RESOLUTION NO. 20-12-11

WHEREAS, SMUD has long worked with companies to innovate products and services to enhance affordability and reliability of electrical energy service; and

WHEREAS, in 2018 this Board adopted an Integrated Resource Plan (IRP), with an ambitious goal of carbon neutrality by 2040, which will require several billions of dollars of investments in renewable power resources, other assets, and programs; and

WHEREAS, in 2020 this Board adopted a Climate Emergency Declaration in which the Board committed to work toward carbon neutrality by 2030 and to collaboratively find creative solutions to eliminate greenhouse gas (GHG) emissions until a safe atmosphere is restored; and

WHEREAS, substantial investment will be needed in new technologies, grid modernization, energy resources, and electric transportation to meet SMUD’s and California’s carbon reduction and clean energy goals; and

WHEREAS, section 12773 of the California Public Utilities Code (“Municipal Utility District Act”) authorizes SMUD to operate a pilot project, effective until January 1, 2025, under which it may hold nonstock security in a corporation or other private entity, if such security is acquired as part of a procurement of goods or services from that entity, provided no separate funding is expended solely for the nonstock security; and

WHEREAS, under the pilot project, SMUD may acquire up to three (3) nonstock security instruments wherein the value of each security (e.g., number of units
multiplied by the unit price) at the time of acquisition by SMUD does not exceed three (3) percent of SMUD’s annual revenue in the fiscal year of the acquisition; and

WHEREAS, prior to SMUD exercising the authority to implement the pilot project, the Board must adopt a policy governing the acquisitions to address, at a minimum, conflicts of interest, an approval process, and procedures to ensure the security acquisition does not unduly affect the price of the underlying goods and services, and that SMUD receives a reasonable return for any underlying use of its intellectual property or other SMUD resources; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT:

Section 1. That it is the intent of this Board to exercise the authority in section 12773 of the Municipal Utility District Act, and hereby establishes the Nonstock Security Pilot Project Program, as set forth in Attachment H hereto, to hold nonstock security in a corporation or other private entity if acquired as part of a procurement of goods or services from that entity.

Section 2. That this Board finds that the Nonstock Security Pilot Project Program furthers SMUD’s public purposes as an electric utility and to develop programs that encourage economic development for the benefit of SMUD ratepayers, and that it is in the best interest of SMUD ratepayers and the public for SMUD to acquire nonstock security in a corporation or other private entity because doing so will help:

- Promote carbon reduction, clean energy and other technologies that will help foster a better environment for the Sacramento community and beyond
- Fairly compensate ratepayers for their community investment in development of such technologies by creating a revenue stream that may potentially offset future rate increases
- Attract businesses to the SMUD service area, which in turn may lead to job growth in the Sacramento region

**Section 3.** That this Board hereby establishes a policy consistent with section 12773 of the Municipal Utility District Act, to govern the acquisition of nonstock security in a corporation or other private entity, that includes: (1) preventing conflicts of interest and violations of Article 4 (commencing with Section 1090) of Chapter 1 of Division 4 of Title 1 of the Government Code; (2) determining how much of an acquisition to accept in lieu of, or in addition to, other forms of remuneration, in order to ensure SMUD secures a reasonable return on any intellectual property or other resources it provides the private entity; (3) approval process for accepting any acquisitions; and (4) ensuring acquisition of a nonstock security does not unduly influence the amount paid for the associated goods and services.

**Section 4.** The Chief Executive Officer and General Manager, or his designee, is hereby directed to implement the **Nonstock Security Pilot Project Program** and procedures in **Attachment H** consistent with this policy.

Approved: December 10, 2020