadly accepted marginal cost methodologies for electric utility ratemaking.

We reviewed SMUD's proposed optional rate including information on how SMUD arrived at the proposed charges in the optional rate. This review is in addition to our review of SMUD's draft 2024 Rate Costing Study. We note that the proposed optional rate relies on information from that study. Although we did not audit the input data and did not perform a comprehensive review of all SMUD's calculations to arrive at its proposed optional rate, we did review the end result for reasonableness.

In summary, we find that SMUD's rate design for its proposed optional rate with a lower SIFC for customers with small panel sizes is reasonable.

Key Findings

We conclude the following:

1. SMUD's decision to decrease the SIFC and increase the energy rate is reasonable. SMUD's proposal is not intended to cause a cost shift between customers. The optional rate has an energy charge that is higher than the energy charge for customers on the standard rate to provide additional revenues to compensate for the reduced revenues from the lower SIFC charge.

2. NERA notes that SMUD appropriately considered that customers may choose to adopt the rate taking into account whether the rate will benefit them financially given their usage pattern. Even within the subset of customers eligible for this rate, the lower energy usage eligible customers are more likely to benefit from adopting the optional rate, whereas higher energy usage eligible customers are likely to benefit from staying on current rates. We understand SMUD plans to set an adder to the energy charge in the optional rate that accounts for such selective adoption of the optional rate. We agree this approach is appropriate in order to reduce the risk of cost shift to customers that do not adopt the rate. We have reviewed SMUD's proposed calculation for this adder and it is reasonable. We also understand SMUD is committed to monitoring customer adoption of the optional rate and has the ability to seek Board approval to update the energy charge for the optional rate up or down if adoption differs materially from anticipated adoption or (if needed) to help assure that the effects of the optional rate do not put customers at risk of cost shift.

3. The thresholds SMUD chose for eligibility for this optional rate are reasonable. The result is to target customers that both have lower amperage panels and lower average energy consumption. We understand that SMUD considered approximately 18 percent of residential customers in the design of this optional rate, which on an *a priori* basis seems a reasonable subset of small, low-usage customers. In practice, as discussed in the prior conclusion, SMUD's assessment is that only a subset of eligible customers would adopt the rate. SMUD assumes that customers that would materially benefit from the proposed rate would be most likely to switch to it – a reasonable assumption.

4. We understand the SIFC will be about $9/month lower for the optional rate than for the standard rate. In our opinion, this reduction strikes a reasonable balance between being large enough to encourage adoption and not being so large that the resulting adder to the energy rate for the optional rate customers might be construed as too large. In practice, we note that there is a wide range of reasonable fixed charges that would fall within the zone of reasonableness for SMUD residential customers, and the optional rate is well within that zone.

5. SMUD's methodology to arrive at the reduction in SIFC is reasonable, as it takes into consideration SMUD's per-customer marginal costs for distribution facilities and actual historical usage data of customers eligible for the optional rate. We requested that SMUD share other data metrics that allowed us to corroborate the reasonableness of SMUD's choices for the proposed optional rate.

© NERA

6. SMUD appropriately relies on information from its 2024 Rate Costing Study, as updated and reflecting cost escalation, in determining the charges for its proposed optional rate. On balance, we find SMUD's resulting rate reasonable.

Sincerely,

Kurt Strunk

Senior Managing Director

Willis Geffert
Director

© NERA

Audited Financial Statements

December 31, 2024 and 2023

Financial Statements

Report of Independent Auditors

December 31, 2024 and 2023

SMUD®

SACRAMENTO MUNICIPAL UTILITY DISTRICT
TABLE OF CONTENTS
As of and for the Years Ended December 31, 2024 and 2023

Report of Independent Auditors 1

Required Supplementary Information - Unaudited

Management's Discussion and Analysis 4

Basic Financial Statements

Statements of Net Position 15

Statements of Revenues, Expenses and Changes in Net Position 17

Statements of Cash Flows 18

Notes to Financial Statements

Note 1. Organization 20

Note 2. Summary of Significant Accounting Policies 20

Note 3. Accounting Change 28

Note 4. Electric Utility Plant 29

Note 5. Investment in Joint Powers Authority 32

Note 6. Component Units 33

Note 7. Cash, Cash Equivalents, and Investments 37

Note 8. Regulatory Deferrals 40

Note 9. Derivative Financial Instruments 43

Note 10. Long-term Debt 47

Note 11. Commercial Paper Notes 53

Note 12. Fair Value Measurement 53

Note 13. Accrued Decommissioning Liability 55

Note 14. Pension Plans 56

Note 15. Other Postemployment Benefits 62

Note 16. Insurance Programs and Claims 66

Note 17. Commitments 67

Note 18. Claims and Contingencies 69

Note 19. Subsequent Events 69

SACRAMENTO MUNICIPAL UTILITY DISTRICT
TABLE OF CONTENTS - CONTINUED
As of and for the Years Ended December 31, 2024 and 2023

Required Supplementary Information - Unaudited

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period – PERS Plan 71

Schedule of Plan Contributions for Pension – PERS Plan 72

Schedule of Changes in Net OPEB Asset or Liability and Related Ratios During the Measurement Period 73

Schedule of Plan Contributions for OPEB 74

Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sacramento Municipal Utility District (SMUD), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise SMUD's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SMUD as of December 31, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2025 on our consideration of SMUD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SMUD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SMUD's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
March 7, 2025

Sacramento Municipal Utility District
Management's Discussion and Analysis - Unaudited
For the Years Ended December 31, 2024 and 2023

Using this Financial Report

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

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

Overview of the Financial Statements

The following discussion and analysis of the financial performance of SMUD provides an overview of the financial activities for the years ended December 31, 2024 and 2023. This discussion and analysis should be read in conjunction with the financial statements, required supplementary information and accompanying notes, which follow this section.

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

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

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

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

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

Organization and Nature of Operations

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

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, with a population of approximately 1.5 million – most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

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

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

2030 Zero Carbon Plan

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

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

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

Requests for Information

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

FINANCIAL POSITION

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

CONDENSED STATEMENTS OF NET POSITION

	2024	2023	2022 (Restated)
Assets			
Electric Utility Plant - net	$ 4,577	$ 4,245	$ 4,028
Restricted and Designated Assets	373	239	184
Current Assets	1,371	1,250	1,424
Noncurrent Assets	1,800	1,587	1,581
Total Assets	8,121	7,321	7,217
Deferred Outflows of Resources	323	338	268
Total Assets and Deferred Outflows of Resources	$ 8,444	$ 7,659	$ 7,485
Liabilities			
Long-Term Debt - net	$ 3,251	$ 2,921	$ 2,886
Current Liabilities	606	701	809
Noncurrent Liabilities	638	530	447
Total Liabilities	4,495	4,152	4,142
Deferred Inflows of Resources	1,137	920	976
Net Position	2,812	2,587	2,367
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 8,444	$ 7,659	$ 7,485

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2024 Compared to 2023

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

- An increase of $332 million in electric utility plant - net. See Capital Program below for further information.
- A $134 million increase in restricted and designated assets primarily due to a $60 million deferral of 2024 operating revenues for creation of a commodity Rate Stabilization Fund (RSF) for future commodity price volatility, $20 million additional RSF transfer from operating revenue to fund Community Impact Plan (CIP) expenditures through 2028, and $41 million deferral of 2024 operating revenues for recognition in future years to offset one-time expenditures not identified in the annual budget, a $19 million RSF net transfer from revenues for net auction proceeds received and funds spent on Assembly Bill (AB) 32 programs, and a $9 million RSF transfer from revenue as a result of higher than budgeted energy deliveries from the Western Area Power Administration (WAPA), and, offset by $8 million Hydro Rate Stabilization Fund (HRSF) transfer to revenue for below average precipitation
- A $121 million increase in current assets is primarily due to $31 million increase in retail customers receivable due to higher load and rate, $21 million increase in wholesale and other receivable due to the DOE Grid Resilience and Innovative Partnerships program (GRIP) grant billing and Spent Nuclear Fuel billing, $29 million increase in inventories due to increased purchases for meters for GRIP grant and transformers.
- A $213 million increase in noncurrent assets is primarily due to $147 million increase in prepaid gas due to the restructuring the Northern California Energy Authority (NCEA) commodity prepay agreement and $70 million net increase in the regulatory costs for future recovery primarily related to amortization of pension and Other Post-Employment Benefits (OPEB) deferred outflows.

2023 Compared to 2022

Total assets in 2023 increased $104 million or 1.4% over 2022, primarily due to the following:

- An increase of $216 million in electric utility plant - net. See Capital Program below for further information.
- A $56 million increase in restricted and designated assets primarily due to a $65 million HRSF transfer from revenue for an above average precipitation water year, a $1 million RSF transfer from revenue as a result of higher than budgeted energy deliveries from the WAPA, and, offset by $10 million RSF net transfer to revenues for net auction proceeds received and funds spent on AB 32 programs.
- A $174 million decrease in current assets is primarily due to $140 million decrease in hedging derivative instruments due to the gas hedging program and $37 million decrease in wholesale and other receivables due to larger power and gas sales in December 2022.

Deferred outflows of resources in 2023 increased $70 million or 26.1% from 2022, primarily due to an adjustment to the hedging derivative instruments from the gas hedging program.

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2024 Compared to 2023

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

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

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

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

2023 Compared to 2022

Total liabilities in 2023 increased $10 million or 0.2% over 2022, primarily due to the following:

- A decrease of $108 million in current liabilities due to a $97 million decrease in purchased power payable due to high purchased power prices in December 2022 that impacted commodity costs in the prior year.
- A $83 million increase in non-current liabilities is due to a $25 million increase in accrued decommissioning for the future nuclear spent fuel costs at Rancho Seco and a $42 million increase in net pension and other postemployment benefits liability based on the most recent actuarial results.

Deferred inflows of resources in 2023 decreased $56 million or 5.7%, due to a $191 million decrease in value to the hedging derivative instruments from the gas hedging program offset by a $138 million increase to regulatory credits related to the HRSF, pension and OPEB deferred costs.

Net position in 2023 increased $220 million or 9.3% over 2022 based on results of operations.

RESULTS OF OPERATIONS

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

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

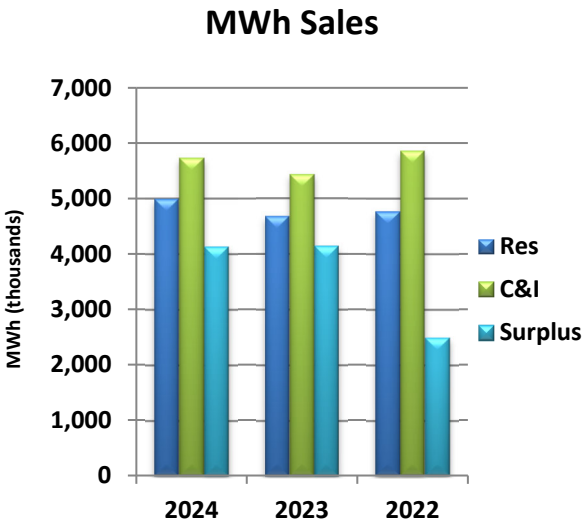
	2024	2023	2022 (Restated)
Operating revenues	$ 1,962	$ 1,931	$ 2,147
Operating expenses	(1,804)	(1,748)	(2,065)
Operating income	158	183	82
Other revenues/(expenses)	169	136	90
Interest charges	(102)	(99)	(101)
Change in net position	225	220	71
Net position - beginning of year	2,587	2,367	2,296
Net position - end of year	$ 2,812	$ 2,587	$ 2,367

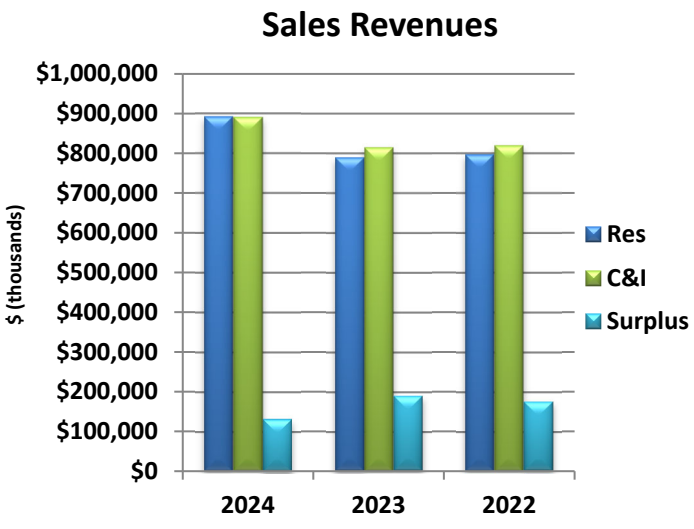
2024 Compared to 2023

OPERATING REVENUES

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

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





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

market. Surplus gas sales were lower than 2023 by $24 million primarily due to gas prices were lower due to increased gas storage nationwide.

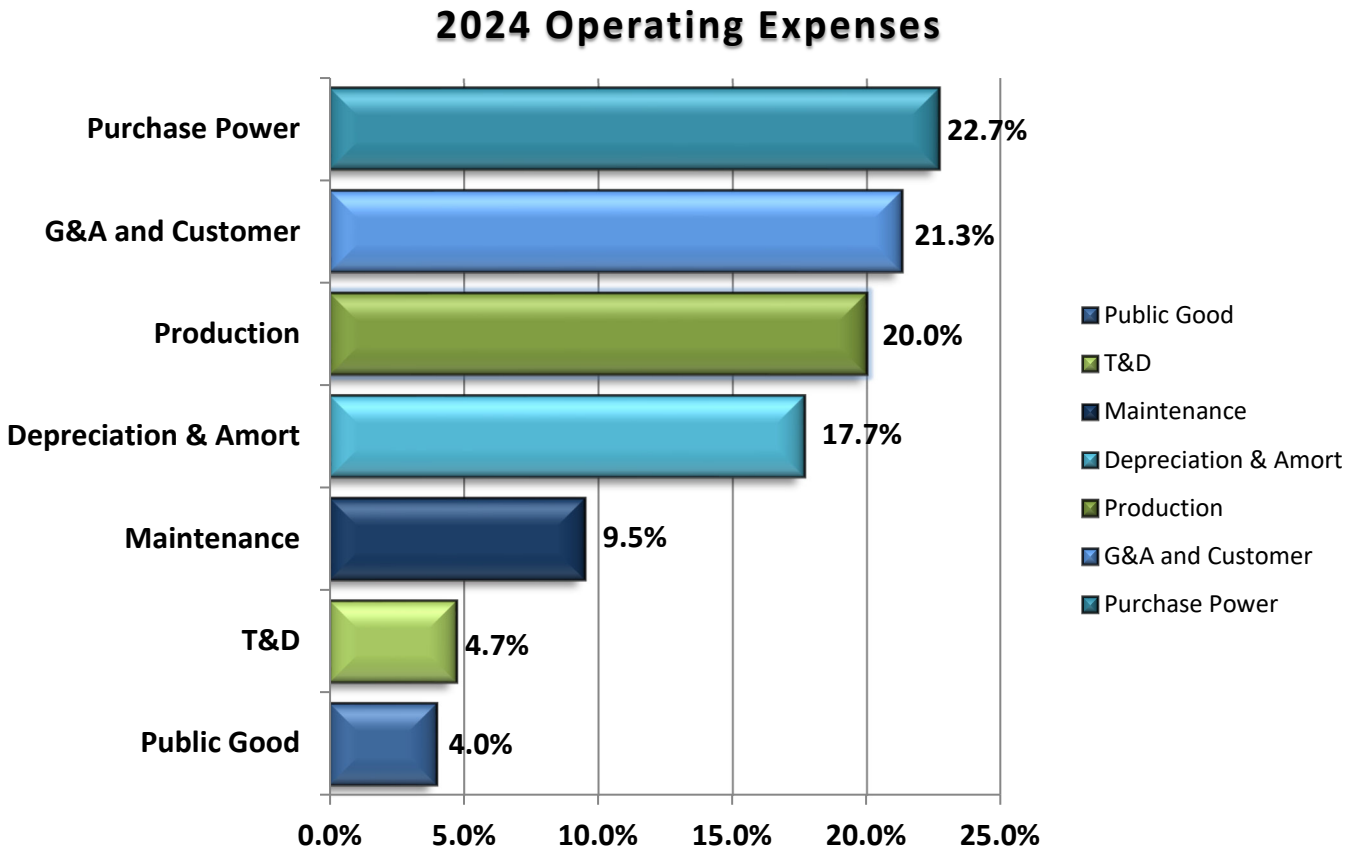
OPERATING EXPENSES

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

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

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

The following chart illustrates 2024 operating expenses by expense classification and percentage of the total:



OTHER REVENUES

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

2023 Compared to 2022

RESULTS OF OPERATIONS

- Total operating revenues were $1,931 million for 2023, a decrease of $216 million or 10.1% over 2022 operating revenues. The residential MWh sales decreased 1.8% and sales revenues decreased 0.9% compared to 2022, primarily due to cooler weather for the first half of the year and a milder summer in 2023. The commercial & industrial MWh sales decreased 7.3% and sales revenues decreased 0.6% compared to 2022, primarily due to loss of a large commercial customer in 2023.

- In 2023, energy sales were higher by $15 million as compared to 2022 due to higher MWh sold but at lower energy prices. Surplus gas sales were lower than 2022 by $118 million primarily due the unplanned outage of CPP and selling at higher gas prices in 2022. CPP came back online in March 2023.

- Total operating expenses were $1,748 million for 2023, a decrease of $317 million or 15.4% over 2022.

    - Purchased power decreased by $422 million primarily due to the unplanned outage of CPP in 2022 that led to an increase in procurement power in 2022. In 2023, the increased hydro generation, lower energy market prices and decreased load led to decrease in procurement of power.

    - Production expense increased by $22 million primarily due to unplanned CPP outage for majority of 2022.

    - General, administrative and customer increased by $54 million primarily due to large credit adjustments related to pension and OPEB actuarial results in the prior year.

    - Maintenance increased by $13 million primarily due to increased costs related to storm response in early 2023.

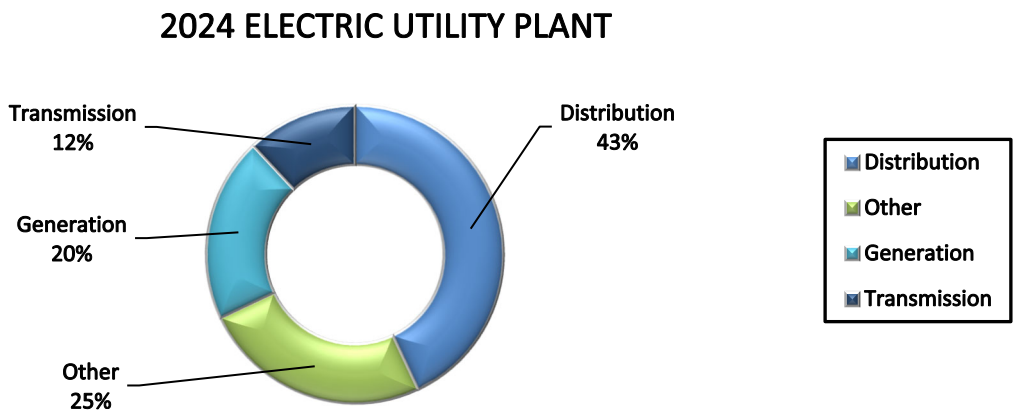
Total other revenues (net) were $136 million for 2023, an increase of $46 million or 51.7% over 2022. The increase is due to $33 million gain on sale of Solano land, $13 million receipt of insurance recovery payment on CPP repairs and $24 million higher interest earnings on investments. This is offset by a $39 million decrease in investment revenue related to gas swaps.

CAPITAL PROGRAM

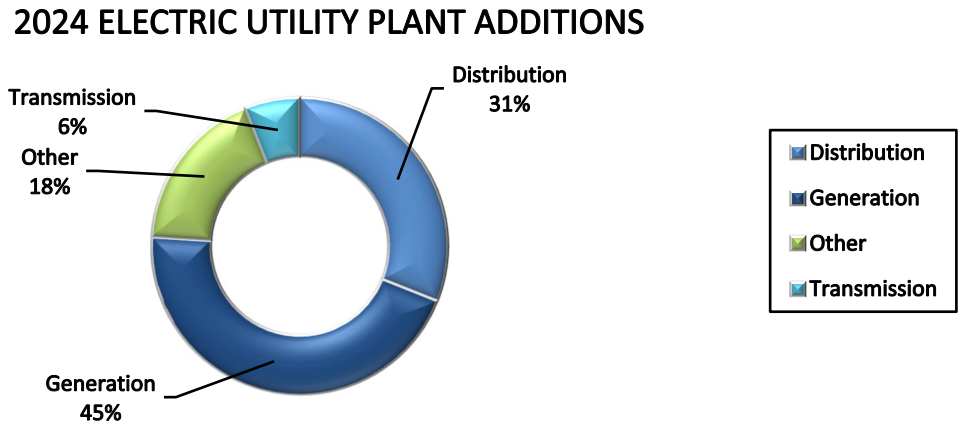
SMUD's electric utility plant includes production, transmission and distribution, and general plant facilities. The following table summarizes the balance of the electric utility plant as of December 31 (in millions).

	2024	2023	2022 (Restated)
Electric Utility Plant	$ 8,398	$ 7,890	$ 7,583
Accumulated Depreciation and Amortization	(3,821)	(3,645)	(3,555)
Electric Utility Plant - Net	$ 4,577	$ 4,245	$ 4,028

The following chart shows the breakdown of 2024 Electric Utility Plant - net by major plant category:



The following chart shows the breakdown of 2024 Electric Utility Plant capitalized additions by major plant category:



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

The following table shows actual capital program expenditures for the last two years and budgeted capital expenditures for 2025 (in millions).

	Budget 2025	Actual 2024	Actual 2023
Capital Program:			
Transmission & Distribution	$ 251	$ 215	$ 173
Generation	151	151	230
Other	172	118	81
Total	$ 574	$ 484	$ 483

In 2024 and 2023, SMUD's actual expenditures included work for Solano Phase IV, Energy Storage System Flow Battery, Country Acres solar project land purchase, distribution line work and continued work on Upper American River Project (UARP) relicensing projects.

Major capital expenditures planned in 2025 include the El Rio Substation, the Country Acres solar and storage project, new Folsom Administrative Operations Building and ongoing improvements in the UARP area as part of the hydro relicensing. Programmatic capital planned in 2025 includes cable and pole replacement programs, installing new meters, and new fleet purchases. Technology investments included in the 2025 budget are for the completion of the Grid Edge Intelligence, the Outage Management System replacement and preparation to upgrade the Enterprise Resource Planning software.

LIQUIDITY AND CAPITAL RESOURCES

SMUD maintains a strong liquidity position by setting a minimum number of days cash on hand and managing a $400 million commercial paper program. The current days cash threshold is 150 days, the minimum amount of cash on hand before triggering a new debt or commercial paper issuance to replenish cash balances. As of December 31, 2024 and 2023, the days cash on hand was 185 days and 170 days, respectively. The commercial paper program allows for short-term borrowing when needed in lieu of issuing long-term debt, similar to a credit card or line of credit. As of December 31, 2024 and 2023, SMUD had $0 and $150 million, respectively, of commercial paper notes outstanding. A strong liquidity position is important in demonstrating to investors and rating agencies that SMUD can withstand various financial stresses.

In addition, SMUD targets strong financial metrics in cash flow coverage with its fixed charge ratio. The Board sets a minimum fixed charge of 1.50 times operating cash flow; however, SMUD aims for a minimum of 1.70 as a standard. On December 31, 2024 and 2023, the fixed charge ratio was 2.83 and 2.32, respectively. This higher performance standard has proven valuable during financially challenging years of uncertainty stemming from the pandemic and higher commodity costs.

FINANCING ACTIVITIES

In April 2024, SMUD issued two separate revenue and revenue refunding bonds totaling $650 million. The purpose of these transactions was to refund the fixed rate debt associated with 2009 Series V and 2010 Series W bonds, refund the outstanding commercial paper and reimburse SMUD for capital expenses previously incurred. This resulted in a $24 million in cash flow savings over the next 12 years.

In April 2024, NCEA issued commodity supply revenue refunding bonds totaling $690 million. The purpose of this transaction was to refund the debt associated with 2018 Series A commodity supply revenue bonds. This resulted in a $34 million in commodity cost savings through August 2030.

DEBT SERVICE COVERAGE

Debt service coverage for long-term debt was 3.05 times and 2.41 times in 2024 and 2023, respectively. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios of at least 1.40 times, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage. SMUD is in compliance with all debt covenants.

CREDIT RATINGS

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

"Aa2" from Moody's. Some of SMUD's bonds are insured and are rated by the rating agencies at the higher of the insurer's rating or SMUD's underlying rating.

COMPETITIVE RATES

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

In 2021, the Board approved the Solar and Storage Rate, which will reduce the cost shift from Net Energy Metering and will incentivize customers to invest in solar paired with storage, providing greater benefits to SMUD and its customers. In 2021, the Board approved the 2022 and 2023 rate proposals including rate increases of 1.5% in 2022 and 2.0% in 2023, which is well below the rate of inflation.

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

SMUD has also developed an integrated Grant Strategy Framework, which will best position SMUD to secure sources of funding to deliver on the 2030 ZCP and keep its rates low. In 2024, SMUD was awarded two grants for $12 million, including a $10 million California Energy Commission grant to fund a long duration energy storage pilot project. The $50 million DOE Grid Deployment's GRIP program for SMUD's Connected Clean PowerCity contract was executed in September 2024 and will last for five years.

ENERGY RISK MANAGEMENT

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

SMUD has mitigation measures in place for higher commodity costs due to reduced hydroelectric production that will lead to higher purchased power. In April 2024, $8 million was transferred from the HRSF to revenue as a result of low precipitation. In 2024, the Board authorized a $60 million deferral of operating revenues to RSF for future unexpected increases in commodity expenditures through 2030. As of December 31, 2024, the HRSF was $88 million and $142 million in the RSF, net of Low Carbon Fuel Standard and Cap and Trade funds. These reserve funds help absorb higher energy costs when hydroelectric production is down or when there are unexpected increases in commodity costs, and serve as a buffer against unexpected financial developments.

DECOMMISSIONING

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

commenced in 2015. In September 2017, SMUD formally requested the termination of the possession-only license and termination of the possession-only license was completed in 2018.

As part of the Decommissioning Plan, the nuclear fuel and Greater Than Class C (GTCC) radioactive waste is being stored in a dry storage facility constructed by SMUD and licensed separately by the NRC. The DOE, under the Nuclear Waste Policy Act of 1982, was responsible for permanent disposal of used nuclear fuel and GTCC radioactive waste and SMUD contracted with the DOE for removal and disposal of that waste. The DOE has yet to fulfill its contractual obligation to provide a permanent waste disposal site. SMUD has filed a series of successful lawsuits against the federal government for recovery of the past spent fuel costs, with recoveries to date of more than $134 million. SMUD will continue to pursue cost recovery claims until the DOE fulfills its obligation.

The total Accrued Decommissioning balance in the Statements of Net Position, including Rancho Seco and other ARO's, amounted to $119 million and $121 million as of December 31, 2024 and 2023, respectively.

SIGNIFICANT ACCOUNTING POLICIES

In accordance with GASB No. 62, the Board has taken regulatory actions for ratemaking that result in the deferral of expense and revenue recognition. These actions result in regulatory assets and liabilities. SMUD has regulatory assets that cover costs related to decommissioning, derivative financial instruments, debt issuance costs, pension costs, and OPEB costs. As of December 31, 2024 and 2023, total regulatory assets were $1,002 million and $916 million, respectively. SMUD also has regulatory credits that cover costs related to contributions in aid of construction, the RSF and HRSF, Energy Assistance Program Rate reserves, SB-1, grant revenues, and Transmission Agency of Northern California operations costs. As of December 31, 2024 and 2023, total regulatory credits were $995 million and $758 million, respectively.

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SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 7,869,576	$ 7,299,480
Less accumulated depreciation and amortization	(3,820,728)	(3,645,515)
Plant in service - net	4,048,848	3,653,965
Construction work in progress	527,739	590,659
Total electric utility plant - net	4,576,587	4,244,624
RESTRICTED AND DESIGNATED ASSETS		
Revenue bond and debt service reserves	120,514	115,679
Nuclear decommissioning trust fund	9,909	9,418
Rate stabilization fund	345,389	212,131
Escrow fund	14,027	13,031
Collateral fund	10,771	9,359
Insurance captive fund	25,447	-0-
Other funds	19,921	16,891
Less current portion	(172,789)	(137,853)
Total restricted and designated assets	373,189	238,656
CURRENT ASSETS		
Unrestricted cash and cash equivalents	338,872	229,456
Unrestricted investments	208,259	341,159
Restricted and designated cash and cash equivalents	65,930	39,775
Restricted and designated investments	106,859	98,078
Receivables - net:		
Retail customers	209,590	178,414
Wholesale and other	86,417	65,425
Regulatory costs to be recovered within one year	78,921	63,415
Hedging derivative instruments maturing within one year	21,816	11,190
Inventories	174,165	144,791
Prepaid gas to be delivered within one year	41,389	43,671
Prepayments and other	38,770	35,387
Total current assets	1,370,988	1,250,761
NONCURRENT ASSETS		
Regulatory costs for future recovery	922,992	852,709
Prepaid gas	739,920	593,329
Hedging derivative instruments	32,329	34,845
Credit support collateral deposits	20,750	19,150
Due from affiliated entity	35,490	30,912
Prepayments and other	48,588	55,737
Total noncurrent assets	1,800,069	1,586,682
TOTAL ASSETS	8,120,833	7,320,723
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative instruments	40,228	85,380
Deferred pension outflows	194,134	182,489
Deferred other postemployment benefits outflows	58,215	62,705
Deferred asset retirement obligations outflows	1,195	1,787
Unamortized bond losses	29,801	6,300
TOTAL DEFERRED OUTFLOWS OF RESOURCES	323,573	338,661
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,444,406	$ 7,659,384

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

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
LIABILITIES		
LONG-TERM DEBT - net	$ 3,251,259	$ 2,920,881
CURRENT LIABILITIES		
Commercial paper notes	-0-	150,000
Accounts payable	170,469	127,539
Purchased power payable	38,363	38,522
Long-term debt due within one year	138,065	137,740
Accrued decommissioning	7,471	7,140
Interest payable	48,728	49,936
Accrued salaries and compensated absences	80,676	62,243
Other derivative instruments maturing within one year	381	1,160
Hedging derivative instruments maturing within one year	29,286	63,076
Customer deposits and other	92,608	64,201
Total current liabilities	606,047	701,557
NONCURRENT LIABILITIES		
Net pension liability	308,414	259,010
Net other postemployment benefits liability	34,132	25,334
Accrued decommissioning	111,340	113,736
Hedging derivative instruments	10,943	22,303
Self insurance and other	173,074	109,585
Total noncurrent liabilities	637,903	529,968
TOTAL LIABILITIES	4,495,209	4,152,406
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative instruments	54,145	46,035
Regulatory credits	994,763	758,307
Deferred pension inflows	8,416	17,536
Deferred other postemployment benefits inflows	23,556	38,118
Deferred lease inflows	16,434	17,363
Unamortized bond gains	36,102	39,050
Unearned revenue	3,661	3,870
TOTAL DEFERRED INFLOWS OF RESOURCES	1,137,077	920,279
NET POSITION		
Net investment in capital assets	1,883,241	1,674,419
Restricted:		
Revenue bond and debt service	71,726	62,161
Other funds	69,633	37,248
Unrestricted	787,520	812,871
TOTAL NET POSITION	2,812,120	2,586,699
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 8,444,406	$ 7,659,384

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

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

	Year Ended December 31,	
	2024	2023
	(thousands of dollars)	
OPERATING REVENUES		
Residential	$ 891,583	$ 789,196
Commercial and industrial	881,574	806,225
Street lighting and other	54,813	55,646
Wholesale	223,204	302,538
Senate Bill - 1 revenue deferral	1,042	877
AB-32 revenue	35,233	26,422
LCFS revenue	7,910	5,875
Rate stabilization fund transfers	(133,258)	(56,115)
Total operating revenues	1,962,101	1,930,664
OPERATING EXPENSES		
Operations:		
Purchased power	409,510	451,896
Production	361,068	357,773
Transmission and distribution	85,496	82,341
Administrative, general and customer	384,892	305,968
Public good	72,086	62,679
Maintenance	171,728	179,840
Depreciation and amortization	273,258	267,963
Regulatory amounts collected in rates	45,920	39,908
Total operating expenses	1,803,958	1,748,368
OPERATING INCOME	158,143	182,296
NON-OPERATING REVENUES AND EXPENSES		
Other revenues and (expenses):		
Interest income	45,481	38,230
Investment income (expense) - net	(5,173)	(11,363)
Other income - net	128,786	109,350
Total other revenues and (expenses)	169,094	136,217
Interest charges:		
Interest on debt	101,816	98,791
Total interest charges	101,816	98,791
Total non-operating revenues and (expenses)	67,278	37,426
CHANGE IN NET POSITION	225,421	219,722
NET POSITION - BEGINNING OF YEAR	2,586,699	2,366,977
NET POSITION - END OF YEAR	$ 2,812,120	$ 2,586,699

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

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2024	2023
	(thousands of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,789,294	$ 1,643,057
Receipts from surplus power and gas sales	219,745	329,851
Other receipts	98,157	179,017
Payments to employees - payroll and other	(418,361)	(395,334)
Payments for wholesale power and gas purchases	(549,103)	(743,372)
Payments to vendors/others	(520,700)	(526,649)
Net cash provided by operating activities	619,032	486,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuance, net of premium	192,318	-0-
Repayment of debt	(25,530)	(25,185)
Payments for prepaid gas supply	(187,894)	-0-
Proceeds from insurance settlements	88,943	-0-
Receipts from federal and state grants	3,026	-0-
Interest on debt	(30,912)	(27,659)
Payments for debt issue costs	(9,628)	-0-
Net cash provided by (used in) noncapital financing activities	30,323	(52,844)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(461,647)	(496,198)
Proceeds from land sales	-0-	45,005
Contributions in aid of construction	29,514	19,011
Net proceeds from bond issues	752,609	537,606
Repayments and refundings of debt	(547,705)	(420,710)
Issuance of commercial paper	-0-	200,000
Repayments of commercial paper	(150,000)	(200,000)
Proceeds from insurance settlements	7,515	-0-
Other receipts	7,863	16,501
Interest on debt	(147,831)	(116,247)
Lease and other receipts/payments - net	(36,851)	(34,625)
Net cash used in capital and related financing activities	(546,533)	(449,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	635,879	568,488
Purchases of securities	(656,952)	(673,554)
Proceeds from termination of prepaid gas contracts	2,565	-0-
Interest and dividends received	46,433	33,838
Investment revenue/expenses - net	(5,140)	(11,455)
Net cash provided by (used in) investing activities	22,785	(82,683)
Net increase (decrease) in cash and cash equivalents	125,607	(98,614)
Cash and cash equivalents at the beginning of the year	291,224	389,838
Cash and cash equivalents at the end of the year	$ 416,831	$ 291,224
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	$ 338,872	$ 229,456
Restricted and designated cash and cash equivalents	65,930	39,775
Restricted and designated assets (a component of the total of $373,189 and $238,656 at December 31, 2024 and 2023, respectively)	12,029	21,993
Cash and cash equivalents at the end of the year	$ 416,831	$ 291,224

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

SACRAMENTO MUNICIPAL UTILITY DISTRICT
SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year Ended December 31,	
	2024	2023
	(thousands of dollars)	
Operating income	$ 158,147	$ 182,296
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	273,258	267,963
Regulatory amortization	45,920	39,908
Other amortizations	40,060	26,488
Revenue deferred to (recognized from) regulatory credits - net	132,216	55,238
Other (receipts) payments - net	151,423	29,385
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Receivables - retail customers, wholesale and other	(47,057)	44,472
Inventories, prepayments and other	(220,021)	(43,135)
Deferred outflows of recources	(7,154)	(16,042)
Payables and accruals	65,153	(115,722)
Decommissioning	(6,512)	(5,481)
Net pension liability	49,404	23,559
Net other postemployment benefits liability	8,798	18,581
Deferred inflows of resources	(24,603)	(20,940)
Net cash provided by operating activities	$ 619,032	$ 486,570

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

	Year Ended December 31,	
	2024	2023
	(thousands of dollars)	
Amortization of debt related (expenses) and premiums - net	$ 45,129	$ 23,090
Write-off unamortized premium and loss	-0-	18,711
Gain on debt extinguishment and refundings	(23,975)	16,837
Unrealized holding gain (loss)	906	5,502
Change in valuation of derivative financial instruments	53,799	(250,762)
Amortization of revenue for assets contributed in aid of construction	19,974	19,201
Construction expenditures included in accounts payable	83,461	52,122
Gain (Loss) on sale and retirement of assets - net	(270)	17,637
Write-off capital projects and preliminary surveys	(6,620)	(950)

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

NOTE 1. ORGANIZATION

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

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

SMUD is exempt from payment of federal and state income taxes and, under most circumstances, real and personal property taxes. SMUD is not exempt from real and personal property taxes on assets it holds outside of its service territory. In addition, SMUD is responsible for the payment of a portion of the property taxes associated with its real property in California that lies outside of its service area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Component Units. The component units include the Sacramento Municipal Utility District Financing Authority (SFA), the Northern California Gas Authority No. 1 (NCGA), and the Northern California Energy Authority (NCEA). The primary purpose of SFA is to own and operate electric utility plants that supply power to SMUD. The primary purpose of NCGA is to prepay for natural gas to sell to SMUD. The primary purpose of NCEA is to prepay for commodities in the form of natural gas and electricity to sell to SMUD. SMUD's Board comprises the Commissions that govern these entities (see Note 6).

Plant in Service. Capital assets are generally defined by SMUD as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years. The cost of additions to Plant in Service and replacement property units is capitalized. Repair and maintenance costs are charged to expense when incurred. When SMUD retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. The costs of removal and the related salvage value, if any, are charged or credited as appropriate to Accumulated Depreciation. SMUD generally computes depreciation on Plant in Service on a straight-line, service-life basis. The average annual composite depreciation rates for 2024 and 2023 was 3.1 percent and 3.3 percent, respectively. Depreciation is calculated using the following estimated lives:

Generation	8 to 80 years
Transmission and Distribution	7 to 50 years
Gas Pipeline	10 to 90 years
General	3 to 60 years

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

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

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

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

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

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

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

Restricted and Designated Assets. Cash, cash equivalents, and investments, which are restricted by regulation or under terms of certain agreements for payments to third parties are included as restricted assets. Restricted assets include Revenue

bond and debt service reserves, Nuclear decommissioning trust fund, and Other funds. Board actions limiting the use of such funds are included as designated assets. Designated assets include the Rate stabilization fund and Other funds. When SMUD restricts or designates funds for a specific purpose, and restricted and designated and unrestricted resources are available for use, it is SMUD's policy to use restricted and designated resources first, then unrestricted resources as they are needed.

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

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

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

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

Investments. SMUD's investments are reported at fair value in accordance with SGAS No. 72, ***"Fair Value Measurement and Application"*** (see Note 12). Realized and unrealized gains and losses are included in Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. Premiums and discounts on zero coupon bonds are amortized using the effective interest method. Premiums and discounts on other securities are amortized using the straight-line method, which approximates the effective interest method.

Electric Operating Revenues. Electric revenues are billed on the basis of monthly cycle bills and are recorded as revenue when the electricity is delivered. SMUD records an estimate for unbilled revenues earned from the dates its retail customers were last billed to the end of the month. At December 31, 2024 and 2023, unbilled revenues were $89.1 million and $81.5 million, respectively.

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

and adjustments to prior billings are included in Purchased Power expense once the payments or adjustments can be reasonably estimated.

Advanced Capacity Payments. Some long-term agreements to purchase energy or capacity from other providers call for up-front payments. Such costs are generally recorded as an asset and amortized over the length of the contract in Operations - Production expense on the Statements of Revenues, Expenses and Changes in Net Position.

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

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

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

Accounts Receivable, Allowance for Doubtful Accounts and Energy Efficiency Loans. Accounts receivable is recorded at the invoiced amount and does not bear interest, except for accounts related to energy efficiency loans. SMUD recognizes an estimate of uncollectible accounts for its receivables related to electric service, energy efficiency loans, and other non-electric billings, based upon its historical experience with collections and current energy market conditions. For large wholesale receivable balances, SMUD determines its bad debt reserves based on the specific credit issues for each account. In the Statements of Net Position, SMUD reports its receivables net of the allowance for uncollectible as current assets, and its energy efficiency loans net of the allowance for uncollectible as noncurrent assets. At December 31, 2024 and 2023, SMUD estimated its uncollectible retail customer accounts at $16.9 million and $26.1 million, respectively, based on non-payment behaviors by aging category. SMUD records bad debts for its estimated uncollectible accounts related to electric service as a reduction to the related operating revenues in the Statements of Revenues, Expenses and Changes in Net Position. SMUD records bad debts for its estimated uncollectible accounts related to energy efficiency loans and other non-electric billings in Administrative, General and Customer expense in the Statements of Revenues, Expenses and Changes in Net Position.

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

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
Retail customers:		
Receivables	$ 226,526	$ 204,466
Less: Allowance for uncollectible	(16,935)	(26,052)
Receivables - net	$ 209,590	$ 178,414
Wholesale and other:		
Receivables	$ 90,657	$ 68,167
Less: Allowance for uncollectible	(4,240)	(2,742)
Receivables - net	$ 86,417	$ 65,425
Energy efficiency loans:		
Receivables	$ 277	$ 507
Less: Allowance for uncollectible	(90)	(123)
Energy efficiency loans - net	$ 187	$ 384

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

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Compensated Absences. SMUD implemented SGAS No. 101 "***Compensated Absences***" in 2024. SMUD accrues vacation leave and compensatory time when employees earn the rights to the benefits. Since there are no cash payments made for sick leave when employees terminate or retire, sick leave is accrued when the employees earn the rights to the benefits and to the extent it is probable that the leave will be used. Compensated absences are recorded as Accrued salaries and compensated absences in the Statements of Net Position. For the years ended December 31, 2024 and 2023, the net increase in the estimated liability for vacation, sick and other compensated absences was $12.4 million and $0.4 million, respectively.

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

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

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

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

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

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

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

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

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

Pollution Remediation. SGAS No. 49, ***"Accounting and Financial Reporting for Pollution Remediation Obligations,"*** (GASB No. 49) requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. SMUD recorded a pollution remediation obligation for its North City substation, which was built on a former landfill, for the former Community Linen Rental Services Property, and for obligations for several land sites, including a few sites where it will be building a substation. At December 31, 2024 and 2023, the total pollution remediation liability was $20.6 million and $23.2 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self Insurance and Other in the Statements of Net Position. Costs were estimated using the expected cash flow technique prescribed under GASB No. 49, including only amounts that are reasonably estimable.

Hydro License. SMUD owns and operates the Upper American River Hydroelectric Project (UARP). The original license to construct and operate the UARP was issued in 1957 by FERC. Effective July 1, 2014, SMUD received a 50-year hydro license. As part of the hydro licensing process, SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. At December 31, 2024 and 2023, the liability for these contract payments was $62.4 million and $62.7 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self-Insurance and Other in the Statements of Net Position (see Note 17).

Assembly Bill 32. California Assembly Bill (AB) 32 was an effort by the State of California to set a greenhouse gas (GHG) emissions reduction goal into law, and initially was set through 2020. In 2015, the state established a 2030 goal for GHG emissions at 40 percent below 1990 levels, and in July of 2017 AB-398 was approved by the Governor. Central to these initiatives is the Cap and Trade program, which covers major sources of GHG emissions in the State including power plants. AB-398 extended Cap and Trade through 2030. The Cap and Trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances, which are tradable permits, equal to the emissions allowed under the cap. Sources under the cap are required to surrender allowances and offsets equal to their emissions at the end of each compliance period. SMUD is subject to AB-32 and has participated in California Air Resources Board (CARB) administered

quarterly auctions in the past. In a normal water year, SMUD expects its free allocation of allowances from the CARB to cover its compliance costs associated with electricity delivered to its retail customers. SMUD expects to recover compliance costs associated with wholesale power sales costs through its wholesale power sales revenues. SMUD continues to monitor new legislation and proposed programs that could impact AB-32 and its subsequent extensions.

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

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

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

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

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

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

Revenues and Expenses. SMUD distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with SMUD's principal ongoing operations. The principal operating revenues of SMUD are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as Non-Operating Revenues and Expenses in the Statements of Revenues, Expenses and Changes in Net Position. In 2024 SMUD recognized insurance proceeds of $96.5 million which is included Other income - net. And in 2023 SMUD recognized proceeds for a land sale of $33.3 million, a legal settlement of $14.8 million and insurance proceeds of $13.6 million which is included in Other income - net.

Grants. SMUD receives grant proceeds from federal and state assisted programs for its projects which include, but are not limited to, advanced and renewable technologies, electric transportation, and energy efficiency. SMUD also periodically receives grant proceeds from federal or state assistance programs as partial reimbursements for costs it has incurred as a result of natural disasters, such as storm or fire damages. When applicable, these programs may be subject to financial and compliance audits pursuant to regulatory requirements. During 2024, SMUD recorded $11.1 million of grant proceeds and recognized $3.0 million as a component of Other Income - Net, in the Consolidated Statements of Revenues, Expenses and Changes in Net Position, and $8.1 million as a Regulatory Credit (see Note 8).

SMUD has taxable Build America Bonds in which it receives an interest subsidy from the federal government equal to 35 percent of the interest paid (see Note 10). SMUD received reduced subsidy payments in 2024 and 2023 due to budget sequestration by the federal government. SMUD recognized $3.0 million in revenues in 2024 and $9.3 million in revenues in 2023 for its Build America Bonds, as a component of Other income (expense) - net, in the Statements of Revenues, Expenses and Changes in Net Position. The Build America Bonds were refunded in 2024.

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

Subsequent Events. Subsequent events for SMUD have been evaluated through March 7, 2025 (see Note 19).

Reclassifications. Certain amounts in the 2023 Financial Statements have been reclassified in order to conform to the 2024 presentation.

Recent Accounting Pronouncements, adopted. In April 2022, GASB issued SGAS No. 99, ***"Omnibus 2022"*** (GASB No. 99). This statement addresses a variety of topics and is effective for SMUD in 2022, 2023, or 2024 depending on the requirement. The two remaining topics in this statement are related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53. These topics are effective for SMUD in 2024 but had no impact on SMUD.

In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for SMUD in 2024 but had no impact.

SMUD implemented SGAS No. 101, "***Compensated Absences***" (GASB No. 101) in 2024 (see Note 3).

Recent Accounting Pronouncements, not yet adopted. In December 2023, GASB issued SGAS No. 102, ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for SMUD in 2025. SMUD is currently assessing the disclosure impact of adopting this statement.

In April 2024, GASB issued SGAS No. 103, ***"Financial Reporting Model Improvements"*** (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues. This Statement is effective for SMUD in 2026. SMUD is currently assessing the impact of adopting this statement.

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

NOTE 3. ACCOUNTING CHANGE

In June 2022, GASB issued SGAS No. 101, "***Compensated Absences***" (GASB No. 101), to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. This statement is effective for SMUD in fiscal year 2024. The implementation impacted the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position when the accrual of these additional leave liabilities and the associate salary-related payments and the related expenses were recorded. Net position decreased by $11.5 million in 2024. SMUD did not restate 2023 for this change as the impact was immaterial.

NOTE 4. ELECTRIC UTILITY PLANT

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

	Balance January 1, 2024	Additions	Transfers and Disposals	Balance December 31, 2024
		(thousands of dollars)		
Nondepreciable Electric Utility Plant:				
Land and land rights	$ 190,812	$ 7,898	$ (1,602)	$ 197,108
CWIP	590,659	510,809	(573,729)	527,739
Total nondepreciable electric utility plant	781,471	518,707	(575,331)	724,847
Depreciable Electric Utility Plant:				
Generation	1,763,683	248,084	(2,365)	2,009,402
Transmission	649,509	30,608	(3,419)	676,698
Distribution	2,875,763	173,015	(8,765)	3,040,013
Investment in JPAs	46,796	2,790	-0-	49,586
Intangibles	589,531	47,994	-0-	637,525
General	1,139,118	55,245	(69,189)	1,125,174
Total depreciable electric utility plant	7,064,400	557,736	(83,738)	7,538,398
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	-0-	78,389	-0-	78,389
General	5,556	107	-0-	5,663
Total lease assets	7,320	78,496	-0-	85,816
Subscription Assets	36,948	15,008	(3,702)	48,254
Less: accumulated depreciation and amortization	(3,637,296)	(261,993)	87,093	(3,812,196)
Less: accumulated amortization on JPAs	(8,219)	-0-	(313)	(8,532
Total accumulated depreciation and amortization	(3,645,515)	(261,993)	86,780	(3,820,728)
Total depreciable plant	3,463,153	389,247	(660)	3,851,740
Total Electric Utility Plant - net	$ 4,244,624	$ 907,954	$ (575,991)	$ 4,576,587

The summarized activity of SMUD's Electric Utility Plant during 2023 is presented below:

	Balance January 1, 2023	Additions	Transfers and Disposals	Balance December 31, 2023
		(thousands of dollars)		
Nondepreciable Electric Utility Plant:				
Land and land rights	$ 170,616	$ 51,699	$ (31,503)	$ 190,812
CWIP	347,758	507,246	(264,345)	590,659
Total nondepreciable electric utility plant	518,374	558,945	(295,848)	781,471
Depreciable Electric Utility Plant:				
Generation	1,766,397	44,303	(47,017)	1,763,683
Transmission	634,725	20,062	(5,278)	649,509
Distribution	2,785,575	109,830	(19,642)	2,875,763
Investment in JPAs	40,708	6,088	-0-	46,796
Intangibles	571,317	21,613	(3,399)	589,531
General	1,147,814	19,269	(27,965)	1,139,118
	6,946,536	221,165	(103,301)	7,064,400
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	76,804	-0-	(76,804)	-0-
General	5,556	-0-	-0-	5,556
	84,124	-0-	(76,804)	7,320
Subscription Assets	33,972	2,976	-0-	36,948
Less: accumulated depreciation and amortization	(3,546,607)	(270,105)	179,416	(3,637,296)
Less: accumulated amortization on JPAs	(7,905)	(314)	-0-	(8,219)
	(3,554,512)	(270,419)	179,416	(3,645,515)
Total depreciable plant	3,510,120	(46,278)	(689)	3,463,153
Total Electric Utility Plant - net	$ 4,028,494	$ 512,667	$ (296,537)	$ 4,244,624

Leases. SMUD engages in lease contracts for land, communication sites, buildings, and a power plant. SMUD leases land to SFA, a component unit, and as described in Note 2, all of the activities and balances of the component units are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD.

Lessor. Lease agreements include land, communication sites, and a building. Lease terms range from 4 to 35 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that Lessees will exercise the renewal options with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.7 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit

spread to account for a different credit rating and other factors. At December 31, 2024 and 2023, lease receivables included in current assets were $0.5 million and $0.6 million, respectively, and lease receivables included in noncurrent assets were $16.7 million and $17.4 million, respectively. As of December 31, 2024 and 2023, deferred lease inflows were $16.4 million and $17.4 million, respectively. SMUD recognized lease revenue of $0.7 million and $0.8 million in 2024 and 2023, respectively, which is reported in Street lighting and other on the Statements of Revenues, Expenses and Changes in Net Position. SMUD recognized interest income of $0.3 million in 2024 and 2023. There were no variable lease payments received in 2024 or 2023.

Lessee. Lessee agreements include land, buildings, and a power plant. Lease terms range from 3 to 25 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that the lease agreements will be renewed with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.8 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2024 and 2023, assets recorded under leases were $85.8 million and $7.3 million, respectively, and accumulated amortization associated with lease assets was $27.9 million and $1.2 million, respectively. SMUD recognized amortization expense of $26.6 million in 2024 and $26.1 million in 2023 which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2024 and 2023, lease obligations included in current liabilities, Customer deposits and other, were $26.5 million and $0.4 million, respectively, and lease obligations included in noncurrent liabilities, Self insurance and other, were $32.3 million and $5.9 million, respectively. There were no lease impairments in 2024 or 2023. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual lease principal and interest payments as of December 31, 2024 (in thousands):

	Principal	Interest	Total
2025	$ 26,494	$ 1,096	$ 27,590
2026	27,120	475	27,595
2027	439	131	570
2028	448	126	574
2029	457	120	577
2030-2034 (combined)	1,279	518	1,797
2035-2039 (combined)	1,050	385	1,435
2040-2044 (combined)	916	217	1,133
2045-2049 (combined)	594	38	632
Total	$ 58,797	$ 3,106	$ 61,903

Subscription Assets. SMUD has noncancellable subscription-based information technology arrangements (SBITAs) for the right to use information technology hardware and software. SBITA subscription terms range from 2 to 7 years including options to extend the subscription term after completion of the initial contracted term. The agreements allow for periodic increases to the subscription payments. The interest rates range between 0.25 percent to 3.22 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the subscription term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2024 and 2023, subscription assets recorded were $48.3 million and $36.9 million, respectively, and accumulated amortization associated with subscription assets was $19.6 million and $13.9 million, respectively. SMUD recognized SBITA amortization expense of $9.3 million in 2024 and $7.4 million in 2023 which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2024 and 2023, subscription obligations included in current liabilities, Customer deposits and other, were $10.4 million and $5.9 million, respectively, and subscription obligations included in noncurrent liabilities, Self-insurance and other, were $15.3 million and $15.0 million, respectively. There were no subscription asset impairments in 2024 or 2023. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual SBITA principal and interest payments as of December 31, 2024 (in thousands):

	Principal	Interest	Total
2025	$ 10,442	$ 471	$ 10,913
2026	6,952	274	7,226
2027	4,605	141	4,746
2028	3,639	64	3,703
2029	91	1	92
Total	$ 25,729	$ 951	$ 26,680

NOTE 5. INVESTMENT IN JOINT POWERS AUTHORITY

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

In 2009, SMUD entered into a 15-year long-term layoff agreement with TANC and certain members, expiring January 31, 2024. This agreement provides for the assignment of all rights and obligations of the City of Palo Alto and the City of Roseville related to their COTP and SOT entitlements. This agreement increased SMUD's COTP entitlement by 36 MW and SOT entitlement by 2 MW. On July 1, 2014, an amendment returned to the City of Roseville all rights and obligations related to the COTP entitlements, which decreased SMUD's COTP entitlement by 13 MW.

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

The long-term debt of TANC, which totals $159.5 million (unaudited) at December 31, 2024, is collateralized by a pledge and assignment of net revenues of TANC supported by take or pay commitments of SMUD and other members. Should other members default on their obligations to TANC, SMUD would be required to make additional payments to cover a portion of such defaulted payments, up to 25 percent of its current obligation. SMUD recorded transmission expenses related to TANC of $18.9 million and $17.5 million in 2024 and 2023, respectively.

In October 2024, TANC issued a line of credit for $120 million for the replacement project related to the series capacitors. In 2024 TANC drew $92 million from the line of credit and disbursed $88.6 million for TANC's cost share of the series capacitor project and $28.7 million for Western Area Power Administration's cost share of the series capacitor project.

Summary financial information for TANC is presented below:

	December 31, 2024 (Unaudited)	December 31, 2023 (Unaudited)
	(thousands of dollars)	
Total Assets	$ 501,368	$ 402,458
Total Deferred Outflows of Resources	-0-	13
Total Assets and Deferred Outflows of Resources	$ 501,368	$ 402,471
Total Liabilities	$ 399,995	$ 307,217
Total Deferred Inflows of Resources	1,287	939
Total Net Position	100,086	94,315
Total Liabilities and Net Position	$ 501,368	$ 402,471
Changes in Net Position for the Six Months Ended December 31	$ 6	$ 14

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

BANC. SMUD, City of Redding, City of Roseville, Modesto Irrigation District (MID), City of Shasta Lake, and Trinity Public Utilities District are members of BANC, a JPA formed in 2009. In 2011, operational control of Balancing Authority Area (BAA) operations was transferred from SMUD to BANC. BANC performs FERC approved BAA reliability functions that are managed by North American Electric Reliability Corporation (NERC), nationally, and by Western Electricity Coordinating Council functions in the west. SMUD recorded expenses related to BANC of $5.3 million and $4.3 million in 2024 and 2023, respectively.

Summary financial information for BANC is presented below:

	December 31, 2024 (Audited)	December 31, 2023 (Audited)
	(thousands of dollars)	
Total Assets	$ 7,753	$ 8,093
Total Liabilities	$ 7,753	$ 8,093
Total Net Position	-0-	-0-
Total Liabilities and Net Position	$ 7,753	$ 8,093
Changes in Net Position for the Year Ended December 31	$ -0-	$ -0-

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

NOTE 6. COMPONENT UNITS

SFA Cosumnes Power Plant Project. SFA is a JPA formed by SMUD and MID. SFA operates the Cosumnes Power Plant Project, a 602 MW (net) natural gas-fired, combined cycle facility which began commercial operations in 2006. The revenue stream to pay the SFA bonds' debt service is provided by a "take-or-pay" power purchase agreement between SMUD and SFA. On November 1, 2021, SFA entered into Assignment and Assumption Agreements which transferred the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan). Carson began commercial operations in 1995 and

is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Procter and Gamble began commercial operations in 1997 and is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Campbell began commercial operations in 1997 and is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. McClellan is a 72 MW simple cycle combustion turbine and has been operating since 1986.

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

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

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

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

	SFA	NCGA	NCEA
Assets			
Electric Utility Plant - net	$ 264,777	$ -0-	$ -0-
Current Assets	144,962	51,027	43,720
Noncurrent Assets	481	52,230	687,870
Total Assets	410,220	103,257	731,590
Deferred Outflows of Resources	1,848	-0-	-0-
Total Assets and Deferred Outflows of Resources	$ 412,068	$ 103,257	$ 731,590
Liabilities			
Long-Term Debt - net	$ 64,636	$ 66,245	$ 722,286
Current Liabilities	70,466	30,366	19,824
Noncurrent Liabilities	15,340	-0-	60
Total Liabilities	150,442	96,611	742,170
Deferred Inflows	-0-	-0-	2,567
Net Position	261,626	6,646	(13,147)
Total Liabilities, Deferred Inflows and Net Position	$ 412,068	$ 103,257	$ 731,590

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

	SFA	NCGA	NCEA
Operating Revenues	$ 283,543	$ 31,774	$ 38,290
Operating Expenses	287,312	28,659	8,500
Operating Income (Loss)	(3,769)	3,115	29,790
Non-Operating Revenues and Expenses			
Other Revenues	2,375	889	514
Interest Charges and Other	(2,719)	(4,688)	(44,001)
Change in Net Position Before Distributions and Contributions	(4,113)	(684)	(13,697)
Distribution to Member	-0-	(572)	-0-
Member Contributions	-0-	75	498
Change in Net Position	(4,113)	(1,181)	(13,199)
Net Position – Beginning of Year	265,739	7,827	52
Net Position – End of Year	$ 261,626	$ 6,646	$ (13,147)

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

	SFA	NCGA	NCEA
Net Cash Provided by Operating Activities	$ 41,112	$ 32,332	$ 37,663
Net Cash Provided by (Used in) Noncapital Financing Activities	156	(31,193)	(31,023)
Net Cash Used in Capital Financing Activities	(31,010)	-0-	-0-
Net Cash Provided by (Used in) Investing Activities	2,032	897	(9,280)
Net Increase (Decrease) in Cash and Cash Equivalents	12,290	2,036	(2,640)
Cash and Cash Equivalents at the Beginning of the Year	46,671	13,936	3,816
Cash and Cash Equivalents at the End of the Year	$ 58,961	$ 15,972	$ 1,176

The summarized activity of SMUD's component units for 2023 is presented below:

CONDENSED STATEMENTS OF NET POSITION
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Assets			
Electric Utility Plant - net	$ 291,172	$ -0-	$ -0-
Current Assets	131,260	45,409	43,765
Noncurrent Assets	588	84,273	509,358
Total Assets	430,020	129,682	553,123
Deferred Outflows of Resources	2,698	-0-	-0-
Total Assets and Deferred Outflows of Resources	$ 425,718	$ 129,682	$ 553,123
Liabilities			
Long-Term Debt - net	$ 80,582	$ 94,540	$ 525,193
Current Liabilities	64,060	27,315	27,630
Noncurrent Liabilities	15,337	-0-	248
Total Liabilities	159,979	121,855	553,071
Net Position	265,739	7,827	52
Total Liabilities and Net Position	$ 425,718	$ 129,682	$ 553,123

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Operating Revenues	$ 258,162	$ 29,999	$ 26,303
Operating Expenses	248,786	25,361	4,366
Operating Income	9,376	4,638	21,937
Non-Operating Revenues and Expenses			
Other Revenues	16,848	615	552
Interest Charges and Other	(2,942)	(5,819)	(16,831)
Change in Net Position Before Distributions and Contributions	23,282	(566)	5,658
Distribution to Member	(25,000)	(659)	(1,103)
Member Contributions	-0-	63	107
Change in Net Position	(1,718)	(1,162)	4,662
Net Position – Beginning of Year	267,457	8,989	(4,610)
Net Position – End of Year	$ 265,739	$ 7,827	$ 52

CONDENSED STATEMENTS OF CASH FLOWS
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Net Cash Provided by Operating Activities	$ 60,501	$ 30,037	$ 24,980
Net Cash Used in Noncapital Financing Activities	(25,000)	(29,430)	(25,176)
Net Cash Used in Capital Financing Activities	(30,919)	-0-	-0-
Net Cash Provided by Investing Activities	1,128	613	1,453
Net Increase in Cash and Cash Equivalents	5,710	1,220	1,257
Cash and Cash Equivalents at the Beginning of the Year	40,961	12,716	2,559
Cash and Cash Equivalents at the End of the Year	$ 46,671	$ 13,936	$ 3,816

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

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

As of December 31, 2024 and 2023, $7.2 million in deposits were uninsured for both years. The bank balance is also, per a depository pledge agreement between SMUD and SMUD's bank, collateralized at 134 percent and 136 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2024 and 2023, respectively. SMUD had unsecured deposits in

commercial paper and money market funds of $179.9 million and $128.3 million which were uninsured at December 31, 2024 and 2023, respectively. SMUD's investments and money market funds are held in SMUD's name.

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

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

	December 31,	
	2024	2023
Investment Type:		
Federal Home Loan Banks	18%	37%
Freddie Mac	17%	14%
Commercial Paper – Microsoft Corporation	N/A	7%
Commercial Paper – Chesham Finance	6%	N/A
Federal Farm Credit Bank	N/A	8%
Corporate Note – Toyota Motor Credit Corp	11%	7%
Corporate Note – Apple Inc	20%	6%
Guaranteed Investment Contracts	13%	5%

Interest Rate Risk. This is the risk of loss due to the fair value of an investment declining due to interest rates rising. Though SMUD has restrictions as to the maturities of some of the investments, it does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. SMUD is exposed to interest rate risk on its interest rate swaps (see Note 9).

The following schedules indicate the credit and interest rate risk at December 31, 2024 and 2023. The credit ratings listed are from Standard & Poor's (S&P) or Moody's. (N/A is defined as not applicable to the rating disclosure requirements.)

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

Description	Credit Rating	Remaining Maturities (in years) Less Than 1	1-5	More Than 5	Total Fair Value
			(thousands of dollars)		
Cash and Cash Equivalents:					
Cash	N/A	$ 44,923	$ -0-	$ -0-	$ 44,923
LAIF	Not Rated	125,060	-0-	-0-	125,060
Money Market Funds	AAAm	166,139	-0-	-0-	166,139
Collaterals and Escrows	N/A	66,977	-0-	-0-	66,977
Commercial Paper	A-1	13,732	-0-	-0-	13,732
Total cash and cash equivalents		416,831	-0-	-0-	416,831
Investments:					
Federal Home Loan Bank	AA+	39,932	-0-	-0-	39,932
Freddie Mac	AA+	27,887	9,495	-0-	37,382
U.S. Treasury Obligations	Aaa	344,507	124,639	-0-	469,146
Corporate Notes	AAA/AA+/AA/ A+	55,242	34,293	-0-	89,535
Municipal Bonds	AA+/AA/AA-	11,766	-0-	-0-	11,766
Guaranteed Investment Contracts	AA+/ A+	-0-	-0-	28,517	28,517
Total investments		479,334	168,427	28,517	676,278
Total cash, cash equivalents, and investments		$ 896,165	$ 168,427	$ 28,517	$ 1,093,109

At December 31, 2023, SMUD's cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Remaining Maturities (in years) Less Than 1	1-5	More Than 5	Total Fair Value
			(thousands of dollars)		
Cash and Cash Equivalents:					
Cash	N/A	$ 35,263	$ -0-	$ -0-	$ 35,263
LAIF	Not Rated	40,027	-0-	-0-	40,027
Money Market Funds	AAAm	90,188	-0-	-0-	90,188
Collaterals and Escrows	N/A	87,658	-0-	-0-	87,658
Commercial Paper	AAA/A-1	38,088	-0-	-0-	38,088
Total cash and cash equivalents		291,224	-0-	-0-	291,224
Investments:					
Federal Home Loan Bank	AA+	87,460	46,337	-0-	133,797
Freddie Mac	AA+	19,970	29,034	-0-	49,004
Federal Farm Credit Bank	AA+	29,672	-0-	-0-	29,672
U.S. Treasury Obligations	Aaa	185,993	149,030	-0-	335,023
Corporate Notes	AAA/AA+/AA/A+	-0-	63,987	-0-	63,987
Municipal Bonds	AA+/AA/AA-	14,434	11,494	-0-	25,928
Guaranteed Investment Contracts	BBB+	18,489	-0-	-0-	18,489
Total investments		356,018	299,882	-0-	655,900
Total cash, cash equivalents, and investments		$ 647,242	$ 299,882	$ -0-	$ 947,124

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

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
Cash, Cash Equivalents, and Investments:		
Revenue bond reserve and debt service funds:		
Revenue bond reserve fund	$ -0-	$ 1,027
Debt service fund	68,099	71,371
Component unit bond reserve and debt service funds	52,415	43,281
Total revenue bond reserve and debt service funds	120,514	115,679
Nuclear decommissioning trust fund	9,909	9,418
Rate stabilization fund	345,389	212,131
Component unit other restricted funds	4,178	10,097
Escrow fund	14,026	1,110
Other restricted funds	51,962	28,074
Unrestricted funds	547,131	570,615
Total cash, cash equivalents, and investments	$ 1,093,109	$ 947,124

NOTE 8. REGULATORY DEFERRALS

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

Regulatory Assets (Costs)

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

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

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

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

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

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

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

	December 31,	
	2024	2023
	(thousands of dollars)	
Regulatory Costs:		
Decommissioning	$ 105,119	$ 107,977
Derivative financial instruments	622	1,160
Debt issuance costs	836	1,045
Pension – implementation costs	306,490	323,517
Pension – deferred outflows	274,163	174,576
OPEB – implementation costs	255,464	268,237
OPEB – deferred outflows	59,219	39,612
Total regulatory costs	1,001,913	916,124
Less: regulatory costs to be recovered within one year	(78,921)	(63,415)
Total regulatory costs for future recovery - net	$ 922,992	$ 852,709

Regulatory Credits

CIAC. In 2024 and 2023, SMUD added CIAC totaling $32.7 million and $22.0 million, respectively, to Regulatory Credits in the Statements of Net Position and recorded $16.1 million and $15.3 million of amortization, respectively, to Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. SMUD's regulatory credit relating to CIAC is intended to offset the revenue and expense associated with this accounting treatment. Thus, this regulatory credit is being amortized into rates over the depreciable lives of the related assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

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

In 2024 and 2023, $9.3 million and $1.3 million, respectively, were deferred from revenue to the RSF as a result of higher than budgeted energy deliveries from the Western Area Power Administration.

SMUD participates in the carbon allowance auctions under AB-32, the Global Warming Solutions Act (see Note 2). The Board authorized deferral of AB-32 auction proceeds to match the revenue recognition with the related expenses. The difference between the auction proceeds received and the funds spent on AB-32 programs are deferred into future years. In 2024, the Board authorized deferring the difference into the RSF and $18.7 million was deferred from revenue to the RSF. In 2023, the Board authorized transferring the difference out of the RSF and $1.5 million was recognized from the RSF to revenue.

SMUD sells LCFS credits under AB-32, the Global Warming Solutions Act (see Note 2). In 2019, the Board authorized deferral of LCFS credit sales to match the revenue recognition with the related expenses. The difference between the LCFS credit sales and the funds spent on LCFS programs are deferred into future years. In 2024 and 2023, the Board authorized transferring the difference out of the RSF and $0.3 million and $2.0 million were recognized from the RSF to revenue.

In 2024, the Board authorized SMUD to defer $121.0 million from operating revenue to the RSF. This transfer from revenue is intended to offset $60.0 million of future unexpected increases in commodity expenditures through 2030, $41.0 million of future one-time specific expenses which may have a significant financial impact on SMUD, and $20.0 million for future Community Impact Plan expenses through 2028. Also in 2022, the Board authorized the use of $41.0 million of deferred operating revenue to offset future Community Impact Plan expenditures from 2022 through 2025. In 2024 and 2023, $7.1 million was recognized from the RSF to revenue each year to offset Community Impact Plan expenditures.

Hydro Rate Stabilization. The Hydro Rate Stabilization Fund (HRSF) was established through the Hydro Generation Adjustment (HGA) mechanism, which helps manage volatility in energy costs. The HGA mechanism applies a formula based on precipitation and wholesale electricity prices to calculate needed withdrawals from or deposits to the HRSF. The maximum balance of the HRSF is 6 percent of the budgeted retail revenue and the maximum annual transfer in or out of the HRSF is 4 percent of budgeted retail revenue. If the HRSF is depleted, SMUD will apply a hydro rate surcharge to customers' bills up to 4 percent. When the HRSF reaches the 6 percent cap, the Board may authorize a hydro rebate to customers or direct the funds for another purpose. In 2024, $8.3 million was recognized from the HRSF to revenue as a result of low precipitation. In 2023, $65.4 million was transferred from revenue to the HRSF as a result of high precipitation.

Senate Bill 1. SMUD implemented a per kilowatt hour solar surcharge, effective January 1, 2008 in order to fund investments in solar required by Senate Bill 1 (SB-1). The difference between the surcharge revenues received and the funds spent on solar initiatives will be recognized or deferred into future years. SMUD has spent less than it collected in SB-1 revenues and has recorded a regulatory credit. Collection of the solar surcharge ended in December 2017 when total collections reached $130.0 million. In 2024 and 2023, $1.0 million and $0.9 million was spent for SB-1 programs, respectively.

Sustainable Communities. In 2023, the Board authorized a $5.0 million restricted donation to be deferred to offset future expenses for sustainable communities. In 2024 and 2023, none of the $5.0 million had been recognized.

Grant Revenues. In 2009, SMUD was awarded several large grants under the American Recovery and Reinvestment Act, which provided significant reimbursements for capital expenditures. In 2010, the Board authorized the deferral of all grant revenue for capital expenditures as regulatory liabilities. This regulatory credit is deferred to match the depreciable lives of the related capital assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

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

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

	December 31,	
	2024	2023
	(thousands of dollars)	
Regulatory Credits:		
CIAC	$ 321,394	$ 304,723
Rate stabilization	257,354	115,752
Hydro rate stabilization	88,035	96,379
Senate Bill 1	1,511	2,553
Sustainable Communities	5,000	5,000
Pension – deferred inflows	185,388	124,797
OPEB – deferred inflows	72,336	54,084
Grant revenues	28,255	24,106
TANC operations costs	35,490	30,912
Total regulatory credits	$ 994,763	$ 758,307

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

	2024 Changes in Fair Value		Fair Value at December 31, 2024		
	Current Amount	Noncurrent Amount	Current Amount	Noncurrent Amount	Notional
Cash Flow Hedges:					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
Asset: Investment Derivative Instruments					
Gas – Commodity	$ 80	$ -0-	$ 80	$ -0-	610 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Total Investment Derivative Instruments	$ 80	$ -0-	$ 80	$ -0-	$0
Asset: Other Derivative Instruments					
Gas – Commodity	$ 7,177	$ (6,530)	$ 11,286	$ 3,166	46,728 Dth
Electric – Commodity	5,627	-0-	6,718	-0-	501 Dth
Gas – Storage	(835)	-0-	1,108	-0-	1,133 Dth
Gas – Transportation	(661)	-0-	-0-	-0-	
Interest Rate	(682)	4,014	2,704	29,163	$132,020
Total Hedging Derivative Instruments	$ 10,626	$ (2,516)	$ 21,816	$ 32,329	

Liability: Other Derivative Instruments					
Gas – Commodity	$ 779	$ (320)	$ 381	$ 320	2,535 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Investment Derivative Instruments	$ 779	$ (320)	$ 381	$ 320	
Liability: Hedging Derivative Instruments					
Gas – Commodity	$ 28,904	$ 14,563	$ 21,331	$ 7,740	59,473 Dth
Electric – Commodity	3,749	-0-	-0-	-0-	
Gas – Storage	(21)	-0-	21	-0-	218 Dth
Gas – Transportation	1,158	(3,203)	7,934	3,203	19,840 Dth
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Hedging Derivative Instruments	$ 33,790	$ 11,360	$ 29,286	$ 10,943	

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2023 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2023 Changes in Fair Value		Fair Value at December 31, 2023		
	Current Amount	Noncurrent Amount	Current Amount	Noncurrent Amount	Notional
Cash Flow Hedges: (thousands of dollars) (thousands of Dekatherms (Dth))					
Asset: Other Derivative Instruments					
Gas – Commodity	$ (3,110)	$ (329)	$ -0-	$ -0-	
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	(87)	-0-	-0-	-0-	
Gas – Transportation	(2,673)	-0-	-0-	-0-	
Total Investment Derivative Instruments	$ (5,870)	$ (329)	$ -0-	$ -0-	
Asset: Hedging Derivative Instruments					
Gas – Commodity	$ (91,277)	$ (42,333)	$ 4,109	$ 9,696	34,055 Dth
Electric – Commodity	1,091	-0-	1,091	-0-	236 Dth
Gas – Storage	1,441	-0-	1,943	-0-	910 Dth
Gas – Transportation	(52,363)	-0-	661	-0-	450 Dth
Interest Rate	949	(8,497)	3,386	25,149	$151,590
Total Hedging Derivative Instruments	$ (140,159)	$ (50,830)	$ 11,190	$ 34,845	
Liability: Other Derivative Instruments					
Gas – Commodity	$ 916	$ 70	$ 1,160	$ -0-	2,615 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	90	-0-	-0-	-0-	

Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	937	1,354	-0-	-0-	$0
Total Investment Derivative Instruments	$ 1,943	$ 1,424	$ 1,160	$ -0-	
Liability: Hedging Derivative Instruments					
Gas – Commodity	$ (37,376)	$ (15,501)	$ 50,235	$ 22,303	82,778 Dth
Electric – Commodity	(3,749)	-0-	3,749	-0-	253 Dth
Gas – Storage	8,255	-0-	-0-	-0-	
Gas – Transportation	(8,570)	-0-	9,092	-0-	8,183 Dth
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Hedging Derivative Instruments	$ (41,440)	$ (15,501)	$ 63,076	$ 22,303	

Objectives and Terms of Hedging Derivative Instruments. The objectives and terms of SMUD's hedging and other derivative instruments that were outstanding at December 31, 2024 are summarized in the table below. The table is aggregated by the trading strategy. Credit ratings of SMUD's counterparties can be found in the table under Credit Risk. Details of SMUD's interest rate derivative instruments can be found in Note 10.

	Notional Amount Dth	Beginning Date	Ending Date	Minimum Price/Dth	Maximum Price/Dth
Gas – Commodity	109,345	01/01/25	12/31/27	$ 0.91	$ 5.59
Electric – Commodity	501	01/01/25	09/30/25	59.50	89.76
Gas – Storage	1,350	01/01/25	03/31/25	0.75	3.92
Gas – Transportation	19,840	01/01/25	12/31/26	(.29)	3.24

The objectives and terms of SMUD's hedging and other derivative instruments that were outstanding at December 31, 2023 are summarized in the table below. The table is aggregated by the trading strategy.

	Notional Amount Dth	Beginning Date	Ending Date	Minimum Price/Dth	Maximum Price/Dth
Gas – Commodity	119,448	01/01/24	12/31/26	$ 1.32	$ 6.70
Electric – Commodity	489	01/01/24	09/30/24	38.75	161.00
Gas – Storage	910	01/01/24	02/29/24	3.70	5.65
Gas – Transportation	8,633	01/01/24	09/30/24	(.30)	4.20

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

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

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

Derivative Instruments Not Designated as Hedging Derivative Instruments

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

Interest Rate Contracts. SMUD utilized certain interest rate swap agreements not designated as hedging derivative instruments under GASB No. 53 to mitigate exposure to fluctuations in interest rates. The fair value of each agreement, excluding the balance of interest to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, Other Derivative Instruments if in an asset position or Current or Noncurrent Liabilities, Other Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Deferred Outflows or Inflows of Resources in the Statements of Net Position. The interest receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position and the accrued interest is recorded in Interest Payable in the Statements of Net Position. The payments or receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position. At December 31 2024, SMUD does not possess any outstanding ineffective interest rate swaps.

The Board has deferred recognition of the effects of reporting the fair value of Other Derivative Instruments for ratemaking purposes and maintains regulatory accounts to defer the accounting impact of these accounting adjustments (see Note 8). Fair values may have changed significantly since December 31, 2024.

Basis Risk. This is the risk that arises when a hedged item and a derivative instrument that is attempting to hedge that item are based on different indices. SMUD is exposed to basis risk when it hedges its natural gas purchases with NYMEX futures contracts, which settle based on the price at Henry Hub, Louisiana. SMUD enters into basis swaps to hedge against this risk, which converts the Henry Hub price to the various locations where SMUD purchases natural gas. SMUD is also exposed to basis risk with the Barclays interest rate swap which is based on 1-month Fallback SOFR whereas the 2023 Series C bonds are a tax-exempt variable-rate demand note with a daily rate reset.

Termination Risk. This is the risk that a derivative instrument will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, credit events upon merger, and other events. One aspect of termination risk is that SMUD would lose the hedging benefit of a derivative instrument that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination, the mark to market value of the derivative instrument was a liability to SMUD, SMUD could be required to pay that amount to the counterparty. Termination risk is associated with all of SMUD's derivative instruments up to the fair value amounts.

Counterparty Credit Risk. This is the risk of loss resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. SMUD can be exposed to significant counterparty credit risk on all derivative instruments. SMUD seeks to minimize credit risk by transacting with creditworthy counterparties. SMUD has established and maintained strict counterparty credit guidelines. SMUD continuously monitors counterparty credit risk and utilizes numerous counterparties to diversify the exposure to potential defaults. Under certain conditions as outlined in SMUD's credit risk management policy, SMUD may require additional credit support under its trading agreements.

Some of SMUD's derivative instrument master agreements contain credit contingent provisions that enable SMUD to maintain unsecured credit as a result of positive investment quality credit ratings from each of the major credit rating agencies. If

SMUD's credit ratings were to be downgraded, there could be a step-down in SMUD's unsecured credit thresholds, and SMUD's counterparties would require additional collateral. If SMUD's credit ratings were to decrease below investment grade, SMUD's unsecured credit thresholds would be reduced to zero, and counterparties to the derivative instruments would demand ongoing full collateralization on derivative instruments in net out of the money positions (see Note 2).

Congestion Revenue Rights. In the normal course of business, SMUD acquires Congestion Revenue Rights (CRRs) as a hedge against congestion costs. While CRRs exhibit the three characteristics of derivative instruments as defined in GASB Statement No. 53, they are generally used by SMUD as factors in the cost of transmission. Therefore, these CRRs meet the normal purchases and sales scope exception and are thus reported on the Statements of Revenues, Expenses and Changes in Net Position as Transmission and distribution expenses a component of Operating Expenses.

The counterparties' credit ratings at December 31, 2024 and 2023 are shown in the table below. The credit ratings listed are from S&P or Moody's.

	December 31,	
	2024	2023
Counterparty Gas Contracts:		
Bank of Montreal	A+	A+
Barclays Bank PLC	A+	A+
Citigroup Energy	BBB+	BBB+
EDF North America	Baa3	Baa3
J.P. Morgan Ventures Energy	A	A-
Merrill Lynch Commodities	A-	A1
Mitsui Bussan	A	A
Morgan Stanley Capital Group	A+	A-
Nextera	A-	A-
Royal Bank of Canada	AA-	AA-
Shell Trading Risk Management	A	A
Interest Rate Contracts:		
Barclays Bank PLC	A+	A+
Goldman Sachs Capital Markets, L.P. (J. Aron)	N/A	BBB+
Morgan Stanley Capital Services, Inc.	N/A	A+

NOTE 10. LONG-TERM DEBT

SMUD's total long-term debt is presented below:

	December 31,	
	2024	2023
	(thousands of dollars)	
Electric revenue bonds, 2.13%-5.0%, 2025-2054	$ 1,898,985	$ 1,783,965
Subordinated electric revenue bonds, 0.7%-5.0%, 2025-2049	332,020	332,020
Total electric revenue bonds	2,231,005	2,115,985
Component unit project revenue bonds, 5.0%, 2025-2030	74,775	87,890
Gas and Commodity supply revenue bonds, index rates and 5.0%, 2025-2054	784,240	657,365
Total long-term debt outstanding	3,090,020	2,861,240
Bond premiums - net	299,304	197,381
Total long-term debt	3,389,324	3,058,621
Less: amounts due within one year	(138,065)	(137,740)
Total long-term debt - net	$ 3,251,259	$ 2,920,881

The summarized activity of SMUD's long-term debt during 2024 is presented below:

	January 1, 2024	Additions	Defeasance Payments or Amortization	December 31, 2024	Amounts Due Within One Year
			(thousands of dollars)		
Electric revenue bonds	$ 1,783,965	$ 649,610	$ (534,590)	$ 1,898,985	$ 90,045
Subordinate electric revenue bonds	332,020	-0-	-0-	332,020	-0-
Component unit project revenue bonds	87,890	-0-	(13,115)	74,775	14,270
Gas and Commodity supply revenue bonds	657,365	689,700	(562,825)	784,240	33,750
Total	2,861,240	1,339,310	(1,110,530)	3,090,020	$ 138,065
Unamortized premiums - net	197,381	147,666	(45,743)	299,304	
Total long-term debt	$ 3,058,621	$1,486,976	$ (1,156,273)	$ 3,389,324	

The summarized activity of SMUD's long-term debt during 2023 is presented below:

	January 1, 2023	Additions	Defeasance Payments or Amortization	December 31, 2023	Amounts Due Within One Year
			(thousands of dollars)		
Electric revenue bonds	$ 1,841,715	$ 261,115	$ (318,865)	$ 1,783,965	$ 84,590
Subordinate electric revenue bonds	200,000	232,020	(100,000)	332,020	-0-
Component unit project revenue bonds	89,735	-0-	(1,845)	87,890	13,115
Gas and Commodity supply revenue bonds	682,550	-0-	(25,185)	657,365	40,035
Total	2,814,000	493,135	(445,895)	2,861,240	$ 137,740
Unamortized premiums - net	210,039	44,471	(57,129)	197,381	
Total long-term debt	$ 3,024,039	$ 537,606	$ (503,024)	$ 3,058,621	

At December 31, 2024 scheduled annual principal maturities and interest are as follows:

	Principal	Interest	Total
		(thousands of dollars)	
2025	$ 138,065	$ 147,082	$ 285,147
2026	144,455	137,090	281,545
2027	152,355	130,549	282,904
2028	124,900	123,549	248,449
2029	77,830	117,316	195,146
2030 – 2034 (combined)	520,900	511,803	1,032,703
2035 – 2039 (combined)	602,605	372,534	975,139
2040 – 2044 (combined)	481,055	255,353	736,408
2045 – 2049 (combined)	496,990	155,710	652,700
2050 – 2054 (combined)	350,865	51,651	402,516
Total requirements	$ 3,090,020	$ 2,002,637	$ 5,092,657

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates, variable rate debt covered by interest rate swaps at their fixed rate, and variable rate debt not covered by interest rate swaps using the debt interest rate of 70.0 percent of 1 month SOFR plus a fixed fee. The SOFR rate is based on the rate in effect at December 31, 2024 for the issues. The 2019 Series B and 2023 Series D Put Bonds assume a 3.0 percent fixed rate coupon after mandatory remarketing.

The 2024 NCEA Put Bonds assume a 5.0 percent fixed rate coupon after mandatory remarketing. Principal in the preceding table includes known principal payments and the amortization schedule for mandatory remarketing bonds.

The following bonds have been issued and are outstanding at December 31, 2024:

Date	Issue	Final Maturity	Interest Rate	Original Amount	Outstanding Amount
				(thousands of dollars)	
Electric Revenue Bonds					
07/14/2016	2016 Series D Bonds	08/15/2028	2.125% - 5.0%	$ 149,890	$ 74,785
12/14/2017	2017 Series E Bonds	08/15/2028	5.0%	202,500	61,570
07/12/2018	2018 Series F Bonds	08/15/2028	5.0%	165,515	62,140
07/25/2019	2019 Series G Bonds	08/15/2041	2.375% - 5.0%	191,875	191,875
05/07/2020	2020 Series H Bonds	08/15/2050	4.0% - 5.0%	400,000	400,000
07/14/2021	2021 Series I Bonds	08/15/2028	5.0%	106,875	91,525
06/23/2022	2022 Series J Bonds	08/15/2033	5.0%	132,725	107,915
06/22/2023	2023 Series K Bonds	08/15/2053	5.0%	200,000	200,000
06/22/2023	2023 Series L Bonds	08/15/2033	5.0%	61,115	59,565
04/11/2024	2024 Series M Bonds	11/15/2054	5.0%	250,000	250,000
04/11/2024	2024 Series N Bonds	11/15/2036	5.0%	399,610	399,610
Subordinated Electric Revenue Bonds					
07/25/2019	2019 Series B Bonds	08/15/2049	5.0%	100,000	100,000
06/23/2023	2023 Series C Bonds	08/15/2041	0.7%	132,020	132,020
06/22/2023	2023 Series D Bonds	08/15/2048	5.0%	100,000	100,000
JPA Revenue Bonds					
06/03/2015	2015 SFA Bonds	07/01/2030	5.0%	193,335	74,775
05/31/2007	2007B NCGA#1 Bonds	07/01/2027	Index Rate	668,470	94,540
04/05/2024	2024 NCEA Bonds	12/01/2054	5.0%	689,700	689,700

2024 Bond Issuances. In April 2024, SMUD issued $399.6 million of 2024 Series N Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2009 Series V and 2010 Series W bonds. Proceeds from the 2024 Series N bonds defeased all the outstanding Series 2009 Series V and 2010 Series W bonds. A total of $450 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting loss of $26.9 million, which is being amortized over the life of the refunding issue. The 2024 Series N Refunding bonds reduced future aggregate debt service payments by $23.7 million and resulted in a total economic gain of $21.3 million, which is the difference between the present value of the old and new debt service payments.

In April 2024, SMUD issued $250 million of 2024 Series M Revenue Bonds. The 2024 Series M Bonds have a fixed coupon rate of 5.0 percent and amortize from 2037 to 2054. Proceeds from the 2024 Series M Bonds were used to refund $150 million of outstanding commercial paper and reimburse SMUD for capital expenses previously incurred.

2024 Commodity Supply Revenue Bond Issuance. In April 2024, NCEA issued $689.7 million of 2024 Commodity Supply Revenue Refunding bonds (2024 Bonds). The 2024 Bonds mature in December 2054 and come with a mandatory tender purchase in August 2030. The purpose of this transaction was to refund the debt associated with 2018 Commodity Supply Revenue bonds (2018 Bonds). Proceeds from the 2024 Bonds refunded all the outstanding 2018 Bonds. A total of $537.3 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-term debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred

gain on bond refunding of $2.9 million, which is being amortized over the life of the refunding issue. The refunding increased future aggregate debt service payments by $97.5 million due to the bond term extension and resulted in a total economic gain of $8.4 million, which is the difference between the present value of the old and new debt service payments.

2023 Bond Issuances. In June 2023, SMUD issued $61.1 million of 2023 Series L Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2013 Series B bonds. Proceeds from the 2023 Series L bonds combined with swap termination receipt defeased all the outstanding Series 2013 Series B bonds. A total of $75.7 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting gain of $5.5 million, which is being amortized over the life of the refunding issue. The 2023 Series L Refunding bonds reduced future aggregate debt service payments by $18.1 million and resulted in a total economic gain of $14.3 million, which is the difference between the present value of the old and new debt service payments.

In June 2023, SMUD issued $132.0 million of 2023 Series C Subordinate Electric Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2013 Series A bonds. Proceeds from the 2023 Series C bonds defeased all the outstanding Series 2013 Series A bonds. A total of $132.0 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting gain of $9.9 million, which is being amortized over the life of the refunding issue. As part of the issuance of 2023 Series C bonds, SMUD executed a Standby Bond Purchase Agreement for $132.0 million with TD Bank. The 2023 Series C Refunding bonds are projected to reduce future aggregate debt service payments by $79.9 million and resulted in a projected total economic gain of $55.5 million, which is the difference between the present value of the old and new debt service payments.

In June 2023, SMUD issued $100 million of 2023 Series D Subordinate Electric Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2019 Series A bonds and reimburse SMUD for capital projects in 2022. Proceeds from the 2023 Series D defeased all the outstanding Series 2019 Series A bonds. A total of $100 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The 2023 Series D Subordinate Bonds have a mandatory put date of October 15, 2030. The refunding resulted in the recognition of a deferred accounting gain of $0.6 million, which is being amortized over the life of the refunding issue.

In June 2023, SMUD issued $200 million of 2023 Series K Revenue Bonds. The 2023 Series K Bonds have a fixed coupon rate 5.0 percent and amortize from 2037 to 2053. Proceeds from 2023 Series K Bonds were used to refund $200 million of outstanding commercial paper.

Terms of Debt Indentures. Debt indentures contain a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements. A summary of SMUD's interest rate swap agreement as of December 31, 2024 is as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
$ 132,020	Fixed	0.7179%	70% of 1M Fallback SOFR	08/15/2041	A+

A summary of SMUD's two interest rate swap agreements as of December 31, 2023 are as follows:

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
$ 19,570	Variable	5.17%	SIFMA	07/01/24	BBB+
132,020	Fixed	0.7179%	70% of 1M Fallback SOFR	08/15/41	A

At December 31, 2023, SMUD had a fixed-to-variable interest rate swap agreement with a notional amount of $19.6 million, which was equivalent to the principal amount of SMUD's 1997 Series K Electric Revenue Bonds. The swap expired on July 1, 2024, coinciding with the final interest and principal payment for the 1997 Series K Bonds. Under this swap agreement, SMUD paid a variable rate equivalent to the Securities Industry and Financial Markets Association (SIFMA) Index (3.87 percent at December 31, 2023) and received fixed rate payments of 5.17 percent as of December 31, 2023. In connection with the swap agreement, SMUD had a put option agreement, also with a notional amount of $19.6 million at December 31, 2023, which gave the counterparty the right to sell to SMUD, at par, either the 1997 Series K Bonds, or a portfolio of securities sufficient to defease the 1997 Series K Bonds. SMUD received fixed rate payments of 0.01 percent as of December 31, 2023 in connection with the put option agreement. The exercise of the option terminates the swap at no cost to SMUD. The term of both the swap and the put is equal to the maturity of the 1997 Series K Bonds.

In June 2020, SMUD executed a variable-to-fixed interest rate swap agreement with Barclays Bank PLC with a notional amount of $132.0 million for the purpose of fixing the effective interest rate associated with the potential refunding of the 2013 Series A Bonds. The Barclays 2013 Series A swap became effective in July 2023. The notional value of the swap is amortized over the life of the swap agreement. SMUD can terminate the swap agreement at any time, with payment or receipt of the fair market value of the swaps as of the date of termination. The obligations of SMUD under the swap agreements are not secured by a pledge of revenues of SMUD's electric system or any other property of SMUD.

Component Unit Interest Rate Swap Agreements. NCGA had one interest rate swap agreement as of December 31, 2024, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	NCGA Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating
$ 94,540	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

NCGA had one interest rate swap agreement as of December 31, 2023, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	NCGA Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating
$ 120,070	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

At December 31, 2024 and 2023, NCGA had a variable-to-fixed interest rate swap agreement with a counterparty for the purpose of fixing the effective interest rate associated with the 2007 Series B Bonds. NCGA pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67 percent of the three-month SOFR (4.33 percent at December 31, 2024 and LIBOR rate of 5.35 percent at December 31, 2023) plus an interest rate spread, as specified in the swap agreement. The total notional amount of the swap at December 31, 2024 and 2023 was $94.5 million and $120.1 million, respectively, and was equivalent to the outstanding principal balance on the NCGA Bonds. The swap is amortized over the life of the swap agreement

in a manner corresponding to the principal repayment schedule of the NCGA Bonds. Early termination of the swap would occur upon termination of the prepaid agreement for any reason. Upon early termination, the swap would have no value to either party.
Subordinated Electric Revenue Bonds. Payment of and interest on the Subordinated Electric Revenue Bonds is subordinate to the payment of the principal and interest on SMUD's Electric Revenue Bonds.

Component Unit Bonds. The component units of SMUD have each issued bonds to finance their respective projects. The revenue stream to pay SFA bonds' debt service is provided by a "take-or-pay" power purchase agreement and is therefore not dependent on the successful operation of the project. SMUD guarantees to make payments sufficient to pay principal and interest and all other payments required to be made under SFA's indenture of trust. SFA is not required to repay SMUD for any amounts paid under this guarantee. The revenue stream to pay NCGA and NCEA bonds' debt service is provided by "take-and-pay" purchase agreements. Therefore, principal and interest associated with these bonds are paid solely from the revenues and receipts collected in connection with the operation of the project. Most operating revenues earned by NCGA and NCEA are collected from SMUD in connection with the sale of gas or electricity to SMUD. The ability for NCGA and NCEA to service debt is dependent on various parties (particularly MSCG, as gas supplier for NCGA and J. Aron, as commodity supplier for NCEA) meeting their contractual obligations.

Callable Bonds. SMUD has $170.8 million of Electric Revenue Bonds that are currently callable, $132.0 million of the 2023 Series C bonds, and $38.8 million of 2016 Series D Bonds. From 2025 through 2028, SMUD has no bonds that become callable. SMUD also has a six-month call period on the 2019 Series B Bonds and 2023 Series D in advance of their mandatory remarketing date in 2025 and 2030, respectively.

Collateral. The principal and interest on SMUD's bonds are payable exclusively from, and are collateralized by, a pledge of the net revenues of SMUD's electric system. Neither the credit nor the taxing power of SMUD is pledged to the payment of the bonds and the general fund of SMUD is not liable for the payment thereof.

Covenants. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage.

SMUD has pledged future net electric revenues, component unit net project revenues, and net gas supply prepayment revenues to repay, in electric revenue, component unit project revenue, and gas supply prepayment revenue bonds issued from 2007 through 2024. Proceeds from the bonds provided financing for various capital improvement projects, component unit capital projects, and the prepayments of a twenty-year supply of natural gas and a thirty-year supply of commodity. The bonds are payable solely from the net revenues generated by SMUD's electrical sales, component unit project revenues, and gas supply prepayment revenues and are payable through 2054 at December 31, 2024.

GASB Statement No. 48, ***"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,"*** disclosures for pledged revenues are as follows:

	December 31,	
	2024	2023
	(thousands of dollars)	
Pledged future revenues	$ 3,090,020	$ 2,861,240
Principal and interest payments for the year ended	$ 751,978	$ 589,801
Total net revenues for the year ended	$ 956,367	$ 847,657
Total remaining principal and interest to be paid	$ 4,669,647	$ 4,566,145
Annual principal and interest payments as a percent of net revenues for the year ended	79%	70%

NOTE 11. COMMERCIAL PAPER NOTES

SMUD issues Commercial Paper Notes (Notes) to finance or reimburse capital expenditures. SMUD's commercial paper program is $400.0 million. At December 31, 2024 and 2023, respectively, there were $0 and $150.0 million Notes outstanding. SMUD's commercial paper program is backed by $409.9 million in letter of credit agreements (LOCs) with two banks. Additionally, SMUD has a $100 million revolving credit agreement with Wells Fargo Bank. The LOCs are calculated as the sum of the maximum principal amount of the Notes plus interest thereon at a maximum rate of ten percent per annum for a period of 90 days calculated on the basis of a year of 365 days and the actual number of days elapsed. There have not been any term advances under the LOCs or the revolving credit agreement. The LOCs and revolving credit agreement contain a provision that in an event of default, the outstanding amounts may become immediately due.

The summarized activity of SMUD's Notes during 2024 and 2023 is presented below:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
	(thousands of dollars)			
December 31, 2024	$ 150,000	$ -0-	$ (150,000)	$ -0-
December 31, 2023	$ 150,000	$ 200,000	$ 200,000	$ 150,000

NOTE 12. FAIR VALUE MEASUREMENT

GASB No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SMUD utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect SMUD's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are as follows:

- U.S. Government Agency Obligations – uses a market-based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices.
- U.S. Treasury Obligations – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Corporate Notes – uses a market-based approach. Evaluations are based on various market and industry inputs.
- Municipal Bonds – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Hedging and Other Derivative Instruments:

- Interest rate swap agreements – uses the present value technique. The fair value of the interest rate swap agreements are calculated by discounting the expected cash flows. The cash flows and discount rates are estimated based on a 1-month SOFR forward curve from Bloomberg and assuming SIFMA is equal to 70.0 percent of 1-month SOFR.
- Gas related agreements – uses the market approach based on monthly quoted prices from an independent external pricing service. The fair values for natural gas and electricity derivative financial instruments are calculated based on prevailing market quotes in active markets (i.e., Henry Hub and So Cal) where identical contracts are available. When external quoted market prices are not available, SMUD uses an internally developed valuation model utilizing short-term-observable inputs.

The following tables identify the level within the fair value hierarchy that SMUD's financial assets and liabilities were accounted for on a recurring basis as of December 31, 2024 and 2023, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SMUD's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures	At fair value as of December 31, 2024		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
U.S. Government Agency Obligations	$ -0-	$ 77,314	$ 77,314
U.S. Treasury Obligations	469,146	-0-	469,146
Corporate Notes	-0-	89,534	89,534
Municipal Bonds	-0-	11,766	11,766
Total Investments, including cash and cash equivalents	$ 469,146	$ 178,614	$ 647,760
Other Derivative Instrument Assets:			
Gas related agreements	$ 80	$ -0-	$ 80
Total Other Derivative Instrument Assets	$ 80	$ -0-	$ 80
Hedging Derivative Instrument Assets:			
Gas related agreements	$ 15,560	$ -0-	$ 15,560
Electric related agreements	6,718	-0-	6,718
Interest rate swap agreements	-0-	31,867	31,867
Total Hedging Derivative Instrument Assets	$ 22,278	$ 31,867	$ 54,145
Other Derivative Instrument Liabilities:			
Gas related agreements	$ 701	$ -0-	$ 701
Interest rate swap agreements	-0-	-0-	-0-
Total Other Derivative Instrument Liabilities	$ 701	$ -0-	$ 701
Hedging Derivative Instrument Liabilities:			
Gas related agreements	$ 40,229	$ -0-	$ 40,229
Electric related agreements	-0-	-0-	-0-
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	$ 40,229	$ -0-	$ 40,229

Recurring Fair Value Measures	At fair value as of December 31, 2023		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
U.S. Government Agency Obligations	$ -0-	$ 212,473	$ 212,473
U.S. Treasury Obligations	335,023	-0-	335,023
Corporate Notes	-0-	63,987	63,987
Municipal Bonds	-0-	25,928	25,928
Total Investments, including cash and cash equivalents	$ 335,023	$ 302,388	$ 637,411

Other Derivative Instrument Assets:			
Gas related agreements	$ -0-	$ -0-	$ -0-
Total Other Derivative Instrument Assets	$ -0-	$ -0-	$ -0-
Hedging Derivative Instrument Assets:			
Gas related agreements	$ 16,409	$ -0-	$ 16,409
Electric related agreements	1,091	-0-	1,091
Interest rate swap agreements	-0-	28,535	28,535
Total Hedging Derivative Instrument Assets	$ 17,500	$ 28,535	$ 46,035
Other Derivative Instrument Liabilities:			
Gas related agreements	$ 1,160	$ -0-	$ 1,160
Interest rate swap agreements	-0-	-0-	-0-
Total Other Derivative Instrument Liabilities	$ 1,160	$ -0-	$ 1,160
Hedging Derivative Instrument Liabilities:			
Gas related agreements	$ 81,630	$ -0-	$ 81,630
Electric related agreements	3,749	-0-	3,749
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	$ 85,379	$ -0-	$ 85,379

NOTE 13. ACCRUED DECOMMISSIONING LIABILITY

Asset Retirement Obligations (ARO). SMUD recognizes AROs for its Rancho Seco nuclear power plant facility and the CVFA power plant facility. GASB No. 83 requires measurement of the ARO be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should be determined using all available evidence and requires probability weighting of potential outcomes when sufficient evidence is available. This statement also requires the current value be adjusted for the effects of the general inflation or deflation and an evaluation of relevant factors that may significantly change the estimated asset retirement outlays at least annually.

Rancho Seco Nuclear Power Plant. With the completion of nuclear decommissioning of the former 913 MW nuclear power plant, and the subsequent termination of the 10 Code of Federal Regulations (CFR) 50 license by the Nuclear Regulatory Commission (NRC) effective August 31, 2018, all remaining Rancho Seco decommissioning liability relates to the Independent Spent Fuel Storage Installation (ISFSI) licensed under 10 CFR Part 72. Nuclear decommissioning is the process of safely removing nuclear facilities from service and reducing residual radioactivity to a level that permits termination of the NRC licenses and release of the property for unrestricted use. Final decommissioning of the ISFSI will occur after the spent nuclear fuel (SNF) and Greater Than Class C (GTCC) radioactive waste is removed from the site and SMUD demonstrates that the site is suitable for release in accordance with release criteria specified in 10 CFR 20, Subpart E and an approved License Termination Plan.

The Department of Energy (DOE), under the Nuclear Waste Policy Act (NWPA) of 1982 as amended, is responsible for permanent disposal of spent nuclear fuel and GTCC radioactive waste, which are currently stored in the Part 72 licensed ISFSI. SMUD has a contract with the DOE for the removal and disposal of SNF and GTCC waste. All SMUD's SNF and GTCC waste are currently stored in sealed canisters in the ISFSI. However, the date when DOE will remove the fuel and GTCC waste is uncertain. In 2010, the DOE formally withdrew the application for licensing of Yucca Mountain as a high-level waste repository. The DOE also announced in January 2010 the creation of a Blue-Ribbon Commission to study alternatives for developing a repository for the nation's used nuclear fuel. The Commission provided a final report on alternatives in January 2012. The DOE evaluated the recommendations and published the report "Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste" in January 2013.

The next phase of the process will be for Congress and the President of the United States to consider the recommendations and enact legislation to implement the recommendations. At this time, two license applications have been submitted to the NRC

for the construction and operation of Consolidated Interim Storage Facility(s) that would store SNF and GTCC waste on an interim basis. One of these applications has been approved (and a license issued) and one application is currently under review by the NRC. Should the NRC license one or both facilities, Congress will have to modify the NWPA to allow for its use. In May 2018, the U.S. House of Representatives passed H.R. 3053 – the Nuclear Waste Policy Amendments Act, which was co-sponsored by Representative Doris Matsui and 109 other members of Congress. This bill includes a provision to allow a Consolidated Interim Storage Facility to store fuel from permanently shut down sites like Rancho Seco. The U.S. Senate did not act on the bill. Until legislation is passed which includes a significant step towards removal of the used nuclear fuel at the Rancho Seco facility, SMUD is committed to the safe and secure storage of its SNF and GTCC waste under its Part 72 license until DOE fulfills its obligation to dispose of this material in accordance with NWPA. In support of this commitment, SMUD submitted its ISFSI license renewal application to the NRC in March of 2018. The NRC issued Renewed Licensee No. SNM-2510 on March 9, 2020. This renewed license authorizes the continued storage of SMUD's SNF and GTCC until June 30, 2060.

The Rancho Seco decommissioning liability is based on an internal study of the remaining decommissioning costs, which consist of: 1) annual spent fuel management costs, 2) transportation of the canisters in the ISFSI and 3) termination of the Part 72 license. The largest part of the decommissioning estimate is the annual spent fuel management costs; next year's annual budget is used for the estimate. The other costs were estimated based on prior experience and studies and prepared by management representatives of the nuclear power plant facility. The costs in the estimate were in 2019 dollars. An employment cost index was used to adjust the other costs portion of the obligation for inflation in 2024. Probability weighting was assigned for two scenarios: 1) spent nuclear fuel will be removed from the site by 2028 and 2) spent nuclear fuel will be removed from the site by 2035. SMUD uses its Trust Fund (see Note 2) to demonstrate financial assurance to the NRC that there are enough funds to complete the termination of the Part 72 license; the balance of the Trust Fund at December 31, 2024 is $9.9 million.

SFA's Carson Power Plant (Carson). SFA's ground lease agreement with the Sacramento Regional County Sanitation District for Carson requires SFA to restore the premises to its original condition upon termination of the contract. A new study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the most recent cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The estimated costs were in 2018 dollars. The result of this study was used to determine the new balance of the ARO and the deferred outflows at January 1, 2018, in order to account for the 2018 activity. The annual All Urban Consumer Price Index was used to adjust this obligation for inflation in 2024. The remaining useful life of Carson's assets is 1 year at December 31, 2024.

The current portion of the Accrued Decommissioning liability represents SMUD's estimate of actual expenditures for Rancho Seco in the next year, as set forth in the annual budget.

At December 31, 2024 and 2023, SMUD's Accrued Decommissioning balance in the Statements of Net Position was $118.8 million and $120.9 million, respectively.

NOTE 14. PENSION PLANS

Summary of Significant Accounting Policies. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (PERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD participates in PERS, an agent multiple-employer public employee defined benefit pension plan (PERS Plan). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and SMUD policies. The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon employee's years of credited service, age, and final compensation. A full description of the pension plan regarding number of employees covered, benefit provision, assumptions (for funding, but not accounting purposes), and membership information are included in the annual actuarial valuation reports as of June 30, 2023 and June 30, 2022.

GASB No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used for the year ended:

PERS Plan	December 31,	
	2024	2023
Valuation date	June 30, 2023	June 30, 2022
Measurement date	June 30, 2024	June 30, 2023

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms for the year ended:

PERS Plan	December 31,	
	2024	2023
Inactive employees or beneficiaries currently receiving benefit payments	3,217	3,172
Inactive employees entitled to but not yet receiving benefit payments	1,048	1,033
Active employees	2,282	2,174
Total employees covered by benefit terms	6,547	6,379

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through PERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the PERS fiscal years ended June 30, 2024 and 2023, the average active employee contribution rate is 7.1 and 6.8 percent of annual pay, respectively. For the PERS fiscal year ended June 30, 2024, the employer's contribution rate is 9.6 percent of annual payroll. For the PERS fiscal year ended June 30, 2023, the employer's contribution rate is 8.9 percent of annual payroll plus $22.4 million for the unfunded accrued liability contribution. Employer contribution rates may change if plan contracts are amended. For the fiscal years ended June 30, 2024 and 2023, SMUD made contributions recognized by the PERS Plan in the amount of $62.1 million and $92.5 million, respectively.

Net Pension Asset (NPA) or Liability (NPL). SMUD's NPA or NPL at December 31, 2024 and 2023 was measured at June 30, 2024 and 2023, respectively. The total pension liability used to calculate the NPA or NPL was determined by actuarial valuations as of June 30, 2023 and 2022 rolled forward using generally accepted actuarial procedures to the June 30, 2024 and 2023 measurement dates for the PERS Plan.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2024 and December 31, 2023 total pension liabilities are as follows for the PERS Plan:

December 31, 2024:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions*. Mortality rates incorporate full generational mortality improvement using 80% of scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	For 2024 and 2023, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

December 31, 2023:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	The mortality table used was developed based on PERS' specific data. The probabilities of mortality are based on the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions*. Mortality rates incorporate full generational mortality improvements using 80% of scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	For 2023 and 2022, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

Discount Rates. For the PERS Plan, the discount rate used to measure the total pension liability for the years ended December 31, 2024 and 2023 was 6.90 percent. For the year ended December 31, 2024, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the PERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class used for December 31, 2024 are as follows:

Asset Class	Current Target Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.0%	4.54%
Global Equity – Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	(5.0)%	(0.59)%

The expected real rates of return by asset class used for December 31, 2023 are as follows:

Asset Class	Current Target Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.0%	4.54%
Global Equity – Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	(5.0)%	(0.59)%

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2024:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2024	$ 2,679,268	$ 2,420,258	$ 259,010
Changes recognized for the measurement period:			
Service cost	46,378	-0-	46,378
Interest	189,234	-0-	189,234
Changes in benefit terms	-0-	-0-	-0-
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	120,696	-0-	120,696
Contributions - employer	-0-	62,116	(62,116)
Contributions - employee	-0-	21,417	(21,417)
Net investment income	-0-	225,340	(225,340)
Benefit payments	(161,249)	(161,249)	-0-
Administrative expense	-0-	(1,969)	1,969
Net changes	195,059	145,655	49,404
Balances at December 31, 2024	$ 2,874,327	$ 2,565,913	$ 308,414

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2023:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2023	$ 2,553,780	$ 2,318,329	$ 235,451
Changes recognized for the measurement period:			
Service cost	42,959	-0-	42,959
Interest	179,370	-0-	179,370
Changes in benefit terms	1,890	-0-	1,890
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	53,600	-0-	53,600
Contributions - employer	-0-	92,504	(92,504)
Contributions - employee	-0-	19,921	(19,921)
Net investment income	-0-	140,540	(140,540)
Benefit payments	(149,331)	(149,331)	-0-
Administrative expense	-0-	(1,705)	1,705
Net changes	125,488	101,929	23,559
Balances at December 31, 2023	$ 2,679,268	$ 2,420,258	$ 259,010

Sensitivity of the NPA or NPL to Changes in the Discount Rate. The following presents the NPA or NPL of the Plan as of the measurement date, calculated using the current discount rate, as well as what the NPA or NPL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

PERS Plan	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
		(thousands of dollars)	
Plan's NPL (NPA), December 31, 2024	$ 670,730	$ 308,414	$ 7,220

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's NPL (NPA), December 31, 2023	$ 599,774	$ 259,010	$ (24,014)

Pension Plan Fiduciary Net Position. Detailed information about the PERS Plan's fiduciary net position is available in the separately issued PERS Plan financial statements. This report, the audited financial statements, and other reports can be obtained at the PERS' website at www.calpers.ca.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended December 31, 2024 and 2023, SMUD recognized pension expense of $52.4 million and $44.8 million, respectively.

At December 31, 2024 and 2023, SMUD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	7,049	13,457
Differences between expected and actual experience	118,058	40,200
Differences between projected and actual earnings on pension plan investments	44,553	115,364
Employer's contributions to the Plan subsequent to the measurement of total pension liability	24,474	13,468
Total deferred outflows of resources	$ 194,134	$ 182,489
Deferred inflows of resources:		
Changes of assumptions	$ -0-	$ -0-
Differences between expected and actual experience	8,416	17,536
Differences between projected and actual earnings on pension plan investments	-0-	-0-
Total deferred inflows of resources	$ 8,416	$ 17,536

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:	
2025	$ 43,165
2026	106,587
2027	20,790
2028	(9,298)
2029	-0-
Thereafter	-0-

Other Plans. SMUD provides its employees with two cash deferred compensation plans: one pursuant to Internal Revenue Code (IRC) Section 401(k) (401(k) Plan) and one pursuant to IRC Section 457 (457 Plan) (collectively, the Plans). The Plans are contributory plans in which SMUD's employees contribute the funds. Each of SMUD's eligible full-time or permanent part-time employees may participate in either or both Plans, and amounts contributed are vested immediately. Such funds are held by a Trustee in trust for the employees upon retirement from SMUD service and, accordingly, are not subject to the general claims of SMUD's creditors. SMUD is responsible for ensuring compliance with IRC requirements concerning the Plans and has the fiduciary duty of reasonable care in the selection of investment alternatives, but neither SMUD, nor its Board or officers have any liability for market variations in the Plans' asset values. SMUD employees are responsible for determining how their funds are to be invested and pay all ongoing fees related to the Plans. The Plans are currently not subject to discrimination testing, nor the requirements of the Employee Retirement Income Security Act of 1974. SMUD employees participating in the Plans are allowed to contribute a portion of their gross income not to exceed the annual dollar limits prescribed by the IRC.

SMUD makes annual contributions to the 401(k) Plan on behalf of certain employees pursuant to a memorandum of understanding with both of its collective bargaining units. SMUD also matches non-represented employee contributions to the 401(k) Plan up to a set amount. SMUD made contributions into the 401(k) Plan of $7.5 million in 2024 and $6.9 million in 2023. SMUD does not match employee contributions, nor make contributions on behalf of its employees to the 457 Plan. Participating employees made contributions into both Plans totaling $36.0 million in 2024 and $34.3 million in 2023.

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS

Summary of Significant Accounting Policies. For purposes of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the California Employers' Retiree Benefit Trust (CERBT). For this purpose, SMUD recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD is a member of CERBT. The CERBT Fund is an IRC Section 115 Trust set up for the purpose of receiving employer contributions to prefund OPEB for retirees and their beneficiaries. CERBT is an agent multiple-employer defined benefit OPEB plan (OPEB Plan) administered by PERS. The OPEB Plan provides medical, dental and long-term disability benefits for retirees and their beneficiaries, in accordance with SMUD policy and negotiated agreements with employee representation groups. The benefit, benefit levels, retiree contributions and employer contributions are governed by SMUD and can be amended by SMUD through its personnel manual and union contracts. Any changes to these benefits would be approved by SMUD's Board and unions.

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms:

	December 31,	
	2024	2023
Inactive employees or beneficiaries currently receiving benefit payments	2,410	2,367
Inactive employees entitled to but not yet receiving benefit payments	47	44
Active employees	2,261	2,202
Total employees covered by benefit terms	4,718	4,613

Contributions. OPEB contributions are elective and not required. In December 2018, SMUD split its CERBT assets across two asset strategies to better align trust assets with liabilities (Strategy 1 for active employees and retirements after June 30, 2018 and Strategy 3 for retirements before July 1, 2018). SMUD contributes the normal cost to the CERBT, and annually receives reimbursement for cash benefit payments from the CERBT. SMUD may also elect to put additional contributions into the OPEB

Plan. For the OPEB Plan's fiscal years ended June 30, 2024 and 2023, SMUD made contributions recognized by the OPEB Plan in the amounts of $11.3 million and $9.1 million, respectively.

Net OPEB Asset (NOA) or Liability (NOL). SMUD's NOL at December 31, 2024 and 2023 were measured as of June 30, 2024 and 2023, respectively, and the total OPEB liability used to calculate the NOL was determined by actuarial valuations as of those dates.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2024 and December 31, 2023 total OPEB liabilities are as follows:

Discount Rate	6.02% (2024). Blended discount rate based on projected benefit streams expected to be paid from each Strategy. 6.02% (2023)
General Inflation	2.50% (2024 and 2023)
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study (2024 and 2023)
Mortality Improvement	Mortality projected fully generational with Scale MP-2021 (2024 and 2023)
Salary Increases	Aggregate – 2.75%; Merit - CalPERS 2000-2019 Experience Study (2024 and 2023)
Healthcare Cost Trend Rates	Non-Medicare: 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024), 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023) Medicare: 6.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024), 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023) Kaiser Medicare: 5.65% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024), 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023)

Discount Rates. For the OPEB Plan, the discount rate used to measure the total OPEB liability was 6.02 percent for the years ended December 31, 2024 and 2023, respectively. This rate is a blended discount rate based on projected benefit streams expected to be paid from Strategies 1 and 3. The projection of cash flows used to determine the discount rate assumed that SMUD contributes the full normal cost to the trust and only takes reimbursement from the trust of the cash benefit payments. Because the implied subsidy benefit payments have a larger present value than the payments toward the unfunded accrued liability, there should be sufficient plan assets to pay all benefits from the trust. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. The long-term expected rate of return of 6.25 percent for Strategy 1 and 5.25 percent for Strategy 3 was applied to all periods of projected benefit payments to determine the total OPEB liability for the years ended December 31, 2024 and 2023, respectively.

The expected real rates of return by asset class used and presented as geometric means for December 31, 2024 are as follows:

Asset Class	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	20.0%	4.06%

Asset Class	Target Allocation CERBT Strategy 3	Expected Real Rate of Return
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	14.0%	4.06%

The expected real rates of return by asset class used and presented as geometric means for December 31, 2023 are as follows:

Asset Class	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	20.0%	4.06%

Asset Class	Target Allocation CERBT Strategy 3	Expected Real Rate of Return
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	14.0%	4.06%

Changes in the NOA or NOL. The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2024:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2024	$ 397,699	$ 372,365	$ 25,334
Changes recognized for the measurement period:			
Service cost	8,709	-0-	8,709
Interest	23,720	-0-	23,720
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	20,552	-0-	20,552
Contributions - employer	-0-	11,250	(11,250)
Net investment income	-0-	33,053	(33,053)
Benefit payments	(24,745)	(24,745)	-0-
Administrative expense	-0-	(120)	120
Net changes	28,236	19,438	8,798
Balances at December 31, 2024	$ 425,935	$ 391,803	$ 34,132

The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2023:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2023	$ 380,464	$ 373,711	$ 6,753
Changes recognized for the measurement period:			
Service cost	8,303	-0-	8,303
Interest	22,126	-0-	22,126
Changes in assumptions	(5,263)	-0-	(5,263)
Differences between expected and actual experience	17,036	-0-	17,036
Contributions - employer	-0-	9,096	(9,096)
Net investment income	-0-	14,632	(14,632)
Benefit payments	(24,967)	(24,967)	-0-
Administrative expense	-0-	(107)	107
Net changes	17,235	(1,346)	18,581
Balances at December 31, 2023	$ 397,699	$ 372,365	$ 25,334

Sensitivity of the NOA or NOL to Changes in the Discount Rate. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current discount rate, as well as what the NOA or NOL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
		(thousands of dollars)	
NOL/(NOA), December 31, 2024	$ 85,371	$ 34,132	$ (8,752)

	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
		(thousands of dollars)	
NOL/(NOA), December 31, 2023	$ 73,469	$ 25,334	$ (14,929)

Sensitivity of the NOA or NOL to Changes in the Healthcare Cost Trend Rates. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current healthcare cost trend rate, as well as what the NOA or NOL would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare trend rate (see assumptions above for healthcare trend rate):

	1% Decrease	Current Healthcare Trend Rate	1% Increase
		(thousands of dollars)	
(NOA)/ NOL, December 31, 2024	$ (13,227)	$ 34,132	$ 91,933
(NOA)/ NOL, December 31, 2023	$ (19,159)	$ 25,334	$ 79,674

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued OPEB Plan's report. This report can be obtained at the PERS' website at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended December 31, 2024 and 2023, SMUD recognized OPEB expense of $10.6 million and $9.1 million, respectively.

At December 31, 2024 and 2023, SMUD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	$ 13,187	$ 19,382
Differences between expected and actual experience	17,183	-0-
Differences between projected and actual earnings on OPEB plan investments	15,244	31,335
Employer's contributions to the OPEB Plan subsequent to the measurement of total OPEB liability	12,601	11,988
Total deferred outflows of resources	$ 58,215	$ 62,705
Deferred inflows of resources:		
Changes of assumptions	$ 5,020	$ 8,224
Differences between expected and actual experience	18,536	29,894
Differences between projected and actual earnings on OPEB plan investments	-0-	-0-
Total deferred inflows of resources	$ 23,556	$ 38,118

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:	
2025	$ (1,092)
2026	14,717
2027	1,709
2028	3,018
2029	3,369
Thereafter	337

NOTE 16. INSURANCE PROGRAMS AND CLAIMS

SMUD is exposed to various risks of loss related to torts, theft of and destruction to assets, errors and omissions, cyber activities, natural disasters, employee injuries and illnesses, and other exposures. SMUD carries commercial insurance coverage to cover most claims in excess of specific dollar thresholds, ranging from $5.0 thousand to $10.0 million per claim. General liability limits are $140.0 million, excess of a $10.0 million self-insured retention. As of December 31, 2024, wildfire liability limits are $290.0 million ($241.5 million commercial insurance plus $48.5 million self-insured retention). SMUD's property insurance coverage is based on the replacement value of the asset. There have been no significant reductions in insurance coverage. In 2024, 2023, and 2022, the insurance policies in effect have adequately covered all settlements of the claims against SMUD. No claims have exceeded the limits of property or liability insurance in any of the past three years. In 2022, SMUD filed a property claim for both equipment damage and business interruption insurance for the Cosumnes Power Plant outage. In 2024, SMUD settled the full claim, recovering $13.6 million for the equipment damage and $138.9 million for the business interruption claim (note, that the business interruption recovery was received in three portions – $50.0 million advance in 2023, a partial settlement of $51.4 million in early 2024, and the final settlement of $37.5 million in quarter three of 2024).

The claims liability is included as a component of Self Insurance and Other in the Statements of Net Position.

SMUD's total claims liability, comprising claims received and claims incurred but not reported, at December 31, 2024, 2023 and 2022 is presented below:

	2024	2023	2022
		(thousands of dollars)	
Workers' compensation claims	$ 6,428	$ 6,926	$ 7,554
General and auto claims	3,077	3,474	3,178
Short and long-term disability claims	1,204	68	58
Claims liability	$ 10,709	$ 10,468	$ 10,790

Changes in SMUD's total claims liability during 2024, 2023 and 2022 are presented below:

	2024	2023	2022
		(thousands of dollars)	
Claims liability, beginning of year	$ 10,468	$ 10,790	$ 12,309
Add: provision for claims, current year	2,722	2,635	1,556
Increase in provision for claims in prior years	343	1,752	1,826
Less: payments on claims attributable to current and prior years	(2,824)	(4,709)	(4,901)
Claims liability, end of year	$ 10,709	$ 10,468	$ 10,790

NOTE 17. COMMITMENTS

Electric Power and Gas Supply Purchase Agreements. SMUD has numerous power purchase agreements with other power producers to purchase capacity, transmission, and associated energy to supply a portion of its load requirements. SMUD has minimum take-or-pay commitments for energy on some contracts. SMUD has numerous long-term natural gas supply, gas transportation and gas storage agreements with Canadian and U.S. companies to supply a portion of the consumption needs of SMUD's natural gas-fired power plants.

At December 31, 2024, the approximate minimum obligations for the "take-or-pay" contracts over the next five years are as follows:

	Electric	Gas
	(thousands of dollars)	
2025	$ 31,492	$ 10,176
2026	32,530	10,451
2027	93,312	10,497
2028	104,135	10,573
2029	105,021	10,737

At December 31, 2024, the approximate minimum obligations for the remaining contracts, assuming the energy or gas is delivered over the next five years, are as follows:

	Electric	Gas
	(thousands of dollars)	
2025	$ 350,563	$ 121,964
2026	315,317	125,772
2027	269,590	124,777
2028	296,757	122,382
2029	297,525	120,234

Contractual Commitments beyond 2029 - Electricity. Several of SMUD's purchase power and transmission contracts extend beyond the five-year summary presented above. These contracts expire between 2030 and 2057 and provide for power under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between $106.0 million in 2030 and $34.0 million in 2057. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the energy is delivered, ranges between $298.6 million in 2030 and $8.3 million in 2054. The Base Resource contract enables SMUD to receive a percentage of the amount of energy made available by Western, after meeting Central Valley Project use requirements, in any given year at a percent share of their revenue requirement; and SMUD has contracted for additional base resource power with no commitment until called upon. SMUD's largest purchase power source (in volume) is the Country Acres contract, where SMUD has contracted ownership of 344 MW's of Solar PV generation and 172 MW's battery energy storage capacity. The Country Acres contract expires on December 31, 2057.

Contractual Commitments beyond 2029 - Gas. Several of SMUD's natural gas supply, gas transportation and gas storage contracts extend beyond the five-year summary presented above. These contracts expire between 2030 and 2054 and provide for transportation and storage under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between $10.9 million in 2030 and $2.4 million in 2054. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the gas is delivered, ranges between $116.2 million in 2030 and $9.7 million in 2054.

Electric Power Price Swap Agreements. SMUD has entered into multiple variable to fixed rate swap with a notional amount totaling 501,125 megawatt hours (MWh) for the purpose of fixing the rate on SMUD's electric power purchases. This electric power price swap agreement results in SMUD paying fixed rates ranging from $59.50 to $89.76 per MWh. The swap agreements expire between January and October 2025.

Gas Price Swap Agreements. SMUD has entered into numerous variable to fixed rate swaps with notional amounts totaling 125,872,500 Dths for the purpose of fixing the rate on SMUD's natural gas purchases for its gas-fueled power plants and gas indexed electric contracts. These gas price swap agreements result in SMUD paying fixed rates ranging from $2.740 to $5.589 per Dth. The swap agreements expire periodically from January 2025 through January 2028.

Gas Transport Capacity Agreements. SMUD has multiple long-term natural gas transport capacity agreements with U.S. companies to transport natural gas to SMUD's natural gas-fired power plants from the supply basins in the North to the California-Oregon border and from supply basins in the southwest and Rocky Mountains to the Southern California border. These gas transport capacity agreements provide for the delivery of gas into SMUD-owned pipeline capacity within California. The gas transport capacity agreements provide SMUD with 48,199 Dth per day (Dth/d) of natural gas pipeline capacity from the North and 39,710 Dth/d from the Southwest or Rocky Mountain Basins through at least 2028.

Gas Storage Agreements. SMUD also has an agreement for the storage of up to 3.0 million Dth of natural gas at regional facilities through March 2026, lowering to 2.0 million Dth through March 2029.

Hydro License Agreements. SMUD has a hydro license for a term of 50 years effective July 1, 2014 (see Note 2). SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. Each contract is adjusted annually by an inflation index.

Construction Contracts. SMUD has entered into various construction contracts for the construction of a wind project and meter replacements. As of December 31, 2024, the not-to-exceed price for these contracts totaled $244.9 million. The remaining contract obligations for these contracts as of December 31, 2024 was $23.8 million.

NOTE 18. CLAIMS AND CONTINGENCIES

FERC Administrative Proceedings. SMUD is involved in a number of FERC administrative proceedings related to the operation of wholesale energy markets, transmission matters, gas transportation, and the development of NERC reliability standards. While these proceedings are complex and numerous, they generally fall into the following categories: (i) filings initiated by the California Independent System Operator Corporation (CAISO) (or other market participants) to adopt/modify the CAISO Tariff and/or establish market design and behavior rules; (ii) filings initiated by existing transmission owners (i.e., PG&E and the other Investor Owned Utilities) to pass through costs to their existing wholesale transmission customers; (iii) filings initiated by FERC on market participants to establish market design and behavior rules or to complain about or investigate market behavior by certain market participants; (iv) filings initiated by transmission owners under their transmission owner tariffs for the purpose of establishing a regional transmission planning process and interconnection agreements; (v) filings initiated by providers of firm gas transportation services under the Natural Gas Act; and (vi) filings initiated by NERC to develop reliability standards applicable to owners, users, and operators of the bulk power system. In addition, SMUD is an active participant in other FERC administrative proceedings, including those related to reliability and cybersecurity standards, variable resource integration, and transmission planning and cost allocation. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

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

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

Proposition 26 Lawsuit. In October 2019, two SMUD customers filed a complaint alleging SMUD's immediately prior rate increase was unconstitutional. In January 2024, the lawsuit was dismissed with prejudice due to their failure to diligently prosecute the case, though they have since filed another, similar complaint, which challenges SMUD's rate increases for 2024 and 2025. In January 2025, the court ruled this subsequent case dismissed for plaintiffs' failure to comply with the statutory service and publication requirements. SMUD considers the lawsuit to be wholly without merit.

Other Matters. Currently, SMUD is party to various claims, legal actions and complaints relating to its operations, including but not limited to: property damage and personal injury, contract disputes, torts, and employment matters. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

NOTE 19. SUBSEQUENT EVENTS

SMUD evaluated subsequent events through March 7, 2025, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Required Supplementary Information – Unaudited
For the Years Ended December 31, 2024 and 2023

Required Supplementary Information - Unaudited
For the Years Ended December 31, 2024 and 2023

Schedule of Changes in Net Pension Liability and Related Ratios
During the Measurement Period - PERS Plan

	December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	(thousands of dollars)									
Total pension liability:										
Service cost	$ 46,378	$ 42,960	$ 41,885	$ 38,900	$ 38,901	$ 38,061	$ 36,029	$ 35,040	$ 29,044	$ 27,991
Interest	189,234	176,370	167,926	168,984	164,044	157,976	151,354	150,119	147,497	142,468
Changes of assumptions	-0-	1,890	26,275	-0-	-0-	-0-	(61,585)	123,043	-0-	(34,228)
Differences between expected and actual experience	120,696	53,599	(31,370)	(5,875)	9,981	18,877	1,293	(29,276)	(8,357)	(10,613)
Benefit payments, including refunds of employee contributions	(161,249)	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)	(94,636)
Net change in total pension liability	195,059	125,488	67,113	71,633	87,345	97,366	15,328	174,498	69,029	30,982
Total pension liability, beginning of year	2,679,268	2,553,780	2,486,667	2,415,034	2,327,689	2,230,323	2,214,995	2,040,497	1,971,468	1,940,486
Total pension liability, end of year (a)	$ 2,874,327	$ 2,679,268	$ 2,553,780	$ 2,486,667	$ 2,415,034	$ 2,327,689	$ 2,230,323	$ 2,214,995	$ 2,040,497	$ 1,971,468
Plan fiduciary net position:										
Contributions - employer	$ 62,116	$ 92,504	$ 114,476	$ 229,440	$ 98,344	$ 69,119	$ 90,141	$ 32,389	$ 27,645	$ 22,499
Contributions - employee	21,417	19,921	18,096	17,552	18,095	17,411	16,832	15,845	15,271	14,503
Net investment income	225,340	140,540	(189,479)	454,518	92,534	115,867	138,739	171,596	8,316	35,797
Benefit payments, including refunds of employee contributions	(161,249)	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)	(94,636)
Administrative expense	(1,969)	(1,705)	(1,566)	(1,943)	(2,628)	(1,270)	(7,474)	(2,275)	(969)	(1,795)
Other miscellaneous income/(expense)	-0-	-0-	-0-	-0-	-0-	4	(4)	-0-	34	(25)
Net change in plan fiduciary net position	145,655	101,929	(196,076)	569,191	80,764	83,583	126,471	113,127	(48,858)	(23,657)
Plan fiduciary net position, beginning of year	2,420,258	2,318,329	2,514,405	1,945,214	1,864,450	1,780,867	1,654,396	1,541,269	1,590,127	1,613,784
Plan fiduciary net position, end of year (b)	$ 2,565,913	$ 2,420,258	$ 2,318,329	$ 2,514,405	$ 1,945,214	$ 1,864,450	$ 1,780,867	$ 1,654,396	$ 1,541,269	$ 1,590,127
Net pension liability/(asset), ending (a) - (b)	$ 308,414	$ 259,010	$ 235,451	$ (27,738)	$ 469,820	$ 463,239	$ 449,456	$ 560,599	$ 499,228	$ 381,341
Plan fiduciary net position as a percentage of the total pension liability	89.3%	90.3%	90.8%	101.1%	80.5%	80.1%	79.8%	74.7%	75.5%	80.7%
Covered payroll	$ 290,769	$ 265,184	$ 256,965	$ 257,613	$ 254,756	$ 247,759	$ 235,902	$ 223,685	$ 207,119	$ 197,481
Net pension liability/(asset) as a percentage of covered payroll	106.1%	97.7%	91.6%	-10.8%	184.4%	187.0%	190.5%	250.6%	241.0%	193.1%

Notes to Schedule:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

Schedule of Plan Contributions for Pension - PERS Plan - Unaudited

	December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	(thousands of dollars)									
Actuarially determined contribution	$ 28,316	$ 45,171	$ 44,599	$ 54,315	$ 52,276	$ 49,119	$ 40,142	$ 32,389	$ 27,645	$ 22,499
Contributions in relation to the actuarially determined contribution	(62,116)	(92,504)	(114,476)	(229,440)	(98,344)	(69,119)	(90,142)	(32,389)	(27,645)	(22,499)
Contribution excess	$ (33,800)	$ (47,333)	$ (69,877)	$ (175,125)	$ (46,068)	$ (20,000)	$ (50,000)	$ -0-	$ -0-	$ -0-
Covered payroll	$ 290,769	$ 265,184	$ 256,965	$ 257,613	$ 254,756	$ 247,759	$ 235,902	$ 223,685	$ 207,119	$ 197,481
Contributions as a percentage of covered payroll	21.4%	34.9%	44.5%	89.1%	38.6%	27.9%	38.2%	14.5%	13.4%	11.4%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2024 was derived from the June 30, 2021 funding valuation report.

Actuarial cost method	Entry age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2021 Funding Valuation Report
Asset valuation method	Fair value of assets. For details, see June 30, 2021 Funding Valuation Report
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.80%
Investment rate of return	6.80% Net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In 2021, the investment rate of return was changed from 7.25% to 7.00%. In 2020, the investment rate of return was 7.25%. Prior to 2024, the probabilities of retirement and mortality are based on the 2017 CalPERS Experience Study for the period from 2000 to 2019. Prior to 2020, the probabilities of mortality are based on the 2014 PERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. Prior to 2017, the retirement age and mortality assumptions were based on the 2010 PERS Experience Study for the period from 1997 to 2007. In addition, the mortality assumption for pre-retirement and post-retirement rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of Changes in Net OPEB Asset or Liability and Related Ratios During the Measurement Period - Unaudited

OPEB. The schedule of changes in NOA or NOL and related ratios is presented above for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
	(thousands of dollars)							
Total OPEB liability:								
Service cost	$ 8,709	$ 8,303	$ 8,744	$ 8,426	$ 8,903	$ 8,946	$ 9,263	$ 8,993
Interest on total OPEB liability	23,720	22,126	22,728	25,008	26,653	26,766	29,656	28,676
Changes of assumptions	-0-	(5,263)	(7,127)	5,895	(11,453)	15,332	3,105	-0-
Differences between expected and actual experience	20,552	17,036	(12,231)	(18,938)	(23,529)	(6,885)	(59,921)	-0-
Benefit payments	(24,745)	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Net change in total OPEB liability	28,236	17,235	(12,055)	(3,690)	(23,274)	19,638	(42,569)	15,477
Total OPEB liability, beginning of year	397,699	380,464	392,519	396,209	419,483	399,845	442,414	426,937
Total OPEB liability, end of year (a)	$ 425,935	$ 397,699	$ 380,464	$ 392,519	$ 396,209	$ 419,483	$ 399,845	$ 442,414
Plan fiduciary net position:								
Contributions - employer	$ 11,250	$ 9,096	$ 860	$ 818	$ 13,299	$ 13,963	$ 34,243	$ 114,573
Net investment income (loss)	33,053	14,632	(52,917)	76,479	20,447	20,132	27,295	24,104
Benefit payments	(24,745)	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Administrative expense	(120)	(107)	(114)	(144)	(191)	(81)	(635)	(123)
Net change in plan fiduciary net position	19,438	(1,346)	(76,340)	53,072	9,707	9,493	36,231	116,362
Plan fiduciary net position, beginning of year	372,365	373,711	450,051	396,979	387,272	377,779	341,548	225,186
Plan fiduciary net position, end of year (b)	$ 391,803	$ 372,365	$ 373,711	$ 450,051	$ 396,979	$ 387,272	$ 377,779	$ 341,548
Net OPEB (asset) or liability, ending (a) - (b)	$ 34,132	$ 25,334	$ 6,753	$ (57,532)	$ (770)	$ 32,211	$ 22,066	$ 100,866
Plan fiduciary net position as a percentage of the total OPEB liability	92.0%	93.6%	98.2%	114.7%	100.2%	92.3%	94.5%	77.2%
Covered payroll	$ 346,382	$ 345,500	$ 301,746	$ 289,014	$ 287,001	$ 282,993	$ 269,753	$ 252,211
Net OPEB (asset) or liability as a percentage of covered payroll	9.9%	7.3%	2.2%	-19.9%	-0.3%	11.4%	8.2%	40.0%

Notes to Schedule

Benefit Changes: There were no changes to benefits.

Changes in Assumptions: In 2024, there were no changes of assumptions. In 2023, the healthcare trends were updated. In 2022, the long-term rate of return for Strategy 3 was updated based on newer target asset allocation, the discount rate was updated based on crossover test, the demographic assumptions were updated to CalPERS 2000-2019 Experience Study, and the mortality improvement scale was updated to Scale MP-2021. In 2021, the discount rate was updated due to weighting of Strategy 1 and Strategy 3 and updated capital market assumptions, the mortality improvement scale was updated to Scale MP-2020, the inflation rate was changed to 2.5% and the implied subsidy was removed for Medicare Advantage Plans. In 2020, the discount rate reflected the split of assets between Strategy 1 and Strategy 3, the mortality improvement scale was updated to Scale MP-2019, and the Kaiser Medicare trend rates were updated.

Schedule of Plan Contributions for OPEB

OPEB Plan. The schedule of OPEB contributions is presented below for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
	(thousands of dollars)							
Actuarially determined contribution	$ 10,650	$ 8,566	$ 5,425	$ 8,661	$ 12,201	$ 10,710	$ 15,366	$ 16,472
Contributions in relation to the actuarially determined contribution	(11,864)	(8,806)	(1,157)	(853)	(13,233)	(13,155)	(35,128)	(116,181)
Contribution deficiency (excess)	$ (1,214)	$ (240)	$ 4,268	$ 7,808	$ (1,032)	$ (2,445)	$ (19,762)	$ (99,709)
Covered payroll	$ 376,418	$ 342,236	$ 318,094	$ 285,425	$ 289,552	$ 286,835	$ 277,193	$ 260,210
Contributions as a percentage of covered payroll	3.2%	2.6%	0.4%	0.3%	4.6%	4.6%	12.7%	44.6%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2024 were derived from the June 30, 2024 funding valuation report.

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	22-year fixed period for 2023/24
Asset valuation method	Market value of assets
Discount rate	6.25% for all actives and retirements after 6/30/2018, 5.25% for all retirements before 6/30/2018
Inflation	2.50%
Medical trend	Non-Medicare: 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser): 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser): 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
Mortality	CalPERS 2000-2019 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-21

In 2024, the amortization period was for a 22-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2023, the amortization period was for a 23-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2022, the amortization period was for a 24-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-20. In 2021, the amortization period was for a 25-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-19. In 2020, the amortization period was for a 26-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-18. In 2019, the amortization period was for a 27-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-17. In 2018, the amortization period was for a 28-year fixed period. Mortality assumption used PERS 1997-2011 experience study. The mortality improvement projected fully generational with Scale MP-16. In 2017, the amortization period was for a 29-year fixed period. The inflation rate was 3.0% and the discount rate was 7.25%. The mortality projected fully generational with Scale MP-14, modified to converge in 2022.