Exhibit to Agenda Item #1

Authorize the Chief Executive Officer and General Manager to negotiate and execute:

a. A three-and-one-half-year contract renewal and expansion to $150 million with Barclays Bank for a Letter of Credit that supports the outstanding Commercial Paper Series L, with terms substantially similar to the attached term sheet.

b. A three-year contract renewal and expansion to $150 million with Bank of America, N.A. for a Letter of Credit that supports the outstanding Commercial Paper Series M, with terms substantially similar to the attached term sheet.

c. A four-year contract with Wells Fargo Bank, N.A. for a new Line of Credit that supports a new $100 million Line of Credit Series N, with terms substantially similar to the attached term sheet.
Commercial Paper Characteristics
What is it and how is it used?

Commercial paper is a form of short-term capital borrowing typically issued with 30 to 270 days until maturity

• Primarily issued as Tax-exempt but can be Taxable
• Can be reissued or "rolled" at expiration or refunded with long term debt
• Due to short term nature and based on an index at the time of borrowing, commercial paper is a form of variable rate debt
Commercial Paper Program Benefits

Flexibility to fund capital spending as it arises
• Supports expanded capital spending in support of 2030 Zero Carbon Plan
• Access to capital in a shorter lead time

Lower initial costs vs. long-term fixed rates
• Allows for market timing flexibility to refund with long term fixed-rate bonds
• Provides for better initial asset-liability matching of costs with interest earnings

Additional liquidity viewed favorably by the ratings agencies
• Liquidity provides a form of self-insurance that is less costly than increasing coverage
Credit Facilities – Letters and Lines of Credit
What are they and how do they work?

Letter of Credit (LOC) is a bank guarantee that supports the commercial paper program
• Provides investor with safety knowing SMUD has bank liquidity to pay them back if markets are disrupted on maturity
• Without a letter of credit SMUD cannot issue commercial paper

Line of Credit (Line) is a bilateral agreement with a bank
• Provides SMUD with safety and liquidity not dependent on markets functioning
• Allows us to borrow on demand directly from the bank instead of from an investor
10 Banks responded with proposals for various product types and durations from three to five years.

- 7 Letter of Credit responses with fees ranging from 0.24% to 0.50% (current program fees average 0.37%)
- 3 Line of Credit/Standby facility responses with fees ranging from 0.17% to 0.375%
- SMUD chose to ladder (stagger) expirations as a risk mitigation

The banks and products selected will have average fees of 0.24%
Benefits of restructuring:

- Increases SMUD liquidity especially in turbulent markets
- Results in savings from lower fees
- Better portfolio diversification while total program stays the same size

**Current & Restructured Letter/Line of Credit Portfolio**

**Current $400 Million**
- Bank of America: $111.25M
- Barclays: $100.00M
- State Street: $188.75M

**Proposed $400 Million**
- Bank of America: $150.00M
- Barclays: $150.00M
- State Street: $100.00M
- Wells Fargo: $150.00M
Program Costs

• Due to strong credit ratings and banking relationships, SMUD was able to secure very strong pricing
  • Program reallocation saves $500k annually and is well below current budget

• Increases liquidity during market disruptions such as Covid in March 2020 or Winter Storm Uri in February 2021

Bank Fees Forecast

- 2021: $1,500,000
- 2022: $1,000,000
- 2023: $500,000
- 2024: $0

- Bank of America
- Barclays
- Wells Fargo
- State Street
Questions