Exhibit to Agenda Item #3a
Energy Delivery & Operations 2023 Proposed Budget.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, November 8, 2022, scheduled to begin at 5:30 p.m.
Virtual Meeting (online)
Energy Delivery & Operations
2023 Proposed Budget & Initiatives

Frankie McDermott
Chief Operating Officer
<table>
<thead>
<tr>
<th>Customer &amp; Community Services</th>
<th>Energy Delivery &amp; Operations</th>
<th>Zero Carbon Energy Solutions</th>
<th>Enterprise Strategy</th>
<th>Information Technology</th>
<th>Workforce, Diversity &amp; Inclusion</th>
<th>Corporate / Enterprise</th>
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<tr>
<td>Customer Operations</td>
<td>Distribution Planning &amp; Ops</td>
<td>Advanced Energy Solutions</td>
<td>Revenue Strategy</td>
<td>Infrastructure &amp; Operations</td>
<td>Diversity, Equity &amp; Inclusion</td>
<td>Finance</td>
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<td>Community Energy Services</td>
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<td>Commodity, Procurement &amp; Sales</td>
<td>Customer &amp; Grid Strategy</td>
<td>Strategy &amp; Innovation</td>
<td>Sustainable Communities</td>
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<td>Business Performance &amp; Optimization</td>
<td>Strategic Services &amp; PMO</td>
<td>Operational Excellence</td>
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November 8, 2022
Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
2023 Proposed Budget

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<tr>
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<th>2022 Budget</th>
<th>2023 Proposed</th>
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<tbody>
<tr>
<td>O&amp;M</td>
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<tr>
<td>Capital</td>
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<td>Allocated</td>
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Economic growth, external market conditions, and infrastructure investments are driving our 2023 budget

- Safety is our top priority
- Changing landscape of residential and commercial demand
- Grid modernization
- Investments driven by growth and reliability
- Accelerating Operational Excellence across the enterprise
- Workforce strategy
Safety is the cornerstone of all that we do

- Safety for Life culture
- Soft tissue/ergonomics, Serious Injury Fatality (SIF) mitigation enhancements
- Safety Management System (SMS)
- Contractor and Public Safety
- Safety principles integration into evolving workforce
- Operational support during adverse events
Economic growth, external market conditions, and infrastructure investments are driving our 2023 budget

- Residential development slowing, while commercial development maintains current pace
- Increased electrification
- Cost increases for material and labor
- Supply chain constraints
- Large increase in Substation work in 2023/2024
  - The 2023 budget includes the beginning stages of large multi-year projects which will see significant capital investments in 2024 and beyond
Transforming and maintaining a safe and reliable grid

• Transmission & Distribution Substation additions and asset replacements
  ▪ Substation Transformers & Circuit Breakers

• Cable & pole replacement programs

• Wildfire Mitigation Plan

• Vegetation Management

• Utilize advanced technologies to improve imagery and inspection in our maintenance processes
Transforming and maintaining a safe and reliable grid

- Substation projects – 34 construction projects in 2023, which is a 42% increase over the 24 projects completed in 2022
- Load growth - 6 projects
  - Delta Shores, Meister-Lonetree, Station H, Whiterock-Sunrise Bank #2, Rio Del Oro, Cordova Hills
- Reliability - 28 projects
  - Examples include Station G, Hurley Bus-Tie, Frienza – Albatross, Requa-Fawn #2, Truxel #2, White Rock Folsom #2
- 40 additional projects that begin design and engineering work in 2023 and construction in 2024 and beyond (e.g. Elverta Bulk Substation)
Workforce Optimization is improving efficiencies and reducing costs

Workforce Optimization (WFO)

- Improved work cycle times with dynamic scheduling and a reduction in manual processes
- Realized annual savings of $3.4M to date, with $37.5M projected over the next 5 years
- Implemented Use Cases for 7 work groups and integrations with SAP and Documentum (Document Management)
- Planning for additional 14 work groups
Enterprise-wide Operational Excellence (OpEx)

2022 OpEx Results Achieved by the Business Units

- 183 initiatives focusing on cost reductions, efficiency/productivity gains, increased revenue/income, and/or cost avoidance:
  - $99.2M in Completed Initiatives through September 2022
  - $54.6M of Additional In-Flight Initiatives being pursued

2023 Focus Areas

- Execute high-impact cost & efficiency improvement initiatives
- Align OpEx processes to company, business unit, and individual performance goals
- Implement Enterprise level productivity & efficiency metrics with industry benchmarks
- Drive Operational Excellence skill development

A collaborative effort between Energy Trading & Contracts and Power Generation earlier this year led to an estimated $1.2 million in savings and increased operational flexibility at Icehouse and Union Valley Reservoirs in the UARP
Grid Modernization

Foundational
- Advanced Distribution Management System (ADMS) and Distributed Energy Resource Management System (DERMS) Phase 2
- Annual reliability assessment for Zero Carbon Plan
- integrated Distribution Resource Plan (iDRP)

Transformational
- Utility scale renewable interconnections
- Behind the Meter (BTM) Distributed Energy Resources (DERs)
Environmental Leadership

• Sustainable Operations Plan
• Habitat Conservation Plan
• Remediation Efforts/cleanup
• Substation/other California Environmental Quality Act (CEQA)
• Environmental Compliance and Permit Support
• Thermal Transition Team
Workforce Strategy

- Tight labor market for skilled trades
- Sustainable local workforce
- Creating new pathways to SMUD opportunities
- Building our skilled workforce through our entry level and Apprentice programs
- Powering Careers, a skilled trades program in partnership with our community:
  - Six-week program
  - Partnering with other companies
  - SMUD extended Utility Assistant jobs to 6 of the 16 program graduates
# 2023 Proposed Budget

## Major Budget Items

### O&M – Major O&M Categories
- **Grid Line**
  - Vegetation Management: $59.0M
  - Corrective Maintenance: $28.1M
  - Field Operations: $12.6M
- Transmission Planning & Operations: $30.2M
- Distribution Planning & Operations: $21.6M
- Substation Design, Preventative and Corrective Maintenance: $19.1M

### Capital – Major Capital Categories
- **Grid Line**
  - Distribution Projects: $33.1M
  - New Services: $23.7M
  - Pole Replacements: $21.8M
  - Cable Replacement: $18.4M
- **Substation**
  - Substation Improvements: $26.8M
  - Substation Capacity: $19.2M
  - Substation Modification: $12.4M

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Questions?