Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

Date: Tuesday, October 15, 2019
Time: 5:30 p.m.

Location: SMUD Customer Service Center, Rubicon Room
6301 S Street, Sacramento, CA

Powering forward. Together. SMUD®
AGENDA
BOARD FINANCE & AUDIT COMMITTEE MEETING
AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

Tuesday, October 15, 2019
SMUD Customer Service Center, Rubicon Room
6301 S Street, Sacramento, California
Scheduled to begin at 5:30 p.m.

This Committee meeting is noticed as a joint meeting with the Board of Directors for compliance with the Brown Act. In order to preserve the function of the Committee as advisory to the Board, members of the Board may attend and participate in the discussions, but no Board action will be taken. The Finance and Audit Committee will review, discuss and provide the Committee’s recommendation on the following:

DISCUSSION ITEMS

1. Cheryl Elia
   Approve a Memorandum of Understanding between Sacramento Municipal Utility District and the SMUD Public Safety Officers’ Association for the period October 28, 2019, through December 31, 2022.
   Presentation: 10 minutes
   Discussion: 3 minutes

2. Casey Fallon
   Approve Contract Change No. 1 to Contract No. 4500117866 with Hot Line Construction, Inc. to increase the contract not-to-exceed amount by $1 million from $1 million to $2 million.
   Presentation: 5 minutes
   Discussion: 5 minutes

3. Jason Shibata
   a. Approve contract change to Contract No. 4500110473 with United Health Care Insurance Company approving medical insurance premium rates for the period January 1, 2020, through December 31, 2020; 2020 cost estimated at $36.1 million.
   b. Approve contract change to Contract No. 4500043215 with Kaiser Permanente approving medical insurance premium rates and extending the contract by one year from January 1, 2020, through December 31, 2020; 2020 cost estimated at $26.1 million.
   Presentation: 3 minutes
   Discussion: 3 minutes
4. Rob Ferrera

Adopt the California Environmental Quality Act (CEQA) Initial Study and Final Mitigated Negative Declaration (MND) for the Pocket/Greenhaven 69kV Underground Cable Reliability Project; adopt the Mitigation Monitoring and Reporting Program; and approve the Project.
Presentation: 10 minutes
Discussion: 3 minutes

5. Kathy Ketchum

Authorize SMUD’s Accountant to defer recognition of revenue from sales proceeds of Low Carbon Fuel Standard (LCFS) credits as regulatory liabilities and then match revenue recognition to the related expense in the appropriate accounting period for rate-making purposes.
Presentation: 5 minutes
Discussion: 7 minutes

INFORMATIONAL ITEMS

6. Sandra Moorman

Provide the Board with the financial results for the eight-month period ended August 31, 2019.
Discussion: 1 minute

7. Claire Rogers

Discussion: 1 minute

8. Jennifer Davidson

Provide the Summary of SMUD’s Power Supply Costs through August 31, 2019.
Presentation: 1 minute
Discussion: 0 minutes

9. Public Comment

10. Rosanna Herber

Summary of Committee Direction.
Discussion: 1 minute

Members of the public wishing to address the Committee should complete a sign-up form available at the table outside of the meeting room. Members of the public shall have up to three (3) minutes to provide public comment. The total time allotted to any individual speaker shall not exceed nine (9) minutes for the entire Committee meeting time.
Members of the public wishing to inspect public documents related to agenda items may call 916-732-7143 to arrange for inspection of the documents at the SMUD Customer Service Center, 6301 S Street, Sacramento, California.

NOTE: Accommodations are available for the disabled public. If you need a hearing assistance device or other aid, please call 916-732-7143 in advance of this Committee Meeting.
Requested Action: Approve a Memorandum of Understanding between the Sacramento Municipal Utility District and the SMUD Public Safety Officers’ Association for the period October 28, 2019, through December 31, 2022.

Summary: SMUD and PSOA reached Tentative Agreement on September 26, 2019, to establish an MOU that expires on December 31, 2022. Key aspects of the three-year agreement, which PSOA members ratified on October 3, 2019, are below:

- 3-year contract (through 2022)
- Total compensation package designed to continue to attract and retain
- Wage alignment of bargaining unit positions
- Increased cost sharing of healthcare and pension benefits

Benefits: This agreement represents a total compensation package that has reasonable risk and cost sharing by both parties. The agreement successfully meets SMUD’s financial targets while maintaining competitive pay for PSOA employees, safety in the workplace, employee engagement, and positive labor-management relations.

Cost/Budgeted: Staff expects the cost of the agreement to be at or below budget projections.

Alternatives: Re-open negotiations with PSOA.

Affected Parties: All work areas with PSOA-represented employees and Human Resources, Diversity & Inclusion, Employee Relations

Coordination: Human Resources, Diversity & Inclusion, Employee Relations

Presenter: Cheryl Elia, Manager, Employee Relations

Additional Links:
PREAMBLE

Pursuant to the requirements of Government Code Section 3500, et seq., representatives of the Sacramento Municipal Utility District, hereinafter referred to as “SMUD”, and the SMUD Public Safety Officers’ Association, hereinafter referred to as “the PSOA”, have met and conferred in good faith with the purpose of promoting harmonious labor relations and establishing and maintaining appropriate wages, hours, and other terms and conditions of employment.

SMUD recognizes the PSOA as the exclusive representative of all employees of SMUD who are assigned to representation Unit 3, as defined in Board Resolution Number 19-05-06. (A list of Unit 3 Classifications appears in Appendix B.) The provisions of this Agreement hereinafter set forth shall apply to those employees of SMUD for whom the PSOA is the established representative.
ARTICLE 1
DEFINITIONS

1. AGREEMENT
The terms Agreement and MOU are used interchangeably.

2. TYPES OF EMPLOYEES
A. Civil Service Employee
   1) A full-time employee hired pursuant to SMUD Civil Service Rules.
   2) A part-time employee hired prior to July 1, 1991.
B. Non-Civil Service
   1) A part-time employee regularly scheduled to work twenty (20) or more hours and less
      than forty (40) hours per week (including overtime).
   2) A casual employee as defined by SMUD Civil Service Rules.
   3) A person hired under the Student Employment Program.
   4) A rehired CalPERS annuitant.
   5) A Limited Term Employee.
C. Full-Time Employee
   A Civil Service or Non-Civil Service employee regularly scheduled to work eighty (80)
   hours in a pay period.
D. Part-Time Employee
   A Civil Service or Non-Civil Service employee regularly scheduled to work less than
   eighty (80) hours in a pay period (including overtime).
E. Limited Term Employee
   1) The term “limited term employee” shall have the same meaning as set forth in Public
      Utilities Code §12055 regardless of how such employees are hired, appointed, or
      assigned to classifications, positions, or assignments and without regard to title or
      terminology.
   2) As defined in the Civil Service Rules, a Limited Term employee is a person hired or
      appointed by SMUD to perform the job duties of a job classification for a defined
      time period of not more than two (2) years’ duration. Limited Term appointments
      may be extended for up to two (2) additional years.
   3) Such employees are immediately covered by this Agreement if the term of
      appointment is for at least six (6) months or if an initial appointment of less than six
      (6) months is extended beyond six (6) months.
4) Limited term employees are “at will” and serve at the pleasure of SMUD. They are not covered by SMUD's Positive Discipline policies, they are not entitled to file grievances over disciplinary actions, and they may be terminated with or without reason or with or without just cause at any time and without notice.

F. Shift Employee

The employee's regular work schedule is the day or night shift.

3. OVERTIME DEFINITIONS

A. Change in Shift

The employee is permanently or temporarily transferred to a new work schedule or shift that will last one workweek or more.

B. Early Call-In

The employee is called to work early and works into their regular work hours.

C. Emergency Call-Out

The employee is called to work on their regular workday to perform emergency work that does not extend into their regular work hours, or the employee is called to perform emergency work on their day off.

D. Emergency Work

Overtime work which has not been prearranged. Assignment is not made in accordance with SOAP 24 procedures.

E. Extended Work Schedule

The employee is required to work beyond their regular work hours.

F. Prearranged Overtime

The employee is notified before leaving work on a workday to work overtime, and they are given at least 8 hours off before the reporting time. Assignment is made in accordance with SOAP 24 procedures.

4. SHIFT DEFINITIONS

A. Day Shift

Work periods regularly scheduled to begin between the hours of 0700 and 1900.

B. Night Shift

Work periods regularly scheduled to begin between the hours of 1900 and 0700.

5. TERM

The term of this Agreement: October 28, 2019, through December 31, 2022.
ARTICLE 2
ORGANIZATION SECURITY

1. DUES/FEES

A. Payroll Deductions

SMUD will deduct the amounts requested by the PSOA from the wages of Unit 3 employees who authorize monthly payroll deductions for membership dues, fees, general assessments, and/or payments for any membership benefit programs sponsored by the PSOA, and remit the total amount of such deductions to the PSOA on a monthly basis subject to the following:

1) SMUD will implement the requested payroll deduction as soon as possible, but not later than 30 days, after the PSOA provides to SMUD a certified list of employees from whom to deduct the dues and the amount to be deducted.

2) In general, SMUD will continue making the requested deductions until the PSOA notifies SMUD that an employee no longer authorizes deductions or the employee begins an unpaid leave of absence lasting more than 30 calendar days.

3) SMUD will direct employees to make requests to change or cancel deductions with the PSOA.

B. Responsibilities

1) The PSOA shall maintain procedures in accordance with applicable statutes, any decisions by a court of competent jurisdiction, and any other applicable legal authority regarding the collection of dues and fees.

2) Hold Harmless: The PSOA agrees to indemnify and hold SMUD harmless against any and all liability including, but not limited to, such items as wages, damages, awards, fines, court costs, and attorney fees that may arise by reason of or the result of the operation of this section.

3) SMUD shall provide the PSOA with a Dues/Fees Deduction Report for Unit 3 employees at the end of each pay cycle.

4) SMUD shall provide Employee Rosters for Unit 3 employees (Full-Time, Part-Time and Limited-Term) monthly at the pay cycle when union dues/fees are deducted.

5) SMUD shall notify the PSOA of an employee's return to paid status within ten (10) working days following an unpaid leave of absence in excess of thirty (30) days so the PSOA may resume collection of PSOA dues/fees.

2. PSOA RELEASE TIME

A. Officers and Directors

Once each calendar year during the month of March, the PSOA shall provide SMUD with a list of the PSOA Officers and Directors. In meeting both the organizational
business needs and the employee representation obligations of the PSOA, the PSOA may allocate release time and PSOA duties among these key individuals.

1) SMUD shall make arrangements to accommodate requests from PSOA Officers and Directors for a reasonable amount of time off from their regular assignments to attend scheduled meetings with SMUD management, participate in SMUD projects, and represent bargaining unit employees. Such time off is subject to prior notice and approval of the immediate supervisor of the individual making the request.

2) A PSOA representative’s time spent conducting PSOA business should be charged to the appropriate Work Order Number. PSOA representatives will be paid for approved leave to act as an official or representative of the union. All leave will be paid for from the PSOA Leave Bank or through PSOA leave set forth in Section 4 of this Article.

B. PSOA Leave Bank

SMUD and the PSOA agree to establish an PSOA Leave benefit and create an PSOA Leave Bank to support it.

1) PSOA Leave is paid leave that may be utilized by PSOA members to conduct PSOA business and/or to attend seminars, conferences, conventions, or other meetings at the local, state and national level. A PSOA member who is designated by the PSOA President or, in the President’s absence, the Vice President, may take PSOA Leave subject to the advance approval of the employee’s immediate supervisor.

2) To establish and maintain the PSOA Leave Bank, a Unit 3 employee may contribute some or all of the employee’s accumulated personal leave to the PSOA subject to the following conditions:

a) A Unit 3 employee may contribute to the PSOA Leave Bank in one (1) hour increments consisting of one (1) or more hours;

b) When donated, leave shall be credited to the PSOA Leave Bank at the current hourly rate of the donating employee;

c) When used, the PSOA Leave Bank shall be debited at the current hourly rate of the employee using the leave;

d) The PSOA Leave Bank account shall be designated by SMUD and PSOA leave taken shall be charged to the appropriate Work Order Number.

e) Donations to the leave bank may not be revoked by the donating party, nor may they be cashed out by the PSOA or its officers or representatives in any way other than described in subsection B of this Article.

Meetings called by SMUD and “meet and confer” meetings will not count against the PSOA Leave Bank for the President and Vice President, or his/her Executive Board designee. Additional PSOA members may attend “meet and confer” meetings on PSOA leave or their own time as set forth in Subsection 4 of this Article.

Each employee recognized by SMUD as a member of the duly elected or appointed PSOA Negotiating Committee, who attends with SMUD’s permission an Association-
Management contract negotiation meeting will receive PSOA leave time as set forth in below in Section 4 of this Article.

3. USE OF SMUD FACILITIES

A. Bulletin Boards

The PSOA shall be provided a reasonable amount of bulletin board space in specifically designated areas for posting organization bulletins. The PSOA shall be responsible for removing out-of-date materials, but SMUD reserves the right to remove out-of-date, inappropriate, or prohibited material.

1) The PSOA shall provide up to five (5) bulletin boards to be installed by SMUD at mutually agreeable locations.

B. Inter-Office Mail

The PSOA shall be allowed to use SMUD’s inter-office mail to communicate with PSOA represented employees. PSOA mail shall be pre-sorted by mail stop.

C. Internal Email

The PSOA shall only be allowed to use SMUD’s internal email system to communicate with PSOA represented employees as follows:

1) The PSOA President and Vice President are the only PSOA members authorized to use SMUD’s internal email systems (e.g., Outlook) to send no-reply notices to the PSOA membership.

2) Email notices shall not contain any confidential information and shall be in the nature of announcements regarding PSOA activities (i.e. PSOA membership meetings, PSOA election results, PSOA meeting minutes and reports, PSOA social events, and PSOA member participation at community events).

3) No-reply email notices of any other nature must have approval of the SMUD Employee Relations Manager prior to distribution.

4) Copies of the no-reply notices shall be sent to the SMUD Employee Relations Manager at the time of distribution to the PSOA membership.

5) A maximum of 52 no-reply notices may be sent to the PSOA membership per calendar year, with the understanding that this allowance for PSOA no-reply email notices is an exception to “acceptable use” under SMUD’s Electronic Information Policy (AP 05.02.04). This agreement does not preclude compliance with all other provisions of this SMUD policy.
D. Use of Meeting Rooms/Access to Work Locations

1) SMUD shall make conference rooms available to the PSOA, subject only to SMUD’s established procedures for the reservation and use of such facilities by SMUD’s internal organizational units.

2) PSOA representatives shall be granted reasonable access to work locations to engage in those activities necessary to the representation of employees assigned to Unit 3.

4. PSOA BUSINESS LEAVE

SMUD and the PSOA agree to establish a PSOA Leave Benefit in addition to the PSOA Leave Bank.

A. PSOA Leave is leave that may be utilized by PSOA members to conduct PSOA business and/or to attend training, seminars, conferences, conventions, or other meetings at the local, state and national level.

B. Requests for PSOA Leave shall be made at least two (2) weeks in advance and shall be directed to the Manager, Employee Relations, unless otherwise agreed to between SMUD and the PSOA. Such requests shall be made by the PSOA President, or in the President’s absence, the Vice President.

C. In an emergency, the Manager, Employee Relations shall have the authority to cancel scheduled PSOA Leave.

D. The PSOA shall be reimbursed for any reasonable documented expenses and/or loss of money resulting from SMUD’s canceling scheduled PSOA leave, provided the PSOA informs SMUD of the pending loss at the time the PSOA is requested to cancel the leave.

E. Employees utilizing PSOA Leave shall remain on SMUD’s payroll and shall continue to receive CalPERS contributions and service credit. Employees on PSOA Leave shall suffer no loss of compensation, benefits, or loss of seniority.

F. The PSOA shall reimburse SMUD for the employee’s salary at the then current activity rate for their position while the employee is on PSOA Leave. The PSOA shall provide such reimbursement within thirty (30) calendar days following receipt of invoice. Failure to make payment in full within forty-five (45) calendar days allows SMUD to seek recovery of the payment owed and relieves SMUD of any obligations to withhold funds pursuant to Section 1 of this Article until SMUD is paid in full. SMUD will not be responsible for any retroactive deductions should it not withhold any regularly scheduled dues payments as a result of this provision.

G. The PSOA agrees to indemnify and hold SMUD harmless against any and all liability for loss, damage, cost or expense which SMUD may incur by reason of bodily injury, including death, to any person or persons or by reason of damage to or destruction of property, including the loss of use thereof, arising out of or in any way connected with the program described herein, whether or not due in whole or in part to any act, omission or negligence of SMUD, active or passive, excepting only such injury, loss or liability as may result from the criminal or willful misconduct of SMUD, its agents or employees, other than employees participating in this program.
1) Workers’ Compensation. Unless performing duties for SMUD, employees on PSOA Business Leave shall not be eligible for Workers’ Compensation benefits arising out of an injury occurring during the leave from SMUD.

2) Notice and Defense of Claims. In the event any claim or demand is made or suit or action is filed against SMUD alleging liability for which the PSOA shall indemnify and hold harmless SMUD under this Section, SMUD shall promptly notify the PSOA thereof, and the PSOA shall bear all costs and expenses, including legal fees, to settle, compromise or defend the same in such manner as it, in its sole discretion, deems necessary or prudent.

3) Insurance Representation. The PSOA agrees to carry the amount of self-insurance or comprehensive liability insurance, including contractual liability coverage, covering the indemnification and defense obligations set forth herein, subject to such types and amounts of self-insurance, retentions, or deductibles as are consistent with good business practices in the industry.

5. PSOA ACCESS TO NEW EMPLOYEE ORIENTATIONS
SMUD shall notify the PSOA of the time and location of all new employee orientation (NEO) meetings at least ten (10) working days prior to the meeting, unless an urgent and unforeseeable need for an orientation meeting precludes SMUD from providing such notice. If ten (10) working days advance notice cannot be provided, SMUD shall provide as much advance notice as possible. The PSOA shall be afforded thirty (30) minutes during the NEO to present information about the PSOA to new PSOA employees.
ARTICLE 3
HOURS OF WORK

1. BASIC WORK WEEK

Full-time employees are regularly scheduled to work forty (40) hours per work week. Part-time employees are regularly scheduled to work less than forty (40) hours per work week (including overtime). Employees may be required to work overtime to meet the needs of SMUD.

A. Normal Work Schedule

The work week shall begin at 0000 hours on Saturday and end the following Friday at 2359 hours.

B. 12-Hour Shift (Day)

The work week shall begin at 1500 hours on Wednesday and end the following Wednesday at 1459 hours.

C. 12-Hour Shift (Night)

The work week shall begin at 0300 hours on Thursday and end the following Thursday at 0259 hours.

2. WORK SCHEDULES

A. Normal Work Schedule

The normal work schedule shall be five (5) consecutive eight (8) hour work days, Monday through Friday, with a paid meal period approximately midway through the work day.

B. 12-Hour Shift

All shift employees assigned to a 12-hour work schedule shall have their workweek adjusted so that their workweek changes after the first 4 hours of the first shift on their regularly scheduled 4-day work schedule. A normal schedule shall consist of 3 consecutive days of 12-hour shifts followed by 4 days off and then 4 consecutive days of 12-hour shifts followed by 3 days off.

C. Change in Work Schedule

Hours of work may be changed by mutual agreement of SMUD and the particular employees involved. Security Operations management may deny a schedule change—especially if the change will create overtime obligations. Nothing in SMUD policy prohibits an employee from being assigned to work outside of his/her work schedule or from being transferred from one schedule to another, provided the employee is paid in accordance with SMUD’s applicable overtime policies.
3. **MEAL PERIODS**

Employees shall receive a 30-minute meal period approximately midway through their regular workday for each 8-hours worked on a shift or special assignment, etc. Except as provided in Section 4.B.3) of this Article, meal periods shall be paid.

Employees on a shift shall attempt to stagger their meal periods beginning at 45 minutes before the midway point of their shift and ending 45 minutes after the midway point of their shift in order to remain available to answer calls for service and respond to emergencies. Employees on shift shall remain in uniform and monitor their handheld or vehicle radio traffic during their meal period and remain able to respond to calls for service as necessary. Efforts shall be made to avoid interrupting an employee’s meal period unless it is necessary to meet operational needs. Calling employees back from their meal period shall not be the normal practice.

4. **SHIFTS AND START TIMES**

A. Shifts are as follows:

1) Day Shift

   Regularly scheduled between the hours of 0700 hours and 1900 hours.
   a) Day Shift TEAM A 0700-1900 Hours, Sun/Mon/Tue/Alt Wednesdays
   b) Day Shift TEAM B 0700-1900 Hours, Alt Wednesdays/Thurs/Fri/Sat

2) Night Shift

   Regularly scheduled between the hours of 1900 hours and 0700 hours.
   a) Night Shift TEAM A 1900-0700 Hours, Sun/Mon/Tue/Alt Wednesdays
   b) Night Shift TEAM B 1900-0700 Hours, Alt Wednesdays/Thurs/Fri/Sat

B. SMUD may establish different shifts when necessary to meet the operational needs of SMUD as follows:

1) Rotating Shift

   Requires assigned employees to rotate between two (2) or more shifts.

2) Emergency Relief Shift

   Requires assigned employees to be available for emergency relief duty in rotating shifts on any day of the week without advance notice.
   a) Employees assigned to an emergency relief shift normally have a minimum of twelve (12) hours off between shifts.
   b) When employees are required to report for duty without twelve (12) hours off between shifts, they shall be paid at the applicable overtime rate for any time worked within the twelve (12) hour period following the end of their preceding work shift.
3) Special Shift
A work period consisting of an eight (8), nine (9), ten (10) or twelve (12) hour work day during which employees are permitted to eat a meal on SMUD time.

4) Dead Space
The time between the end of any additional duty and the beginning of their shift or the end of the employee’s shift and the beginning of any additional duty. This time is compensable up to but not exceeding 2 hours, as there is not enough “Dead Space” time between for the employee to have adequate time off to attend to any personal matters. If the time between the beginning or end of additional duty and the beginning or end of their shift is greater than 2 hours, then this time will not be compensated.

   a) Employees present during compensated “Dead Space” will make immediate contact with the on-duty SOS to receive a work assignment. All compensated “Dead Space” work assignments must be documented accordingly on employee time sheets.

   b) If the “Dead Space” is over the 1-hour threshold and a vacancy exists in the current work schedule due to elimination of posting per the PPC, the Security Operations Supervisor may hold over the employee to fill this vacancy bringing on-duty personnel to the minimum requirement as established by the PPC.

C. Change in Shifts and/or Start Times

1) Shifts and/or start times shall be established consistent with the normal operation of a division or department and shall not be changed arbitrarily.

2) Subject to applicable overtime policies, shifts and/or start times may be changed as deemed necessary by SMUD for reasons including, but not limited to:

   a) Provide better service to customers or other work units;
   b) Stagger working hours to alleviate traffic congestion;
   c) Reflect seasonal changes in daylight hours or temperature conditions;
   d) Provide extended coverage for maintenance testing and operating activities; or
   e) Reflect the desires of employees in a work unit, with supervisory approval.

3) If an employee’s work shift and/or start time is changed by SMUD for five (5) days or more, the employee shall be given at least twenty-four (24) hours advance notification. In addition, the employee shall have a minimum of twelve (12) hours off between the shifts and/or start time and shall not be required to work more than forty (40) hours at the straight-time rate of pay.

   a) If SMUD does not provide an employee with at least twenty-four (24) hours’ notice or twelve (12) hours off between shifts and/or start time changes, the employee shall receive the applicable overtime rate for those hours worked on the first day of the change that encroach upon either the twenty-four (24) hour notice or the twelve (12) hour off requirements, whichever is greater.
b) Overtime and rest period provisions shall apply to the employee’s new shift and/or start time.

4) Shift and/or start time changes of less than five (5) days worked (including Saturday, Sunday, and holidays) are not considered an official change in shift and/or start time. Employees shall be compensated at the applicable overtime rate for all hours worked other than their regular work hours for each work day when the change in shift and/or start time is directed by SMUD.

5) When employees who have been reassigned pursuant to Section 4.C.3) and 4.C.4) of this Article are returned to their regularly scheduled work shift and/or start time, they shall be paid at the straight-time rate of pay for work performed during their normal work hours subject to the following:

a) When employees return to their regular work shift and/or start time, they are entitled to a minimum of twelve (12) hours off between shifts.

b) If employees do not get the twelve (12) hours off, they shall be paid the applicable overtime rate for any time worked within the twelve (12) hour period following the end of their preceding work shift.

5. SHIFT BIDS

Employees shall sign up for shifts and assignments based on seniority within their current classification, not department or SMUD seniority. Classification seniority will be determined based upon most recent date hired into the classification. Shift assignments shall be bid annually in November. Ties in seniority will be broken by date and time the application is received for the classification. New shift assignments shall take effect in the pay period including January 1 of the following year.
ARTICLE 4

WAGES

1. PAY PERIODS/PAYDAYS

A. Pay Periods

The pay period is fourteen (14) consecutive days beginning at 0000 hours on Saturday and ending at 2359 hours on Friday.

B. Pay Days

Employees shall be paid on the Friday following the close of the pay period. Paychecks normally are distributed on the Thursday preceding payday and dated payday Friday. If Thursday is a holiday, paychecks shall be distributed on the preceding Wednesday and shall be dated for the Friday of that week. If payday is a holiday, paychecks shall be dated and distributed on the preceding Thursday.

2. ENTRY RATES – NEW EMPLOYEES

A. New employees normally are placed at the first step or entry-level rate of pay for their classification.

B. Employees who possess exceptional qualifications may be placed at a starting rate that is above the first step for their classification, subject to approval by SNWD. The following items shall be evaluated when considering an employee for a higher entry-level rate of pay:

1) The quality and quantity of the employee’s relative work experience.
2) The wage level and qualifications of other SMUD employees in the same classification.
3) The wage demands of the new employee.
4) The availability of other qualified applicants.

3. MERIT INCREASES

Employees within a classification with established pay steps shall be eligible for merit increases at specified intervals until they reach the top of their pay grade. Merit increases are granted for effective job performance, as reflected in a completed performance evaluation.

A. Eligibility

1) Permanent and limited-term full-time employees assigned to a classification with established pay steps shall be considered for merit at 6-month intervals.

For all newly hired full-time employees with a 12-month probationary period, their first merit increase will be after 12 months and thereafter, at six-month intervals. This change will not affect current employees transferring into new classifications.

2) Part-time employees regularly scheduled to work twenty (20) or more hours and less than forty (40) hours in a week (including overtime), assigned to a classification with
established pay steps shall be considered for merit increases for each 1,040 hours worked.

3) Probationary Period – Absences during the probationary period may extend an employee’s merit increase eligibility date. If an employee’s probationary period is extended, the employee’s merit increase eligibility date also shall be extended by the same amount of time.

4) Leaves of Absence without Pay – A leave of absence without pay in excess of thirty (30) days (except military leave) may extend an employee’s merit increase eligibility date.

B. Temporary Appointments

Employees who are temporarily appointed to a higher classification shall be eligible for merit increases as follows:

1) Employees who are temporarily appointed to a higher or different classification shall continue to earn merit increases as though continuously assigned to their permanent classification.

2) Employees who are assigned to a higher classification through a temporary timecard upgrade shall not accrue time toward a merit increase in the higher classification.

3) Employees who are temporarily appointed to a higher classification by an ESN or comparable document for more than six (6) consecutive months shall accrue time toward a merit increase in their higher classification.

C. Granting Merit Increases

1) A one-step merit increase shall be effective and initiated automatically on the first day of the pay period that includes the merit increase due date unless SMUD withholds the increase in accordance with Section 4.D of this Article.

2) SMUD may grant merit increases of two (2) or more steps to an employee based on exceptional job performance. If an employee is granted a merit increase of two (2) or more steps, the additional merit increase shall be effective the first day of the pay period that includes the merit increase due date.

D. Withholding Merit Increases

1) An employee’s merit increase may be withheld for documented unsatisfactory progress or job performance, as reflected in a completed performance evaluation. The supervisor must discuss the withholding of the merit increase with the employee at least ten (10) calendar days prior to the date the merit increase was due.

2) Once SMUD has determined the employee has corrected unsatisfactory progress or job performance, the employee shall be granted the withheld merit increase. Normally, an employee shall not be reconsidered for a merit increase for at least six (6) months.

3) When an employee is granted the withheld merit increase, the effective date of the merit increase shall establish the eligibility date for the next merit increase.

4) SMUD’s denial of a merit increase is subject to the grievance procedure contained in Article 20 of this Agreement.

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4. WAGE ADJUSTMENTS

A. Effective the pay period that includes January 1, 2020:

1) For Security Operations Officers, SMUD shall provide a wage increase of 4.25%.

2) For Security Operations Supervisors, SMUD shall provide a wage increase of 3.25%.

3) For Security Operations Dispatchers, in lieu of a wage increase SMUD shall provide a lump sum payment (not reportable as pensionable income to CalPERS) to each eligible Security Operations Dispatcher equal to 6% of each employee’s annual base pay as of December 31, 2019, payable on January 24, 2020. Unit 3 employees are only eligible to receive this lump sum payment if they were active status by December 31, 2019, and they continue in active status in the pay period that ends January 17, 2020. Retired Annuitants are not eligible to receive the lump sum payment. Lump sum payments will not be included in wages for the purposes of calculating holiday pay, workers’ compensation premiums, Federal Unemployment Tax Act taxes, and overtime. Additionally, SMUD will withhold all required Federal, State, and local taxes from lump sum payments.

B. Effective the pay period that includes January 1, 2021:

1) For Security Operations Officers, SMUD shall provide a wage increase of 4.25%.

2) For Security Operations Supervisors, SMUD shall provide a wage increase of 3.25%.

3) For Security Operations Dispatchers, in lieu of a wage increase SMUD shall provide a lump sum payment (not reportable as pensionable income to CalPERS) to each eligible Security Operations Dispatcher equal to 4% of each employee’s annual base pay as of December 31, 2020, payable on the pay date for the second pay period of 2021. Unit 3 employees are only eligible to receive this lump sum payment if they were active status by December 31, 2020, and they continue in active status in the second pay period of 2021. Retired Annuitants are not eligible to receive the lump sum payment. Lump sum payments will not be included in wages for the purposes of calculating holiday pay, workers’ compensation premiums, Federal Unemployment Tax Act taxes, and overtime. Additionally, SMUD will withhold all required Federal, State, and local taxes from lump sum payments.

C. Effective the pay period that includes January 1, 2022:

1) For Security Operations Officers, SMUD shall provide a wage increase of 3.75%.

2) For Security Operations Supervisors, SMUD shall provide a wage increase of 3%.

3) For Security Operations Dispatchers, SMUD shall provide a wage increase of 3%.
5. FUTURE SALARY SURVEYS

SMUD and the PSOA shall seek to agree on a list of public agencies and like positions to be contained in Appendix C shall be used for Classification and Pay Studies of Unit 3 positions conducted during the term of this Agreement.
ARTICLE 5
OVERTIME

1. DEFINITION
A. Overtime

Overtime is time worked in excess of 40 hours in a work week or time worked on a holiday. Overtime work requires prior approval from the Security Operations Manager or designee.

1) Scheduled Overtime – Knowledge of an overtime need by the supervisor four (4) hours or more in advance constitutes “scheduled overtime.” Assignment will be made in accordance with SOAP 24 procedure.

2) Unscheduled Overtime – When notification is less than four hours in advance of the scheduled shift, either for emergency or operational necessity (to maintain minimum staffing levels). Overtime will be assigned as-needed, not in accordance with SOAP 24 procedure.

2. COMPENSATION FOR OVERTIME

Overtime shall be compensated at time and one half (1.5x) the regular rate of pay for the number of hours worked but shall be compensated for no less than four (4) hours of overtime.

3. DISTRIBUTION OF OVERTIME

Any employee may be required to work overtime to meet the needs of SMUD. A willingness to work overtime when requested is a condition of employment. When permitted by the work situation, overtime shall be distributed as equally as possible subject to the following:

A. Overtime is first allocated to qualified volunteers within the appropriate classification assigned to the applicable work group/division. In the absence of qualified volunteers, the supervisor may either:

1) Assign employees within the applicable work group/division using reverse classification seniority. The next assigned overtime assignment will go to the next employee up on the seniority list. Employees shall not be assigned another overtime assignment until the seniority list has been exhausted.

2) Seek other qualified volunteers from an alternate unit 3 classification. In this case, the employee working in another classification within the work group/division shall be compensated based on their current ESN rate of pay.

B. An overtime tracking list shall be used to track overtime opportunities, including overtime assigned using reverse classification seniority. This list shall be reset to zero (0) opportunities on the first day of each quarter of the year.
1) An unscheduled event is considered a SMUD Security Operations staffing emergency when circumstances require Security Operations staffing at levels beyond routinely scheduled shifts for fixed posts or mobile patrols and the overtime worked will count as an opportunity on the Overtime Tracking List.

2) Overtime worked for such events as Board of Director protective service details, Community Engagement, or other events where selected personnel have volunteered for those duties will not be considered as an overtime opportunity on the Overtime Tracking List.

C. Overtime shall first be offered to the those in the appropriate classification on the opposite shift where the overtime opportunity is available.

For example, if there is an overtime opportunity on First Shift A (“Days A”), then employees assigned to First Shift B (“Days B”) shall be offered overtime first. The employee with the fewest opportunities shall be offered the overtime first. If no employee accepts the overtime, then the opportunity shall be offered to the employee in the same classification with the fewest overtime opportunities per the overtime tracking list, regardless of their shift assignment. If declined the opportunity shall then move to the employee with the next fewest opportunities.

4. ELIGIBILITY

A. Employees are entitled to overtime compensation as follows:

1) Employees are eligible for additional compensation for overtime when they exceed forty (40) hours in a workweek or work on a holiday.

2) Preapproved personal leave (approved at least 2 weeks in advance of requested leave dates) will be counted as hours worked for the calculation of overtime within an employee’s work week.

5. MINIMUM OVERTIME GUARANTEES

A. Emergency Call-Out – When employees are called for an emergency, their work time will begin at the time they are contacted. For the purpose of this provision, concurrent calls or successive calls without a break in work are considered a single call.

1) Employees who are called for an emergency shall be paid at the overtime rate for the actual overtime hours worked or receive a minimum of two (2) hours overtime compensation, whichever is greater.

2) If the call-out extends into the employee’s regular work hours, the employee shall only be paid at the overtime rate for the actual overtime hours worked.

B. Prearranged Overtime (Overtime Worked on a Non-Scheduled Work Day) – Employees who report for prearranged overtime shall be paid a minimum of two (2) hours overtime compensation whether or not they are actually needed. Employees asked to report for
prearranged overtime who are subsequently canceled prior to reporting with less than 2 hours’ notice shall receive the minimum of two (2) hours overtime compensation.

C. Early Call-In – Employees who are called into work early shall be paid at the overtime rate for the actual hours worked during the early call-in.

D. Hold Over – Employees who voluntarily hold over shall be paid at the overtime rate for the actual hours worked during the hold over.

6. MAXIMUM OVERTIME ALLOWED

Employees normally are not allowed to work more than eighteen (18) consecutive hours or any combination of eighteen (18) hours within a 24-hour period, except in circumstances involving public safety or welfare. When SMUD authorizes work in excess of the above-described maximums, SMUD shall ensure that an employee is capable of working in a safe manner.

7. REST PERIODS

A. Employees who work extended overtime shall be entitled to minimum rest periods as follows:

1) Normal (5/8-Hour) Work Schedule – Employees who work eight (8) or more hours of overtime during the sixteen (16) hours preceding their regularly scheduled work hours are entitled to a rest period of eight (8) consecutive hours.

3) 12-Hour Work Schedule – Employees who work overtime beyond their regularly scheduled 12-hour shift shall be allowed a rest period of no less than six (6) hours except in an emergency call-out situation.

B. The rest period begins when the employee is released from duty. Employees shall be compensated during designated rest periods as follows:

1) If any part of the rest period falls within the employee’s regular work hours, they shall be paid for those hours at the straight-time rate of pay.

2) If a rest period cannot be provided when due or an employee is required to report to work prior to the end of their rest period, the employee shall be paid at the overtime rate of pay until the rest period is provided.

C. When an employee’s rest period ends during their regular work hours, they may report for work at any time during their regular work hours or may report to work on their next regular work day, subject to SMUD approval. Any time off taken after the employee’s rest period ends shall be charged to either personal leave or leave without pay.
ARTICLE 6
WAGE PREMIUMS

1. SHIFT DIFFERENTIAL
   A. Eligibility
      Full-time employees who work the night or relief/rotating shift shall be entitled to a shift
differential wage premium.
   B. Shift Differential Wage Premiums
      1) Night Shift
         Employees who are assigned to work the night shift shall receive a shift differential
wage premium equal to 8% of their base hourly rate of pay. Shift differential shall be
paid for all hours worked occurring between the hours of 1900 to 0700.
      2) When an employee who is receiving a shift differential wage premium works
overtime, the overtime rate of pay also shall be applied to their shift differential wage
premium.

2. TEMPORARY UPGRADES
   SMUD agrees to timecard upgrade a Unit 3 employee when such an employee is directed to
assume duties and responsibilities of a higher classification commencing immediately upon
assignment.
   Assignments to higher classifications exceeding fourteen (14) calendar days from the first
day of the assignment require a temporary upgrade action (e.g., ESN, HR Express). Except
as provided in Article 14, Section 5 (Training Assignments) of this Agreement, employees
shall be paid subject to the following:
   A. When an employee receives a temporary timecard upgrade to another Unit 3
classification, such employee shall be paid at the first step within the higher classification
that provides a minimum of 2.5% above their current ESN rate of pay.
   B. When an employee receives a temporary timecard upgrade to an exempt classification,
such employee shall be paid at the first step within the higher classification that provides
a minimum of 5.0% above their current ESN rate of pay.

3. INSTRUCTOR / TRAINING OFFICER INCENTIVE
   SMUD will provide Unit 3 employees who possess the required certification to receive an 8%
differential while performing the relevant training/instructor duties.
4. NOTIFICATION OF INCENTIVE PROGRAMS

SMUD shall notify PSOA of all rewards, recognition and incentive programs proposed after ratification of this MOU and shall meet and confer prior to implementation of new programs, revisions to existing programs, and/or any discussion with Unit 3 employees. All rewards recognition and incentive program payments shall comply with the provisions of 29 C.F.R. § 778.331.
ARTICLE 7
HOLIDAYS

1. AUTHORIZED HOLIDAYS
   A. Regular Holidays
      SMUD guarantees eligible employees the following nine (9) Regular Holidays: New Year's Day (January 1); Martin Luther King, Jr. Day (the third Monday in January); President's Day (the third Monday in February); Memorial Day (the last Monday in May); Independence Day (July 4); Labor Day (the first Monday in September); Thanksgiving Day (the last Thursday in November); the Friday after Thanksgiving; and Christmas Day (December 25).
   B. Floating Holidays
      In addition, Full-Time employees with six (6) or more months of continuous service shall receive floating holidays according to the following schedule: May 1, July 1, September 1, and November 1. Each floating holiday is administered as eight (8) additional hours of personal leave for Full-Time employees and may be carried over from year to year in the same manner and with the same limits as accumulated personal leave.
      SMUD shall approve the use of a floating holiday, or a day of personal leave for any Unit 3 employee who has served in the armed forces of the United States, or their allies, and who wishes to observe the (November 11) Veteran's Day Holiday.
   C. Special Holidays (Christmas Eve - New Year's Eve)
      SMUD may, if minimum staffing levels are met, authorize additional time off for eligible employees on either Christmas Eve or New Year’s Eve. Such time off shall be designated as a Special Holiday. Any Special Holiday time off will be granted based upon classification seniority and the operational needs of Security Operations.
   D. Holidays Observed
      When a SMUD observed holiday falls on a Saturday, SMUD shall observe the holiday on the preceding Friday. When a holiday falls on a Sunday, SMUD shall observe the holiday on the following Monday.

2. HOLIDAY PAY
   A. Eligibility
      1) Full-Time Employees must be in a paid status for the entire work day immediately prior to or immediately following a holiday to be eligible for holiday pay.
   B. Regular Holiday Pay
      1) When a holiday falls on an employee's regularly scheduled workday, the employee will be given the day off and will be compensated for the number of hours the employee is regularly scheduled to work on that day. When a holiday is observed on
an employee's regular day off, the employee is credited with 8 hours of personal leave.

2) When an employee is assigned to an Alternate Work Schedule and a regular holiday falls on their regularly scheduled work day, the employee shall be given the day off and shall be compensated for the number of hours (8, or 12) they were regularly scheduled to work. If the holiday is observed on an employee's alternate day off, the employee shall be credited with eight (8) hours of personal leave.

3) Employees who work on a holiday shall be paid at the overtime rate of pay for the hours worked in addition to holiday pay as specified above.

C. Special Holiday Pay (Christmas Eve - New Year's Eve)

1) When an employee is required to work on Christmas Eve, they shall be given an equivalent amount of time off on New Year's Eve.

2) If an employee cannot be granted time off on either Christmas Eve or New Year's Eve, they shall be given an additional amount of straight-time pay equal to the number of hours off granted to other employees.

3) In lieu of additional Special Holiday Pay, an employee may choose to be credited with the equivalent amount of personal leave.

4) If the day designated as a Special Holiday falls on an employee's alternate day off, the employee shall be credited with an equivalent amount of personal leave.
ARTICLE 8  
BENEFITS

1. ELIGIBILITY

A. Full-Time Unit 3 employees are eligible to participate in health and welfare benefit plans provided by SMUD. Specifically excluded are:

1) Casual employees scheduled to work less than twenty (20) hours per week.
2) Student Employment Program participants.
3) Rehired CalPERS Annuity holders.
4) Contract employees.

B. Limited Term Employees

Limited-term, full-time employees in Unit 2 are given the opportunity to participate in SMUD’s flexible benefits program to enroll in the following benefit plans: medical, dental, vision, and life insurance. This program allows the employee to choose which benefits they want for the calendar year.

1) SMUD issues flex credits that give the employee purchasing power to “pay for” the benefits of their choice. Limited-Term employees receive 75% of the flex credits allotted to Full-Time employees. If the employee chooses benefits costing more than the flex credits provided by SMUD, the employee shall pay the difference through payroll deductions. The payments for most flexible benefits are made on a pre-tax basis, so the employee can save on taxes.

2) If an employee is already covered and chooses not to enroll in SMUD-provided medical, dental, and/or vision plans, they can “opt out” of coverage and SMUD shall give the employee cash in exchange for the flex credits. Credits are paid to the employee on a monthly basis in the form of cash. Such payments are taxable income.

C. Domestic Partner Coverage

Employees in registered, same-sex domestic partnerships or domestic partnerships in which the employee and/or partner are over age 62 (“domestic partnership”) are eligible to enroll their domestic partner and their eligible dependent children for medical coverage as described below:

1) SMUD’s contribution for all employees and retirees with registered domestic partners and their dependents shall be the same as all current benefit contribution formulas for employees and retirees that currently cover dependents.

2) The employee contribution shall be the same as current employees that add dependents. Employees participating in the Flexible Benefits Plan may have their contributions for registered domestic partners and dependent children deducted on an “after-tax” basis subject to all applicable federal and state statutes and Internal Revenue Code requirements.
3) All participants and eligible dependents must meet the same eligibility requirements as other eligible participants and dependents as stipulated in SMUD’s policies and in accordance with SMUD’s health plan contracts.

D. Eligible employees who retire are entitled to enroll in the medical and dental benefit programs at the time of their retirement.

2. HEALTH INSURANCE PLANS

A. SMUD will provide the following medical plan options to all eligible Unit 3 employees:
   1) High Premium HMO
   2) Low Premium HMO
   3) High Deductible Health Plan (HDHP) with Health Savings Account (HSA)
   4) PPO Medical Plan (closed to new enrollees)

Employees should refer to the PSOA Benefits Guide Book each year for the specific dollar amounts for medical co-pays under the High and Low Premium HMO Plans.

B. Employee Medical Insurance Plan Premium Contributions

1) Effective January 1, 2020, Unit 3 employees enrolled in SMUD medical plans will contribute a premium cost share as follows:

<table>
<thead>
<tr>
<th></th>
<th>Full Time Employees</th>
<th></th>
<th></th>
<th>Limited-Term and Part-Time Employees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kaiser High</td>
<td>Kaiser Low</td>
<td>UHC HMO High</td>
<td>UHC HMO Low</td>
<td>UHC HDHP</td>
</tr>
<tr>
<td>Employee Only</td>
<td>11%</td>
<td>9%</td>
<td>12%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Employee + 1</td>
<td>12%</td>
<td>10%</td>
<td>13%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Employee + Family</td>
<td>13%</td>
<td>11%</td>
<td>14%</td>
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</tr>
<tr>
<td>Employee Only</td>
<td>33%</td>
<td>32%</td>
<td>34%</td>
<td>32%</td>
<td>30%</td>
</tr>
<tr>
<td>Employee + 1</td>
<td>34%</td>
<td>33%</td>
<td>35%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>Employee + Family</td>
<td>35%</td>
<td>34%</td>
<td>36%</td>
<td>34%</td>
<td>30%</td>
</tr>
</tbody>
</table>
2) Effective January 1, 2021, Unit 3 employees enrolled in SMUD medical plans will contribute a premium cost share as follows:

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Only</strong></td>
<td>12%</td>
<td>10%</td>
<td>13%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Employee + 1</strong></td>
<td>13%</td>
<td>11%</td>
<td>14%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Employee + Family</strong></td>
<td>14%</td>
<td>12%</td>
<td>15%</td>
<td>12%</td>
<td>7%</td>
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<td>34%</td>
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<td>33%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Employee + 1</strong></td>
<td>35%</td>
<td>34%</td>
<td>36%</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Employee + Family</strong></td>
<td>36%</td>
<td>35%</td>
<td>37%</td>
<td>35%</td>
<td>31%</td>
</tr>
</tbody>
</table>

3) Effective January 1, 2022, Unit 3 employees enrolled in SMUD medical plans will contribute a premium cost share as follows:

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Employee Only</strong></td>
<td>13%</td>
<td>11%</td>
<td>14%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Employee + 1</strong></td>
<td>14%</td>
<td>12%</td>
<td>15%</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Employee + Family</strong></td>
<td>15%</td>
<td>13%</td>
<td>16%</td>
<td>13%</td>
<td>8%</td>
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<table>
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</tr>
<tr>
<td><strong>Employee + 1</strong></td>
<td>36%</td>
<td>35%</td>
<td>37%</td>
<td>35%</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Employee + Family</strong></td>
<td>37%</td>
<td>36%</td>
<td>38%</td>
<td>36%</td>
<td>32%</td>
</tr>
</tbody>
</table>
C. SMUD will provide Unit 3 employees enrolled in the HDHP medical plan with an annual contribution of $1200 (employee only) or $2,400 (employee with covered dependent(s)) to a Health Savings Account (HSA) on January 1 of each year.

SMUD will pay any administrative fees attributed to the HSA while employed at SMUD. The annual contribution amount to the HSA will be front loaded and employees will be allowed to contribute pre-tax dollars each year up to the IRS-allowed maximum for the term of this MOU.

Unit 3 employees enrolled in the HDHP Plan will also be enrolled in Accident and Critical Illness Insurance Plans. Premiums for these plans will be paid by SMUD.

D. All Unit 3 employee premium contributions shall be as pre-tax payroll deductions.

E. Employees who participate in SMUD’s Health Assessment Program (HAP) and fulfill the program requirements will pay $5 less per month for their medical insurance. All employees will be granted time, while on duty, to participate in the health assessment portion of the program. This time must be scheduled in advance, with supervisory approval. Additional HAP requirements must be completed on the employee’s own time.

F. These contributions shall not change during the life of the contract unless the parties mutually agree to do so in writing.

G. PSOA shall participate in a Health Care Advisory Committee to assist SMUD in evaluating its health care plan options in the market.

H. Agreement to Meet and Confer: Either SMUD or PSOA may request to meet and confer regarding health care coverage during the term of this agreement as needed.

I. Retiree Medical Plan Contributions

Employees who are eligible to retire from SMUD with the equivalent of five (5) years of continuous SMUD service immediately prior to their retirement shall be eligible to participate in SMUD-sponsored medical plans and shall be entitled to SMUD premium contributions as described below.

SMUD’s percentage of contribution toward the medical insurance premiums in effect at the time of retirement shall remain constant throughout retirement for all tiers of retiree medical benefits. Every January 1, SMUD will recalculate the dollar amount of their contribution to reflect any changes in the medical premium rates.

TIER 1
For employees hired prior to January 1, 1993, SMUD shall contribute one hundred percent (100%) of the retiree-only portion of the monthly premium for all SMUD-sponsored medical insurance plans.
For all dependent(s) covered under the retiree's plan, SMUD shall contribute 90% of the percentage it contributes for the retiree's medical insurance premium when the retiree selects one of the two (2) lowest cost health insurance plans or 85% of the percentage it contributes for the retiree's medical insurance premium when the retiree selects any other SMUD-sponsored health plans.

**TIER 2**
For employees hired on or after January 1, 1993, and before January 1, 2007, with continuous SMUD service and who retire from SMUD, SMUD shall contribute up to one hundred percent (100%) of the retiree-only portion of the monthly premium for all SMUD-sponsored medical insurance plans according to the Tier 2 schedule.

For all dependent(s) covered under the retiree's plan, SMUD shall contribute 90% of the percentage it contributes for the retiree's medical insurance premium (based on the Tier schedule) when the retiree selects one of the two (2) lowest cost health insurance plans or 85% of the percentage it contributes for the retiree's medical insurance premium (based on the Tier schedule) when the retiree selects any other SMUD-sponsored health plans.

Tier 2 retirees shall receive SMUD-provided medical insurance premium contributions according to the following schedule:

<table>
<thead>
<tr>
<th>Retiree's Years of Continuous SMUD Service</th>
<th>Percent (%) of SMUD Contribution for Retiree</th>
<th>Percent (%) of SMUD Contribution for Dependent(s) for 2 lowest cost plans</th>
<th>Percent (%) of SMUD Contribution for Dependent(s) for all other SMUD-sponsored plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
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</tr>
<tr>
<td>20</td>
<td>100</td>
<td>90</td>
<td>85</td>
</tr>
</tbody>
</table>

**TIER 3**
For employees hired on or after January 1, 2007, and before January 1, 2018, with continuous SMUD service and who retire from SMUD prior to the age at which they are Medicare-eligible or age 65, SMUD shall contribute up to seventy-five percent (75%) of the retiree-only portion of the monthly medical insurance premium for all SMUD-sponsored medical insurance plans according to the Tier 3 schedule.
For employees hired on or after January 1, 2006, and before January 1, 2018, with 25 years or more of continuous SMUD service, who retire after the age at which they reach Medicare eligibility or age 65, SMUD shall contribute 100% of the retiree-only portion of the monthly medical insurance premium for all SMUD-sponsored Medicare Advantage health plans.

For all dependent(s) covered under the retiree’s plan, SMUD shall contribute 90% of the percentage it contributes for the retiree’s medical insurance premium (based on the Tier schedule) when the retiree selects one of the two (2) lowest cost health insurance plans or 85% of the percentage it contributes for the retiree’s medical insurance premium (based on the Tier schedule) when the retiree selects any other SMUD-sponsored health plans.

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<td>0</td>
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<td>27.5</td>
<td>24.75</td>
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<td>32.5</td>
<td>29.25</td>
<td>27.63</td>
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<td>31.5</td>
<td>29.75</td>
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<td>37.5</td>
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<td>31.88</td>
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<tr>
<td>17</td>
<td>42.5</td>
<td>38.25</td>
<td>36.13</td>
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<td>18</td>
<td>45</td>
<td>40.5</td>
<td>38.25</td>
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<td>42.75</td>
<td>40.38</td>
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<td>20</td>
<td>50</td>
<td>45</td>
<td>42.5</td>
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<td>49.5</td>
<td>46.75</td>
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<td>70</td>
<td>63</td>
<td>59.5</td>
</tr>
<tr>
<td>25</td>
<td>75</td>
<td>67.5</td>
<td>63.75</td>
</tr>
</tbody>
</table>

**TIER 4**

For employees hired on or after January 1, 2018, with continuous SMUD service and who retire from SMUD, SMUD shall contribute up to fifty percent (50%) of the retiree-only portion of the medical insurance premium for all SMUD-sponsored medical insurance plans according to the Tier 4 schedule.

For all dependent(s) covered under the retiree’s plan, SMUD shall contribute 90% of the percentage it contributes for the retiree’s medical insurance premium (based on the Tier
schedule) when the retiree selects one of the two (2) lowest cost health insurance plans or 85% of the percentage it contributes for the retiree’s medical insurance premium (based on the Tier schedule) when the retiree selects any for all other SMUD-sponsored health plans.

Tier 4 retirees shall receive SMUD-provided retiree medical insurance premium contributions according to the following schedule:

<table>
<thead>
<tr>
<th>Retiree’s Years of Continuous SMUD Service</th>
<th>Percent (%) of SMUD Contribution for Retiree</th>
<th>Percent (%) of SMUD Contribution for Dependent(s) for 2 lowest cost plans</th>
<th>Percent (%) of SMUD Contribution for Dependent(s) for all other SMUD-sponsored plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 15</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>15</td>
<td>25</td>
<td>22.5</td>
<td>21.25</td>
</tr>
<tr>
<td>16</td>
<td>27.5</td>
<td>24.75</td>
<td>23.38</td>
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<tr>
<td>17</td>
<td>30</td>
<td>27</td>
<td>25.5</td>
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<td>18</td>
<td>32.5</td>
<td>29.25</td>
<td>27.63</td>
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<td>35</td>
<td>31.5</td>
<td>29.75</td>
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<td>20</td>
<td>37.5</td>
<td>33.75</td>
<td>31.88</td>
</tr>
<tr>
<td>21</td>
<td>40</td>
<td>36</td>
<td>34</td>
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<tr>
<td>22</td>
<td>42.5</td>
<td>38.25</td>
<td>36.13</td>
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<td>23</td>
<td>45</td>
<td>40.5</td>
<td>38.25</td>
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<tr>
<td>24</td>
<td>47.5</td>
<td>42.75</td>
<td>40.38</td>
</tr>
<tr>
<td>25</td>
<td>50</td>
<td>45</td>
<td>42.5</td>
</tr>
</tbody>
</table>

J. DENTAL PLANS

1) SMUD shall provide dental and orthodontic coverage and services to eligible employees and their dependents pursuant to the provisions of the SMUD Employee Dental Plan.

2) Eligible Unit 3 employees have the ability to select a buy-up plan with the additional cost being borne by the employee.

3) Employee Dental Insurance Plan Premium Contributions:

<table>
<thead>
<tr>
<th>Full Time Employees</th>
<th>Traditional</th>
<th>High Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Only</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Employee + Family</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Calendar Year</td>
<td>$1,500 Per Person</td>
<td>$2,500 Per Person</td>
</tr>
<tr>
<td>Maximum Coverage</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Limited-Term and Part Time Employees

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>High Option</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Only</strong></td>
<td>25%</td>
<td>36%</td>
</tr>
<tr>
<td><strong>Employee + Family</strong></td>
<td>25%</td>
<td>36%</td>
</tr>
<tr>
<td><strong>Calendar Year</strong></td>
<td><strong>Employee</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Maximum Coverage</strong></td>
<td>$1,500 Per Person</td>
<td>$2,500 Per Person</td>
</tr>
</tbody>
</table>

4) SMUD contributions for retirees:

Employees who are eligible to retire from SMUD with the equivalent of five (5) years of continuous SMUD service immediately prior to their retirement shall be entitled to participate in the retiree dental program at SMUD’s expense.

K. VISION PLANS

1) SMUD shall provide vision coverage to eligible employees and their dependents pursuant to SMUD’s existing contract with Vision Service Plan.

2) Eligible Unit 3 employees have the ability select a buy-up plan with the additional cost being borne by the employee.

3) Employee Vision Insurance Plan Premium Contributions:

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>High Option</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full Time Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employee Only</strong></td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Employee + 1</strong></td>
<td>N/A</td>
<td>61%</td>
</tr>
<tr>
<td><strong>Employee + Family</strong></td>
<td>0%</td>
<td>70%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>High Option</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited-Term and Part Time Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employee Only</strong></td>
<td>25%</td>
<td>62%</td>
</tr>
<tr>
<td><strong>Employee + 1</strong></td>
<td>N/A</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Employee + Family</strong></td>
<td>25%</td>
<td>77%</td>
</tr>
</tbody>
</table>
L. OPT OUT (WAIVE) COVERAGE

1) Employees who elect not to enroll (opt out) in medical, dental, and vision because they have coverage through some other benefit plan will receive cash in exchange for the benefits as follows:

<table>
<thead>
<tr>
<th>Benefit Plan</th>
<th>Regular Full-Time</th>
<th>Limited-Term and Part-Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opt Out (Waive) Medical*</td>
<td>$200</td>
<td>$150</td>
</tr>
<tr>
<td>Opt Out (Waive) Dental*</td>
<td>$15</td>
<td>$11</td>
</tr>
<tr>
<td>Opt Out (Waive) Vision*</td>
<td>$5</td>
<td>$4</td>
</tr>
</tbody>
</table>

* SMUD employees who are covered as dependents under a SMUD plan are not eligible to receive opt-out credit(s).

2) Credits are paid monthly. This credit reported as taxable income.

3. LIFE INSURANCE PLAN

A. SMUD shall provide life insurance coverage to eligible employees as follows:

   1) SMUD shall contribute 100% of the premium cost for life insurance coverage equal to the annual base pay rounded up to the nearest $5,000 for each Full-Time employee.

   2) Employee life insurance coverage is based on the amount of an employee’s annual base pay (rounded to the nearest $5,000) effective September 30 of the previous year. SMUD pays the full cost of life insurance premiums for coverage up to one time (1x) annual base pay. Employees can purchase additional coverage with the cost for this additional coverage entirely borne by the employee. This additional coverage is subject to the carrier’s qualifications, limitations, and restrictions. Employees can choose additional coverage of either one time (1x), two times (2x), or three times (3x) their annual base pay for a total of four times (4x) their annual base pay up to the maximum coverage limit.

B. Subject to the carrier’s qualifications, limitations, and restrictions, eligible employees may purchase life insurance coverage for their dependents as follows:

   1) Employees can elect coverage for their spouse of $25,000 or up to 50% of the amount they have chosen through the employee life insurance plan.

   2) Employees can elect coverage for their eligible dependent children in the amount of: $2,500, $5,000, $7,500 or $10,000.

4. LONG-TERM DISABILITY PLAN

A. SMUD shall provide Long-Term Disability coverage to eligible employees pursuant to the provisions of SMUD’s Long-Term Disability Plan.

   1) SMUD shall pay 100% of the cost for the basic Long-Term Disability Plan for each eligible Unit 3 employee.
2) Eligible employees may purchase additional long-term disability coverage pursuant to the provisions of SMUD's Long-Term Disability Plan.

5. SHORT-TERM DISABILITY INSURANCE
SMUD shall provide short-term disability coverage to eligible employees pursuant to the provisions of SMUD's Short-Term Disability Insurance Plan. The employee shall pay 100% of the cost of short-term disability coverage.

6. FLEXIBLE SPENDING ACCOUNTS
Employees enrolled in the dependent care reimbursement account and/or health care reimbursement account shall be charged a monthly administration fee as determined by the plan administrator.

7. EXTENDED COMPENSATION
SMUD may offer extended compensation to supplement temporary disability from an on-the-job accident. It is an advance against any permanent disability benefits employees may receive. Employees may be eligible for extended compensation benefits on the first workday of absence after the day of the job-related injury or illness. Additionally, any Extended Compensation paid over and above the amount of Permanent Disability awarded shall also be reimbursed to SMUD.

8. DEFERRED COMPENSATION PLANS
A. SMUD shall make an IRC Section 401(k) Savings Plan and a Section 457(b) Deferred Compensation Plan available to eligible employees. Participation in the Deferred Compensation Plans shall be voluntary and the participants pay all program costs.

B. Deferred Compensation Direct Contributions
SMUD will contribute employer funds to your 401(k) account of up to $2,000 per year divided into monthly installments. You must be a regular full-time, limited term, or part-time employee, with an active account as of the day of distribution, in order to be eligible to receive contribution funds.

9. OTHER FRINGE BENEFITS
A. SMUD currently offers other benefits such as Employee Assistance Program, Employee Development Program, Health and Wellness programs, Wellness Center, Personal Computer Purchase Plan, Ride Share Program, Parking, Child Care Center and Child Care Tuition Assistance. Some of these programs are fully sponsored by SMUD, and others are supported and paid for by employees.

B. Unit 3 employee membership in SMUD’s Wellness Center will be provided at no cost.
10. RETIREMENT

A. SMUD has contracted with CalPERS to provide retirement benefits for eligible employees. The following retirement benefits are provided in accordance with SMUD’s contract with CalPERS and applicable law:

1) Employees hired by SMUD prior to January 1, 2013, and those otherwise defined as “classic members” by CalPERS shall receive the 2% @ 55 local miscellaneous retirement benefit formula with the 36 consecutive month final compensation period.
   a) Employees receiving this pension benefit formula shall contribute 5.25% of their pensionable wages to CalPERS as the employee share of the benefit cost through December 31, 2021.
   b) Effective January 1, 2022, employees shall contribute 7% of their pensionable wages to CalPERS as the employee share of the benefit cost.

2) Employees hired by SMUD on or after January 1, 2013 and defined as “new members” by CalPERS shall receive the 2% @ 62 local miscellaneous retirement benefit formula with the 36 consecutive month final compensation period. Employees receiving this pension benefit formula contribute 50% of the normal cost of the benefit as determined by CalPERS.

3) Supplemental Benefits:
   a) Credit for Unused Sick Leave pursuant to Government Code Section 20965.
   b) Military Service Credits as Public Service pursuant to Government Code Section 21024.
   c) Post Retirement Survivor Allowance pursuant to Government Codes Sections 21624, 21626, and 21628, as applicable.
   d) Annual Cost-of-Living Allowance pursuant to Government Code Section 21335.
   e) $500 Retired Death Benefit pursuant to Government Code Section 21620.
   f) Purchasing Power Protection Account pursuant to Government Code Section 21337.
   g) Public Service Credit pursuant to Government Code Section 21023.5.

4) EPMC reported as Compensation pursuant to Government Code Section 20636 applies only to employees hired prior to January 1, 2013.

5) SMUD shall adopt and apply the IRS Section 414h2 and/or any other administrative or regulatory procedure or standard necessary to ensure that the employees’ contributions to their PERS retirement plan are treated as pre-tax payroll deductions.
ARTICLE 9

TRAVEL AND OTHER REIMBURSEMENTS

1. TRAVEL TIME AND EXPENSES

A. Travel Expenses
   SMUD shall reimburse employees for all reasonable expenses that have been incurred while traveling on authorized SMUD business pursuant to SMUD’s travel policies, Business Travel (AP 03.02.03) and Business Travel Procedures (MP 03.02.03.100).

B. Travel Time
   A. All travel time that occurs during an employee’s normal work hours, including normal work hours on an employee’s regular days off (e.g., Saturday, Sunday, Alternate Day Off), will be compensated as hours worked and will be counted toward applicable overtime.
   B. Employees who ask to drive when public transportation (i.e., plane, train, bus, etc.) is available will only be compensated for travel time during normal work hours up to the same amount the employee would have been compensated had the employee used public transportation. Employees who must drive themselves are considered to be working and should be compensated as such.
   C. In addition to travel time to and from an airport, train station or port of entry, employees will be compensated for pre-travel waiting time for no more than one (1) hour prior to the employee’s scheduled departure time.
   D. When an employee travels between two or more time zones, the time zone associated with the point of departure will be used to determine whether the travel falls within normal work hours.
   E. Employees who are approved to extend or alter travel arrangements to incorporate personal time/leave will not be paid for any travel time or expenses during the personal time/leave period. Employees are responsible for all additional travel expenses that result from the incorporation of personal time/leave. Paid leave hours used by an employee to extend or alter travel arrangements for personal reasons will not count as hours worked for purposes of overtime during a workweek in which the employee receives compensation for travel time.

2. PROFESSIONAL CERTIFICATION / LICENSE FEES

A. Except as provided below, employees who are required by SMUD to maintain a professional certification and/or license shall be reimbursed 100% of their costs associated with maintaining such certificate or license.

B. SMUD shall pay 100% of the employee’s initial license fee and all renewal fees for employees who are required to maintain a commercial driver’s license, except that portion which is attributable to the Class C driver’s license.

3. ORGANIZATIONAL MEMBERSHIP FEES

SMUD shall pay 100% of the membership fee for any employee required to maintain membership in a professional organization.
4. BUSINESS MEETING EXPENSES
   Employees who are required to attend any meetings as SMUD’s representative shall be reimbursed their out-of-pocket expenses associated with attending such meeting.

5. COMMUNICATION EXPENSES
   Employees shall be reimbursed for all costs associated with business-related communications including, but not limited to, telephone calls, faxes, mailing, and shipping.

6. MISCELLANEOUS EXPENSES
   Employees shall be reimbursed for other miscellaneous business expenses subject to the approval of SMUD.

7. PERSONAL TOOLS
   If an employee is required to provide some or all of the tools needed to perform their job duties, SMUD shall replace such tools when they are worn, lost, or stolen under certain circumstances in accordance with established SMUD procedures.

8. RELOCATION EXPENSES
   SMUD may reimburse existing employees for relocation expenses under certain circumstances consistent with established SMUD policy, Relocation Expenses (AP 05.03.03).

9. EDUCATIONAL ASSISTANCE
   SMUD and PSOA agree that Unit 3 employees shall be covered by SMUD policies, Education Assistance and Tuition Reimbursement (AP 04.03.02 and MP 04.03.02.100), relating to financial assistance for education and training expenses, including the financial assistance and educational expense reimbursement amounts specified therein.
ARTICLE 10
SICK LEAVE

1. ELIGIBILITY

Unit 3 employees who do not accrue annual leave may utilize sick leave in accordance with SMUD’s Sick Leave Policy AP 04.05.15.

2. SICK LEAVE USAGE

A. Sick leave may be authorized for the following reasons:
   1) The illness or injury of the employee;
   2) The need to see a health care provider or counselor;
   3) To care for an ill or injured family or household member;
   4) To supplement Workers’ Compensation payments;
   5) Under certain circumstances sick leave balances may be exhausted pending approval of a disability retirement.

B. Sick leave may be taken in fifteen (15) minute increments. Employees requesting to use sick leave must notify their supervisor in advance, if possible, but in all cases prior to the employee’s authorized starting time on each day the employee will be absent. An employee who is unable to give advance notice, due to emergency circumstances, shall make notification as early as possible. When unable to speak directly to their supervisor, the employee shall leave a callback telephone number on the supervisor’s voicemail where the employee can be located.

C. When a full day of sick leave is taken, it shall be charged according to the employee’s work schedule (8 or 12 hours) and shall be paid at the employee’s current ESN rate of pay.

D. If an employee becomes ill while on personal leave, they may request that the annual leave be changed to sick leave.

E. If an employee is off sick on a workday and it is a holiday, they shall receive holiday pay. The absence shall not be charged to the employee’s sick leave.

F. Employees shall be permitted to use sick leave during any illness that meets the definition of a disability pursuant to SMUD’s Long-Term Disability Plan. If the employee is not precluded by their disability from performing other work and SMUD has made a limited duty assignment available to the employee, they shall not be permitted to use sick leave.
3. MEDICAL VERIFICATION / RELEASE

A. Employees may be required to provide medical verification of illnesses and or injuries when requested to do so by SMUD, in accordance with SMUD’s Sick Leave Policy (AP 04.05.15).

B. Employees who are off work for more than five (5) consecutive work days due to an illness and/or injury may be required to provide a medical release indicating that they may return to work safely.

1) If the employee received medical treatment for their injury or illness, their health care provider must complete the medical release.

2) If the employee has not received medical treatment for their illness or injury, SMUD’s Medical Clinic staff may complete the medical release.

C. An employee’s request to use accumulated sick leave credits may be denied if they do not provide a medical verification of illness and/or a medical release when required to do so by SMUD. In such cases, the employee’s absence may be charged as unauthorized leave without pay and the employee may be subject to disciplinary action.

4. REINSTATEMENT OF SICK LEAVE

A. Employees who are reinstated following a layoff shall have their sick leave balance restored pursuant to Civil Service Rules.

B. Employees who resign and are rehired to a civil service position within six (6) months of initial separation shall have 50% of their sick leave balance reinstated provided they had five (5) years or more of continuous SMUD employment.

5. SICK LEAVE UPON RETIREMENT

SMUD shall continue to contract with CalPERS to allow unused sick leave to be credited toward years of service for retirement pursuant to Government Code Section 20965.
ARTICLE 11
PERSONAL LEAVE PROGRAM

1. INTRODUCTION
A. Personal Leave is to be used to meet an employee's need for any approved personal time off.
B. SMUD must approve all requests for personal leave in advance of the time the leave is taken. Unapproved absences may be charged as unauthorized leave without pay.

2. ELIGIBILITY
A. All Unit 3 employees except the following are eligible to accrue personal leave:
   1) Part-time employees scheduled to work less than twenty (20) hours per week.
   2) Student Employment Program participants.
   3) Rehired CalPERS Annuitants.
   4) Contract employees.

3. ACCRUAL OF PERSONAL LEAVE CREDITS
You begin accruing personal leave upon employment with SMUD, and this leave is earned based on straight-time hours worked (including paid leave such as personal, holiday or sick leave). Employees must work 173.33 straight-time hours to accrue personal leave. Straight-time accruals can include regular paid leave such as annual, holiday, jury duty, bereavement or sick leave.

Newly hired regular full-time employees will have 40 hours of leave accrued upon hire and can earn a balance of 80 hours throughout the 1st year.

Newly hired limited-term employees will have 40 hours of leave accrued upon hire and can earn a balance of 20 hours throughout the 1st year. Leave must be taken in no less than 1-hour increments.

Personal Leave will be accrued as follows:

<table>
<thead>
<tr>
<th>Years of Service*</th>
<th>Regular Full-Time / Part-Time</th>
<th>Limited-Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 through 14 years</td>
<td>10 hours per month</td>
<td>5 hours per month</td>
</tr>
<tr>
<td></td>
<td>120 hours per payroll year</td>
<td>60 hours per payroll year</td>
</tr>
<tr>
<td>15 through 22 years</td>
<td>13 hours, 20 minutes per month</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>160 hours per payroll year</td>
<td>N/A</td>
</tr>
<tr>
<td>23 through 29 years</td>
<td>16 hours, 40 minutes per month</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>200 hours per payroll year</td>
<td>N/A</td>
</tr>
<tr>
<td>30+ years</td>
<td>20 hours per month</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>240 hours per payroll year</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Every 10th year anniversary, employees will be credited with 40 hours of personal leave.
4. MAXIMUM ACCUMULATION OF PERSONAL LEAVE

Employees do not have to use all personal leave each calendar year. However, the maximum number of personal leave hours which can be carried over into the new payroll year may not exceed 480 hours. Excess personal leave hours are paid in a lump sum in the first quarter of the following year at the employee’s current ESN rate of pay.

5. USE OF PERSONAL LEAVE

A. Employees may use their personal leave as soon as it is earned and posted to the employee’s leave account balance.
B. Employees will be charged the number of hours, in no less than 15-minute increments, for all personal leave taken during a regularly scheduled work day.
C. Employees who are off work for a full work day on personal leave shall be charged the number of hours they are regularly scheduled to work on the day the personal leave is used.
D. Employees may be required to provide medical verification of illnesses and/or injuries when requested to do so by SMUD.

6. SCHEDULING

A. Except when operational needs require otherwise, employees shall be entitled to use their accrued personal leave at the time of their choice.
B. Employees shall provide advance notice when requesting leave and should communicate to their manager, as appropriate, to ensure the request is understood. Management shall provide approvals/denials in a timely manner.
C. Unless compelled by law or SMUD policy, management will approve or disapprove a request for leave after considering the following:
   1) The nature of the request;
   2) The operational needs of the business unit;
   3) Whether the employee has sufficient paid leave to cover the entire absence;
   4) The number of previous leave requests from the employee;
   5) The preferences and seniority of other employees requesting the same time off.
D. Reliability is a valued trait, and attendance issues will be resolved on a case-by-case basis using SMUD’s Positive Discipline program.

7. CANCELLATION OF PERSONAL LEAVE

A. In an emergency, employees may be asked to forego all or a part of their scheduled personal leave. Employees who are already on personal leave may be requested to report for duty.
B. Employees shall be reimbursed for any documented expenses and/or loss of money resulting from SMUD’s action pursuant to Section 7.A of this Article, provided the employee informs SMUD of the pending loss at the time the employee is requested to either cancel or reschedule their personal leave.
8. PERSONAL LEAVE SELL-BACK

A. You can elect to voluntarily sell back personal leave each year. The amount of leave you may sell back is limited to the amount of leave you accrue in the calendar year.

B. Personal leave payments are included in the employee’s designated paycheck and taxes are applicable. If you fail to specify when you would like your sell back money, all funds are added to your last paycheck of the year. You may elect to sell all your personal leave provided you leave 80 hours in your leave bank and you’ve taken 40 consecutive hours off in the prior year.

C. Personal Leave Sell-Back Requests: An employee may elect to apportion the amount of sell back between the paychecks for pay periods 13 and 25, limited to the amount of Personal Leave accrued in that year at the time of the payout.

D. An employee may request a hardship withdrawal payment of accrued leave at any time when an unforeseen hardship arises and payment is needed to cover such expenses. Hardship withdrawals are only allowed for the reasons specified in the hardship distribution rules for SMUD’s 457(b) plan as well as other similar hardships approved by SMUD.

E. All personal leave payments are computed at the straight-time rate of pay for the employee’s ESN classification at the time personal leave is paid.

9. PAYMENT FOR UNUSED PERSONAL LEAVE

A. Separation of Employment

1) When an employee separates from SMUD employment for any reason, they shall be paid for any accumulated personal leave at their current ESN rate of pay.

2) Employees who are separating from SMUD employment for any reason other than retirement may not use their accumulated personal leave immediately prior to the effective date of their separation. The employee shall receive cash compensation pursuant to Section 9.A.1) of this Article.

B. Retirement

If employees are retiring, they may take a lump-sum payment for their personal leave. Employees may choose to take personal leave prior to the effective date of their retirement if: they have the equivalent of 5 years of full-time uninterrupted service with SMUD, and they have been a member of the Public Employees Retirement System (PERS) for at least 5 years, and they are at least 50 years of age.
ARTICLE 12
TIME OFF

1. INTRODUCTION
Where current SMUD policy and/or the provisions of this Agreement provide a greater benefit than is required by State and/or Federal law or regulation, SMUD shall provide the greater benefit.

2. TIME OFF WITH PAY
A. Eligibility: All Unit 3 employees except the following are eligible for paid time off:
   1) Part-time employees scheduled to work less than twenty (20) hours per week.
   2) Student Employment Program participants.
   3) Rehired CalPERS Annuitants.
   4) Contract employees.
B. Bereavement Leave
   Bereavement Leave will be administered in accordance with the applicable Management Procedure (MP 04.05.03.100). Bereavement leave is not granted automatically. The employee’s supervisor shall consider the following factors when approving requests for bereavement leave: the relationship of the deceased to the employee, the employee’s responsibility for making arrangements, and the date and place of the services.
C. Voting Leave
   SMUD shall allow eligible employees, as defined in Section 2.A of this Article, a maximum of two (2) hours paid time off to vote in any statewide general election, in accordance with State law and SMUD Voting Leave Policy (MP 04.05.12.100).
D. Jury Duty and Court Appearances
   1) SMUD shall allow eligible employees time off with pay to report for jury duty or to respond to a subpoena. Employees who are involved in a court case as a plaintiff, defendant or expert witness, in a matter unrelated to official SMUD business, may be required to use personal leave.
   2) Employees summoned for jury duty or subpoenaed as a witness shall notify SMUD promptly by providing a copy of the summons or subpoena.
   3) Effects on Work Hours
      a) Employees whose jury duty or court appearance is the length of their scheduled workday or more shall be excused from work for their entire workday.
      b) Employees whose jury duty or court appearance is less than the length of their scheduled workday must notify SMUD and may be required to work the remaining portion of their workday.
c) Employees whose jury duty or court appearance of eight (8) or more hours occurs during the sixteen (16) hours preceding their regular workday, or starts during the eight (8) hours after the end of their regular workday, employees shall be entitled to an eight and one-half (8.5) hour rest period.

d) Time of Jury Duty: Jury duty occurring at times other than an employee’s regular work hours does not typically excuse them from working their normal shift. Employees may be excused only if the jury duty required their service for 8 hours during the 16 hours immediately preceding their regular shift. This does not, however, in any way authorize payment of overtime in the event employees actually decide to work.

e) 12-Hour Shift: Jury duty will result in the employee being rescheduled to an 8-hour day shift; Monday through Friday, while on jury duty with the employee guaranteed a 40-hour workweek. If released from jury duty prior to the end of the workweek, the employee will be returned to their regularly scheduled shift in alignment with applicable rest periods.

E. Professional Leave

1) Upon recommendation and the approval of SMUD, eligible employees may be granted up to ten (10) working days of paid time off to participate in the activities of a professional organization.

2) Employees who hold a major office in a recognized professional association may be granted paid time off for travel required in the performance of their duties on behalf of such organization. Such paid time off normally shall not exceed ten (10) working days in a calendar year.

3) SMUD shall reimburse such employees for travel or other expenses incurred on behalf of such organizations when SMUD determines that it receives a direct benefit from these activities.

F. Community Service Leave

1) Eligible employees may, at SMUD’s discretion, be authorized paid time off to perform charitable, emergency assistance, or other community service work of interest to SMUD.

2) Employees granted such time off, may be reimbursed for travel expenses they incur if the activity directly benefits SMUD.

3. TIME OFF WITHOUT PAY

A. Eligibility

All employees are eligible for time off without pay.

B. Personal Time Off

1) Requests for leaves of absence without pay shall be approved when required by law and may be approved at SMUD’s discretion when not required by law. SMUD shall consider the following factors when approving requests for non-required leave: the merits and the nature of the request, the length of time being requested, and the impact that the employee’s absence will have on SMUD.
2) Employees may take up to forty (40) hours of leave without pay per payroll year without first exhausting their personal leave balances. When using this option in conjunction with paid personal leave, paid personal leave must be taken first.

3) Except as provided in Section 3.B.2) of this Article, leave without pay for personal reasons require that employees first use all of their accrued personal leave.

4) Except in cases of emergency, requests for personal time off without pay must be made reasonably well in advance of the dates requested.

C. Medical Leave

Employees must exhaust all of their sick and personal leave before going on an unpaid medical leave of absence unless the employee is applying for Short Term Disability (STD) or Long Term Disability (LTD) benefits. Employees have the option of keeping no more than eighty (80) hours of personal leave or using it all before STD or LTD benefits begin. Employees should refer to the current SMUD STD/LTD plans or contact Human Resources, Diversity & Inclusion (HR, D&I).

4. EFFECTS OF LEAVE WITHOUT PAY ON SMUD BENEFITS

A. Leave Without Pay for Personal or Medical Reasons

1) Extended Leave Without Pay – Employees who are in an unpaid status for thirty (30) consecutive days or more shall not earn personal leave during their absence.

2) Intermittent Leave Without Pay – Employees who are in an unpaid status intermittently during the payroll year shall not earn personal leave accrual for each cumulative total of eighty (80) hours of unpaid leave.

3) Leave without pay, taken pursuant to Section 3.B.2) of this Article, shall not have any impact on the accrual of personal leave.

B. Workers’ Compensation

Employees who are on unpaid authorized leave relating to an approved Workers’ Compensation claim shall continue accruing personal leave.

C. Insurance Benefits

1) Non-Medical Leave – Employees on an approved unpaid leave of absence may continue to participate in SMUD’s health, life insurance, vision and dental plans. SMUD and the employee shall each pay their share of each premium under the provisions of this Agreement for up to three (3) months. After three (3) months, the employee must pay the full premium if they wish to maintain coverage.

2) Medical Leave – Employees on an approved unpaid medical leave of absence may continue to participate in SMUD’s health, life insurance, vision and dental plans. SMUD and the employee shall each pay their share of each premium under the provisions of this Agreement, until the employee either returns to work or separates from SMUD employment.

D. CalPERS and Social Security Contributions

The employee or SMUD shall not make CalPERS and Social Security contributions when an employee is on an unpaid leave of absence.
ARTICLE 13
TRANSFERS / PROMOTIONS

1. INTRODUCTION

Qualified employees may move from one position to another in either the same or in a different classification subject to the Transfer/Promotion Process or by demotion.

2. TRANSFER / PROMOTION PROCESS

In accordance with current Civil Service Rules, when SMUD decides to fill a vacant Civil Service position in a PSOA classification, the vacant position will be posted except when making involuntary demotions and other special circumstances deemed necessary by SMUD. SMUD will continue its practice of establishing eligibility lists of qualified applicants using the existing “Open” and “Continuously Open” processes. SMUD may post and fill positions using the long established “Transfer/Promotion” hiring process.

When a permanent civil service vacancy is to be filled through the Transfer/Promotion Process, it shall be posted subject to the following:

A. Posting / Eligibility

1) The Transfer/Promotion Job Announcement shall be posted for a minimum of ten (10) working days.

2) The Transfer/Eligible Job Announcement for an PSOA position shall be posted for a minimum of five (5) working days.

3) Eligibility for transfer/promotion opportunities shall be determined pursuant to the Civil Service Rules.

An eligibility list may or may not be established from a transfer/promotion exam process. If an eligibility list is established, it shall be maintained by Human Resources, Diversity & Inclusion and governed by the Civil Service Rule provision pertaining to eligibility lists.

B. Appointment

1) Following completion of the selection process the hiring department may offer the position to a certified candidate pursuant to Civil Service Rules.

2) Transfer/promotions normally will be effective at the beginning of a payroll period.

   a) The effective date of a promotion shall be no later than the beginning of the first payroll period following the employee’s two (2) weeks’ notice to their supervisor. The actual release date shall be mutually agreed upon by the affected Department Managers.

   b) The release date of a transfer employee shall be determined by the hiring supervisor and the employee’s current supervisor but should be no later than four (4) weeks following the date that the transferred employee was offered the position.

3) A promoted employee’s salary shall be increased as follows:
a) Unless stated otherwise in this Agreement, employees who are promoted to a Unit 3 classification shall be placed at the first pay step that provides a minimum of a 2.5% pay increase.

b) Unless stated otherwise in this Agreement, a Unit 3 employee who is temporarily promoted to a PAS classification shall be placed at the wage that provides a minimum of a 5% pay increase and shall retain their existing Unit 3 benefits.

c) Promoted employees may be considered for placement at a pay step higher than that provided in Sections 2.B.3(a) and 2.B.3(b) of this Article, based on their qualifications and experience, subject to the recommendation and approval of SMUD.

d) A promotional salary increase shall be in addition to any scheduled merit increase that would have been received by the employee within three (3) months from the date of their promotion.

e) An employee's promotional increase shall be based upon the pay step held within their permanent classification.

3. TRANSFERS / PROMOTIONS

A. Except as otherwise provided by the provisions of this MOU, promotions and/or transfers shall be administered in accordance with the Civil Service Rules.

B. When vacancies are to be filled and a reinstatement list does not exist, SMUD agrees to consider existing eligible lists in the following order of priority:

1) Integrated Disability Management (IDM) Placement List
2) Transfer/Eligible or Transfer/Promotion Lists
3) Voluntary Demotion List
4) Rehire
5) Open List

SMUD reserves the right to make the final selection based upon the best qualified candidate.

C. Whenever eligibility lists are abolished, SMUD shall provide written notification to the PSOA of the cancellation of the list(s). This is to ensure the PSOA is aware of the list(s) cancellation and can answer or counsel employees as appropriate.

4. MEDICAL TRANSFERS/ASSIGNMENTS

SMUD may transfer or reassign employees for medical reasons.

A. SMUD shall comply with State and Federal laws when accommodating/transferring employees with qualifying illnesses/injuries.

B. SMUD may transfer or reassign employees for medical reasons based on State and Federal laws which govern accommodations/transfers for employees with qualifying illnesses/injuries.
5. TRAINING ASSIGNMENTS

A. Training assignments are for cross-training purposes. They allow SMUD and employees an opportunity to maximize their potential without a change in their permanent classification. Employees, who have completed their probationary period, may be assigned to temporary training in another classification subject to the following:

1) Training assignments shall be made on a voluntary basis only.
2) Training assignments must be approved in advance by SMUD pursuant to established procedures.
3) Training assignments normally are not to exceed six (6) months. They may be extended for one additional six (6) month period when in the best interests of both the employee and SMUD.
4) The employee’s ESN classification and pay level shall remain unchanged during the training assignment when a bona fide training program is provided.

6. DEMOTIONS

A. An employee may move to a position or classification with a lower pay range or rate of pay.

1) A demotion may be voluntary or involuntary and is made to a position whose duties the employee is qualified to perform.
2) When Federal, State, or local regulations require an employee to obtain and maintain special qualifications and the employee is unable to obtain or maintain them, the employee may be transferred or demoted.

7. POSITION PROBATION

A. A promoted employee and/or an employee who is transferring or being reassigned into another classification shall be required to complete a position probationary period pursuant to Civil Service Rules.

B. Employees who are transferred or reassigned pursuant to the Civil Service Rules to a new position within their current classification shall not be required to complete another position probationary period.

C. A demoted employee shall not be required to serve another probationary period if they have previously completed probation in that classification.

D. Employees who are reallocated to a higher or lower classification pursuant to the Civil Service Rules shall not be required to serve a new probationary period.
ARTICLE 14

PERFORMANCE EVALUATIONS

1. INTRODUCTION
   Employee performance shall be periodically evaluated and documented.

2. PERFORMANCE EVALUATION SCHEDULE
   A. During Probation
      1) Six-Month Probation – Employees in classifications requiring a six (6) month probationary period shall be evaluated at the end of the third (3rd) and fifth (5th) month.
      2) Twelve-Month Probation – Employees in classifications requiring a twelve (12) month probationary period pursuant to the MUD Act shall be evaluated at the end of the fifth (5th) and the eleventh (11th) month.
      3) Supervisors may formally evaluate an employee’s performance at more frequent intervals.
   B. Following Probation
      1) Employees who are not at the top of their pay range shall be evaluated at the time they are eligible for a merit pay increase.
      2) Employees who are at the top of their pay range shall be evaluated annually.
      3) SMUD may formally evaluate an employee’s performance at more frequent intervals.
   C. Upon Separation
      Employees may be evaluated at the time they separate from SMUD employment. Employees with less than satisfactory performance at the time of separation normally are not eligible for rehire.

3. EMPLOYEE RIGHT TO REBUTTAL
   In the event an employee disagrees with their performance evaluation, they may submit a rebuttal to the Human Resources, Diversity & Inclusion to be included in their personnel file.
ARTICLE 15

POSITIVE DISCIPLINE

1. INTRODUCTION

Unit 3 Civil Service Employees who have completed their initial SMUD probationary period are subject to the provisions of SMUD’s Positive Discipline Program contained in the SMUD Positive Discipline Policy (AP 05.02.09).

2. RELATIONSHIP TO SUBSTANCE ABUSE TESTING AND REHABILITATION PROGRAM

SMUD’s Substance Abuse Testing and Rehabilitation Program is a stand-alone program and violations shall not be subject to the provisions of this Article.

3. RELATIONSHIP TO DISCRIMINATION/HARASSMENT POLICIES

The SMUD Nondiscrimination, Anti-Harassment and Non-Retaliation Policy (AP 05.01.01) is a stand-alone program and violations shall not be subject to the provisions of this Article.

4. DISCIPLINE FOR CAUSE

Unit 3 employees only may be disciplined “for cause” as set forth in Civil Service Rules and Section 12162 of the MUD Act.

5. DISCIPLINE NOTICES

SMUD shall concurrently notify the PSOA of all discipline issued to Unit 3 employees.
ARTICLE 16

REDUCTIONS IN FORCE

It is the intent of SMUD to minimize the number of layoffs if a reduction in force becomes necessary. If layoffs do become necessary, they shall be implemented pursuant to the Civil Service Rules.
ARTICLE 17

AUTOMATIC RESIGNATION

1. AUTOMATIC RESIGNATION

An unauthorized leave of absence, whether voluntary or involuntary, for five (5) consecutive workdays, is considered an automatic resignation from SMUD service, effective the day after the fifth consecutive workday of unauthorized leave. SMUD shall notify the employee, in writing, of this determination. Such notice shall be mailed by certified mail to the employee’s last known address. A copy of this notice shall be provided to the PSOA simultaneously.

2. RETURN FOLLOWING AUTOMATIC RESIGNATION

Employees may request to return from automatic resignation in writing to SMUD. Requests for return must be made within ten (10) working days following SMUD’s mailing of a notice acknowledging the employee’s resignation. Upon receipt of the employee’s request, SMUD shall notify the PSOA, in writing, of an employee’s request to return from automatic resignation, and shall evaluate the request and may rescind the resignation.
ARTICLE 18

GRIEVANCE PROCEDURE

1. DEFINITIONS

A. Grievance: A dispute that involves the interpretation or application of this Agreement, a disciplinary action taken against a Unit 3 employee, or the application of a SMUD rule or policy. An objection to the terms and provisions of a rule, policy, or memorandum of understanding is not considered a grievance. However, an objection to the way a rule, policy, or memorandum of understanding is applied in a particular situation would be considered a grievance.

B. Grievant: A Unit 3 employee or PSOA.

Non-civil service employees shall not be entitled to file grievances over disciplinary actions.

C. Date of occurrence: The day the event that is the subject of the grievance occurred, or the date when the grievant reasonably should have been aware of the occurrence of the event that is the subject of the grievance.

D. Receipt Date: The earlier of the following:
   1) The date the PSOA President and Manager, Employee Relations are e-mailed a copy of the grievance, response, or decision. The hard copy is to be sent via interoffice mail or postal service on the same day.
   2) The date the hard copy grievance, response, or decision is received by the PSOA or SMUD.

2. APPLICATION

A. A grievance may be filed by a Unit 3 employee or by PSOA. By mutual agreement between SMUD and PSOA, concurrent grievances alleging violations of the same provisions may be consolidated into a single grievance.

B. PSOA may file a grievance directly at Step 2. SMUD and PSOA also may mutually waive any step of the grievance procedure. Such waivers shall be in writing and apply only to the specific grievance for which they are granted.

C. A grievance appealing termination or other discipline involving the loss of property interests shall be filed directly at Step 3.

D. All disputes described in Section 1.A of this Article shall be resolved through the use of these grievance procedures.

3. TIME LIMITS

A. The time limits contained in this Grievance Procedure are mandatory and failure to meet the time limits shall result in forfeiture of the grievance by the party not meeting the time limit requirements.

B. SMUD and PSOA may, by mutual agreement in writing, extend time limits for a specified period of time.
C. Any time limit contained in this Grievance Procedure may be recessed or delayed by the mutual agreement of the parties for the purposes of convening a Fact Finding Committee, as described in Section 8.A of this Article.

D. A grievance must be filed or advanced by 1700 hours on the last eligible working day within the time limits outlined in each step of the grievance procedure under Section 6 of this Article. For example, if filing at Step 1 of the grievance procedure, the grievance must be filed by 1700 hours on the 20th working day. If not resolved at Step 1 of the grievance procedure, the grievance must be advanced by 1700 hours on the 15th working day, so on and so forth.

E. Timelines for notice commences on the first day following receipt.

4. REPRESENTATION

A. Grievants are entitled to be represented throughout the Grievance Procedure by the representative(s) of their choice. However, PSOA shall have the right to have its representative(s) present at any step of the grievance process. This right to individual representation does not include the right to take the matter to arbitration, unless the PSOA agrees to do so.

B. Unit 3 employees who are grievants, representatives, or witnesses shall be given time off with pay during their regular work hours to attend hearings. Unit 3 employees shall be reimbursed for personal expenses (excluding legal fees) incurred in connection with such hearings.

C. Unit 3 employees who are grievants, representatives, or witnesses in a formal grievance proceeding shall be paid overtime when requested to appear at proceedings outside their regular work hours.

5. INFORMAL RESOLUTION

Unit 3 employees and/or the PSOA may attempt to resolve workplace issues informally.

6. GRIEVANCE PROCEDURE

A formal grievance shall be submitted on the SMUD and PSOA Grievance Form using the following procedure:

A. Step 1 – Security Operations Manager

1) A completed PSOA Grievance Form must be filed with the Security Operations Manager within twenty (20) working days following the date of occurrence.

2) Immediately upon receipt of the grievance, the Security Operations Manager shall contact Labor Relations to obtain or verify the grievance control number and to forward a copy of the grievance.

3) If the grievance was filed exclusively by a Unit 3 employee, upon receipt of the grievance, the Labor Relations Department shall forward a copy of the grievance to the PSOA.

4) Within ten (10) working days following the date the grievance was filed, the Security Operations Manager shall schedule a Step 1 meeting for a mutually agreeable date and time.
5) The Step I meeting may be attended by the grievant, the grievant’s representative(s), the grievant’s immediate supervisor, and any other involved supervisors/managers.

6) Within ten (10) working days following the Step I meeting, the Security Operations Manager shall provide the grievant, Labor Relations, and PSOA a written response setting forth the basis for their decision regarding the grievance, including all supporting documentation.

7) If the grievant or PSOA is not satisfied with the Security Operations Manager’s decision, PSOA may advance the grievance to Step 2.

B. Step 2 – Manager, Employee Relations

1) If the grievance is not resolved at Step 1, PSOA may advance the written grievance, including all supporting documentation, to the Manager, Employee Relations, within fifteen (15) working days of receipt of the Security Operations Manager’s response.

2) Within ten (10) working days following receipt of the grievance, the Manager, Employee Relations shall schedule a Step 2 meeting for a mutually agreeable date and time where the grievance shall be discussed between the PSOA representative(s) and the Manager, Employee Relations.

3) Within ten (10) working days of the conclusion of the Step 2 meeting, the Manager, Employee Relations shall provide PSOA a written response setting forth the basis for their decision regarding the grievance, including all supporting documentation.

C. Step 3 – Grievance Review Committee

1) If the grievance is not resolved at Step 2, PSOA may advance the written grievance, including all supporting documentation, to the Grievance Review Committee, pursuant to Section 7.B of this Article, within ten (10) working days of receipt of the Manager, Employee Relations response.

2) When a grievance is advanced to this level, the Grievance Review Committee shall convene a meeting as soon as possible and no later than 30 calendar days after the grievance is received. Labor Relations shall take responsibility for arranging meeting locations and notifying members.

3) If the Grievance Review Committee reaches a unanimous agreement regarding the resolution of the grievance, it shall issue a written decision, signed by each member of the committee, within ten (10) working days of the conclusion of the Grievance Review Committee meeting. The unanimous agreement of the Grievance Review Committee shall be final and binding on the parties.

4) If the Grievance Review Committee is unable to reach a unanimous agreement, it shall notify the parties in writing within five (5) working days of the conclusion of the Grievance Review Committee meeting.

D. Step 4 – Arbitration

1) If the Grievance Review Committee does not reach a unanimous agreement, PSOA may submit the grievance to binding arbitration by serving written notice on SMUD within fifteen (15) working days following receipt of the Grievance Review Committee’s notification.
2) The parties shall jointly request a list of seven (7) labor arbitrators from the American Arbitration Association (AAA). Within fifteen (15) calendar days from the receipt of the list from AAA, the parties shall select an arbitrator by the process of alternately striking names from such list.

3) The Arbitrator’s authority shall be limited to the resolution of the grievance before them including, but not limited to, a determination that the grievance either has or has not raised a grievable issue and therefore is or is not arbitrable. In so doing, the Arbitrator shall have no authority to alter, change, detract from or add to the provisions of this Agreement, the provisions governing labor relations between SMUD and its employees, and/or the MUD Act.

4) The decision of the Arbitrator shall be final and binding on the parties.

5) The fees and expenses of the Arbitrator and the Court Reporter, if one is utilized, shall be shared equally by SMUD and PSOA.

7. GRIEVANCE COMMITTEES

A. Fact-Finding Committee

1) The Fact-Finding Committee shall be comprised of one (1) person appointed by SMUD and one (1) person appointed by the grievant or PSOA, whichever is appropriate.

2) The parties shall determine the amount of time that will be allotted for the completion of the investigation and shall communicate same to the Committee at the time of their appointment.

3) The Committee shall conduct an independent investigation of the grievance and shall prepare an objective report of their findings in writing to the parties within ten (10) working days following the completion of their investigation.

4) The Fact-Finding Committee shall not make recommendations regarding the resolution of the grievance.

B. Grievance Review Committee

1) The Grievance Review Committee shall be comprised of six (6) members: the Manager, Employee Relations, and two (2) representatives appointed by SMUD; and the PSOA President and two (2) representatives appointed by PSOA. At least one (1) of PSOA representatives shall be a member of the PSOA Board of Directors and at least one (1) of the SMUD representatives shall be an Executive or equivalent.

2) The established procedural guidelines for the conduct of Grievance Review Committee hearings may be updated periodically, as needed, by mutual agreement of the parties.

3) The Grievance Review Committee may render findings only by the unanimous vote of its members. Such unanimous findings are final and binding on the parties.

8. DISCRIMINATION/HARASSMENT/RETALIATION COMPLAINTS

A. Whenever a Unit 3 employee is the subject of a complaint that alleges a violation of the SMUD Nondiscrimination, Anti-Harassment and Non-Retaliation Policy (AP 05.01.01), SMUD’s Fair Employment Office shall initiate an investigation, explore all reasonable -57-
leads and, within reason, interview all persons identified as having information likely to influence the eventual outcome of the investigation. PSOA shall be advised of the initiation of such an investigation.

B. The Unit 3 employee who is the subject of the investigation shall be entitled to representation during all phases of the investigatory process.

C. A written confidential report will be prepared upon investigation completion. SMUD shall determine whether or not discipline is appropriate. If no discipline is imposed, the case shall be closed and the report shall be filed with the Fair Employment Office. The report shall be held in the strictest confidence to ensure and protect the privacy of the individuals involved.

D. If discipline is imposed and PSOA chooses to appeal the discipline using the grievance procedure, the grievance shall be filed initially at Step 3.

9. GRIEVANCE SETTLEMENT

The parties to a grievance may agree to a negotiated settlement of the grievance at any step of the grievance procedure.

10. GRIEVANCE RESOLUTION

No grievance may be resolved inconsistent with the provisions of this Agreement.
ARTICLE 19
MISCELLANEOUS

1. UNIFORMS AND WORK CLOTHING

Uniforms and work clothing shall be issued in accordance with SOAP 005.

2. CONTRACTING OUT

SMUD shall not contract for any work normally performed by classifications assigned to Unit 3 if such contracting is intended to reduce or has the effect of reducing the regular work force by attrition, demotion, displacement or lay off. Further, prior to any reduction in force of PSOA represented employees, affected Unit 3 employees meeting the minimum qualifications of the job being contracted out shall be offered any bargaining unit work being performed by contractors. These assignments shall be of a temporary nature. All current Civil Service Rules concerning bumping and selection shall apply to Civil Service employees.

For the purpose of this Agreement, contracting out occurs when a Unit 3 position is filled temporarily by a non-PSOA represented employee or by an outside contractor for any reason. SMUD agrees to notify the PSOA in each instance of its intent to contract or renew a contract of PSOA bargaining unit work.

3. NO STRIKES/NO LOCKOUTS

During the term of this Agreement, SMUD agrees that there shall be no lockout. The PSOA agrees that there shall be no authorized, concerted failure to report to work, cessation or interruption of work, slowdown, strike (including sympathy strikes), boycott, or any type of organized or concerted interference with SMUD's business. Should any employee or group of employees commit any such acts in violation of this provision, the PSOA agrees that it shall notify such employee(s) of their obligation pursuant to this Section and shall publicly discourage such acts.

4. TECHNOLOGICAL CHANGES

SMUD shall continue to provide PSOA with as much advance notice as practical of any technological changes that may have an impact on Unit 3 employees. In such circumstances, SMUD and PSOA shall meet and confer in an attempt to reach a mutual agreement regarding appropriate solutions. If the parties are unable to reach agreement, the matter shall be resolved pursuant to Article 20, Full Understanding/Non-Nullification, of this Agreement.

5. MODIFIED / LIGHT DUTY PROGRAM

Employees who are partially disabled due to an industrial illness or injury and cannot perform the full range of their regularly assigned duties may be provided limited duty work consistent with the employee's medical restrictions. SMUD shall make a reasonable effort to identify and provide the employee with a limited duty assignment. An employee so assigned shall continue to receive their base rate of pay when performing limited duty work. Unit 3 employees have priority when assigning Unit 3 limited duty work.
6. SENIORITY

Except as provided elsewhere in this Agreement or any side letter agreement between SMUD and PSOA, whenever seniority is used to make workplace decisions, such decisions shall be based upon SMUD seniority defined as an employee's total years of continuous SMUD employment. It includes temporary and part-time employment as long as the employment has been continuous.

7. DONATION OF LEAVE

SMUD and PSOA agree that SMUD's Donation of Leave Program shall be administered in accordance with the Donation of Leave Policy.
ARTICLE 20

FULL UNDERSTANDING / NON-NULLIFICATION

1. FULL UNDERSTANDING

A. This Agreement sets forth the entire understanding of the parties regarding the matters contained herein, and any other prior or existing understanding or Agreement by the parties, whether formal or informal, regarding such matters are hereby superseded. Except as provided in this Agreement, it is agreed and understood that all benefits and working conditions provided by this Agreement shall remain unchanged during the term of this Agreement, unless expressly modified by mutual agreement through the meet and confer process.

B. With regard to terms and conditions of employment not expressly covered by this Agreement, the parties recognize that during the term of this Agreement it may be necessary or desirable for SMUD to make changes on matters within the scope of representation. If and when SMUD finds it necessary to make such changes, it shall notify PSOA at least thirty (30) calendar days prior to the proposed implementation. At the request of PSOA the parties shall meet and confer in a good faith effort to reach agreement over such matters that fall within the scope of representation.

If the parties are unable to reach agreement, the matter shall be resolved through the use of MED(iation)-ARB(itration). Agreements or decisions resulting from this process shall be binding on the parties.

2. CHANGE OF LAW AND NON-NULLIFICATION

If any provision of this Agreement, or the application of such provision(s), should be found invalid by any decree of a court of competent jurisdiction or by the reason of any existing or subsequently enacted legislation, or applicable administrative regulations (e.g. CalPERS), all other provisions of this Agreement shall remain in full force and effect. In such event, the parties shall meet and confer in good faith within thirty (30) calendar days in an attempt to develop a replacement for the provision(s) found to be invalid.
APPENDIX A

LIST OF UNIT 3 REPRESENTED JOB CLASSIFICATIONS
This list may not be all-inclusive and is subject to change by mutual agreement.

Security Operations Dispatcher
Security Officer I
Security Officer II
Security Specialist
Security Operations Supervisor
APPENDIX B

LIST OF AGENCIES/COMPANIES TO BE SURVEYED

(For Classification and Pay Studies of Unit 3 positions during the term of this Agreement)

1. TBD
APPENDIX C

LIST OF SUPPLEMENTAL SIDE LETTER AGREEMENTS

The parties have agreed that the following Side Letter Agreements (SLAs) shall remain in effect for the term of this MOU or until such time as the provisions or term of the individual SLA are satisfied:

Dated: ______________________

Public Safety Officers' Association

By: ______________________
    Jerry Camous
    Chief Negotiator

PSOA Team Members:

   Philip Webster

   Roy Todd

   Albert Mendoza

Sacramento Municipal Utility District

By: ______________________
    Cheryl Elia
    Chief Negotiator

SMUD Team Members:

   Koral Brooks

   Charles Alford

   Michael Meeks

Approved as to form:

________________________
Laura Lewis
General Counsel

Approved:

________________________
Arlen Orchard
General Manager & CEO

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October 4, 2019
LR 19-015

Jerry Camous, Chief Negotiator
Philip Webster, President, PSOA

Subject: Side Letter Agreement: 2019 Salary Range with Step Increases for the Security Operations Supervisors as Hourly Employees

As an item of discussion and tentative agreement at the bargaining table to establish the first Memorandum of Understanding between SMUD and the PSOA, we agreed to establish salary steps for the 2019 Salary Range of Security Operations Supervisors as hourly employees, effective October 28, 2019, as reflected in the table below:

<table>
<thead>
<tr>
<th>Current 2019 Salary Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>$5798</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019 Salary Range with Steps, effective October 28, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>$6300</td>
</tr>
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<table>
<thead>
<tr>
<th></th>
<th>2.50%</th>
<th>2.50%</th>
<th>2.50%</th>
<th>2.50%</th>
<th>2.50%</th>
<th>2.50%</th>
<th>2.50%</th>
<th>2.50%</th>
</tr>
</thead>
</table>

We also discussed and agreed that any of the Security Operations Supervisors who are currently moving through the range will be moved to the salary step that is closest to their current pay without a decrease to what they are currently being paid.

If this reflects your understanding of the agreement, please so indicate by signing in the space provided below.

Sincerely,

Cheryl Elia
Manager, Employee Relations

Agreed:

Jerry Camous
Chief Negotiator, PSOA

Philip Webster
President, PSOA
**BOARD AGENDA ITEM**

**STAFFING SUMMARY SHEET**

---

### Consent Calendar

<table>
<thead>
<tr>
<th>FROM (IPR)</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jesse Mays</td>
<td>EA404</td>
</tr>
</tbody>
</table>

### Consent Calendar Status

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Budgeted x Yes</td>
<td></td>
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</tr>
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</table>

### Requested Action

**Approve Contract Change No. 01 to Contract No. 4500117866 with HOT LINE CONSTRUCTION, INC. to increase the contract not-to-exceed amount by $1,000,000, from $1,000,000 to $2,000,000.**

### Summary

This contract was awarded on a Direct Procurement Emergency basis to HOT LINE CONSTRUCTION, INC. in August 2019. The original contract was awarded for the period from August 30, 2019 to December 30, 2019 for a not-to-exceed amount of $1,000,000. This Contract Change No. 01 is needed to continue operations support for Line Assets Project Work. SMUD has been adversely affected by PG&E’s effort to inspect and repair all their facilities in the Tier 3 and Tier 2 fire zone areas prior to the 2019 fire season. Reports are signaling that this work is expected to continue throughout 2019. This, in combination with PG&E’s fire hardening programs has placed a tremendous pull on available labor resources i.e., journey linemen. As a result, SMUD’s Line Assets contract work force has left to perform work for PG&E.

As a direct response to the climate cultivated by PG&E, Line Assets is strategically realigning its 2019 workload. Line Assets is requesting additional funds to continue the emergency contract with HOT LINE CONSTRUCTION, INC. to support Line Assets project work. This will allow the business unit flexibility in its realignment efforts.

Currently, the contract balance is approximately $258,000.

### Comments

Hot Line is not a SEED vendor and does not have any SEED subcontractors designated under this contract.

### Board Policy

BL-8; Delegation to the GM with respect to Procurement; SD-4; Reliability. SD-7;

### Benefits

Provides SMUD with a qualified contractor to support SMUD’s line assets project work.

### Cost/Budgeted

$2,000,000; Budgeted for 2019 by Grid Assets, Line Assets

### Alternatives

SMUD linemen could self-perform the pole replacement work until the labor demand decreases.

### Affected Parties

Grid Assets, Supply Chain Services, and Contractor.

### Coordination

Grid Assets – Mike Munn, and Supply Chain Services.
**Presenter:** Casey Fallon

**Additional Links:**

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>Contract Change No. 1 to Hot Line Construction Contract 4500117866</th>
<th>ITEM NO: (FOR LEGAL USE ONLY)</th>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.
SSS No. SCS 19-423
HRS 19-007

BOARD AGENDA ITEM
STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit – October 15, 2019

Board Meeting Date
October 17, 2019

<table>
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<th>TO</th>
<th>TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>6.</td>
</tr>
<tr>
<td>2.</td>
<td>7.</td>
</tr>
<tr>
<td>3.</td>
<td>8.</td>
</tr>
<tr>
<td>4.</td>
<td>9.</td>
</tr>
<tr>
<td>5.</td>
<td>10.</td>
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</thead>
<tbody>
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<td></td>
<td></td>
</tr>
<tr>
<td>Department</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAIL STOP</td>
<td>EXT.</td>
<td>DATE SENT</td>
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</tr>
<tr>
<td>Andrew McDermott</td>
<td>EA404</td>
<td>6383</td>
<td>09/18/2019</td>
</tr>
</tbody>
</table>

NARRATIVE:

Requested Action:

a. Approve contract change to Contract No. 4500110473 with United Health Care Insurance Company ("United HealthCare") approving medical insurance premium rates for the period of January 1, 2020 through December 31, 2020. The total estimated cost for 2020, based on the current enrollment population, is $36.1 million; and

b. Approve contract change to Contract 4500043215 with Kaiser Permanente approving medical insurance premium rates and extending the contract by one year from January 1, 2020 through December 31, 2020. The total estimated cost for 2020, based on the current enrollment population, is $26.1 million.

Summary:

United HealthCare presented SMUD with a renewal increase for the 2020 plan year of 2.65% for our active employee and pre-65 retiree medical plans. The 2.65% increase was attributed to the Health Insurance Tax (HIT) imposed on our plans as part of the Affordable Care Act. United HealthCare also presented SMUD with a renewal increase of 9.50% for our post-65 Medicare retiree plan. Based on these rates and current enrollment, the total cost for 2020 medical benefit plans is projected at $36.1 million.

Kaiser Permanente presented SMUD with renewal increases for the 2020 plan year of 2.52% for our active employee and pre-65 retiree medical plans and 2.50% for our post-65 Medicare retiree plan. Based on these rates and current enrollment, the total cost for 2020 medical benefit plans is projected at $26.1 million.

These actions will allow SMUD to provide medical benefit plans for the year 2020 to approximately 8,500 employees, retirees, and eligible dependents enrolled in United HealthCare and Kaiser Permanente medical plans in the most cost-effective manner.

Note: The estimated costs above will vary based on 2020 employee/retiree Open Enrollment selections and SMUD population.

Board Policy:

SD-3 Access to Credit Markets. SMUD staff negotiated best price and terms with medical providers in consideration of the long-term revenue requirements, debt, and financial risk to SMUD.

SD-8 Employee Relations. Providing medical benefits to employees supports SMUD’s goal of an inclusive workplace that engages and inspires employees to commit to SMUD’s purpose, vision, and values.

Benefits: Provide quality medical benefits to eligible SMUD employees, retirees and eligible dependents.

Cost/Budgeted: Assuming current enrollment, SMUD’s share of cost is projected at $55.0 million (after employee/retiree contributions).

Alternatives: Not accept the proposed rate increases; consider other alternatives to meet SMUD obligations.
**Affected Parties:** All eligible SMUD employees, retirees and eligible dependents participating in SMUD's medical benefit plans.

**Coordination:** Human Resources, Diversity & Inclusion, Supply Chain Services, United HealthCare and Kaiser Permanente.

**Presenter:** Jason Shibata

**Additional Links:**

**SUBJECT**  * Approve medical premiums and extend contract with United HealthCare and Kaiser Permanente for the period of Jan. 1, 2020 to Dec. 31, 2020  

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.
# 2020 Active Employees Medical Rates

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Active Employees</th>
<th>Basic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrier</td>
<td>Employee Only</td>
</tr>
<tr>
<td>Kaiser HMO — High Plan</td>
<td>639.79</td>
<td>1,279.58</td>
</tr>
<tr>
<td>Kaiser HMO — Low Plan</td>
<td>605.97</td>
<td>1,211.94</td>
</tr>
<tr>
<td>United Healthcare HMO — High Plan</td>
<td>989.46</td>
<td>2,087.76</td>
</tr>
<tr>
<td>United Healthcare HMO — Low Plan</td>
<td>889.45</td>
<td>1,876.74</td>
</tr>
<tr>
<td>United Healthcare High Deductible Health Plan</td>
<td>817.10</td>
<td>1,724.09</td>
</tr>
<tr>
<td>United Healthcare PPO Plan</td>
<td>1,579.72</td>
<td>3,333.21</td>
</tr>
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# 2020 Retiree Medical Rates

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Retiree Only</th>
<th>Retiree + 1</th>
<th>Retiree + Family</th>
<th>Retiree</th>
<th>Retiree + 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser HMO</td>
<td>638.02</td>
<td>1,276.04</td>
<td>1,914.06</td>
<td>302.64</td>
<td>605.28</td>
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<tr>
<td>Kaiser Medicare Unassigned*</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1,935.28</td>
<td>3,870.56</td>
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<tr>
<td>Kaiser Medicare Part A or B Only*</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>612.64</td>
<td>1,225.28</td>
</tr>
<tr>
<td>United Healthcare HMO</td>
<td>989.46</td>
<td>2,087.76</td>
<td>2,988.17</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>United Healthcare PPO – In CA*</td>
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<td>3,333.21</td>
<td>4,770.76</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>United Healthcare PPO – Out Of CA</td>
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<td>3,333.21</td>
<td>4,770.76</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>United Healthcare Medicare Advantage</td>
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<td>N/A</td>
<td>N/A</td>
<td>437.63</td>
<td>875.26</td>
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Staffing Summary Sheet

Committee Meeting & Date
Finance & Audit Committee
October 15, 2019
Board Meeting Date
October 17, 2019

TO TO
1. Emily Bacchini 6. Jennifer Davidson
3. Mike Deis 8.
4. Gary King 9. Legal
5. Stephen Clemons 10. CEO & General Manager

Consent Calendar | Yes | X | No (If no, schedule a dry run presentation.) | Budgeted | X | Yes | No (If no, explain in Cost/Budgeted section.)
FROM (IPR) | DEPARTMENT | MAIL STOP | EXT. | DATE SENT
Rob Ferrera | Environmental Services | B209 | 6676 | 9/27/2019

NARRATIVE:

Requested Action: Adopt the California Environmental Quality Act (CEQA) Initial Study and Final Mitigated Negative Declaration (MND) for the Pocket/Greenhaven 69kV Underground Cable Reliability Project (Project), adopt the Mitigation Monitoring and Reporting Program, and approve the Project.

Summary: SMUD proposes to replace approximately 2 miles of existing underground 69kV cable within existing right-of-way and construction of up to 15 new utility holes along the route to allow for improved access and maintenance of the power line. The project is located within a two-mile corridor in the Pocket/Greenhaven neighborhood of the City of Sacramento, within western Sacramento County. The project extends generally from a connection point south of Florin Road and east of Interstate 5 (I-5) in Sacramento to two existing SMUD-owned electric distribution substations within the Pocket/Greenhaven neighborhood. Between those points, the project is generally located along Florin Road and Gloria Drive between Florin Road and the Gloria-Florin electric distribution substation (approximately 400 feet west of Florin Road), and Havenside Drive between Florin Road and Havenside-Canal electric distribution substation.

The proposed project is anticipated to occur between November 2019 and December 2020.

The Draft Initial Study (IS)/MND was released on August 7, 2019, for a 30-day agency and public comment period. SMUD placed a public notice in the Sacramento Bee and sent notices to landowners within 1,000 feet of the project. A public meeting was held on August 21, 2019. Approximately 25 members of the public attended. To date, six comments have been received from agencies and the public. A copy of the correspondence and the responses to all comments are included in the Final IS/MND. A Mitigation Monitoring and Reporting Plan was developed that describes specific mitigation measures for air quality, biological resources, cultural resources, transportation and circulation, and tribal cultural resources that are required to achieve a finding of no significant impacts for any environmental factors affected by the Project. Upon implementation of the recommended mitigation measures, the IS/MND found the Proposed Pocket/Greenhaven 69kV Underground Cable Reliability Project construction and operation would not result in significant and unavoidable environmental impacts.

Board Policy: The proposed project supports the following Board adopted policies: SD-4, System Reliability; SD-7, Environmental Leadership. The project supports Policy SD-4 by ensuring maintenance can be performed with fewer outages in the Pocket/Greenhaven neighborhood to keep the electric system in good repair, and to make the necessary upgrades, maintain load serving capability, and meet regulatory standards. The project supports Policy SD-7 by ensuring SMUD compliance with CEQA.

Benefits: The proposed project would provide for improved maintenance of the underground 69kV cable and improved service reliability supporting the Pocket/Greenhaven neighborhood.
**Cost/Budgeted:** The Project budget is $11,300,000.

**Alternatives:** Adopt the Initial Study and Mitigated Negative Declaration, Mitigation Monitoring Plan; Return the documents to staff for further study; or Reject the Initial Study and Mitigated Negative Declaration.

**Affected Parties:** The City of Sacramento, Caltrans, Wilton Rancheria, United Auburn Indian Community and the public.

**Coordination:** Grid Assets: Substations, Grid Strategy & Operations: Distribution Operations, Grid Planning; Regional & Local Government; Community Engagement, Marketing & Corporate Communications; Environmental Services; Real Estate Services; Customer Operations; The City of Sacramento, Wilton Rancheria, United Auburn Indian Community

**Presenter:** Rob Ferrera

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**SUBJECT**
Pocket/Greenhaven 69kV Underground Cable Reliability Project

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.
TO | TO
---|---
2. Gary King | 7. |
4. | 9. Legal |
5. | 10. CEO & General Manager |

<table>
<thead>
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<th>Consent Calendar</th>
<th>x</th>
<th>Yes</th>
<th>No/If no, schedule a dry run presentation.</th>
<th>Budgeted</th>
<th>x</th>
<th>Yes</th>
<th>No/If no, explain in Cost/Budgeted section.</th>
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</thead>
</table>

FROM (IPR) | DEPARTMENT | MAIL STOP | EXT. | DATE SENT |
---|---|---|---|---|
Sandra Moorman | Accounting | K109 | 6957 | 9/20/19 |

**NARRATIVE:**

**Requested Action:**

Authorize SMUD's Accountant to defer recognition of revenue from sales proceeds of Low Carbon Fuel Standard (LCFS) credits as regulatory liabilities and then match revenue recognition to the related expense.

This authorization will allow the Accountant to defer and recognize LCFS revenue in the appropriate accounting period for rate making purposes.

**Summary:**

SMUD receives LCFS credits from the California Air Resources Board (CARB) based on kwh sales and deemed credits for Electric Vehicle (EV) customers, and then SMUD monetizes the credits through a sales transaction. CARB requires that LCFS sales proceeds be spent in a way to benefit current or future EV drivers in California. Therefore, SMUD must spend the LCFS sales proceeds. The timing of SMUD LCFS program expenses will not match the timing of the LCFS credit sales revenue. If SMUD were to recognize the LCFS sales revenue upon the sales transaction, the revenue would be recognized in one period and the matching expenses could be recognized in a different period. The LCFS program expenses will be recognized in the period incurred. Pursuant to Governmental Accounting Standards Board (GASB) codification section Re10 Regulated Operations, staff is recommending that the Board authorize the Accountant to defer LCFS revenue as a regulatory liability. This deferral will allow for appropriate matching of revenue with expense recognition for rate making purposes.

**Board Policy:**

Access to credit markets SD-3. Allows SMUD to match revenues with expenses in matching time periods.

**Benefits:**

This accounting treatment will more accurately reflect SMUD’s results of operations.

**Cost/Budgeted:**

N/A

**Alternatives:**

Recognize as revenue is received. This could result in revenue not matching with program expenses creating a situation where revenue may not match in the appropriate accounting period for rate making purposes.

**Affected Parties:**

Accounting, Budget, Energy Strategy Research & Development, Advanced Energy Solutions, Energy Trading & Contracts

**Coordination:**

Accounting, Budget, Energy Strategy Research & Development, Advanced Energy Solutions, Energy Trading & Contracts
DEFERRAL OF LCFS REVENUES

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.
**BOARD AGENDA ITEM**

**STAFFING SUMMARY SHEET**

<table>
<thead>
<tr>
<th>TO</th>
<th>TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Stephen Clemons</td>
<td>7.</td>
</tr>
<tr>
<td>3. Gary King</td>
<td>8.</td>
</tr>
<tr>
<td>4.</td>
<td>9. Legal</td>
</tr>
<tr>
<td>5.</td>
<td>10. CEO &amp; General Manager</td>
</tr>
</tbody>
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**Consent Calendar**

<table>
<thead>
<tr>
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<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>If no, schedule a dry run presentation.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Budgeted</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>(If no, explain in Cost/Budgeted section.)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**FROM (IPR) DEPARTMENT MAIL STOP EXT. DATE SENT**

| Sandra Moorman | Accounting | K109 | 6957 | 12/26/18 |

**NARRATIVE:**

**Requested Action:**
Provide the Board’s Finance and Audit Committee with SMUD’s financial results for the year-to-date period.

**Summary:**
Staff will present the Board’s Finance and Audit Committee with SMUD’s financial results for the year-to-date period.

**Board Policy:**
GP-3

**Benefits:**
Provide the Board Members with current information on SMUD’s financial condition.

**Cost/Budgeted:**
n/a

**Alternatives:**
None

**Affected Parties:**
Accounting

**Coordination:**
n/a

**Presenter:**
Sandra Moorman

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**SUBJECT**
Review of Current Financial Results

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.
Sacramento Municipal Utility District
Management Financial Report - Income Statement
For the Eight Months Ended August 31, 2019
dollars in millions

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Current Month Only</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Plan</td>
</tr>
<tr>
<td>Residential revenue</td>
<td>99.0</td>
<td>86.0</td>
</tr>
<tr>
<td>EAPR and MED discount</td>
<td>(2.9)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Commercial, Industrial, Street Light &amp; Other</td>
<td>76.2</td>
<td>74.8</td>
</tr>
<tr>
<td>Other Electric Revenue</td>
<td>2.8</td>
<td>2.3</td>
</tr>
<tr>
<td>RSF &amp; other deferrals</td>
<td>0.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Uncollectible Electric Sales</td>
<td>(0.6)</td>
<td>(0.5)</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$174.7</td>
<td>$160.6</td>
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<td>Expenses</td>
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<td></td>
</tr>
<tr>
<td>Commodities</td>
<td>52.4</td>
<td>43.1</td>
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<td>Business Unit Costs</td>
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<td></td>
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<tr>
<td>Energy Operations</td>
<td>5.7</td>
<td>5.2</td>
</tr>
<tr>
<td>Energy Delivery</td>
<td>11.3</td>
<td>14.1</td>
</tr>
<tr>
<td>Customer</td>
<td>7.8</td>
<td>7.7</td>
</tr>
<tr>
<td>Internal (excluding Other Items)</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Technology</td>
<td>1.4</td>
<td>2.6</td>
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<td>Corporate</td>
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<td>4.1</td>
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<tr>
<td>Public Good (excluding EAPR &amp; MED Discount)</td>
<td>5.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Surcharges allocated to Business Units</td>
<td>6.2</td>
<td>7.2</td>
</tr>
<tr>
<td>Other Business Unit Costs</td>
<td>5.4</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Total Business Unit Costs</strong></td>
<td>$47.9</td>
<td>$53.5</td>
</tr>
<tr>
<td>Other Costs/ (Income)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (Income) (including grant revenues)</td>
<td>(1.3)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Interest Income</td>
<td>(1.2)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>6.2</td>
<td>7.3</td>
</tr>
<tr>
<td>Depreciation, Depletion and Amortization</td>
<td>15.7</td>
<td>18.0</td>
</tr>
<tr>
<td>Other Non Cash</td>
<td>(3.0)</td>
<td>(1.8)</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Total Other Costs/ (Income)</strong></td>
<td>$14.5</td>
<td>$22.3</td>
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<tr>
<td>Change in net position - Net Income (Loss)</td>
<td>$60.0</td>
<td>$41.6</td>
</tr>
</tbody>
</table>

This is a management report and is not FERC based. Totals may not add due to rounding.

*OPEB, Workers Comp Reserve, Bonus, Remediation moved to other line from Internal to allow visibility to BU expense
TO: Distribution

DATE: September 30, 2019

ACC 19-015

FROM: Ruth Yee / Sandra Moorman

SUBJECT: AUGUST 2019 CONSOLIDATED FINANCIAL RESULTS AND OPERATIONS DATA

We are attaching the consolidated financial and operating reports for the eight months of 2019. They include sales and generation statistics and other selected data.

SMUD’s year-to-date net position increased $145.5 million compared to a $67.7 million increase projected in the budget. We attribute the favorable variance ($77.8 million) to higher operating revenues and lower operating expenses, partially offset by lower non-operating revenue and higher interest expense.

We prepared these statements on the accrual basis of accounting, and they conform to generally accepted accounting principles. The basis for the budget amounts are:

1) budgeted electric revenues are based on the Forecast of Revenues by the Rates Department, adjusted for unbilled revenues; and

2) budgeted operating expenses reflect the 2019 Budget approved by the Board of Directors on December 20, 2018.

![Change in Net Position Year To Date](image-url)
SMUD’s net position increased $145.5 million compared to a $67.7 million increase projected in the budget. We attribute the favorable variance ($77.8 million) to higher operating revenues and lower operating expenses, partially offset by lower non-operating revenue and higher interest expense.

Revenues from sales to customers were $961.1 million, which was $20.5 million (2.2 percent) higher than planned.

- The variance was due to higher average customer rates per kilowatt-hour and higher customer usage.

Revenues transferred to the Hydro Rate Stabilization fund were $18.4 million.

- Purchased power expense, net of surplus power sales, was $193.1 million, which was $25.7 million (15.3 percent) higher than planned.
  - Purchased power expense is the result of higher prices of $29.5 million, offset by lower quantities purchased of $3.8 million.

SMUD’s generation was lower by 34 GWh (0.7 percent).

- JPAs and Other generation was lower by 657 GWh (19.2 percent).
  - Hydro generation was higher by 623 GWh (49.7 percent).

Production operations cost, net of gas sales, was $111.0 million, which was $43.2 million (28.0 percent) lower than planned.

- Fuel costs, net of gas sales, were $42.2 million lower due to lower fuel prices, fuel usage and ineffective gas hedges. Lower usage is primarily due to the SFA outage which occurred from January through early March. February market conditions allowed us to sell fuel at higher prices which resulted in gas sales that were higher than costs.

The “power margin”, or revenues less cost of purchased power, production operations cost, depletion of gas reserves and gas hedges included in investment expense was $661.1 million, which was $21.5 million (3.4 percent) higher than planned.

- All other operating expenses were $473.5 million, which was $60.2 million (11.3 percent) lower than planned.
  - Administrative and general expenses were $36.5 million lower which includes non-cash OPEB amortization of $8.6 million.
  - Non-cash depreciation expense was $19.6 million lower, primarily a result of a depreciation study adjustment.

Other revenue, net was $20.2 million, which was $3.1 million (13.3 percent) lower than planned.

- The variance was primarily due to the cancellation of the Colusa-Sutter Transmission Line Project (CoSu) which caused a $6.7 million write off, partially offset by higher unrealized holding gain of $4.1 million.

Interest expense was $64.7 million which was $3.2 million (5.2 percent) higher than planned.

- Interest on long-term debt was $7.0 million higher than planned primarily due to unplanned NCEA bond expenses of $14.5 million, offset by non-cash bond amortization of $5.5 million and SMUD interest expense of $2.1 million.
- Interest on commercial paper was $2.5 million lower than planned primarily due to lower interest expense.
SACRAMENTO MUNICIPAL UTILITY DISTRICT
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Month Ended August 31, 2019
(thousands of dollars)

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>Actual</th>
<th>Budget</th>
<th>Over (Under)</th>
<th>Percent of Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to customers</td>
<td>$171,550</td>
<td>$157,509</td>
<td>$14,041</td>
<td>8.9%</td>
</tr>
<tr>
<td>Sales of surplus power</td>
<td>3,330</td>
<td>11,417</td>
<td>(8,087)</td>
<td>(70.8)</td>
</tr>
<tr>
<td>Sales of surplus gas</td>
<td>4,510</td>
<td>-</td>
<td>4,510</td>
<td>*</td>
</tr>
<tr>
<td>Public good revenue</td>
<td>-</td>
<td>300</td>
<td>(300)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>SB-1 revenue (deferral)/recognition, net</td>
<td>283</td>
<td>408</td>
<td>(125)</td>
<td>(30.6)</td>
</tr>
<tr>
<td>AB32 revenue (deferral)/recognition, net</td>
<td>245</td>
<td>-</td>
<td>245</td>
<td>*</td>
</tr>
<tr>
<td>Other electric revenue</td>
<td>2,815</td>
<td>2,177</td>
<td>638</td>
<td>29.3</td>
</tr>
<tr>
<td>Rate stabilization fund transfers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>*</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>182,733</strong></td>
<td><strong>171,811</strong></td>
<td><strong>10,922</strong></td>
<td><strong>6.4%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th>Actual</th>
<th>Budget</th>
<th>Over (Under)</th>
<th>Percent of Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased power</td>
<td>37,599</td>
<td>30,804</td>
<td>6,795</td>
<td>22.1</td>
</tr>
<tr>
<td>Production</td>
<td>24,301</td>
<td>27,209</td>
<td>(2,908)</td>
<td>(10.7)</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>6,884</td>
<td>6,970</td>
<td>(86)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>5,038</td>
<td>4,456</td>
<td>582</td>
<td>13.1</td>
</tr>
<tr>
<td>Customer service and information</td>
<td>4,937</td>
<td>5,356</td>
<td>(419)</td>
<td>(7.8)</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>9,870</td>
<td>13,807</td>
<td>(3,937)</td>
<td>(28.5)</td>
</tr>
<tr>
<td>Public good</td>
<td>5,711</td>
<td>4,992</td>
<td>719</td>
<td>14.4</td>
</tr>
<tr>
<td><strong>Total operations</strong></td>
<td>94,340</td>
<td>93,594</td>
<td>746</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>1,908</td>
<td>4,077</td>
<td>(2,169)</td>
<td>(53.2)</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>6,202</td>
<td>6,890</td>
<td>(688)</td>
<td>(10.0)</td>
</tr>
<tr>
<td><strong>Total maintenance</strong></td>
<td>8,110</td>
<td>10,967</td>
<td>(2,857)</td>
<td>(26.1)</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15,562</td>
<td>17,948</td>
<td>(2,386)</td>
<td>(13.3)</td>
<td></td>
</tr>
<tr>
<td><strong>Deposition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>406</td>
<td>659</td>
<td>(253)</td>
<td>(38.4)</td>
<td></td>
</tr>
<tr>
<td><strong>Amortization of regulatory asset</strong></td>
<td>1,925</td>
<td>1,857</td>
<td>68</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>120,343</td>
<td>125,025</td>
<td>(4,682)</td>
<td>(3.7)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING INCOME (LOSS)</th>
<th>Actual</th>
<th>Budget</th>
<th>Over (Under)</th>
<th>Percent of Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>62,390</td>
<td>46,786</td>
<td>15,604</td>
<td>33.4</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NON-OPERATING REVENUES AND EXPENSES</th>
<th>Actual</th>
<th>Budget</th>
<th>Over (Under)</th>
<th>Percent of Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>1,388</td>
<td>1,207</td>
<td>181</td>
<td>15.0</td>
</tr>
<tr>
<td>Investment revenue (expense)</td>
<td>913</td>
<td>(79)</td>
<td>992</td>
<td>*</td>
</tr>
<tr>
<td>Other income (expense) - net</td>
<td>1,154</td>
<td>885</td>
<td>269</td>
<td>30.4</td>
</tr>
<tr>
<td>Unrealized holding gains (losses)</td>
<td>739</td>
<td>-</td>
<td>739</td>
<td>*</td>
</tr>
<tr>
<td>Revenue - CIAC</td>
<td>1,417</td>
<td>1,004</td>
<td>413</td>
<td>41.1</td>
</tr>
<tr>
<td><strong>Total other revenues (expenses)</strong></td>
<td>6,611</td>
<td>3,017</td>
<td>2,594</td>
<td>86.0</td>
</tr>
<tr>
<td><strong>Interest charges</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>8,583</td>
<td>7,778</td>
<td>805</td>
<td>10.3</td>
</tr>
<tr>
<td>Interest on commercial paper</td>
<td>133</td>
<td>808</td>
<td>(675)</td>
<td>(83.5)</td>
</tr>
<tr>
<td>AFUDC - borrowed funds</td>
<td>(682)</td>
<td>(368)</td>
<td>(314)</td>
<td>(85.3)</td>
</tr>
<tr>
<td><strong>Total interest charges</strong></td>
<td>8,034</td>
<td>8,218</td>
<td>(184)</td>
<td>(2.2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET POSITION</th>
<th>Actual</th>
<th>Budget</th>
<th>Over (Under)</th>
<th>Percent of Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$59,967</td>
<td>$41,585</td>
<td>$18,382</td>
<td>44.2%</td>
<td></td>
</tr>
</tbody>
</table>

* Equals 1000% or greater.
SACRAMENTO MUNICIPAL UTILITY DISTRICT
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Eight Months Ended August 31, 2019
(thousands of dollars)

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual</th>
<th>Budget</th>
<th>Over/Under</th>
<th>Percent of Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to customers</td>
<td>$961,091</td>
<td>$940,612</td>
<td>$20,479</td>
<td>2.2%</td>
</tr>
<tr>
<td>Sales of surplus power</td>
<td>27,972</td>
<td>46,599</td>
<td>(18,627)</td>
<td>(40.0%)</td>
</tr>
<tr>
<td>Sales of surplus gas</td>
<td>85,700</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Public good revenue</td>
<td>513</td>
<td>2,600</td>
<td>(2,087)</td>
<td>(80.3%)</td>
</tr>
<tr>
<td>SB-1 revenue (deferral)/recognition, net</td>
<td>1,460</td>
<td>2,926</td>
<td>(1,466)</td>
<td>(50.1%)</td>
</tr>
<tr>
<td>AB32 revenue (deferral)/recognition, net</td>
<td>1,566</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Other electric revenue</td>
<td>24,680</td>
<td>20,347</td>
<td>4,333</td>
<td>21.3%</td>
</tr>
<tr>
<td>Rate stabilization fund transfers</td>
<td>(18,384)</td>
<td></td>
<td>(18,384)</td>
<td>*</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>1,084,598</td>
<td>1,013,084</td>
<td>71,514</td>
<td>7.1%</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased power</td>
<td>221,088</td>
<td>214,025</td>
<td>7,063</td>
<td>3.3%</td>
</tr>
<tr>
<td>Production</td>
<td>196,732</td>
<td>154,182</td>
<td>42,550</td>
<td>27.6%</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>55,484</td>
<td>55,981</td>
<td>(497)</td>
<td>(0.9%)</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>37,121</td>
<td>36,283</td>
<td>838</td>
<td>2.3%</td>
</tr>
<tr>
<td>Customer service and information</td>
<td>38,086</td>
<td>39,452</td>
<td>(1,366)</td>
<td>(3.5%)</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>83,605</td>
<td>120,088</td>
<td>(36,483)</td>
<td>(30.4%)</td>
</tr>
<tr>
<td>Public good</td>
<td>36,861</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td><strong>Total operations</strong></td>
<td>668,977</td>
<td>662,986</td>
<td>5,991</td>
<td>0.9%</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>34,584</td>
<td>35,781</td>
<td>(1,197)</td>
<td>(3.3%)</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>51,541</td>
<td>47,069</td>
<td>4,472</td>
<td>9.5%</td>
</tr>
<tr>
<td><strong>Total maintenance</strong></td>
<td>86,125</td>
<td>82,850</td>
<td>3,275</td>
<td>4.0%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>121,170</td>
<td>140,781</td>
<td>(19,611)</td>
<td>(13.9%)</td>
</tr>
<tr>
<td>Depletion</td>
<td>3,275</td>
<td>5,269</td>
<td>(2,569)</td>
<td>(47.8%)</td>
</tr>
<tr>
<td>Amortization of regulatory asset</td>
<td>15,013</td>
<td>15,230</td>
<td>(217)</td>
<td>(1.4%)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>894,560</td>
<td>907,116</td>
<td>(12,556)</td>
<td>(1.4%)</td>
</tr>
<tr>
<td><strong>OPERATING INCOME (LOSS)</strong></td>
<td>190,038</td>
<td>105,968</td>
<td>84,070</td>
<td>79.3%</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES AND EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenues/(expenses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>11,062</td>
<td>9,657</td>
<td>1,405</td>
<td>14.5%</td>
</tr>
<tr>
<td>Investment revenue (expense)</td>
<td>(3,216)</td>
<td>(647)</td>
<td>(2,569)</td>
<td>(397.1%)</td>
</tr>
<tr>
<td>Other income (expense) - net</td>
<td>(2,972)</td>
<td>6,424</td>
<td>(9,396)</td>
<td>(146.3%)</td>
</tr>
<tr>
<td>Unrealized holding gains (losses)</td>
<td>4,093</td>
<td></td>
<td>4,093</td>
<td>*</td>
</tr>
<tr>
<td>Revenue - CIAC</td>
<td>11,202</td>
<td>7,823</td>
<td>3,379</td>
<td>43.2%</td>
</tr>
<tr>
<td><strong>Total other revenues (expenses)</strong></td>
<td>20,169</td>
<td>23,257</td>
<td>(3,088)</td>
<td>(13.3%)</td>
</tr>
<tr>
<td>Interest charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>65,650</td>
<td>58,683</td>
<td>6,967</td>
<td>11.9%</td>
</tr>
<tr>
<td>Interest on commercial paper</td>
<td>3,936</td>
<td>6,460</td>
<td>(2,524)</td>
<td>(39.1%)</td>
</tr>
<tr>
<td>AFUDC - borrowed funds</td>
<td>(4,839)</td>
<td>(3,575)</td>
<td>(1,264)</td>
<td>(35.4%)</td>
</tr>
<tr>
<td><strong>Total interest charges</strong></td>
<td>64,747</td>
<td>61,568</td>
<td>3,179</td>
<td>5.2%</td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>145,460</td>
<td>67,657</td>
<td>77,803</td>
<td>115.0%</td>
</tr>
</tbody>
</table>

* Equals 1000% or greater.
**SACRAMENTO MUNICIPAL UTILITY DISTRICT**

**CONSOLIDATED SOURCES AND USES OF ENERGY - COMPARED TO BUDGET**

For the Period Ended August 31, 2019

### Sources of Energy (GWh)

<table>
<thead>
<tr>
<th>Sources of Energy (GWh)</th>
<th>Month</th>
<th>Increase (Decrease)</th>
<th>Year-to-Date</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
<td>Percentage</td>
<td>Actual</td>
</tr>
<tr>
<td><strong>Net Generated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydro</td>
<td>193</td>
<td>177</td>
<td>9.0%</td>
<td>1,877</td>
</tr>
<tr>
<td>Carson Ice (CVFA)</td>
<td>27</td>
<td>47</td>
<td>(42.6%)</td>
<td>182</td>
</tr>
<tr>
<td>Procter &amp; Gamble (SCA)</td>
<td>67</td>
<td>99</td>
<td>(32.3%)</td>
<td>478</td>
</tr>
<tr>
<td>Campbell Soup Project (SPA)</td>
<td>70</td>
<td>109</td>
<td>(35.8%)</td>
<td>409</td>
</tr>
<tr>
<td>SMUD Financing Authority (SFA)</td>
<td>338</td>
<td>412</td>
<td>(18.0%)</td>
<td>1,295</td>
</tr>
<tr>
<td>Other</td>
<td>75</td>
<td>93</td>
<td>(19.7%)</td>
<td>409</td>
</tr>
<tr>
<td><strong>Total net generation</strong></td>
<td>770</td>
<td>937</td>
<td>(17.9%)</td>
<td>4,650</td>
</tr>
</tbody>
</table>

**Purchased Power less transmission losses:**

<table>
<thead>
<tr>
<th>Sources of Energy (GWh)</th>
<th>Month</th>
<th>Increase (Decrease)</th>
<th>Year-to-Date</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
<td>Percentage</td>
<td>Actual</td>
</tr>
<tr>
<td>Avangrid</td>
<td>31</td>
<td>17</td>
<td>82.4%</td>
<td>77</td>
</tr>
<tr>
<td>CalPine Sutter</td>
<td>73</td>
<td>49</td>
<td>49.0%</td>
<td>577</td>
</tr>
<tr>
<td>Feed in Tariff</td>
<td>24</td>
<td>24</td>
<td>0.0%</td>
<td>157</td>
</tr>
<tr>
<td>Kiefer - Greenergy</td>
<td>10</td>
<td>9</td>
<td>11.1%</td>
<td>76</td>
</tr>
<tr>
<td>Patua</td>
<td>12</td>
<td>9</td>
<td>33.3%</td>
<td>90</td>
</tr>
<tr>
<td>Simpson</td>
<td>31</td>
<td>30</td>
<td>3.3%</td>
<td>197</td>
</tr>
<tr>
<td>WAPA</td>
<td>106</td>
<td>91</td>
<td>16.5%</td>
<td>741</td>
</tr>
<tr>
<td>WSPP and other</td>
<td>256</td>
<td>69</td>
<td>271.0%</td>
<td>1,489</td>
</tr>
<tr>
<td>Other long term power</td>
<td>96</td>
<td>90</td>
<td>6.5%</td>
<td>393</td>
</tr>
<tr>
<td><strong>Total net purchases</strong></td>
<td>639</td>
<td>388</td>
<td>64.6%</td>
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</tr>
<tr>
<td><strong>Total sources of energy</strong></td>
<td>1,409</td>
<td>1,325</td>
<td>6.3%</td>
<td>8,447</td>
</tr>
</tbody>
</table>

**Uses of energy:**

<table>
<thead>
<tr>
<th>Sources of Energy (GWh)</th>
<th>Month</th>
<th>Increase (Decrease)</th>
<th>Year-to-Date</th>
<th>Increase (Decrease)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
<td>Percentage</td>
<td>Actual</td>
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<tr>
<td>SMUD electric sales and usage</td>
<td>1,118</td>
<td>1,017</td>
<td>9.9%</td>
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<tr>
<td>Surplus power sales</td>
<td>250</td>
<td>245</td>
<td>2.0%</td>
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<td>System losses</td>
<td>41</td>
<td>63</td>
<td>(34.9%)</td>
<td>285</td>
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<tr>
<td><strong>Total uses of energy</strong></td>
<td>1,409</td>
<td>1,325</td>
<td>6.3%</td>
<td>8,447</td>
</tr>
</tbody>
</table>

* Change equals 1000% or more.

**Net generation is lower than budget for the eight-month period.**

- Hydro generation is higher than planned (49.7 percent). Due to higher seasonal precipitation levels.
- JPA generation is lower than planned (19.9 percent). Primarily due to lower generation at SFA due to outages for major overhauls that spanned from January through the beginning of March, and lower generation at SPA, partially offset by higher generation at SCA.

**Purchased power, less surplus power sales, is lower than plan (2.3 percent).**

* Change equals 1000% or more.
# SACRAMENTO MUNICIPAL UTILITY DISTRICT
CONSOLIDATED STATEMENTS OF NET POSITION
August 31, 2019 and 2018
(thousands of dollars)

## ASSETS

<table>
<thead>
<tr>
<th></th>
<th>SMUD</th>
<th>CVFA</th>
<th>SCA</th>
<th>SFA</th>
<th>SPA</th>
<th>NCEA</th>
<th>NCQA #1</th>
<th>2019</th>
<th>2018</th>
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<tr>
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<tr>
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<td>$155,690</td>
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<td>$204,870</td>
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<td>-</td>
<td>$6,084,357</td>
<td>$5,982,176</td>
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<td>138,648</td>
<td>164,941</td>
<td>150,750</td>
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<td>-</td>
<td>3,048,634</td>
<td>2,946,316</td>
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<td>39,858</td>
<td>58,930</td>
<td>192,783</td>
<td>54,120</td>
<td>-</td>
<td>-</td>
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<td>57,471</td>
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<td>11,229</td>
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<td>4,009</td>
<td>19,072</td>
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<td>-</td>
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<td>-</td>
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<tr>
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<td>7,398</td>
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<td>2,810</td>
<td>2,074</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>26,197</td>
<td>22,219</td>
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<td>Prepayments and other</td>
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<td>-</td>
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<td>22,219</td>
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<td>Total current assets</td>
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<td>51,001</td>
<td>19,647</td>
<td>16,757</td>
<td>26,643</td>
<td>985,373</td>
<td>929,736</td>
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<td><strong>NONCURRENT ASSETS</strong></td>
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<tr>
<td>Regulatory costs for future recovery</td>
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<td>-</td>
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<td>-</td>
<td>159,783</td>
<td>152,912</td>
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<td>1,027</td>
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<td>716</td>
<td>1,776</td>
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<td>8,530</td>
<td>8,911</td>
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<td>Prepaid gas</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>865</td>
<td>1,072</td>
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<td>Prepaid power and capacity</td>
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<td>24,268</td>
<td>21,738</td>
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<td>Total noncurrent assets</td>
<td>963,336</td>
<td>22,599</td>
<td>30,689</td>
<td>51,001</td>
<td>19,647</td>
<td>16,757</td>
<td>26,643</td>
<td>1,688,561</td>
<td>1,168,856</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
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<td>$77,119</td>
<td>$557,075</td>
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<td>$6,424,525</td>
<td>$5,946,098</td>
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</table>

## DEFERRED OUTFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated decrease in fair value of hedging derivatives</td>
<td>$90,056</td>
<td>$100,323</td>
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<td>Deferred pension outflows</td>
<td>76,576</td>
<td>134,718</td>
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<td>Deferred OPEB outflows</td>
<td>14,932</td>
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<td>Total deferred outflows of resources</td>
<td>219,264</td>
<td>201,811</td>
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## TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th></th>
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<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,692,460</td>
<td>$62,514</td>
<td>$89,824</td>
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*Numbers may not add across due to elimination entries not shown on this sheet.
### Liabilities and Net Assets

#### Consolidated Statements of Net Position
August 31, 2019 and 2018
(Thousands of dollars)

#### Liabilities and Net Assets

<table>
<thead>
<tr>
<th></th>
<th>SMUD</th>
<th>CVFA</th>
<th>SCA</th>
<th>SFA</th>
<th>SPA</th>
<th>NCEA</th>
<th>NCQA #1</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LONG-TERM DEBT - NET</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>$ 2,083,658</td>
<td>$ 38</td>
<td>$ 6,828</td>
<td>$ 127,450</td>
<td>$</td>
<td>$ 563,506</td>
<td>$ 181,935</td>
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<td>Commercial paper notes</td>
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<tr>
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<td>949</td>
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<td>665</td>
<td>82,867</td>
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<td></td>
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<td>Accrued decommissioning - net</td>
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<tr>
<td>Accumulated increase in fair value of hedging derivatives</td>
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<td></td>
<td></td>
<td></td>
<td>594,547</td>
<td>530,916</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>1,723,475</td>
<td>36,924</td>
<td>68,983</td>
<td>85,895</td>
<td>73,293</td>
<td>(4,599)</td>
<td>(9,078)</td>
<td>1,720,954</td>
<td>1,511,815</td>
</tr>
<tr>
<td>Net increase (decrease) for the year</td>
<td>117,109</td>
<td>(589)</td>
<td>2,988</td>
<td>33,591</td>
<td>(812)</td>
<td>(5,496)</td>
<td>(288)</td>
<td>145,460</td>
<td>168,156</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>1,840,584</td>
<td>36,335</td>
<td>71,981</td>
<td>119,486</td>
<td>72,381</td>
<td>(10,056)</td>
<td>9,898</td>
<td>1,866,414</td>
<td>1,680,971</td>
</tr>
</tbody>
</table>

*Numbers may not add across due to elimination entries not shown on this sheet.*
TO TO

2. Gary King 7.
4. 9. Legal
5. 10. CEO & General Manager

Consent Calendar | Yes | No If no. schedule a dry run presentation | Budgeted | X | Yes | No (If no. explain in Cost/Budgeted section.)
---|---|---|---|---|---|---
MAIL STOP EXT. DATE
FROM (IPR) | DEPARTMENT
Claire Rogers | Audit and Quality Services | ME-2 | 7122 | 10/1/19

NARRATIVE:

Requested Action: Informational agenda item to provide Board Members with the opportunity to ask questions and/or discuss recent reports issued by Audit and Quality Services.

Summary: Reports Issued by Audit and Quality Services:

<table>
<thead>
<tr>
<th>Title</th>
<th>Report Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status of Recommendations Report for Q3 2019</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Board Policy: Board-Staff Linkage, Board-Internal Auditor Relationship (BL-3)

Benefits: n/a

Cost/Budgeted: n/a

Alternatives: n/a

Affected Parties: Board, Internal Auditor

Coordination: n/a

Presenter: Claire Rogers

Additional Links

SUBJECT: Reports Issued by Audit and Quality Services

ITEM NO. (FOR LEGAL USE ONLY)
Attached for your review is the Status of Recommendations report for the Third Quarter of 2019. Prior to this report being finalized, all outstanding recommendations were given to the responsible department Manager/Director for follow up.

The attached report includes all outstanding items as of September 30, 2019 regardless of their risk ranking.

Seven open items were closed during the reporting period and were reviewed to assure implementation in accordance with the management response. None of the remaining 16 items are currently overdue. The chart below is a breakdown by age and risk of the outstanding items regardless of their risk ranking:

If you need further information or wish to discuss any aspect of the report, please contact me at 732-7122 or Claire.Rogers@smud.org.
## STATUS OF RECOMMENDATIONS AT 09/30/2019

<table>
<thead>
<tr>
<th>RISK</th>
<th>RECOMMENDATION</th>
<th>RESPONSIBLE DEPARTMENT</th>
<th>STATUS / DATE</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records Management (2014)</td>
<td>Until SMUD or the Documentum vendor, EMC, can get the record destruction feature in Documentum to work appropriately, manually identify records at or past their retention period, notify the record owners that the retention period has been reached, and destroy them after record owner approval.</td>
<td>Legal Department</td>
<td>Date Issued 02/17/2015</td>
<td>Outstanding 12/15/2015 4 Extensions Revised to 12/31/2020</td>
</tr>
</tbody>
</table>

Records Management (2014) | Until SMUD or the Documentum vendor, EMC, can get the record destruction feature in Documentum to work appropriately, manually identify records at or past their retention period, notify the record owners that the retention period has been reached, and destroy them after record owner approval. | Legal Department | Date Issued 02/17/2015 | Outstanding 12/15/2015 4 Extensions Revised to 12/31/2020 | A joint business decision was made to replace the current SRMA (SMUD Records Management Application) solution with another industry solution. IT and Legal have partnered and identified a replacement technology. A proof-of-concept (POC) of the new technology will be conducted in 2019. Upon successful completion, the new technology solution will be used to commence destruction of records in Documentum, but only if certain conditions are met. One key condition is ensuring the assignment of retention, which the existing Documentum business model does not allow. Corrections to the model are being made incrementally, which includes restructuring each business model to the retention schedule and fixing the naming conventions/taxonomy in Documentum. Records & Information Management must complete a records evaluation for each business area using Documentum to enable this work to be completed, which is a time intensive effort. With some evaluations being complete, the new technology will be run on the first area in Documentum 1st Quarter 2020 and will continue to be run in the completed business areas thereafter. Records will continue to work with IT on this project and affected business units as prioritized by the Information Governance Counsel (IGC) until the new technology can be used for all business areas in Documentum. |
### STATUS OF RECOMMENDATIONS AT 09/30/2019

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<th>RESPONSIBLE DEPARTMENT</th>
<th>STATUS / DATE</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Business Continuity Plans</td>
<td>Have various workgroups provide training, including tabletop exercises, to evaluate the adequacy of their plans and determine areas for improvement. There should also be auditable evidence of training and exercise participation.</td>
<td>Facilities Department</td>
<td>Date Issued 12/10/2015</td>
<td>In alignment with our consultant’s recommendation, we have determined the best sources of business continuity plan training are validation exercises and real-life activations of the Enterprise Business Continuity Plan Structural Framework. As a result we are updating Audit Item #03 to reflect the following: Our objective is to conduct multiple validation exercises utilizing the HSEEP common methodology. The HSEEP common methodology includes the use of the following types of exercises: seminars, workshops, tabletop exercises, drills, functional exercises, and full-scale types of exercises. In 2019, the team will utilize one or more of the above exercise types to conduct a minimum of 3 validation exercises.</td>
</tr>
<tr>
<td>28006032-03 Medium</td>
<td></td>
<td></td>
<td>Outstanding 11/30/2016</td>
<td></td>
</tr>
<tr>
<td>Process Improvement</td>
<td></td>
<td></td>
<td>4 Extensions</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Revised to 12/31/2019</td>
<td></td>
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<tr>
<td>RISK</td>
<td>RECOMMENDATION</td>
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<td>STATUS / DATE</td>
<td>COMMENTS</td>
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<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>UARP SPCC</td>
<td>Determine sump capacities of all UARP powerhouses and include in the SPCC Plan.</td>
<td>Environmental &amp; Real Estate Department</td>
<td>Date Issued 03/23/2016</td>
<td>Power Generation Engineering has determined the sump volumes in all UARP powerhouses. In all cases, the sump volumes exceed the capacity of the largest single oil containment vessel within the powerhouse. These sump volumes will be included in the next revision to the SPCC Plan. The next plan revision is due to be completed on or before January 16, 2020.</td>
</tr>
<tr>
<td>28006246-02</td>
<td>Update the SPCC Plan oil inventory tables to reflect current levels and conduct periodic inspections to address changes that may occur from annual maintenance.</td>
<td>Environmental &amp; Real Estate Department</td>
<td>Date Issued 03/23/2016</td>
<td>The oil inventory tables will be updated in the next revision of the SPCC Plan. The next plan revision is due to be completed on or before January 16, 2020.</td>
</tr>
<tr>
<td>LOW</td>
<td>Process Improvement</td>
<td></td>
<td>Outstanding 01/16/2020</td>
<td></td>
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</tbody>
</table>
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</tr>
</thead>
</table>
| 2016 General Computer Controls | SMUD should continue in their efforts to develop a strategic long term approach for continuous monitoring and reviewing of SOD conflicts within SAP. We understand that SMUD is in the process of determining a plan for an SOD solution and will continue to make progress in 2017. The plan should include these components: | Accounting Department | Date Issued 06/30/2017 | June 2019 update:  
• All of SMUD's critical and high SOD conflicts will be resolved or remediated by July 31, 2019 except for the Customer Service group.  
• A portion of the SMUD Customer Service group will be resolved or remediated by the end of 2019. The remainder of the Customer Service group will be resolved or remediated by June 30, 2020.  
• The SOD oversight structure has been determined to ensure ongoing SOD compliance. |  
28006576-01 Medium Process Improvement | Determine Whether Mitigating Controls Are in Place - Once SMUD's SOD solution is implemented, there should be a regular review of user access and analysis of potential SOD conflicts. For those areas in which gaps persist or SOD conflicts must exist, management should work with business users to implement mitigating control activities to reduce the associated risk.  
• Develop SOD Compliance Governing Organization - As a long term, strategic effort in identifying and mitigating future SOD conflicts, management should institute a compliance governing organization in order to maintain adherence to end user access conflicts that represent financial risk. This governing body would measure the relevance and risk of new SOD combinations against the organizations business operations, outline and implement mitigating controls, evaluate both SOD conflicts and corresponding mitigating controls annually to ensure both remain valid for the organization. | Revised to 06/30/2020 |  
2 Extensions | | |

A Sharepoint site was created that lists the SOD Oversight structure, overview and responsibilities which has been reviewed with the Council members and their feedback incorporated. An SOD review teams log has also been created with open agenda items for the next meeting.
## STATUS OF RECOMMENDATIONS AT 09/30/2019

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</table>
| **IT Configuration Management** | **28006486-01**  
Medium  
Process Improvement | The Endpoint Support Staff in IT Operations should:  
1. Establish a procedure to update and maintain the accurate inventory of all IT End-User computing assets.  
2. Establish processes to regularly generate inventory reports for connection policy and software policy compliance.  
3. Establish processes to provide the inventory report to management for follow-up on the status of devices not connected to network in 45 days.  
4. Establish processes to monitor and follow-up on the status of discovery of unapproved software installed on devices that are connected. | IT Operations & Infrastructure Department | Date Issued  
12/08/2017  
Outstanding  
07/30/2019  
1 Extension  
Revised to  
01/31/2020 | Due to organizational changes IT Operations and Infrastructure will need to coordinate the completion of the recommendations with IT Security because they are dependent on supporting and developing processes based on IT Security Policy. |
| **IT Configuration Management** | **28006486-02**  
Medium  
Process Improvement | IT Operations should:  
1. Conduct and record the device and user physical inventory of all devices on an annual basis.  
2. Provide the results of the device physical inventory location and user information to IT Operations to update and maintain accurate inventory of all IT End-User and other computing assets information that will be used to generate the compliance status reports.  
3. Establish a process to regularly review the inventory report and follow-up on the status of devices not connected to network in 45 days, or status of unapproved software installed on connected devices. | IT Operations & Infrastructure Department | Date Issued  
12/08/2017  
Outstanding  
07/30/2019  
1 Extension  
Revised to  
01/31/2020 | Due to organizational changes IT Operations and Infrastructure will need to coordinate the completion of the recommendations with IT Security because they are dependent on supporting and developing processes based on IT Security Policy. |
### STATUS OF RECOMMENDATIONS AT 09/30/2019

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<th>STATUS / DATE</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Cloud Computing</strong></td>
<td>IT Applications should:</td>
<td>IT Projects Department</td>
<td>Date Issued 12/05/2018</td>
<td>This is a large effort with a great deal of process and technical complexity to implement comprehensively. In addition to using contract information within SAP, we are assessing use of internal monitoring tools in conjunction with Business Continuity effort and Application Rationalization project.</td>
</tr>
<tr>
<td>28006747-01 High</td>
<td>1. Develop an enterprise-wide Cloud Program including a Cloud Policy that provides guidelines for secure and effective cloud computing operations to ensure the integrity and privacy of SMUD-owned information. 2. Develop a communication and outreach program after policy is developed to inform and educate SMUD staff. 3. Develop and document an inventory of information system components.</td>
<td></td>
<td>Outstanding 07/31/2019 1 Extension Revised to 04/30/2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information Security Should:</td>
<td></td>
<td></td>
<td>4. Develop a plan to educate staff on the new cloud policy to help reinforce appropriate usage of cloud technologies in relation to SMUD's data.</td>
</tr>
<tr>
<td></td>
<td>Procurement, Warehouse and Fleet Should:</td>
<td></td>
<td></td>
<td>5. Modify AP 03.01.01 (Procurement Principles) to reference MP 07.03.01.115 (IT Procurement and Contract Services Security) and develop a plan to enforce and educate staff to ensure compliance with both policies.</td>
</tr>
<tr>
<td><strong>Cloud Computing</strong></td>
<td>Procurement, Warehouse and Fleet should:</td>
<td>Procurement Warehouse &amp; Fleet Department</td>
<td>Date Issued 12/05/2018</td>
<td>Supply Chain and Infosec reviewed the list and we are compliant. P Card policy already prohibits the purchase of IT software. Supply Chain will send out a reminder will be sent out to all P-Card holders by July 31st, 2019 or sooner. AP 03.01.01 which includes Rule 10 is finalized and is routing for executive approval. See attached document.</td>
</tr>
<tr>
<td>28006747-03 Medium</td>
<td>1. Establish a process to ensure compliance with MP 07.03.01.115 (IT Procurement and Contract Services Security) so all cloud contracts are reviewed by Information Security during the procurement process.</td>
<td></td>
<td>Outstanding 04/30/2019</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 Extension</td>
<td></td>
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<tr>
<td>RISK</td>
<td>RECOMMENDATION</td>
<td>RESPONSIBLE DEPARTMENT</td>
<td>STATUS / DATE</td>
<td>COMMENTS</td>
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</tr>
<tr>
<td>Policies and Procedures</td>
<td>Revised to 10/18/2019</td>
<td></td>
<td></td>
<td>IT Applications agrees with the recommendation 1. A Guidance Framework and timeline will be developed to remediate the existing contracts as they come up for renewal with the new approved Cloud Strategy policy stipulations. The stipulations will incorporate best practices agreement criteria for vendors. An exception process will be established for vendors that have their own terms of service by the end of 10/31/2019.</td>
</tr>
<tr>
<td>Cloud Computing 28006747-04</td>
<td>IT Applications should: 1. Develop a process for Cloud contracts to include service level requirements as part of the terms and conditions.</td>
<td>IT Projects Department</td>
<td>Date Issued 12/05/2018 Outstanding 10/31/2019</td>
<td></td>
</tr>
</tbody>
</table>
## STATUS OF RECOMMENDATIONS AT 09/30/2019

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</thead>
<tbody>
<tr>
<td>Project Management</td>
<td>Enterprise Performance should update its project management templates to include clear guidance on communication plans, benefits realization and analysis, resources, and quality management. As more projects are completed under the project management process, EP should evaluate whether the required deliverable documents provide sufficient information.</td>
<td>Planning, Pricing &amp; Enterprise Performance Department</td>
<td>Date Issued 12/06/2018</td>
<td>The development of deliverable document guidance related to communications plans, benefits realization and analysis, and quality management will be incorporated into the changes made with the implementation of the PPM tool. Because it would not be efficient to update these deliverable documents before making additional changes with the PPM tool, the due date for this corrective action will be extended to align with implementation of the tool.</td>
</tr>
<tr>
<td>28006647-01 Medium</td>
<td></td>
<td></td>
<td>Outstanding 08/15/2019 1 Extension</td>
<td></td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td></td>
<td></td>
<td>Revised to 05/15/2020</td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td>EP should update project management process guidance to include the process for reviewing key deliverable documents and clarify when EP may request resubmission of incomplete or inaccurate documents. EP should also ensure that updated guidance is communicated to project managers and PMOs.</td>
<td>Planning, Pricing &amp; Enterprise Performance Department</td>
<td>Date Issued 12/06/2018</td>
<td>As stated in the previous management response, communication and accountability will improve upon implementation of the PPM tool. In the interest of efficiency, EP will extend the corrective action due date to align with implementation of the tool, as job aids will be updated and training provided with the roll out of the tool.</td>
</tr>
<tr>
<td>28006647-02 Medium</td>
<td></td>
<td></td>
<td>Outstanding 10/15/2019 1 Extension</td>
<td></td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td></td>
<td></td>
<td>Revised to 05/15/2020</td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td>EP should define the roles and responsibilities of project management offices, and then evaluate existing PMO structures to determine what will best support the needs of the business.</td>
<td>Planning, Pricing &amp; Enterprise Performance Department</td>
<td>Date Issued 12/06/2018</td>
<td>Based on feedback from Executives, Enterprise Performance will not be making any changes or clarifications to the organizational structure of PMOs. However, it is continuing to work on the clarification of PMO roles and responsibilities. The corrective action due date will be extended as EP determines how best to proceed.</td>
</tr>
<tr>
<td>28006647-03 Medium</td>
<td></td>
<td></td>
<td>Outstanding 08/15/2019 1 Extension</td>
<td></td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td></td>
<td></td>
<td>Revised to 05/15/2020</td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td>Enterprise Performance should require that all projects are tracked in a central database.</td>
<td>Planning, Pricing &amp; Enterprise Performance Department</td>
<td>Date Issued 12/06/2018</td>
<td>We agree with AQS’s recommendation that all projects should be tracked in a central database. EP is searching for a Project Portfolio Management tool in conjunction with IT. Tool</td>
</tr>
<tr>
<td>28006647-04 Medium</td>
<td></td>
<td></td>
<td>Outstanding</td>
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<tbody>
<tr>
<td>28006647-04</td>
<td>selection and implementation is proposed for funding in 2019 budget. Work has started with IT on selection.</td>
<td>10/15/2020</td>
<td>Some projects are not tracked in the PPD due to the complexity of the project and the limitations of the current in-house built PPD tool. These projects, such as the Time-of-Day transition and the Headquarters Rehabilitation are tracked and reported separately to executives. EP agrees there is the potential for a project to not be tracked in any manner. Until the new tool is implemented, EP will continue to regularly review spending to ensure projects are monitored. EP will work to develop a process and a tracking mechanism in the central database (once it is implemented) for projects that currently don’t go through OAT so that they are monitored through a formal project management approach.</td>
<td></td>
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</tbody>
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<tbody>
<tr>
<td>28006920-01 LOW</td>
<td>1. Develop Digital Certificate and Transport Layer Security policy for:</td>
<td></td>
<td>Date Issued</td>
<td>1. &quot;Digital Certificate and Transport Layer Security policy&quot; will be included as part of SMUD’s System and Communications Protections Policy and Procedures. Policy will align to SMUD’s adoption of the NIST CSF. Documented policy will be accomplished by February 29, 2020.</td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td>a. Conditions that require the use of digital certificates and TLS</td>
<td></td>
<td>Outstanding</td>
<td>IT Infrastructure and Operations agrees with AQS recommendation 2.</td>
</tr>
<tr>
<td></td>
<td>b. Encryption key standards</td>
<td></td>
<td>02/29/2020</td>
<td>2. IT Infrastructure and Operations will document existing procedures and processes around 2a, 2b, and 2c by 6/30/2019. Please note that procedures are subject to change after new policies are introduced as defined in 1.</td>
</tr>
<tr>
<td></td>
<td>c. Responsibility for lifecycle management including:</td>
<td></td>
<td></td>
<td>Cybersecurity has a vulnerability management system that is currently used for internal assessments. The system identifies and categorizes all vulnerabilities, which includes insecure protocols and cipher suites. Cybersecurity is expanding this capability to allow for identification and categorization from an external perspective. Cybersecurity is currently procuring an expanded license and cloud based scanner. The implementation timeline will require an extension to the planned completion date until February 28, 2020. Once procured, we</td>
</tr>
<tr>
<td></td>
<td>i) CA registration and service operation</td>
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<td></td>
<td>ii) Request, enrollment, issuance and deployment</td>
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<td></td>
<td>iii) Monitoring and accounting for where certificates are installed</td>
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<td></td>
<td>iv) Renewal and retirement</td>
<td></td>
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<td></td>
<td>v) Revocation and compromised key incident handling.</td>
<td></td>
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<tr>
<td>IT Infrastructure and Operations should:</td>
<td>2. Develop Digital Certificate and Transport Layer Security procedures and processes for:</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>a. CA registration and service operation</td>
<td></td>
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<tr>
<td></td>
<td>b. Certificate life cycle management</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>c. Encryption key management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital Certificates</td>
<td>IT Operations should:</td>
<td>IT Security Department</td>
<td></td>
<td></td>
</tr>
<tr>
<td>28006920-02 LOW</td>
<td>1. Develop a risk assessment process to determine where weak protocols and TLS</td>
<td></td>
<td>Date Issued</td>
<td>Cybersecurity has a vulnerability management system that is currently used for internal assessments. The system identifies and categorizes all vulnerabilities, which includes insecure protocols and cipher suites. Cybersecurity is expanding this capability to allow for identification and categorization from an external perspective. Cybersecurity is currently procuring an expanded license and cloud based scanner. The implementation timeline will require an extension to the planned completion date until February 28, 2020. Once procured, we</td>
</tr>
<tr>
<td>Process Improvement</td>
<td>cipher suites are used, and where identified, remediate the condition, or</td>
<td></td>
<td>Outstanding</td>
<td></td>
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<tr>
<td></td>
<td>consider documenting the exceptions, rationale and risk acceptance by the</td>
<td></td>
<td>09/30/2019</td>
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<tr>
<td></td>
<td>appropriate level of authority.</td>
<td></td>
<td>1 Extension</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Revised to</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>02/28/2020</td>
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can utilize our existing process to identify the vulnerabilities. The Risk Acceptance process is still in development while cybersecurity works to identify and recruit appropriate resources to implement the Risk Management Framework (RMF).
### BOARD AGENDA ITEM

**STAFFING SUMMARY SHEET**

**Committee Meeting & Date**
Finance & Audit, 2019

**Board Meeting Date**
n/a

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<td>2. Stephen Clemons</td>
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<td>3. Gary King</td>
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<td>10. CEO &amp; General Manager</td>
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<th>Consent Calendar</th>
<th>Yes</th>
<th>X</th>
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<th>If no, schedule a dry run presentation.</th>
<th>Budgeted</th>
<th>Yes</th>
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**NARRATIVE:**

**Requested Action:** Provide the Board's Finance and Audit Committee with SMUD's Power Supply Costs for the year-to-date period for 2019.

**Summary:** Staff will present the Board's Finance and Audit Committee with SMUD's Power Supply Costs for the year-to-date period for 2019.

**Board Policy:**

GP-3

(Number & Title)

**Benefits:** Provides the Board Members with current information on power supply costs for SMUD.

**Cost/Budgeted:** n/a

**Alternatives:** None

**Affected Parties:** Finance & Enterprise Planning

**Coordination:** n/a

**Presenter:** Jennifer Davidson

**Additional Links:**

**SUBJECT**
Review of SMUD's Current Power Supply Costs

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.
### BOARD AGENDA ITEM

**Staffing Summary Sheet**

**TO**

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**Consent Calendar**

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**FROM (IPR)**

Laura Lewis
Legal Department

**DEPARTMENT**: Legal Department

**MAIL STOP**: A311
**EXT.**: 6123
**DATE SENT**: 

**NARRATIVE:**

**Requested Action**: Committee discussion and consensus on any directives provided to staff during the Committee meeting.

**Summary**: Wrap up period at the end of each committee meeting to summarize various Board member suggestions and requests that were made at the meeting in an effort to make clear the will of the Board. Finance and Audit Committee Chair, Rosanna Herber, will summarize Board member requests that come out of the committee presentations for this meeting.

**Board Policy**: GP-4, Agenda Planning states the Board will focus on the results the Board wants the organization to achieve.

**Benefits**: Having an agendized opportunity to summarize the Board’s requests and suggestions that arise during the committee meeting will help clarify the will of the Board.

**Cost/Budgeted**: N/A

**Alternatives**: Not summarize the Board’s requests at this meeting.

**Affected Parties**: Board of Directors and Executive Staff

**Coordination**: Donna Lofton, Special Assistant to the Board

**Presenter**: Rosanna Herber, Chair, Finance and Audit Committee

**Additional Links:**

**Summary of Committee Direction**

*ITEM NO. (FOR LEGAL USE ONLY)*

*ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.*