Exhibit to Agenda Item #2

Board Energy Resources & Customer Services Committee Meeting and Special SMUD Board of Directors Meeting
August 14th, 2019 scheduled to begin at 5:30 p.m.
Customer Service Center, Rubicon Room
Requested Action

Authorize the Chief Executive Officer and General Manager to purchase the Chili Bar Project (FERC Project 2155) from Pacific Gas & Electric Co. at a price of $10,400,000 and execute all documents necessary to complete the transaction, including the Chili Bar Asset Purchase and Sale Agreement.
Chili Bar Overview

- Located on the South Fork American River immediately downstream of the Upper American River Project (UARP)
  - Built by SMUD, transferred to PG&E
  - Operation is coordinated with the White Rock Powerhouse.

110 acre Reservoir (1,339 acre-feet)

7MW Powerhouse

126’ high by 380’ long concrete gravity dam

170’ spillway located 31’ below the top of the dam
Chili Bar Opportunity

PG&E is looking to:

• Strategically remove remote facilities from their Generation Portfolio
• Looking for natural fits, like SMUD’s UARP Project
• Similar transfers include:
  – Merced Falls Project to Merced Irrigation District
  – Narrows Project to the Yuba County Water Agency

SMUD is looking to:

• Provide added flexibility for UARP
  – UARP and Chili Bar Licenses are intertwined
  – Helps White Rock support the Energy Imbalance Market (EIM)
• Renewable Portfolio Standard Resource
  – Small hydro (<30 MW)
  – Emissions free
Purchase and Sale Agreement (PSA)

• Purchase Price - $10,400,000
  – Deposit - $100,000
  – Balance due at Closing
  – All associated assets are included in the sale
  – Spare parts, drawings, manuals and training are all included

Pricing was validated for consistency with:
• Market value of energy
• GHG
• Renewable Energy Credit (REC)
• Resource adequacy capacity value in the CAISO.

Conditions Precedent to Closing
• Interconnection Agreement (SGIA)
• CPUC Approval
• FERC Approval
• Transfer of the Conservation Easement
• No Material Adverse Condition occurs
While Approvals are in Progress

- PG&E Continues to own and operate
  - PG&E’s sole expense and benefit
  - Prudent utility practices
  - Maintain compliance
  - Consult on items that have a material impact

- SMUD gets access and inspection rights

- Both parties agree to make reasonable efforts to complete all conditions precedent
Path Forward

- Finalize PSA terms, exhibits and schedules
- Execute Agreement
- Application for FERC
- Application for CPUC Approval, with input from Office of Ratepayer Advocates
- Bankruptcy Judge Approval
- Expected 9 – 12 month path from PSA execution to closing
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