SMUD BOARD POLICY

<table>
<thead>
<tr>
<th>Category: Strategic Direction</th>
<th>Title: DIVERSIFIED BUSINESS</th>
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<tr>
<td>Date of Adoption: December 21, 2017</td>
<td>Resolution No. 17-12-05</td>
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<tr>
<td>Revised: March 21, 2019</td>
<td>Resolution No. 19-03-03</td>
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Broadening and diversifying the products and services that SMUD offers is a key value. The desired results are to: a) generate new revenues that contribute to SMUD’s long-term financial health; b) spur the creation of innovative products and services; c) capture the value of SMUD’s brand and intellectual property; d) better leverage and optimize SMUD’s assets; and e) enable SMUD to continue to attract and retain a talented workforce.

Therefore:

a) SMUD shall broaden and diversify its lines of business, which may include:

i) Being an external service provider;

ii) Expanding wholesale energy market opportunities;

iii) Capitalizing on intellectual property and assets to develop products and services either solely or through strategic partnerships;

iv) Selling products and services aligned with SMUD’s purpose and Strategic Directions.

b) SMUD shall ensure any new lines of business:

i) Benefit SMUD’s customers and our community;

ii) Achieve a balanced, diversified portfolio of rewards and risks;

iii) Create economic value without compromising SMUD’s financial health;

iv) Do not pose unreasonable risk to SMUD’s reputation;

v) Align with, leverage, and optimize SMUD’s strengths, assets and expertise;

vi) Position SMUD for the future.

Monitoring Method: GM Report
Frequency: Annual