Board Energy Resources & Customer Services Committee Meeting and Special SMUD Board of Directors Meeting

Date: Wednesday, January 15, 2020
Time: 5:30 p.m.

Location: SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, CA
AGENDA
BOARD ENERGY RESOURCES & CUSTOMER SERVICES
COMMITTEE MEETING
AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

Wednesday, January 15, 2020
SMUD Headquarters Building, Auditorium
6201 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 the purpose of 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 Energy Resources and Customer Services Committee will review, discuss and provide the Committee's recommendation on the following:

DISCUSSION ITEMS

1. Ross Gould
   a. Authorize the Chief Executive Officer and General Manager to execute a Gas Transmission Service Agreement (Agreement) with Pacific Gas and Electric Company (PG&E) for the transmission of PG&E gas through SMUD’s gas pipeline to allow PG&E to continue its gas service to the Procter & Gamble Company and Air Products and Chemicals, Incorporated facilities, and to take such other action as may be necessary and appropriate to implement that Agreement.

   b. Approve an exception to the Energy Risk Management and Energy Trading Standards to allow the Chief Executive Officer and General Manager to enter into a transaction with PG&E to provide gas transmission service.

   Presentation: 30 minutes
   Discussion: 30 minutes

2. Rachel Huang
   Discuss, with possible amendment, Strategic Direction SD-9, Resource Planning.
   Presentation: 10 minutes
   Discussion: 10 minutes
INFORMATIONAL ITEMS

3. Public Comment

4. Brandon Rose
   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 Headquarters Building, 6201 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.
## BOARD AGENDA ITEM
### STAFFING SUMMARY SHEET

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### Consent Calendar
- **FROM (IPR) DEPARTMENT MAIL STOP**: Ross Gould Power Generation EA405 6584
- **DATE SENT**: 12/20/2019

### NARRATIVE:

#### Requested Action:
- a. Authorize the Chief Executive Officer and General Manager to enter into a Gas Transmission Service Agreement between Sacramento Municipal Utility District (SMUD) and Pacific Gas and Electric Company (PG&E) for the transmission of PG&E gas through the SMUD gas pipeline to allow PG&E to continue its gas service to the Procter & Gamble Company and Air Products and Chemicals, Incorporated facilities in Sacramento, and to take such other actions as may be necessary and appropriate to implement that Agreement.

- b. Approve an exception to the Energy Risk Management and Energy Trading Standards (ERM&ETS) to allow the Chief Executive Officer and General Manager, or his designee, to enter into the transaction with PG&E to provide gas transmission service.

#### Summary:
In March 2020 PG&E will be decommissioning a high-pressure natural gas distribution line currently serving the Procter & Gamble and Air Products & Chemicals facilities in Sacramento since this pipeline has reached end of life and is no longer viable for operation. The costs to the customers for PG&E to replace the line, or for the customers to install their own equipment to compress gas delivered through a lower pressure line, are prohibitive. SMUD’s own high-pressure transmission line (Line 700B) runs parallel to the customers’ facilities. At the customers’ request, SMUD agreed to work with PG&E to identify a lower cost alternative to maintaining high pressure gas deliveries. All parties agree that the most cost-effective solution is for SMUD to provide gas transportation services to PG&E through SMUD’s existing pipeline.

If approved, SMUD will construct two separate natural gas connection points for PG&E to use as they serve their customers. PG&E will reimburse SMUD for all construction and maintenance costs plus pay a tariff rate for the transportation of gas through the SMUD system. The ERM&ETS generally prohibits energy transactions with any counterparty whose bond rating is below investment grade. PG&E filed for bankruptcy protection in January 2019, and its bond ratings are below investment grade. Staff is requesting an exception to the ERM&ETS for this transaction.

#### Board Policy:
- SD-1A Purpose Statement
- SD-2 Competitive Rates
- SD-5 Customer Relations
- SD-13 Economic Development
- SD-19 Diversified Business
Benefits:  
Supports two of SMUD largest Customers;  
Enhances SMUD’s involvement in the Community;  
Strengthens SMUD’s relationships with local government agencies;  
Provides new revenue stream to SMUD.

Cost/Budgeted:  Approximately $1 Million in construction costs fully reimbursable from PG&E, not currently budgeted.

Alternatives:  
PG&E replaces the high-pressure distribution line: This alternative would require Procter and Gamble and Air Products and Chemicals to install temporary compression systems or shut down until PG&E could complete the line replacement. Both customers are required to pay for the new transmission line. This option has so high a cost to the customers that they have indicated it would cause them to shut down and relocate their operations out of the Sacramento area.

Procter & Gamble and Air Products and Chemicals invest in permanent gas compression systems: Gas compression is far more costly and less efficient than the proposed SMUD/PG&E alternative to the end user, which again places their ultimate financial viability in jeopardy.

All alternatives forfeit the potential new revenue stream, increase costs to the customer and place existing electric revenues from these customers in jeopardy.

Affected Parties:  Power Generation; Energy Trading and Contracts

Coordination:  Customer, Retail Product Delivery; Local Government

Presenter:  Ross Gould, Director, Power Generation

Additional Links:

SUBJECT  
SMUD/PG&E Gas Transmission Service Agreement;  
Exception to Energy Risk Management and Energy Trading Standards

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.
AS TRANSMISSION SERVICE AGREEMENT

BETWEEN

SACRAMENTO MUNICIPAL UTILITY DISTRICT

AND

PACIFIC GAS AND ELECTRIC COMPANY
GAS TRANSMISSION SERVICE AGREEMENT

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EXHIBIT A  Customers and Customer Volumes
GAS TRANSMISSION SERVICE AGREEMENT

1. PREAMBLE

This GAS TRANSMISSION SERVICE AGREEMENT ("Agreement") is entered into on this ______ day of ___________, 2020, by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a corporation organized and existing under the laws of the State of California, and SACRAMENTO MUNICIPAL UTILITY DISTRICT ("SMUD"), a municipal utility district organized and existing under the laws of the State of California, each referred to herein individually as a "Party" and collectively as "Parties".

2. EXPLANATORY RECITALS

2.1 WHEREAS, PG&E is a public utility providing wholesale and retail natural gas transmission and distribution services in northern and central California, including in SMUD’s electric utility service territory;

2.2 WHEREAS, SMUD is engaged in the business of generation, transmission and distribution of electric power to customers in the greater Sacramento area;

2.3 WHEREAS, PG&E has two customers in the City of Sacramento (the "Customers"), whose industrial facilities have historically been served by a PG&E high pressure gas transmission line with PG&E designation "Distribution Feeder Main 061102 and GCUST-5771 (the "Existing Line");

2.4 WHEREAS, the Existing Line will be taken out of service on or about March 18, 2020;

2.5 WHEREAS, SMUD owns and operates high-pressure gas transmission lines and related equipment to transport gas from a point of interconnection with PG&E’s gas transmission system at Winters, California, to SMUD’s electric generation station located in the vicinity of the Customer Sites, with SMUD designation “Lines 700 A and 700B” (the “SMUD Line”);

2.6 WHEREAS, to allow PG&E to continue serving the Customers economically and uninterruptedly upon the Existing Line being taken out of service, SMUD agrees to provide to PG&E high pressure gas transmission service at the Customers’ required volumes by means of a new SMUD-constructed and owned tap and short line for each Customer off of the SMUD-Line near the Customer Sites;

2.7 WHEREAS, the Parties acknowledge that SMUD is providing this service only to the extent that such provision does not burden SMUD’s electric customers or impose new undue regulatory burdens, limit future SMUD Board decisions related to these facilities, or significantly impede SMUD’s day-to-day operations of its gas transmission facilities for its own needs, including its existing biomethane program served from its local gas transmission facilities; and
2.8 WHEREAS, the Parties intend that in addition to compensation for services provided, SMUD shall be fully reimbursed for all costs it incurs in connection with this Agreement and the Gas Transmission Services provided hereunder, as further provided in Section 11; 

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency and adequacy of which are hereby acknowledged, the Parties agree to the following:

3. AGREEMENT

This Agreement provides the terms and conditions pursuant to which SMUD will provide Gas Transmission Service to PG&E. The Customer Volumes that are to be transported for PG&E by SMUD pursuant to this Agreement are listed in Exhibit A. This Agreement does not address the service relationship or financial obligations that may exist between PG&E and the Customers. PG&E shall continue to be responsible for gas service and any and all matters related to the Customers. PG&E will be responsible for having in place all of the necessary tariff and/or contractual relationships between itself and the Customers. SMUD shall only be responsible directly to PG&E for the provision of Gas Transmission Service to PG&E provided for pursuant to this Agreement.

4. DEFINITIONS

In addition to the terms that are highlighted with quotes in this Agreement, the following terms shall be defined terms and shall have the following definitions wherever used in this Agreement, where the singular of any defined term shall include the plural and the plural shall include the singular:

"Agreement" means this Gas Transmission Service Agreement.

"Customer Sites" means (a) the P&G facilities site(s) at [REDACTED] in the "Customer Sites"

"Customer Volumes" means the gas consumption volumes of the Customers listed in Exhibit A, up to the MCFH for each Customer specified in Exhibit A.

"Delivery Point" means, for each Customer Site, the PG&E equipment near the end point of SMUD's line 700B and specified as such in Exhibit A.

"Effective Date" means the later of (a) [REDACTED], 2020, and (b) such date as both Parties have indicated to the other that they have received necessary regulatory approvals, as provided in Section 24.2.

"Force Majeure Event" means any event beyond the reasonable control of and not due to the negligence of the Party claiming Force Majeure and which could not have been avoided by due diligence and use of reasonable efforts, including but not limited to drought, flood, tsunami,
earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, sabotage, explosions, strikes or labor disputes, the existence of hazardous waste, unforeseen subsurface conditions, sudden actions of the elements, orders or judgments of any governmental entity, or any changes in law.

"Gas Transmission Service" means gas transmission service that SMUD shall provide to PG&E for the transportation of PG&E gas, from the existing interconnection point of PG&E and SMUD's gas transmission systems at Winters, California, to the Customer Delivery Points, to satisfy the Customer Volumes.

"Good Utility Practice" means any of the practices, standards, methods, and acts generally engaged in or approved by the gas utility industry in the Western United States region during the relevant time period, or any of the practices, methods and acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the Western United States region.

"SMUD Facilities" means the high-pressure gas transmission lines and related equipment used by SMUD to provide Gas Transmission Service, including the SMUD Line and the dedicated facilities constructed by SMUD pursuant to Section 6.6.

5. TERM AND TERMINATION

5.1. Term. This Agreement shall commence on the Effective Date and shall remain in effect indefinitely unless otherwise terminated pursuant to Section 5.2.

5.2. Termination.

5.2.1. Discretionary Termination. Either Party may terminate this Agreement without cause by providing no less than 12 months advance written notice to the other Party stating its desire to terminate this Agreement and specifying the requested termination date. Such prior notice may be mutually waived upon written agreement of the authorized representatives of the Parties listed in Section 10.1. Without limiting the generality of the foregoing, and for the avoidance of doubt, SMUD may terminate under this Section 5.2.1, including but not limited to, under the following circumstances:

5.2.1.1. SMUD's Board of Directors adopts a decision to cease natural gas transmission over, or to decommission, all or any portion of the SMUD Facilities.

5.2.1.2. SMUD, at its discretion, determines it requires use of all or any portion of the SMUD Facilities in order to meet SMUD's long term load serving obligations to its electric customers.
5.2.2. Termination for Cause.

5.2.2.1. Either Party may terminate this Agreement immediately if either Party is prohibited by law from continued participation in this Agreement, or if such participation would result in the Party losing an exemption from regulation by the Federal Energy Regulatory Commission or other governmental authority, or if such participation would result in permanent loss by either Party of any certification(s) essential to that Party's operations. In such a case, the Party seeking to terminate this Agreement shall provide written notice to the other Party explaining the facts giving rise to its termination. The Parties shall seek to minimize any disruption of PG&E's service of Customer Volumes and shall use reasonable efforts to provide for PG&E's satisfaction of such Customer Volumes with an alternate source of high-pressure gas.

5.2.2.2. SMUD shall have the right to terminate this Agreement and cease providing Gas Transmission Services pursuant to this Agreement if:

i. PG&E fails to perform its material obligations under this Agreement. In such a case, SMUD shall provide PG&E with a written notice that describes the default and provides PG&E with the opportunity to cure the default. If PG&E does not cure the default within 30 days of receipt of such written notice (or 10 business days in the case of any payment obligation), SMUD may immediately terminate this Agreement, and shall be entitled to pursue any other right or other remedy that may be available under this Agreement or at law or equity.

ii. SMUD's provision of Gas Transmission Services to PG&E results in an adverse operational impact to SMUD which interferes with SMUD's service to its customers, and which, with reasonable efforts, cannot be resolved within 30 days, in which event SMUD may immediately terminate this Agreement.

5.2.3. At any time after the effective date of termination of this Agreement, SMUD shall have the right, but not the obligation, to remove any portion of the SMUD Facilities. PG&E will have no obligation to reimburse SMUD for the costs incurred by SMUD to remove such SMUD Facilities.

5.3. Payment Obligation after Termination:

5.3.1. Though this Agreement may be terminated, each Party's unsatisfied financial obligations set forth and incurred under this Agreement shall be preserved until satisfied.

5.3.2. Obligations incurred by either Party prior to the effective date of any termination shall survive the termination of this Agreement.
5.3.3. Final settlement of any gas delivery or compensation due to either Party shall be based on final meter readings of Customer Volumes.

5.4. Facility Termination Charge: Except as set forth in Section 5.3 (which sets forth the surviving payment obligations after termination), neither Party shall charge, or be owed by, the other Party for termination of this Agreement in accordance with Section 5.1 or 5.2.

6. GAS TRANSMISSION SERVICE

6.1. SMUD agrees to provide Gas Transmission Service to PG&E to assist PG&E in satisfying the Customer Volumes that are listed in Exhibit A.

6.2. Nothing in this Agreement shall preclude SMUD, at its discretion, from making any changes to its system; provided, however, that SMUD shall provide reasonable notice to PG&E prior to making any changes to the SMUD Facilities which may compromise the Gas Transmission Service.

6.3. SMUD shall coordinate in advance with, and provide reasonable notice to, PG&E with respect to any scheduled maintenance or repair to the SMUD Facilities which will or may result in an interruption of Gas Transmission Service. Such scheduled outages shall be in accordance with Section 7.

6.4. Notwithstanding any provision of this Agreement to the contrary, SMUD reserves the right to suspend or interrupt Gas Transmission Service at any time, without prior notice to PG&E or Customers if: (a) the continued provision of such Gas Transmission Service would likely result in, or reasonably be expected to lead to, an unsafe or dangerous condition, (b) the continued provision of Gas Transmission Service would likely result in, or is reasonably expected to lead to, a shortfall in SMUD's ability to meet its own load serving obligations to provide electric service within its territory, (c) SMUD is prevented from providing Gas Transmission Service by law, or (d) SMUD is prevented from providing such Gas Transmission Service due to a Force Majeure Event. SMUD shall promptly notify PG&E of the occurrence of any of the foregoing, as soon as practicable after the commencement thereof, which notice shall give particulars of the event, including the expected duration of the suspension or interruption. SMUD shall use commercially reasonable efforts to resume Gas Transmission Service hereunder as soon as practicable following the resolution of any such event.

6.5. SMUD shall have obtained, and shall maintain in full force and effect, all approvals, permits, consents and other authorizations from governmental or regulatory authorities which are necessary for the ownership, operation or maintenance of the SMUD Facilities.

6.6. SMUD is responsible for all activities and materials required for the construction and operation of the SMUD Facilities necessary to provide Gas Transmission Service, including the design, engineering, procurement, and construction of the SMUD Facilities, commissioning, testing and completion of the SMUD Facilities, and providing of materials, equipment, machinery, tools, labor, supervision and administration, all pursuant to standards set forth in this Agreement. SMUD covenants to construct and maintain the SMUD Facilities that are used
to provide Gas Transmission Service in accordance with Good Utility Practice such that it complies with applicable legal requirements.

6.7. Each Party shall upon receipt of at least five (5) business days prior notice from the other Party, and at mutually acceptable times during the other Party’s normal business hours, grant the requesting party reasonable access to the other Party’s Facilities and, if reasonably requested by the Party, provide a report on the status of the other Party’s Facilities, provided that such reports shall be limited based on data readily accessible to the Party in the course of its own operations.

6.8. Each Party and its representatives’ entry upon the rights of way or sites of the other Party’s Facilities will be at the entering Party’s sole risk and expense, and the entering Party will defend, indemnify and hold the other Party, including its directors, officers, agents, representatives and employees, harmless from claims, damages, costs and other liabilities arising from any such entry upon the rights of way or sites of the other Party’s Facilities.

7. GAS QUALITY

SMUD agrees to notify PG&E at least six (6) months prior to SMUD injecting any gas into the SMUD Facilities from a source other than PG&E. For clarity, SMUD is required to provide notice under this provision only once for each new source, and not on a continuing basis. The Parties shall cooperate to identify any permanent impact to the quality of gas available to PG&E to deliver to the Customers as a result of such injection.

8. PLANNED AND UNPLANNED OUTAGES

8.1 Continuity of Service. The Parties acknowledge and agree that the Gas Transmission Service will be subject to service interruptions (both planned and unplanned) from time to time. SMUD shall use the same commercially reasonable efforts it uses to provide continuity of service to itself and its own customers, to minimize the length and number of such Gas Transmission Service interruptions. Notwithstanding the foregoing, SMUD shall not be liable for any damages or losses resulting from such outages or interruptions of Gas Transmission Service.

8.2 Planned Outages. SMUD will use reasonable efforts to inform PG&E in advance of any scheduled outages and/or planned maintenance activities, including the estimated length of outage that would or could impact Customer Volumes that are being transported by SMUD for PG&E pursuant to this Agreement. If SMUD intends to make modifications, new facility additions, or long-term changes to operations on its system that may reasonably be anticipated to result in a material impact to the Customer Volumes that are being transported by SMUD for PG&E, SMUD will provide notice to PG&E.

8.3 Unplanned Outages. In the event of an unplanned outage, SMUD will use reasonable efforts to inform PG&E as soon as possible of the outage and provide an estimate (if possible) of when service will be restored. SMUD shall use commercially reasonable efforts consistent with Good Utility Practice to timely resolve any unplanned outage.
8.4 Notice to Customers of Outages. It is the responsibility of PG&E to contact Customers to provide notice of (a) any scheduled outages and/or planned maintenance activities that SMUD has coordinated with PG&E or provided PG&E notice of; and (b) any information that SMUD has provided to PG&E regarding any unplanned or unscheduled outage(s) that has impacted or may impact the Customer.

9. METERS, METER READINGS AND GAS CREDIT

9.1 PG&E will install, own, maintain, and read the revenue meters at the Customer Sites ("Meters").

9.2 PG&E will read the Meters daily to record the Customers' gas use and will, as early as possible, post the daily readings to Inside Tracc (or any successor system acceptable to SMUD). SMUD shall have the right to reach each Customer's Meter readings posted to Inside Tracc on a real time basis. SMUD may seek review of any posted Meter data, which review shall be promptly performed and resolved. Each day PG&E will deliver to SMUD at the Winters meter the volume of gas scheduled to be used by the Customers on the applicable day. SMUD will have no scheduling responsibility for the Customer Volumes.

9.3 PG&E's invoice for gas delivered to SMUD at the Winters meter will, each billing period, indicate a volume-denominated credit labeled ["Customers Credit"], which will be subtracted from the volume otherwise invoiced to SMUD. The credit will be the volume used by the Customers at the Customer Sites during the stated billing period. Both Parties acknowledge that Customers' actual use may impact metered flow at Winters for a day in an amount that is different than the Customers' Meters indicate. In the event SMUD incurs an OFO/EFO out of tolerance penalty, in whole or part caused by the Customers, the Parties will review and adjust or eliminate that penalty. PG&E will indemnify and hold SMUD harmless from and against, any and all costs, penalties, charges and expenses in excess of those that would have been applicable absent the Customer(s)' actions (including Customer(s)' use of gas from the SMUD Facilities).

9.4 The Parties shall cooperate with each other to investigate any potential metering errors that are raised by either Party. Either Party may request a historical review of meter data relevant to the Customer Volumes up to three years back from the then current date.

9.5 PG&E shall calibrate the Meters in accordance with Good Utility Practice, and SMUD may have its representative present at such calibrations. SMUD shall have the right to request a special calibration of any Meter at any reasonable time; however, if any such requested calibration shows that the Meter was registering within 2% of rated full scale meter capacity, then the cost of such requested special calibration shall be borne by SMUD. In the event any calibration of a Meter does not register within 1% at the average rate while flowing, the metering equipment shall be immediately restored to a condition of accuracy and the quantity of gas theretofore delivered and received shall be recalculated and corrected for any period where such inaccuracy was definitely known or agreed upon. If the period of time is not definitely known or agreed upon, then such recalculation shall only be made for a period covering one-half of the elapsed time since the last calibration test.
9.6 Risk of loss of gas within the SMUD Facilities shall be with SMUD and shall pass to PG&E upon delivery by SMUD at the respective Delivery Points. Passage of risk of loss of the gas delivered by PG&E to SMUD pursuant to Section 9.2 is outside the scope of this Agreement.

10. MANAGEMENT

10.1 Matters related to this Agreement shall be approved and coordinated through the following designated and authorized representatives of PG&E and SMUD:

PG&E

| Phone |

SMUD

| Phone |

10.2 For operational issues, coordination of planned outages, notice of unplanned outages, metering, and other technical considerations, the following are the designated and authorized representatives of PG&E and SMUD:

PG&E

| Phone |

SMUD

| Phone |

The above-listed authorized representatives may be modified by the applicable Party providing written notice of such modification of its representative(s) to the other Party. Changes will be effective upon the other Party’s receipt of such notice.

11. COST OF OWNERSHIP, OPERATION, MAINTENANCE

11.1 PG&E shall pay the full amount of any cost incurred by SMUD in connection with providing the Gas Transmission Service. PG&E shall pay all of the following amounts in this Section 11 to SMUD.

11.2 Prior to construction of any new SMUD Facilities, installations or improvements required to provide the Gas Transmission Service under this Agreement, SMUD will invoice and PG&E will pay in full directly to SMUD all amounts associated with the design, construction, and placing into service of such new SMUD Facilities, installations or improvements.

11.3 Prior to construction of any new SMUD Facilities, installations or improvements required to provide the Gas Transmission Service under this Agreement, SMUD will invoice and PG&E will pay in full directly to SMUD an amount calculated to cover SMUD’s

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maintenance costs for the estimated life expectancy of such new SMUD Facilities, installations or improvements. In addition, SMUD may invoice PG&E, and PG&E will pay such invoices in full directly to SMUD within 20 days of the date of the invoice, for any unusual, unexpected or extraordinary maintenance costs related to such new SMUD Facilities, installations or improvement, except to the extent that any such costs are caused by actions or inactions by SMUD inconsistent Good Utility Practice.

11.4 PG&E shall pay to SMUD each month, in arrears, an amount for the Gas Transmission Service for the preceding month. Such amount shall be paid on or before the last day of the month following the service, and shall be equal to one-half of the rate which on the Effective Date is called “Local Transmission or Surcharge (At Risk)” found in PG&E’s Gas Preliminary Statement Part B, Default Tariff Rate Components, at Sheet 12, or if such rate is no longer published, its replacement rate, or if there is no replacement rate, the closest comparable rate/component, in each case effective at the beginning of the month in which payment is due. This amount shall be reflected as a credit amount on the PG&E invoice created per section 9.3.

12. **OPTION TO SERVE OWN VOLUMES**

12.1 PG&E has the option at any time to construct, own, and operate the necessary facilities to provide service directly to any of the Customers. PG&E can elect to exclude any of the Customer Volumes that are listed in Exhibit A by providing a 30-day advance written notice to SMUD to no longer provide Gas Transmission Service with respect to any specified Customer Volume(s), starting on the date(s) set forth in the notice. Such notice will include proposed drafts of an amended Exhibit A reflecting the exclusion of said Customer Volume under this Agreement. Once such notice is received by SMUD, SMUD will have 20 days to confirm and acknowledge its agreement, and/or provide edits, to the proposed amended Exhibit A, with a note(s) stating the date(s) SMUD will cease providing Gas Transmission Service of the specified Customer Volume(s). The Parties will agree upon the final version of the amended Exhibit A within 30 days after the notice was initially received by SMUD, or at a later date as mutually agreed to by the Parties. Effective upon the stated date(s) that service is to cease, SMUD will no longer have any obligation under this Agreement in connection with the excluded Customer Volume(s); however, PG&E remains obligated to issue to SMUD the credit described in Section 9.3.

12.2 If PG&E elects to serve a Customer Volume as described in Section 12.1, PG&E has an obligation to pay SMUD all costs related to the disconnection of the applicable Customer(s) from the SMUD Facilities. SMUD will provide PG&E a breakdown of the costs incurred to disconnect the Customer(s). In no event shall SMUD be required to refund or otherwise make payment for any amounts paid to SMUD pursuant to Section 11, hereinabove.

13. **INDEMNITY**

Each Party, as indemnitor, will indemnify, defend, and hold harmless the other Party, including their directors, officers, agents, representatives and employees respectively, as indemnitee, against all claims, loss, damage, expense and liability asserted or incurred by the indemnitees, arising out of or in any way connected with the performance of this Agreement, to the extent that such loss, damage or liability is caused by the negligence or willful misconduct of the
indemnitor. It is the intent of the Parties hereto that, where negligence is determined to have been contributory, principles of comparative negligence will be followed and each Party shall bear the proportionate cost of any loss, damage, expense and liability attributable to that Party’s negligence.

14. LIMITATION ON LIABILITY

The Parties shall not be liable for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damages for any failure of performance related hereto howsoever caused, whether to that Party or any Party’s customer(s). Each Party shall provide and maintain devices and equipment to protect its own facilities, and as is necessary coordinate with the other Party the operation of such devices and equipment in order to: (a) protect its facilities from disturbances, and (b) prevent injury to its personnel while performing maintenance or repairs on the SMUD Facilities.

15. GOVERNING LAW

This Agreement shall be governed, construed and interpreted solely by the laws of the State of California without regard to conflict of laws provisions. In the event of litigation or disputes arising out of or in any way related to the performance of this Agreement, the Parties hereto agree submit to the jurisdiction of the Superior Court of Sacramento County, California, and shall comply with all requirements necessary to give such Court jurisdiction. It is further agreed that service of process in any such litigation may be made in the manner provided for in Section 415.40 of the California Code of Civil Procedure or in any other manner provided for in said code for service upon a person outside the State of California.

16. FORCE MAJEURE EVENT

16.1 If either Party because of a Force Majeure Event is unable to perform its obligations under this Agreement, that Party shall be excused from whatever performance is affected by the Force Majeure Event to the extent so affected, except as to obligations to pay money, provided that:

(a) The non-performing Party gives the other Party written notice describing the particulars of the occurrence as soon as is reasonably practicable.

(b) The suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure Event.

(c) The non-performing Party uses its Good Utility Practice to overcome or mitigate the effects of such occurrence.

16.2 When the non-performing Party is able to resume performance of its obligations under this Agreement that Party will not need to notify the other Party to that effect; but as an option, may elect to do so by telephone, email, fax, or via some other acceptable mode of business communication.
16.3 This Section 16 shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Party having the difficulty.

16.4 In the event a Party is unable to perform due to legislative, judicial, or regulatory agency action, this Agreement shall be renegotiated by the Parties if possible to maintain the same balance of benefits and comply with the legal change which caused the non-performance.

17. **DISPUTE RESOLUTION**

17.1 If a dispute shall arise between SMUD and PG&E relating to interpretation of this Agreement or performance of SMUD or PG&E under it, the Party desiring resolution of the dispute shall notify the other Party in writing. The notice shall set forth the matter in dispute in reasonable details and a proposed solution. Within 10 days of receipt of such writing the other Party shall respond to the statement of dispute in writing, including the other Party’s proposed solution. Notices shall be directed to the representatives in 10.1.

17.2 The representatives shall attempt to resolve any dispute within 30 days after delivery of the final written notice referred to above, or such other time as the Parties may agree to in writing. Any dispute not so resolved shall be referred by SMUD to an officer (or the officer’s designee) and by PG&E to an officer (or the officer’s designee) for resolution. If SMUD and PG&E fail to reach an agreement within 30 days after such referral, or such other period as the parties may agree to in writing, each shall have the right to pursue remedies under this Agreement as afforded by law.

18. **INCORPORATION**

Exhibit A is hereby incorporated into and made a part of this Agreement by this reference.

19. **ENTIRE AGREEMENT**

This Agreement, together with Exhibit A and any amendments, modifications, change orders, addendum and/or any other documents attached hereto and incorporated herein constitutes the entire agreement between the Parties hereto with respect to its subject matter, and no changes, alterations, or modifications hereof shall be effective unless made in writing and signed by duly authorized representatives identified in Section 10.1 of both Parties to this Agreement.

20. **NOTICES**

Any notice, demand, or request in accordance with this Agreement, unless otherwise provided herein, shall be in writing and shall be deemed properly served, given, or made if delivered in person or sent by first class United States mail, postage prepaid, by confirmed electronic facsimile or by prepaid commercial courier service to a Party via its contact at the address set forth in Section 10.1 or 10.2, as appropriate. All notices, demands, requests or other communications to a Party under this Agreement, shall be deemed to have been given (i) when delivered in person, (ii) when received by the addressee if sent by courier, (iii) on the date sent by facsimile (with
confirmation of transmission) if sent during normal business hours of the recipient and on the next business day if sent after such normal business hours, or (iv) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Any notice of a routine character in connection with communications necessary under this Agreement shall be given in such a manner as the Parties or their contacts may determine from time to time in writing, unless otherwise provided in this Agreement.

21. SEVERABILITY

If any provision of this Agreement is held to be void, voidable, unlawful or unenforceable, the remaining portions of this Agreement shall remain in full force and effect.

22. ASSIGNMENT

This Agreement may not be assigned by either Party to a third party without the other Party’s prior written consent; provided that, either Party may assign this Agreement to an affiliate or to an entity that obtains a controlling interest in said Party.

23. THIRD PARTY BENEFICIARIES

This Agreement is solely for the benefit of the Parties hereto, and, nothing in this Agreement, express or implied, is intended to or will confer upon any other person or entity, including, for elimination of doubt, the Customers, any right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

24. COMPLIANCE WITH LAW; REGULATORY

24.1 Both Parties shall observe and comply with all applicable laws, rules, order, ordinances, codes and regulations of governmental agencies, including federal, state, municipal and local governments and judicial bodies, having jurisdiction over the Parties or this Agreement.

24.2 This Agreement will only take effect when each Party, in its sole judgment, has received any and all necessary approvals from any governmental regulatory agency having jurisdiction over the actions and services contemplated hereby. Each Party agrees to notify the other Party when such condition is satisfied. In the event such necessary approvals are not received by both Parties within 180 days after the final execution of this Agreement, either Party may immediately terminate this Agreement by giving written notice to the other Party.

24.3 Each Party will have the continuing right at any time, in its sole discretion, to not provide delivery and/or accept receipt of any natural gas that would cause it to not meet its then current tariff rules or regulations relating to gas quality specifications, or other rules, regulations and/or requirements of any federal, state or local or other governmental agency, or that would preclude the Party from maintaining an exemption from regulation by any governmental authority.
IN WITNESS WHEREOF, the Parties hereto have each caused the Gas Transmission Service Agreement to be executed by their duly authorized representatives.

<table>
<thead>
<tr>
<th>Pacific Gas and Electric Company</th>
<th>Sacramento Municipal Utility District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name: ________________________</td>
<td>Name: ______________________________</td>
</tr>
<tr>
<td>Title: ________________________</td>
<td>Title: General Manager and CEO</td>
</tr>
<tr>
<td>Date: _________________________</td>
<td>Date: ______________________________</td>
</tr>
</tbody>
</table>

**Signature Page**
EXHIBIT A
CUSTOMERS, CUSTOMER VOLUMES AND DELIVERY POINTS

1.

2.

DRAFT
**Requested Action:** Approve proposed revisions to *Strategic Direction SD-9, Resource Planning*.

**Summary:** SMUD’s Integrated Resource Plan, adopted in October of 2018, set a goal for SMUD to be carbon neutral by 2040. An element of this plan focused on offsetting generation emissions by accomplishing an additional 1,000,000 tonnes of building and vehicle emissions reductions by 2040. SD-9 addresses SMUD’s carbon reduction goals, as well as includes a specific energy efficiency metric. This board action addresses the additional incremental carbon reduction that will come from buildings. The proposal is to transition from our current GWh metric to a carbon metric; it also establishes building-specific carbon reduction goals aligned to our IRP goals. A copy of the proposed revisions is attached in redline format.

**Board Policy:** SD-9, Resource Planning

**Benefits:** Aligns building efficiency programs under a common metric of carbon and allows for tradeoffs between traditional energy efficiency and building electrification programs to most cost effectively meet SMUD’s 2040 net zero carbon goal. Increases overall carbon savings achieved by efficiency programs (inclusive of building electrification) to more than double their current levels by 2030.

**Cost/Budgeted:** N/A

**Alternatives:** Adopt a different carbon metric, maintain existing GWh metric and/or adopt a completely different metric.

**Affected Parties:** Forecasting and Economic Analysis, Distributed Energy Strategy, Energy Trading & Contracts, Power Generation, Grid Planning, Grid Operations, Advanced Energy Solutions

**Coordination:** Resource Planning and Pricing

**Presenter:** Rachel Huang, Director, Energy Strategy, Research & Development

**Additional Links:**

**SUBJECT** Proposed Revisions to Strategic Direction SD-9, Resource Planning

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.
SMUD BOARD POLICY

<table>
<thead>
<tr>
<th>Category: Strategic Direction</th>
<th>Title: Resource Planning</th>
</tr>
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<tbody>
<tr>
<td>Policy Number: SD-9</td>
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Adoption Date: May 6, 2004

Revision: May 6, 2004
Resolution No. 04-05-11

Revision: September 15, 2004
Resolution No. 04-09-11

Revision: May 17, 2007
Resolution No. 07-05-10

Revision: December 18, 2008
Resolution No. 08-12-15

Revision: November 19, 2009
Resolution No. 09-11-08

Revision: May 6, 2010
Resolution No. 10-05-03

Revision: May 19, 2011
Resolution No. 11-05-05

Revision: December 20, 2012
Resolution No. 12-12-12

Revision: October 3, 2013
Resolution No. 13-10-09

Revision: September 17, 2015
Resolution No. 15-09-11

Revision: October 20, 2016
Resolution No. 16-10-14

Revision: October 18, 2018
Resolution No. 18-10-11

Revision: January 16, 2020
Resolution No. 20-01-##

It is a core value of SMUD to provide its customers and community with a sustainable power supply through the use of an integrated resource planning process. A sustainable power supply is defined as one that reduces SMUD's net long-term greenhouse gas (GHG) emissions to serve retail customer load to Net Zero by 2040. Net Zero is achieved through investments in vehicle and building electrification, energy efficiency, clean distributed resources, renewables portfolio standard (RPS) eligible renewables, large hydroelectric generation, and biogas. SMUD shall assure reliability of the system, minimize environmental impacts on land, habitat, water quality, and air quality, and maintain a competitive position relative to other California electricity providers.
To guide SMUD in its resource evaluation and investment, the Board sets the following interim goal:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Greenhouse Gas Emissions (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2,318,000</td>
</tr>
<tr>
<td>2030</td>
<td>1,350,000</td>
</tr>
<tr>
<td>2040</td>
<td>Net Zero</td>
</tr>
<tr>
<td>2050</td>
<td>Net Zero</td>
</tr>
</tbody>
</table>

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

a) SMUD’s goal is to achieve Energy Efficiency equal to 15% of retail load over the next 10-year period. On an annual basis, SMUD will achieve energy efficiency savings of 1.5% of the average annual retail energy sales over the three-year period ending with the current year. Achieve overall energy efficiency for our customers to maximize carbon reduction consistent with our Net Zero carbon target.

To do this, SMUD will acquire as much cost effective and reliable energy efficiency as feasible through programs that optimize value across all customers. SMUD shall support additional energy efficiency acquisition by targeting one percent (1%) of retail revenues for above market costs associated with education, market transformation, and programs for hard to reach or higher cost customer segments. The market value of energy efficiency will include environmental attributes, local capacity value and other customer costs reduced by an efficiency measure. We are establishing the following goals for carbon reduction associated with building decarbonization:

<table>
<thead>
<tr>
<th>Year</th>
<th>Attributable Building Decarbonization (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2030</td>
<td>75,000</td>
</tr>
<tr>
<td>2040</td>
<td>330,000</td>
</tr>
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</table>

b) Provide dependable renewable resources to meet 33% of SMUD’s retail sales by 2020, 44% by 2024, 52% by 2027, and 60% of its retail sales by 2030 and thereafter, excluding additional renewable energy acquired for certain customer programs.

c) In meeting GHG reduction goals, SMUD shall emphasize local and regional environmental benefits.

d) SMUD will continue exploring additional opportunities to accelerate and reduce carbon in our region beyond the GHG goals in this policy.

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

Monitoring Method: GM Report
Frequency: Annual
# BOARD AGENDA ITEM

## STAFFING SUMMARY SHEET

<table>
<thead>
<tr>
<th>TO</th>
<th>TO</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>Nicole Howard</td>
</tr>
<tr>
<td>2.</td>
<td>Frankie McDermott</td>
</tr>
<tr>
<td>3.</td>
<td>Stephen Clemons</td>
</tr>
<tr>
<td>4.</td>
<td></td>
</tr>
<tr>
<td>5.</td>
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<tr>
<th>Consent Calendar</th>
<th>Yes</th>
<th>x</th>
<th>No if no schedule a dry run presentation</th>
<th>Budgeted</th>
<th>Yes</th>
<th>No (If no, explain in Cost/Budgeted section)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FROM (IPR) DEPARTMENT MAIL</td>
<td>Brandon Rose / Donna Lofton</td>
<td>Board Office</td>
<td>MAIL STOP B307</td>
<td>EXT. 5079</td>
<td>DATE SENT 12/23/19</td>
<td></td>
</tr>
</tbody>
</table>

**NARRATIVE:**

**Requested Action:** Provide a summary of committee direction from the Board to Staff.

**Summary:** During a Board discussion at the January 2017 Policy Committee, the Board requested having an on-going opportunity to do a 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. Policy Committee Chair, Dave Tamayo, 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 what 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:** Brandon Rose, ERCS Committee Chair

**Additional Links:**

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**SUBJECT**

Summary of Committee Direction