Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

Date:	Tuesday, March 18, 2025
Time:	Scheduled to begin at 6:00 p.m.
Location:	SMUD Headquarters Building, Auditorium 6201 S Street, Sacramento, CA

Powering forward. Together.

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AGENDA
BOARD FINANCE & AUDIT COMMITTEE MEETING
AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

Tuesday, March 18, 2025
SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, California
Scheduled to begin at 6:00 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 Finance & Audit Committee will review, discuss and provide the Finance & Audit Committee's recommendation on the following:

Virtual Viewing or Attendance:
Live video streams (view-only) and indexed archives of meetings are available at:
http://smud.granicus.com/ViewPublisher.php?view_id=16

Zoom Webinar Link: Join Board Finance & Audit Committee Meeting Here
Webinar/Meeting ID: 161 117 6075
Passcode: 557532
Phone Dial-in Number: 1-669-254-5252 or 1-833-568-8864 (Toll Free)

Verbal Public Comment:
Members of the public may provide verbal public comment by:

- Completing a sign-up form at the table outside of the meeting room and giving it to SMUD Security.
- Using the "Raise Hand" feature in Zoom (or pressing *9 while dialed into the telephone/toll-free number) during the meeting at the time public comment is called. Microphones will be enabled for virtual or telephonic attendees when the commenter's name is announced.

Written Public Comment:
Members of the public may provide written public comment on a specific agenda item or on items not on the agenda (general public comment) by submitting comments via email to PublicComment@smud.org or by mailing or bringing physical copies to the meeting. Email is not monitored during the meeting. Comments will not be read into the record but will be provided to the Board and placed into the record of the meeting if received within two hours after the meeting ends.

INFORMATIONAL ITEMS

1.	Aaron Worthman, CPA PRINCIPAL BAKER TILLY US, LLP Bethany Ryers, CPA, M.A.S. PRINCIPAL BAKER TILLY US, LLP	SMUD's 2024 Financial Statements Independent Audit Report. Presentation: 10 minutes Discussion: 5 minutes
2.	Lisa Limcaco	SMUD's Financial Results for the year 2024. Presentation: 5 minutes Discussion: 2 minutes
3.	Lisa Limcaco	Provide the Board with SMUD's financial results from the one-month period ended January 31, 2025, and a summary of SMUD's current Power Supply Costs. Presentation: 5 minutes Discussion: 2 minutes

DISCUSSION ITEMS

4.	Alcides Hernandez	Discuss approval of June 4, 2025, as the Public Hearing date for considering the **Chief Executive Officer and General Manager's Report and Recommendation ("CEO & GM Report") on Rates and Services (Volumes 1 and 2)** dated March 20, 2025, and the **CEO & GM Report on Open Access Transmission Tariff (Volumes 1 and 2)** dated March 20, 2025. Presentation: 12 minutes Discussion: 10 minutes

INFORMATIONAL ITEMS (*cont.*)

5.	Public Comment.	
6.	Rob Kerth	Summary of Committee Direction. Discussion: 1 minute

Members of the public shall have up to three (3) minutes to provide public comment on items on the agenda or items not on the agenda, but within the jurisdiction of SMUD. The total time allotted to any individual speaker shall not exceed nine (9) minutes.

Members of the public wishing to inspect public documents related to agenda items may click on the Information Packet link for this meeting on the smud.org website or may call 1-916-732-7143 to arrange for inspection of the documents at the SMUD Headquarters Building, 6201 S Street, Sacramento, California.

ADA Accessibility Procedures: Upon request, SMUD will generally provide appropriate aids and services leading to effective communication for qualified persons with disabilities so that they can participate equally in this meeting. If you need a reasonable auxiliary aid or service for effective communication to participate, please email Toni.Stelling@smud.org, or contact by phone at 1-916-732-7143, no later than 48 hours before this meeting.

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BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

SSS No.	Committee Meeting & Date	Board Meeting Date
ACC 25-003	March 18, 2025 Finance & Audit	March 20, 2025

	TO		TO
1.	Lisa Limcaco	6.	
2.	Jose Bodipo-Memba	7.	
3.	Scott Martin	8.	
4.	Lora Anguay	9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	x	**No** *If no, schedule a dry run presentation.*	**Budgeted**	x	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Mike Wilson	Accounting	B352	5743	2/25/25

NARRATIVE:

Requested Action: SMUD's 2024 Financial Statements Independent Audit Report.

Summary: SMUD's external auditor, Baker Tilly US, LLP, will present an informational overview of the 2024 financial statements independent audit report. SMUD's financial statements are required to be audited by an external auditor annually, to access credit markets.

Board Policy: *(Number & Title)* Governance Process GP-14, External Auditor Relationship, and Strategic Direction SD-3, Access to Credit Markets.

Benefits: Provide information to the Board of Directors regarding the results of the independent audit of SMUD's 2024 financial statements by SMUD's external auditor.

Cost/Budgeted: Cost is included in Baker Tilly US, LLP's contract.

Alternatives: Provide information from Baker Tilly US, LLP to the Board outlining the 2024 financial statements independent audit report.

Affected Parties: SMUD

Coordination: Accounting

Presenter: Aaron Worthman, CPA, Principal, Baker Tilly US, LLP
Bethany Ryers, CPA, M.A.S., Principal, Baker Tilly US, LLP

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
SMUD 2024 Financial Statements External Audit Report	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Aaron Worthman, CPA
Principal, Baker Tilly US, LLP

Aaron Worthman, principal and leader of the power and utilities team, has been with Baker Tilly since 1998. Aaron specializes in serving Tribal, governmental and utility entities. His experience includes performing financial audits and agreed-upon procedure reviews as well as preparing rate studies, cost of service studies, rate designs and financial forecasts.

Bethany Ryers, CPA, M.A.S.
Principal, Baker Tilly US, LLP

Bethany Ryers is a principal with Baker Tilly's energy and utilities practice, has been with the firm since 2006. She specializes in providing auditing, accounting and advisory services to utilities. She also assists with financial and capital forecasts, rate studies and impact fees.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Sacramento Municipal Utility District (SMUD), which comprise the statement of net position as of December 31, 2024, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SMUD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SMUD's internal control. Accordingly, we do not express an opinion on the effectiveness of SMUD's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SMUD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
March 7, 2025

Reporting and insights from the 2024 audits:

Sacramento Municipal Utility District and Sacramento Municipal Utility District – Joint Power Authorities (JPAs)

December 31, 2024

Executive summary

March 7, 2025

The Board of Directors
Sacramento Municipal Utility District (SMUD) and SMUD JPAs
6201 S Street
Sacramento, California 95817

We have completed our audits of the financial statements of Sacramento Municipal Utility District (SMUD), SMUD Financing Authority (SFA), Northern California Gas Authority No. 1 (NCG1) and Northern California Energy Authority (NCEA) (collectively referred to as SMUD JPAs) for the year ended December 31, 2024, and have issued our reports thereon dated March 7, 2025. This letter presents communications required by our professional standards.

Your audits should provide you with confidence in your financial statements. The audits were performed based on information obtained from meetings with management, data from your systems, knowledge of your operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audits.

Additionally, we have included information on key risk areas SMUD and SMUD JPAs should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organizations' financial stability and future planning.

If you have questions at any point, please connect with us:

- Aaron Worthman, Principal: Aaron.Worthman@bakertilly.com or +1 (512) 975 7281
- Ryan O'Donnell, Director: Ryan.Odonnell@bakertilly.com or +1 (608) 240 2606

Sincerely,

Baker Tilly US, LLP

Aaron Worthman

Aaron Worthman, CPA, Principal

Ryan O'Donnell

Ryan O'Donnell, CPA, Director

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of SMUD and SMUD JPAs' internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing opinions based on our audits about whether the financial statements prepared by management, with the oversight of the Board of Directors:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America.
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards* (SMUD only).
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements.
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs.
- Our audits do not relieve management or the Board of Directors of their responsibilities.

We are also required to communicate significant matters related to our audits that are relevant to the responsibilities of the Board of Directors, including:

- Internal control matters
- Qualitative aspects of SMUD and SMUD JPAs' accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the SMUD and SMUD JPAs' and environment in which you operate, we focused our audits on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audits was determined based on specific qualitative and quantitative factors combined with our expectations about SMUD and SMUD JPAs' current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audits, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinions
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinions

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities (assets)	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures
Regulatory debits and credits	Accrued liabilities	Derivative instruments
Asset retirement obligations	Information technology	Pollution remediation liabilities
Lease accounting	SBITA accounting	

Internal control matters

We considered SMUD and SMUD JPAs' internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing opinions on the financial statements. We are not expressing an opinion on the effectiveness of SMUD and SMUD JPAs' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by SMUD and SMUD JPAs' are described in Note 2 to the financial statements. As described in Note 2 and 3, SMUD changed accounting policies related compensated absences by adopting Government Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* in 2024. The impact was insignificant, and therefore the change was not retroactively applied to the prior period presented. No other new accounting policies were adopted, and the application of existing accounting policies was not changed during 2024. We noted no transactions entered into by SMUD and SMUD JPAs' during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Fuel hedges	Evaluations based on future forward pricing using third party specialist	Reasonable in relation to the financial statements as a whole
Interest rate swaps	Evaluations based on discounted expected cash flows at corresponding zero coupon rate	Reasonable in relation to the financial statements as a whole
Net pension asset, liability and related deferrals	Evaluation of information provided by the CALPERS Retirement System	Reasonable in relation to the financial statements as a whole
Asset retirement obligation	Evaluation based on current value of future outlays expected to be incurred	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Net/Total OPEB asset, liability and related deferrals	Key assumptions set by management with the assistance of a third party	Reasonable in relation to the financial statements as a whole

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole
Subscription assets/liabilities	Evaluation of subscriptions by management and incremental borrowing rate used for present value calculation	Reasonable in relation to the financial statements as a whole
Pollution remediation obligation	Evaluation based on current value of future outlays expected to be incurred	Reasonable in relation to the financial statements as a whole
Unbilled revenue	Evaluation volume used by customers from their last billing date through the end of the month	Reasonable in relation to the financial statements as a whole
Accrued compensation absences	Evaluation of hours earned and accumulated in accordance with employment policies and average wage per hour rates	Reasonable in relation to the financial statements as a whole
Accrued liabilities	Evaluation of estimates made by management of internal departments for invoiced to be received post-closing for services related to the prior period	Reasonable in relation to the financial statements as a whole
Lease right-to-use assets, and related deferrals	Evaluation based on present value of expected future lease payments	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for SMUD or SMUD JPAs' or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audits

We encountered no significant difficulties in dealing with management and completing our audits.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' reports. We are pleased to report that no such disagreements arose during the course of our audits.

Audit report

There have been no departures from the auditors’ standard reports.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audits, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SMUD and SMUD JPAs’ auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in documents containing audited basic financial statements

SMUD and SMUD JPAs’ audited financial statements are “general purpose” financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit reports, we have no further obligation to update our reports for events occurring subsequent to the date of our reports. SMUD and SMUD JPAs’ can use the audited financial statements in other client prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit reports, as well as to issue an auditor’s acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains appropriate.

Management’s consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letters.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audits.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

Fraud

We did not identify any known or suspected fraud during our audits.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of SMUD and SMUD JPAs' ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditors' reports. No such matters or conditions have come to our attention during our engagements.

Independence

We are not aware of any relationships between Baker Tilly and SMUD and SMUD JPAs' that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audits in connection with the SMUD and SMUD JPAs' related parties.

Other matter

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at https://www.bakertilly.com/page/audit-committee-resource-center.

Management representation letter

SMUD®

March 7, 2025

Baker Tilly US, LLP
4807 Innovate Ln
Madison, WI 53718

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the general purpose financial statements of the Sacramento Municipal Utility District as of December 31, 2024 and 2023 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Sacramento Municipal Utility District and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all blended component units and other information of the Sacramento Municipal Utility District required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

10) Guarantees, whether written or oral, under which the Sacramento Municipal Utility District, is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the Board of Directors and committees or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have a process to track the status of audit findings and recommendations.

19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

21) The Sacramento Municipal Utility District, has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or net position.

22) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

23) There are no:

    a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

    b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

    c) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

    d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

24) The Sacramento Municipal Utility District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25) The Sacramento Municipal Utility District has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.

27) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

28) We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. The Sacramento Municipal Utility District's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. The Sacramento Municipal Utility District follows the valuation, accounting, reporting and disclosure requirements outlined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year end.

29) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

30) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

31) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

32) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

33) We believe that the estimate made for the pollution remediation liability is in accordance with GASB Statement No. 49 and reflects all known available facts at the time it was recorded.

34) Tax-exempt bonds issued have retained their tax-exempt status.

35) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989, FASB and AICPA Pronouncements*. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.

36) We have appropriately disclosed the Sacramento Municipal Utility District’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

37) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

38) We have provided, and agree with, the findings of specialists in evaluating the pension and OPEB-related figures, and energy trading pricing, forecasting and risk assessment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

39) We believe the information provided by the CalPERS as audited by BDO USA, LLP relating to the net pension asset/liability and related deferred outflows and deferred inflows is accurate and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan is accurate.

40) We believe the information provided by the Foster & Foster Consulting Actuaries Inc. relating to the net OPEB asset/liability and related deferred outflows and deferred inflows is accurate and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also believe the census data that has been reported to the plan is accurate.

41) We have implemented GASB Statement No. 101, *Compensated Absences,* and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard. Further, we have determined the impact of the standard is immaterial and have elected not to restate the prior period.

42) We have evaluated GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, and the portions of GASB Statement No. 99, *Omnibus 2022* that are effective for fiscal year 2024 and believe they have an immaterial or no impact to us.

43) There have been no changes to our assessment or applicability with regard to all previously effective GASB Statements that were deemed immaterial or did not impact the Sacramento Municipal Utility District at the time the statements went into effect.

44) We have provided the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72 – *Fair Value Measurement*. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

45) We have identified and accounted for asset retirement obligations in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations.*

46) The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors’ report thereon. We do not prepare an annual report that meets this definition.

47) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.

48) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.

Sincerely,

Sacramento Municipal Utility District

Signed: Paul Lau Digitally signed by Paul Lau Date: 2025.03.07 15:29:55 -08'00'

Paul Lau, Chief Executive Officer & General Manager

Signed: Scott Martin Digitally signed by Scott Martin Date: 2025.03.07 11:56:26 -08'00'

Scott Martin, Chief Financial Officer

Signed: Laura Lewis Digitally signed by Laura Lewis Date: 2025.03.07 13:54:36 -08'00'

Laura Lewis, Chief Legal & Government Affairs Officer

Signed: Jonathan Anderson Digitally signed by Jonathan Anderson Date: 2025.03.07 11:46:23 -08'00'

Jonathan Anderson, Interim Director, Treasury & Treasurer

Signed: Lisa Limcaco Digitally signed by Lisa Limcaco Date: 2025.03.07 11:48:06 -08'00'

Lisa Limcaco, Director, Accounting & Controller

March 7, 2025

Baker Tilly US, LLP
4807 Innovate Ln.
Madison, WI 53718

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the general purpose financial statements of the Sacramento Municipal Utility District Financing Authority, the Northern California Gas Authority No. 1, and the Northern California Energy Authority (SMUD JPAs) as of December 31, 2024 and 2023 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position of the SMUD JPAs and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all financial information of the SMUD JPAs required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

10) Guarantees, whether written or oral, under which the SMUD JPAs are contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of governing body(s) or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have a process to track the status of audit findings and recommendations.

19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

21) The SMUD JPAs have no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or net position.

22) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

23) There are no:

    a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

    b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

    c) Rates or charges being charged to customers other than the rates as authorized by the applicable authoritative body.

    d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

24) The SMUD JPAs have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25) The SMUD JPAs have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

27) The SMUD JPAs have no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

28) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

29) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

30) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

31) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

32) Tax-exempt bonds issued have retained their tax-exempt status.

33) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB Statement No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.

34) We have appropriately disclosed the SMUD JPAs' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

35) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

36) We have identified any leases or other contracts that are required to be reported as leases in accordance with GASB Statement No. 87, *Leases*, for the Sacramento Municipal Utility District Financing Authority and are in agreement with the key assumptions used in the measurement of any lease related assets, liabilities or deferred inflows of resources. Further, we believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the aforementioned Statement.

37) We have implemented GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, GASB Statement No. 101, *Compensated Absences,* and the remaining portion of GASB Statement No. 99, *Omnibus 2022* that is effective for calendar year 2024, and have determined there is no impact to the SMUD JPA's.

38) There have been no changes to our assessment or applicability with regard to all previously effective GASB Statements that were deemed immaterial or did not impact the SMUD JPAs at the time the statements went into effect.

39) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

40) The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors’ report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.

41) We have identified and accounted for asset retirement obligations in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*.

42) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.

43) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.

Sincerely,

The SMUD JPAs

Signed: Paul Lau Digitally signed by Paul Lau Date: 2025.03.07 15:30:26 -08'00'

Paul Lau, Chief Executive Officer & General Manager

Signed: Scott Martin Digitally signed by Scott Martin Date: 2025.03.07 11:57:59 -08'00'

Scott Martin, Chief Financial Officer

Signed: Laura Lewis Digitally signed by Laura Lewis Date: 2025.03.07 13:54:06 -08'00'

Laura Lewis, Chief Legal & Government Affairs Officer

Signed: Jonathan Anderson Digitally signed by Jonathan Anderson Date: 2025.03.07 11:49:43 -08'00'

Jonathan Anderson, Interim Director, Treasury & Treasurer

Signed: Lisa Limcaco Digitally signed by Lisa Limcaco Date: 2025.03.07 11:50:08 -08'00'

Lisa Limcaco, Director, Accounting & Controller

Accounting changes relevant to SMUD and SMUD JPAs'

Future accounting standards update

GASB Statement Number	Description	Potentially impacts you	Effective date
102	Certain Risk Disclosures	✔	12/31/25
103	Financial Reporting Model Improvements	✔	12/31/26
104	Disclosure of Certain Capital Assets	✔	12/31/26

Further information on upcoming [GASB pronouncements].

New guidance on disclosure of certain risks

The requirements in GASB Statement No. 102, *Certain Risk Disclosures* is meant to provide financial statement users with information about certain risks when circumstances make a government vulnerable to a heightened possibility of loss or harm. It requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.

(a) The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources—for example, a small number of companies that represent a majority of employment in a government's jurisdiction, or a government that relies on one revenue source for most of its revenue.

(b) The Statement defines a constraint as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority—such as a voter-approved property tax cap or a state-imposed debt limit.

Concentrations and constraints may limit a government's ability to acquire resources or control spending.

The Statement generally requires a government to disclose information about a concentration or constraint if all of the following criteria are met:

(a) The concentration or constraint is *known* to the government prior to issuing the financial statements.

(b) The concentration or constraint makes the government vulnerable to the risk of a substantial impact.

(c) An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The disclosures should include a description of the following:

- The concentration or constraint,
- Each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has begun to occur prior to the issuance of the financial statements, and
- Actions taken by the government to mitigate the risk prior to the issuance of the financial statements.

Changes to the financial reporting model

GASB Statement 103, *Financial Reporting Model Improvements*, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis - While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.

- Unusual or infrequent items (previously known as extraordinary and special items) - The new Statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.

- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position - The changes are designed to improve consistency around the classification of items in these statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.

- Major component unit information, and Budgetary comparison information - Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information.

Two-way audit communications

As part of our audits of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audits.

As this past audits are concluded, we use what we have learned to begin the planning process for next year's audits. It is important that you understand the following points about the scope and timing of our next audits:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   - Identify types of potential misstatements.
   - Consider factors that affect the risks of material misstatement.
   - Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audits, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audits to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

e. We plan to use personnel from Internal Audit Services to provide direct assistance to us during the audits. You acknowledge that those personnel will be allowed to follow our instructions and you will not intervene in their work.

Our audit of SMUD will be performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards, and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards* and the Uniform Guidance, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Uniform Guidance in considering internal control over financial reporting and compliance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.

b. We understand that the governing boards have the responsibility to oversee the strategic direction of your organizations, as well as the overall accountability of the entities. Management has the responsibility for achieving the objectives of the entities.

c. We need to know your views about your organizations' objectives and strategies, and the related business risks that may result in material misstatements.

d. We anticipate that SMUD and SMUD JPAs' will receive unmodified opinions on its financial statements.

e. Which matters do you consider warrant particular attention during the audits, and are there any areas where you request additional procedures to be undertaken?

f. Have you had any significant communications with regulators or grantor agencies?

g. Are there other matters that you believe are relevant to the audits of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing bodies concerning:

a. SMUD and SMUD JPAs' internal control and its importance in the entities, including how those charged with governance oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audits, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December. Our final financial fieldwork is scheduled during January and/or early February to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our reports for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 4-6 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audits, it does not change the auditor’s sole responsibility to determine the overall audit strategy and the audit plans, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

Financial Statements

Report of Independent Auditors

December 31, 2024 and 2023

SMUD®

0124-25

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As of and for the Years Ended December 31, 2024 and 2023

Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sacramento Municipal Utility District (SMUD), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise SMUD's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SMUD as of December 31, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SMUD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SMUD's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SMUD's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SMUD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2025 on our consideration of SMUD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SMUD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SMUD's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
March 7, 2025

Sacramento Municipal Utility District
Management's Discussion and Analysis - Unaudited
For the Years Ended December 31, 2024 and 2023

Using this Financial Report

This annual financial report for Sacramento Municipal Utility District (SMUD) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position and the Statements of Cash Flows.

SMUD maintains its accounting records in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission, except as it relates to accounting for contributions of utility property in aid of construction.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of SMUD provides an overview of the financial activities for the years ended December 31, 2024 and 2023. This discussion and analysis should be read in conjunction with the financial statements, required supplementary information and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all SMUD's revenues and expenses for the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Required Supplementary Information provides additional detailed disclosures as required by the GASB.

Organization and Nature of Operations

SMUD was formed and operates under the State of California Municipal Utility District Act (Act). The Act gives SMUD the rights and powers to fix rates and charges for commodities or services it furnishes, and to incur indebtedness and issue bonds or other obligations. As a community-owned utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission.

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, with a population of approximately 1.5 million – most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

SMUD's vision is to be the trusted partner with its customers and the community, providing innovative solutions to ensure energy affordability and reliability, improve the environment, reduce the region's carbon footprint, and enhance the vitality of the community. SMUD's business strategy focuses on serving its customers in a progressive, forward-looking manner, addressing current regulatory and legislative issues and potential competitive forces. This includes ensuring financial stability by establishing rates that provide acceptable cash coverage of all fixed charges, taking into consideration the impact of capital expenditures and other factors on cash flow.

2030 Zero Carbon Plan

In July 2020, the Board adopted a Climate Emergency Declaration to work toward an ambitious goal of delivering carbon neutral electricity by 2030 and indicating a strong commitment to finding additional opportunities to accelerate decarbonization in SMUD's energy supply. Building on the Board's Climate Emergency Declaration, SMUD's 2030 Clean Energy Vision calls for absolute zero carbon emission in its power supply by 2030.

In 2022, SMUD's 2030 Clean Energy Vision was translated into the 2030 Zero Carbon Plan (ZCP), the flexible road map to achieve a zero-carbon power supply by 2030. The plan guides elimination of Greenhouse Gas emissions from SMUD's power plants, development of new distributed energy resource business models, research of emerging grid-scale carbon-free technologies, and expansion of investments in proven clean technologies while ensuring all communities benefit from the plan.

In 2024, SMUD made significant progress on its 2030 ZCP, including outreach, customer engagement, new clean energy resources and extensive studies to ensure continued world-class reliability with rates among the lowest in California. SMUD brought nearly 90 megawatts (MW) of additional wind power online with Solano 4 Wind project increasing power production by about 10 times over the previous Phase 1. SMUD started civil construction for Country Acres Solar & Battery, a 344 MW solar and 172 MW 4-hour battery project. SMUD also began negotiations with Calpine Corporation on the Power Purchase Agreement for the carbon capture and storage project funded in part by the Department of Energy (DOE).

Requests for Information

For more information about SMUD, visit our website at www.smud.org or contact us at customerservices@smud.org**.**

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in millions).

CONDENSED STATEMENTS OF NET POSITION

	2024	2023	2022 (Restated)
Assets			
Electric Utility Plant - net	$ 4,577	$ 4,245	$ 4,028
Restricted and Designated Assets	373	239	184
Current Assets	1,371	1,250	1,424
Noncurrent Assets	1,800	1,587	1,581
Total Assets	8,121	7,321	7,217
Deferred Outflows of Resources	323	338	268
Total Assets and Deferred Outflows of Resources	$ 8,444	$ 7,659	$ 7,485
Liabilities			
Long-Term Debt - net	$ 3,251	$ 2,921	$ 2,886
Current Liabilities	606	701	809
Noncurrent Liabilities	638	530	447
Total Liabilities	4,495	4,152	4,142
Deferred Inflows of Resources	1,137	920	976
Net Position	2,812	2,587	2,367
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 8,444	$ 7,659	$ 7,485

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2024 Compared to 2023

Total assets in 2024 increased $800 million or 10.9% over 2023, primarily due to the following:

- An increase of $332 million in electric utility plant - net. See Capital Program below for further information.
- A $134 million increase in restricted and designated assets primarily due to a $60 million deferral of 2024 operating revenues for creation of a commodity Rate Stabilization Fund (RSF) for future commodity price volatility, $20 million additional RSF transfer from operating revenue to fund Community Impact Plan (CIP) expenditures through 2028, and $41 million deferral of 2024 operating revenues for recognition in future years to offset one-time expenditures not identified in the annual budget, a $19 million RSF net transfer from revenues for net auction proceeds received and funds spent on Assembly Bill (AB) 32 programs, and a $9 million RSF transfer from revenue as a result of higher than budgeted energy deliveries from the Western Area Power Administration (WAPA), and, offset by $8 million Hydro Rate Stabilization Fund (HRSF) transfer to revenue for below average precipitation
- A $121 million increase in current assets is primarily due to $31 million increase in retail customers receivable due to higher load and rate, $21 million increase in wholesale and other receivable due to the DOE Grid Resilience and Innovative Partnerships program (GRIP) grant billing and Spent Nuclear Fuel billing, $29 million increase in inventories due to increased purchases for meters for GRIP grant and transformers.
- A $213 million increase in noncurrent assets is primarily due to $147 million increase in prepaid gas due to the restructuring the Northern California Energy Authority (NCEA) commodity prepay agreement and $70 million net increase in the regulatory costs for future recovery primarily related to amortization of pension and Other Post-Employment Benefits (OPEB) deferred outflows.

2023 Compared to 2022

Total assets in 2023 increased $104 million or 1.4% over 2022, primarily due to the following:

- An increase of $216 million in electric utility plant - net. See Capital Program below for further information.
- A $56 million increase in restricted and designated assets primarily due to a $65 million HRSF transfer from revenue for an above average precipitation water year, a $1 million RSF transfer from revenue as a result of higher than budgeted energy deliveries from the WAPA, and, offset by $10 million RSF net transfer to revenues for net auction proceeds received and funds spent on AB 32 programs.
- A $174 million decrease in current assets is primarily due to $140 million decrease in hedging derivative instruments due to the gas hedging program and $37 million decrease in wholesale and other receivables due to larger power and gas sales in December 2022.

Deferred outflows of resources in 2023 increased $70 million or 26.1% from 2022, primarily due to an adjustment to the hedging derivative instruments from the gas hedging program.

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2024 Compared to 2023

Total liabilities in 2024 increased $343 million or 8.3% over 2023, primarily due to the following:

- A $330 million increase in long-term debt, net due to the $150 million refunding of outstanding commercial paper and issuing $100 million additional long-term bonds to fund capital projects for SMUD, and due to refunding NCEA bonds issuing an additional $114M to fund increase in prepaid gas agreement.
- A decrease of $95 million in current liabilities due to a decrease of $150 million in the outstanding commercial paper due to refunding in 2024 and a $34 million decrease in value to the current hedging derivative instruments. This is offset by a $43 million increase in accounts payable due to the meters for the GRIP grant and large transformer received in December, a $28 million increase in current lease liability, and an $18 million increase in accrued salaries and compensated absences due to the implementation of GASB Statement No. 101, “Compensated Absences” that recorded a sick leave liability of $6 million at December 31, 2024.
- A $108 million increase in non-current liabilities is due to a $58 million increase in net pension and OPEB liability based on the most recent actuarial results, a $26 million increase in non-current lease liability and a $38 million increase in customer deposits for long-term interconnection agreements

Deferred inflows of resources in 2024 increased $217 million or 23.6%, primarily due to a $236 million increase to regulatory credits related to the new commodity RSF, CIP RSF, WAPA RSF, pension and OPEB deferred costs.

Net position in 2024 increased $225 million or 8.7% over 2023 based on results of operations.

2023 Compared to 2022

Total liabilities in 2023 increased $10 million or 0.2% over 2022, primarily due to the following:

- A decrease of $108 million in current liabilities due to a $97 million decrease in purchased power payable due to high purchased power prices in December 2022 that impacted commodity costs in the prior year.
- A $83 million increase in non-current liabilities is due to a $25 million increase in accrued decommissioning for the future nuclear spent fuel costs at Rancho Seco and a $42 million increase in net pension and other postemployment benefits liability based on the most recent actuarial results.

Deferred inflows of resources in 2023 decreased $56 million or 5.7%, due to a $191 million decrease in value to the hedging derivative instruments from the gas hedging program offset by a $138 million increase to regulatory credits related to the HRSF, pension and OPEB deferred costs.

Net position in 2023 increased $220 million or 9.3% over 2022 based on results of operations.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in millions).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

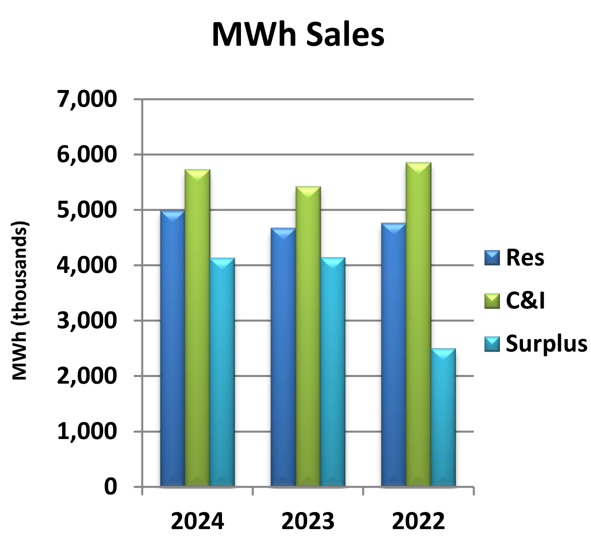
	2024	2023	2022 (Restated)
Operating revenues	$ 1,962	$ 1,931	$ 2,147
Operating expenses	(1,804)	(1,748)	(2,065)
Operating income	158	183	82
Other revenues/(expenses)	169	136	90
Interest charges	(102)	(99)	(101)
Change in net position	225	220	71
Net position - beginning of year	2,587	2,367	2,296
Net position - end of year	$ 2,812	$ 2,587	$ 2,367

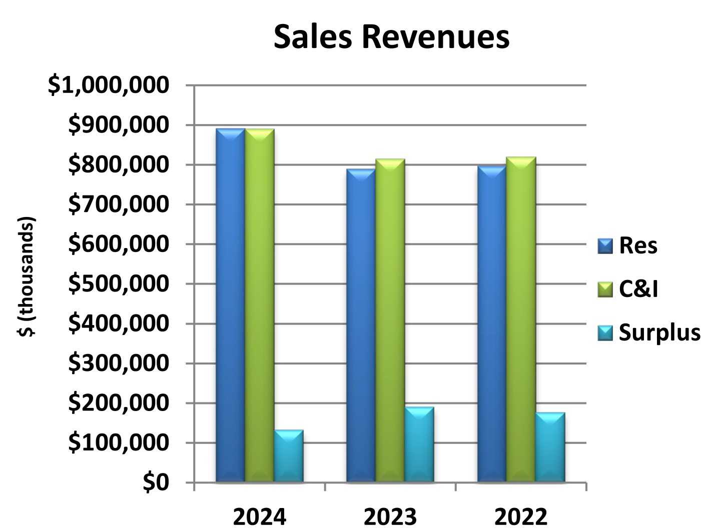
2024 Compared to 2023

OPERATING REVENUES

Total operating revenues were $1,962 million for 2024, an increase of $31 million or 1.6% over 2023 operating revenues. The residential megawatt hour (MWh) sales decreased 6.7% and sales revenues increased 13.0% compared to 2023, primarily due to hotter weather during the summer in 2024. The commercial & industrial MWh sales increased 5.6% and sales revenues increased 9.3% compared to 2023, primarily due to replacing the sales from a major commercial customer that was lost in 2023.

The following charts show the MWh sales, and sales revenue for the past three years by surplus energy sales (Surplus), commercial, industrial, and other (C&I), and residential (Res) customers:





Wholesale revenues are comprised of both surplus gas and energy sales which are part of the operational strategy in managing fuel and energy costs. In 2024, energy sales were lower by $59 million as compared to 2023 due to lower energy prices in the market. Surplus gas sales were lower than 2023 by $24 million primarily due to gas prices were lower due to increased gas storage nationwide.

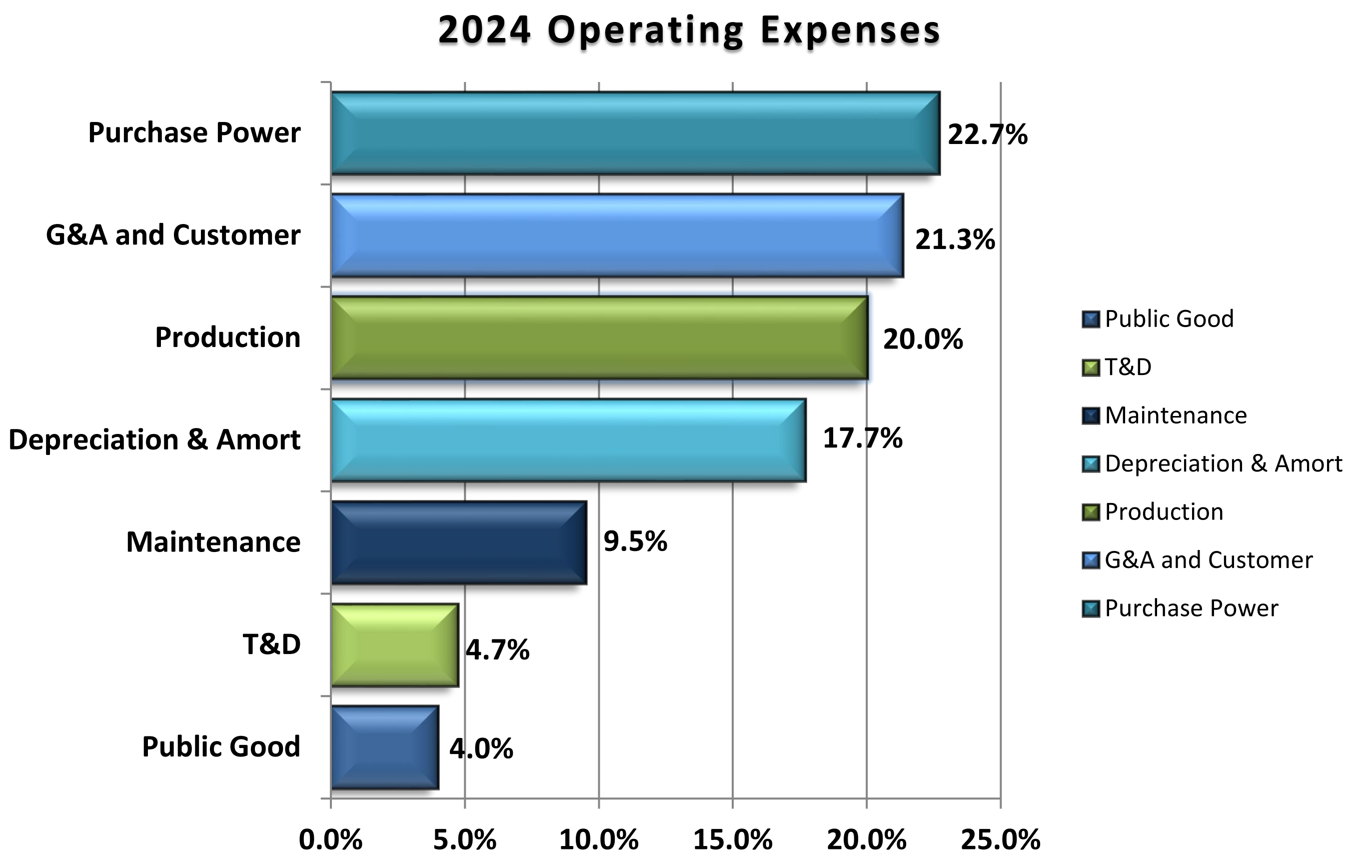
OPERATING EXPENSES

Total operating expenses were $1,804 million for 2024, an increase of $56 million or 3.2% over 2023.

- Purchased power decreased by $42 million primarily due to the average market price was lower due to the increased gas storage that led to lower reduced power prices as well as additional solar, wind and energy storage batteries that came on-line in California that help lower market prices.

- General, administrative and customer increased by $79 million primarily due to bond issuance cost related to the current year bond refunding and a large adjustment related to the pension actuarial results in the current year.

The following chart illustrates 2024 operating expenses by expense classification and percentage of the total:



OTHER REVENUES

Total other revenues (net) were $169 million for 2024, an increase of $33 million or 24.1% over 2023. The increase is due to $7 million higher interest earnings on investments and $6 million increase in investment revenue related to gas swaps. The other income - net includes one-time income receipts of $89 million of insurance recovery payment of Cosumnes Power Plant (CPP) outage claim, $7 million settlement claim for Substation fire and $5 million grant revenues.

2023 Compared to 2022

RESULTS OF OPERATIONS

- Total operating revenues were $1,931 million for 2023, a decrease of $216 million or 10.1% over 2022 operating revenues. The residential MWh sales decreased 1.8% and sales revenues decreased 0.9% compared to 2022, primarily due to cooler weather for the first half of the year and a milder summer in 2023. The commercial & industrial MWh sales decreased 7.3% and sales revenues decreased 0.6% compared to 2022, primarily due to loss of a large commercial customer in 2023.

- In 2023, energy sales were higher by $15 million as compared to 2022 due to higher MWh sold but at lower energy prices. Surplus gas sales were lower than 2022 by $118 million primarily due the unplanned outage of CPP and selling at higher gas prices in 2022. CPP came back online in March 2023.

- Total operating expenses were $1,748 million for 2023, a decrease of $317 million or 15.4% over 2022.

    - Purchased power decreased by $422 million primarily due to the unplanned outage of CPP in 2022 that led to an increase in procurement power in 2022. In 2023, the increased hydro generation, lower energy market prices and decreased load led to decrease in procurement of power.

    - Production expense increased by $22 million primarily due to unplanned CPP outage for majority of 2022.

    - General, administrative and customer increased by $54 million primarily due to large credit adjustments related to pension and OPEB actuarial results in the prior year.

    - Maintenance increased by $13 million primarily due to increased costs related to storm response in early 2023.

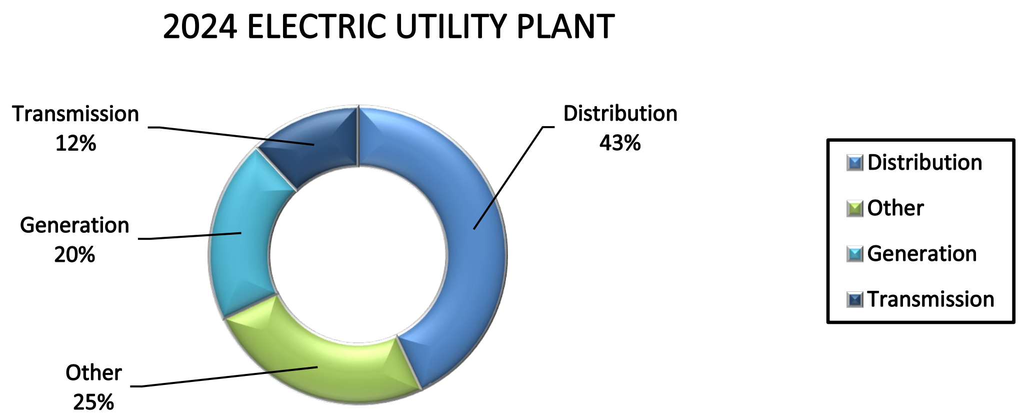
Total other revenues (net) were $136 million for 2023, an increase of $46 million or 51.7% over 2022. The increase is due to $33 million gain on sale of Solano land, $13 million receipt of insurance recovery payment on CPP repairs and $24 million higher interest earnings on investments. This is offset by a $39 million decrease in investment revenue related to gas swaps.

CAPITAL PROGRAM

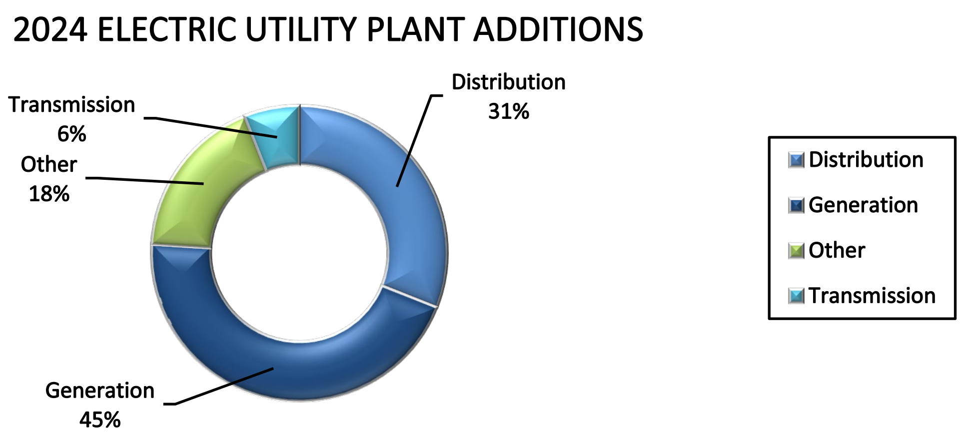
SMUD's electric utility plant includes production, transmission and distribution, and general plant facilities. The following table summarizes the balance of the electric utility plant as of December 31 (in millions).

	2024	2023	2022 (Restated)
Electric Utility Plant	$ 8,398	$ 7,890	$ 7,583
Accumulated Depreciation and Amortization	(3,821)	(3,645)	(3,555)
Electric Utility Plant - Net	$ 4,577	$ 4,245	$ 4,028

The following chart shows the breakdown of 2024 Electric Utility Plant - net by major plant category:



The following chart shows the breakdown of 2024 Electric Utility Plant capitalized additions by major plant category:



Details of SMUD's electric utility plant asset balances and activity are included in Note 4 in the Notes to Financial Statements. SMUD's capital program includes investment in generation, transmission, distribution, buildings, vehicles, technology, and other assets critical to meeting the energy needs of its customers. Capital investments are financed with revenues from operations, bond proceeds, investment income and cash on hand.

The following table shows actual capital program expenditures for the last two years and budgeted capital expenditures for 2025 (in millions).

	Budget 2025	Actual 2024	Actual 2023
Capital Program:			
Transmission & Distribution	$ 251	$ 215	$ 173
Generation	151	151	230
Other	172	118	81
Total	$ 574	$ 484	$ 483

In 2024 and 2023, SMUD's actual expenditures included work for Solano Phase IV, Energy Storage System Flow Battery, Country Acres solar project land purchase, distribution line work and continued work on Upper American River Project (UARP) relicensing projects.

Major capital expenditures planned in 2025 include the El Rio Substation, the Country Acres solar and storage project, new Folsom Administrative Operations Building and ongoing improvements in the UARP area as part of the hydro relicensing. Programmatic capital planned in 2025 includes cable and pole replacement programs, installing new meters, and new fleet purchases. Technology investments included in the 2025 budget are for the completion of the Grid Edge Intelligence, the Outage Management System replacement and preparation to upgrade the Enterprise Resource Planning software.

LIQUIDITY AND CAPITAL RESOURCES

SMUD maintains a strong liquidity position by setting a minimum number of days cash on hand and managing a $400 million commercial paper program. The current days cash threshold is 150 days, the minimum amount of cash on hand before triggering a new debt or commercial paper issuance to replenish cash balances. As of December 31, 2024 and 2023, the days cash on hand was 185 days and 170 days, respectively. The commercial paper program allows for short-term borrowing when needed in lieu of issuing long-term debt, similar to a credit card or line of credit. As of December 31, 2024 and 2023, SMUD had $0 and $150 million, respectively, of commercial paper notes outstanding. A strong liquidity position is important in demonstrating to investors and rating agencies that SMUD can withstand various financial stresses.

In addition, SMUD targets strong financial metrics in cash flow coverage with its fixed charge ratio. The Board sets a minimum fixed charge of 1.50 times operating cash flow; however, SMUD aims for a minimum of 1.70 as a standard. On December 31, 2024 and 2023, the fixed charge ratio was 2.83 and 2.32, respectively. This higher performance standard has proven valuable during financially challenging years of uncertainty stemming from the pandemic and higher commodity costs.

FINANCING ACTIVITIES

In April 2024, SMUD issued two separate revenue and revenue refunding bonds totaling $650 million. The purpose of these transactions was to refund the fixed rate debt associated with 2009 Series V and 2010 Series W bonds, refund the outstanding commercial paper and reimburse SMUD for capital expenses previously incurred. This resulted in a $24 million in cash flow savings over the next 12 years.

In April 2024, NCEA issued commodity supply revenue refunding bonds totaling $690 million. The purpose of this transaction was to refund the debt associated with 2018 Series A commodity supply revenue bonds. This resulted in a $34 million in commodity cost savings through August 2030.

DEBT SERVICE COVERAGE

Debt service coverage for long-term debt was 3.05 times and 2.41 times in 2024 and 2023, respectively. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios of at least 1.40 times, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage. SMUD is in compliance with all debt covenants.

CREDIT RATINGS

SMUD proactively manages its strong financial position to maintain high credit ratings. These strong credit ratings improve access to credit markets and result in a lower cost of borrowing. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the credit rating agencies in establishing a company's credit rating. In February 2024, Moody's upgraded SMUD's rating to Aa2 from Aa3 changing SMUD's financial outlook from positive to stable. As of December 31, 2024, SMUD's bonds had an underlying rating of "AA" from Standard & Poor's, "AA" from Fitch, and

"Aa2" from Moody's. Some of SMUD's bonds are insured and are rated by the rating agencies at the higher of the insurer's rating or SMUD's underlying rating.

COMPETITIVE RATES

The Board has independent authority to set SMUD's rates and charges. Changes in rates require a public hearing and formal action by the Board. SMUD has committed to its customers in keeping rates low while continuing to deliver safe, reliable, and environmentally responsible power and the products and services they value.

In 2021, the Board approved the Solar and Storage Rate, which will reduce the cost shift from Net Energy Metering and will incentivize customers to invest in solar paired with storage, providing greater benefits to SMUD and its customers. In 2021, the Board approved the 2022 and 2023 rate proposals including rate increases of 1.5% in 2022 and 2.0% in 2023, which is well below the rate of inflation.

In 2023, the Board approved the 2024 and 2025 rate proposals including four rate increases of 2.75%, one each in January 2024, May 2024, January 2025 and May 2025, which will apply to all customer classes. Even with these increases, SMUD's rates continue to remain amongst the lowest in the state. In 2024, the average system rate was 52% below the average rate of the nearest investor-owned utility. This ensures the necessary revenue to meet SMUD's financial obligations, key financial metrics, and delivery of SMUD's 2030 ZCP.

SMUD has also developed an integrated Grant Strategy Framework, which will best position SMUD to secure sources of funding to deliver on the 2030 ZCP and keep its rates low. In 2024, SMUD was awarded two grants for $12 million, including a $10 million California Energy Commission grant to fund a long duration energy storage pilot project. The $50 million DOE Grid Deployment's GRIP program for SMUD's Connected Clean PowerCity contract was executed in September 2024 and will last for five years.

ENERGY RISK MANAGEMENT

SMUD's commodity costs have prices locked in for most of its expected energy requirements to ensure cost and rate stability for customers. Only a small portion of budgeted energy purchases are exposed to short-term market price fluctuations – a beneficial practice, especially during the price volatility currently reflected in California power and energy prices.

SMUD has mitigation measures in place for higher commodity costs due to reduced hydroelectric production that will lead to higher purchased power. In April 2024, $8 million was transferred from the HRSF to revenue as a result of low precipitation. In 2024, the Board authorized a $60 million deferral of operating revenues to RSF for future unexpected increases in commodity expenditures through 2030. As of December 31, 2024, the HRSF was $88 million and $142 million in the RSF, net of Low Carbon Fuel Standard and Cap and Trade funds. These reserve funds help absorb higher energy costs when hydroelectric production is down or when there are unexpected increases in commodity costs, and serve as a buffer against unexpected financial developments.

DECOMMISSIONING

SMUD has made significant progress toward completing the Decommissioning Plan for its Rancho Seco nuclear facility, which was shut down in 1989. The plan consists of two phases that allow SMUD to terminate its possession-only license. Phase I of the decommissioning was completed at the end of 2008. Phase II consists of a storage period for the Class B and Class C radioactive waste overseen by the existing facility staff, followed by shipment of the waste for disposal, and then complete termination of the possession-only license. SMUD also established and funded an external decommissioning trust fund as part of its assurance to the Nuclear Regulatory Commission (NRC) to pay for the cost of decommissioning. Shipment of the previously stored Class B and Class C radioactive waste was completed in November 2014 to a low-level radioactive waste facility located in Andrews, Texas. The remaining Phase II decommissioning activities required for termination of the possession-only license commenced in 2015. In September 2017, SMUD formally requested the termination of the possession-only license and termination of the possession-only license was completed in 2018.

As part of the Decommissioning Plan, the nuclear fuel and Greater Than Class C (GTCC) radioactive waste is being stored in a dry storage facility constructed by SMUD and licensed separately by the NRC. The DOE, under the Nuclear Waste Policy Act of 1982, was responsible for permanent disposal of used nuclear fuel and GTCC radioactive waste and SMUD contracted with the DOE for removal and disposal of that waste. The DOE has yet to fulfill its contractual obligation to provide a permanent waste disposal site. SMUD has filed a series of successful lawsuits against the federal government for recovery of the past spent fuel costs, with recoveries to date of more than $134 million. SMUD will continue to pursue cost recovery claims until the DOE fulfills its obligation.

The total Accrued Decommissioning balance in the Statements of Net Position, including Rancho Seco and other ARO's, amounted to $119 million and $121 million as of December 31, 2024 and 2023, respectively.

SIGNIFICANT ACCOUNTING POLICIES

In accordance with GASB No. 62, the Board has taken regulatory actions for ratemaking that result in the deferral of expense and revenue recognition. These actions result in regulatory assets and liabilities. SMUD has regulatory assets that cover costs related to decommissioning, derivative financial instruments, debt issuance costs, pension costs, and OPEB costs. As of December 31, 2024 and 2023, total regulatory assets were $1,002 million and $916 million, respectively. SMUD also has regulatory credits that cover costs related to contributions in aid of construction, the RSF and HRSF, Energy Assistance Program Rate reserves, SB-1, grant revenues, and Transmission Agency of Northern California operations costs. As of December 31, 2024 and 2023, total regulatory credits were $995 million and $758 million, respectively.

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SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 7,869,576	$ 7,299,480
Less accumulated depreciation and amortization	(3,820,728)	(3,645,515)
Plant in service - net	4,048,848	3,653,965
Construction work in progress	527,739	590,659
Total electric utility plant - net	4,576,587	4,244,624
RESTRICTED AND DESIGNATED ASSETS		
Revenue bond and debt service reserves	120,514	115,679
Nuclear decommissioning trust fund	9,909	9,418
Rate stabilization fund	345,389	212,131
Escrow fund	14,027	13,031
Collateral fund	10,771	9,359
Insurance captive fund	25,447	-0-
Other funds	19,921	16,891
Less current portion	(172,789)	(137,853)
Total restricted and designated assets	373,189	238,656
CURRENT ASSETS		
Unrestricted cash and cash equivalents	338,872	229,456
Unrestricted investments	208,259	341,159
Restricted and designated cash and cash equivalents	65,930	39,775
Restricted and designated investments	106,859	98,078
Receivables - net:		
Retail customers	209,590	178,414
Wholesale and other	86,417	65,425
Regulatory costs to be recovered within one year	78,921	63,415
Hedging derivative instruments maturing within one year	21,816	11,190
Inventories	174,165	144,791
Prepaid gas to be delivered within one year	41,389	43,671
Prepayments and other	38,770	35,387
Total current assets	1,370,988	1,250,761
NONCURRENT ASSETS		
Regulatory costs for future recovery	922,992	852,709
Prepaid gas	739,920	593,329
Hedging derivative instruments	32,329	34,845
Credit support collateral deposits	20,750	19,150
Due from affiliated entity	35,490	30,912
Prepayments and other	48,588	55,737
Total noncurrent assets	1,800,069	1,586,682
TOTAL ASSETS	8,120,833	7,320,723
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative instruments	40,228	85,380
Deferred pension outflows	194,134	182,489
Deferred other postemployment benefits outflows	58,215	62,705
Deferred asset retirement obligations outflows	1,195	1,787
Unamortized bond losses	29,801	6,300
TOTAL DEFERRED OUTFLOWS OF RESOURCES	323,573	338,661
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,444,406	$ 7,659,384

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
LIABILITIES		
LONG-TERM DEBT - net	$ 3,251,259	$ 2,920,881
CURRENT LIABILITIES		
Commercial paper notes	-0-	150,000
Accounts payable	170,469	127,539
Purchased power payable	38,363	38,522
Long-term debt due within one year	138,065	137,740
Accrued decommissioning	7,471	7,140
Interest payable	48,728	49,936
Accrued salaries and compensated absences	80,676	62,243
Other derivative instruments maturing within one year	381	1,160
Hedging derivative instruments maturing within one year	29,286	63,076
Customer deposits and other	92,608	64,201
Total current liabilities	606,047	701,557
NONCURRENT LIABILITIES		
Net pension liability	308,414	259,010
Net other postemployment benefits liability	34,132	25,334
Accrued decommissioning	111,340	113,736
Hedging derivative instruments	10,943	22,303
Self insurance and other	173,074	109,585
Total noncurrent liabilities	637,903	529,968
TOTAL LIABILITIES	4,495,209	4,152,406
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative instruments	54,145	46,035
Regulatory credits	994,763	758,307
Deferred pension inflows	8,416	17,536
Deferred other postemployment benefits inflows	23,556	38,118
Deferred lease inflows	16,434	17,363
Unamortized bond gains	36,102	39,050
Unearned revenue	3,661	3,870
TOTAL DEFERRED INFLOWS OF RESOURCES	1,137,077	920,279
NET POSITION		
Net investment in capital assets	1,883,241	1,674,419
Restricted:		
Revenue bond and debt service	71,726	62,161
Other funds	69,633	37,248
Unrestricted	787,520	812,871
TOTAL NET POSITION	2,812,120	2,586,699
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 8,444,406	$ 7,659,384

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended December 31, 2024	2023
	(thousands of dollars)	
OPERATING REVENUES		
Residential	$ 891,583	$ 789,196
Commercial and industrial	881,574	806,225
Street lighting and other	54,813	55,646
Wholesale	223,204	302,538
Senate Bill - 1 revenue deferral	1,042	877
AB-32 revenue	35,233	26,422
LCFS revenue	7,910	5,875
Rate stabilization fund transfers	(133,258)	(56,115)
Total operating revenues	1,962,101	1,930,664
OPERATING EXPENSES		
Operations:		
Purchased power	409,510	451,896
Production	361,068	357,773
Transmission and distribution	85,496	82,341
Administrative, general and customer	384,892	305,968
Public good	72,086	62,679
Maintenance	171,728	179,840
Depreciation and amortization	273,258	267,963
Regulatory amounts collected in rates	45,920	39,908
Total operating expenses	1,803,958	1,748,368
OPERATING INCOME	158,143	182,296
NON-OPERATING REVENUES AND EXPENSES		
Other revenues and (expenses):		
Interest income	45,481	38,230
Investment income (expense) - net	(5,173)	(11,363)
Other income - net	128,786	109,350
Total other revenues and (expenses)	169,094	136,217
Interest charges:		
Interest on debt	101,816	98,791
Total interest charges	101,816	98,791
Total non-operating revenues and (expenses)	67,278	37,426
CHANGE IN NET POSITION	225,421	219,722
NET POSITION - BEGINNING OF YEAR	2,586,699	2,366,977
NET POSITION - END OF YEAR	$ 2,812,120	$ 2,586,699

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2024	2023
	(thousands of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,789,294	$ 1,643,057
Receipts from surplus power and gas sales	219,745	329,851
Other receipts	98,157	179,017
Payments to employees - payroll and other	(418,361)	(395,334)
Payments for wholesale power and gas purchases	(549,103)	(743,372)
Payments to vendors/others	(520,700)	(526,649)
Net cash provided by operating activities	619,032	486,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuance, net of premium	192,318	-0-
Repayment of debt	(25,530)	(25,185)
Payments for prepaid gas supply	(187,894)	-0-
Proceeds from insurance settlements	88,943	-0-
Receipts from federal and state grants	3,026	-0-
Interest on debt	(30,912)	(27,659)
Payments for debt issue costs	(9,628)	-0-
Net cash provided by (used in) noncapital financing activities	30,323	(52,844)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(461,647)	(496,198)
Proceeds from land sales	-0-	45,005
Contributions in aid of construction	29,514	19,011
Net proceeds from bond issues	752,609	537,606
Repayments and refundings of debt	(547,705)	(420,710)
Issuance of commercial paper	-0-	200,000
Repayments of commercial paper	(150,000)	(200,000)
Proceeds from insurance settlements	7,515	-0-
Other receipts	7,863	16,501
Interest on debt	(147,831)	(116,247)
Lease and other receipts/payments - net	(36,851)	(34,625)
Net cash used in capital and related financing activities	(546,533)	(449,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	635,879	568,488
Purchases of securities	(656,952)	(673,554)
Proceeds from termination of prepaid gas contracts	2,565	-0-
Interest and dividends received	46,433	33,838
Investment revenue/expenses - net	(5,140)	(11,455)
Net cash provided by (used in) investing activities	22,785	(82,683)
Net increase (decrease) in cash and cash equivalents	125,607	(98,614)
Cash and cash equivalents at the beginning of the year	291,224	389,838
Cash and cash equivalents at the end of the year	$ 416,831	$ 291,224
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	$ 338,872	$ 229,456
Restricted and designated cash and cash equivalents	65,930	39,775
Restricted and designated assets (a component of the total of $373,189 and $238,656 at December 31, 2024 and 2023, respectively)	12,029	21,993
Cash and cash equivalents at the end of the year	$ 416,831	$ 291,224

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
SUPPLEMENTAL CASH FLOW INFORMATION

A reconciliation of the statements of cash flows operating activities to operating income as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
	(thousands of dollars)	
Operating income	$ 158,147	$ 182,296
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	273,258	267,963
Regulatory amortization	45,920	39,908
Other amortizations	40,060	26,488
Revenue deferred to (recognized from) regulatory credits - net	132,216	55,238
Other (receipts) payments - net	151,423	29,385
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Receivables - retail customers, wholesale and other	(47,057)	44,472
Inventories, prepayments and other	(220,021)	(43,135)
Deferred outflows of recources	(7,154)	(16,042)
Payables and accruals	65,153	(115,722)
Decommissioning	(6,512)	(5,481)
Net pension liability	49,404	23,559
Net other postemployment benefits liability	8,798	18,581
Deferred inflows of resources	(24,603)	(20,940)
Net cash provided by operating activities	$ 619,032	$ 486,570

The supplemental disclosure of noncash financing and investing activities is as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
	(thousands of dollars)	
Amortization of debt related (expenses) and premiums - net	$ 45,129	$ 23,090
Write-off unamortized premium and loss	-0-	18,711
Gain on debt extinguishment and refundings	(23,975)	16,837
Unrealized holding gain (loss)	906	5,502
Change in valuation of derivative financial instruments	53,799	(250,762)
Amortization of revenue for assets contributed in aid of construction	19,974	19,201
Construction expenditures included in accounts payable	83,461	52,122
Gain (Loss) on sale and retirement of assets - net	(270)	17,637
Write-off capital projects and preliminary surveys	(6,620)	(950)

The accompanying notes are an integral part of these financial statements.

Sacramento Municipal Utility District
Notes to Financial Statements
As of and for the Years Ended December 31, 2024 and 2023

NOTE 1. ORGANIZATION

The Sacramento Municipal Utility District (SMUD) was formed and operates under the State of California Municipal Utility District Act (Act). The Act gives SMUD the rights and powers to fix rates and charges for commodities or services it furnishes, and to incur indebtedness and issue bonds or other obligations. As a community-owned utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission.

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, which includes most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

SMUD is exempt from payment of federal and state income taxes and, under most circumstances, real and personal property taxes. SMUD is not exempt from real and personal property taxes on assets it holds outside of its service territory. In addition, SMUD is responsible for the payment of a portion of the property taxes associated with its real property in California that lies outside of its service area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. SMUD's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC), except as it relates to the accounting for contributions of utility property in aid of construction. SMUD's Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Electric revenues and costs that are directly related to the acquisition, generation, transmission, and distribution of electricity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Financial Reporting Entity. These Financial Statements include SMUD and its component units. Although the component units are legally separate from SMUD, they are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. All significant inter-component transactions have been eliminated in consolidation.

Component Units. The component units include the Sacramento Municipal Utility District Financing Authority (SFA), the Northern California Gas Authority No. 1 (NCGA), and the Northern California Energy Authority (NCEA). The primary purpose of SFA is to own and operate electric utility plants that supply power to SMUD. The primary purpose of NCGA is to prepay for natural gas to sell to SMUD. The primary purpose of NCEA is to prepay for commodities in the form of natural gas and electricity to sell to SMUD. SMUD's Board comprises the Commissions that govern these entities (see Note 6).

Plant in Service. Capital assets are generally defined by SMUD as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years. The cost of additions to Plant in Service and replacement property units is capitalized. Repair and maintenance costs are charged to expense when incurred. When SMUD retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. The costs of removal and the related salvage value, if any, are charged or credited as appropriate to Accumulated Depreciation. SMUD generally computes depreciation on Plant in Service on a straight-line, service-life basis. The average annual composite depreciation rates for 2024 and 2023 was 3.1 percent and 3.3 percent, respectively. Depreciation is calculated using the following estimated lives:

Generation	8 to 80 years
Transmission and Distribution	7 to 50 years
Gas Pipeline	10 to 90 years
General	3 to 60 years

Investment in Joint Powers Authority (JPA). SMUD's investment in the Transmission Agency of Northern California (TANC) is accounted for under the equity method of accounting and is reported as a component of Plant in Service. SMUD's share of the TANC debt service costs and operations and maintenance expense, inclusive of depreciation, is included in Transmission and Distribution expense in the Statements of Revenues, Expenses and Changes in Net Position (see Note 5).

SMUD's investment in the Balancing Authority of Northern California (BANC) is accounted for under the equity method of accounting. SMUD's share of the BANC operations and maintenance expense is included in Transmission and Distribution expense in the Statements of Revenues, Expenses and Changes in Net Position (see Note 5).

Leases. Leases are contracts that convey control of the right to use another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset (see Note 4).

For lessor contracts, lease receivables and deferred inflows of resources are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The amortization of the discount for lessor contracts is recorded as Lease receivable for SMUD on the Statements of Net Position with the offset to interest income in Interest and other income on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

For lessee contracts, lease assets and liabilities are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The amortization of the discount for lessee contracts is recorded as Interest payable on the Statements of Net Position with the offset to Lease interest expense for SMUD on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

Subscription Assets. SBITA's provide governments with access to vendors' information technology (IT) software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. The subscription term is the period of time where there is a noncancellable right to use the underlying IT assets (see Note 4).

For SBITA contracts, subscription assets and liabilities are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The subscription assets are amortized over the shorter of the lease term or the useful life of the underlying IT assets. The amortization of the discount for SBITA contracts is recorded as Interest payable on the Statements of Net Position with the offset to SBITA interest expense for SMUD on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

Restricted and Designated Assets. Cash, cash equivalents, and investments, which are restricted by regulation or under terms of certain agreements for payments to third parties are included as restricted assets. Restricted assets include Revenue bond and debt service reserves, Nuclear decommissioning trust fund, and Other funds. Board actions limiting the use of such funds are included as designated assets. Designated assets include the Rate stabilization fund and Other funds. When SMUD restricts or designates funds for a specific purpose, and restricted and designated and unrestricted resources are available for use, it is SMUD's policy to use restricted and designated resources first, then unrestricted resources as they are needed.

Nuclear Decommissioning Trust Fund. SMUD made annual contributions to its Nuclear Decommissioning Trust Fund (Trust Fund) through 2008 to cover the cost of its primary decommissioning activities associated with the Rancho Seco facility. Primary decommissioning excludes activities associated with the spent fuel storage facility after 2008 and most non-radiological decommissioning tasks. Interest earnings on the Trust Fund assets are recorded as Interest Income and are accumulated in the Trust Fund.

Asset Retirement Obligations (ARO). SMUD records asset retirement obligations (ARO) for tangible capital assets when an obligation to decommission facilities is legally required. SMUD recognizes AROs for its Rancho Seco nuclear power plant and for the CVFA power plant facility (see Note 13). The Rancho Seco ARO is recorded as Accrued Decommissioning and the unfunded portion of the ARO is recorded as current and noncurrent Regulatory Costs for Future Recovery (see Note 8) in the Statements of Net Position. Other AROs are recorded as Accrued Decommissioning and a corresponding Deferred Asset Retirement Obligation Outflows in the Statements of Net Position.

SMUD has identified potential retirement obligations related to certain generation, distribution and transmission facilities. SMUD's non-perpetual leased land rights generally are renewed continuously because SMUD intends to utilize these facilities indefinitely. GASB No. 83, ***"Asset Retirement Obligations"*** requires the measurement of the ARO to be based on the probability weighting of potential outcomes. Due to the low probability that these leases will be terminated, a liability has not been recorded.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, deposits held at financial institutions, all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. The value of the pooled shares in LAIF which may be withdrawn anytime, are recorded at amortized cost which approximates fair value and is exempt from the fair value measurement.

Investments. SMUD's investments are reported at fair value in accordance with SGAS No. 72, ***"Fair Value Measurement and Application"*** (see Note 12). Realized and unrealized gains and losses are included in Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. Premiums and discounts on zero coupon bonds are amortized using the effective interest method. Premiums and discounts on other securities are amortized using the straight-line method, which approximates the effective interest method.

Electric Operating Revenues. Electric revenues are billed on the basis of monthly cycle bills and are recorded as revenue when the electricity is delivered. SMUD records an estimate for unbilled revenues earned from the dates its retail customers were last billed to the end of the month. At December 31, 2024 and 2023, unbilled revenues were $89.1 million and $81.5 million, respectively.

Purchased Power Expenses. A portion of SMUD's power needs are provided through power purchase agreements (PPA). Expenses from such agreements, along with associated transmission costs paid to other utilities, are charged to Purchased Power expense in the Statements of Revenues, Expenses and Changes in Net Position in the period the power is received. The costs or credits associated with energy swap agreements (gas and electric) or other arrangements that affect the net cost of Purchased Power are recognized in the period in which the underlying power delivery occurs. Contract termination payments and adjustments to prior billings are included in Purchased Power expense once the payments or adjustments can be reasonably estimated.

Advanced Capacity Payments. Some long-term agreements to purchase energy or capacity from other providers call for up-front payments. Such costs are generally recorded as an asset and amortized over the length of the contract in Operations - Production expense on the Statements of Revenues, Expenses and Changes in Net Position.

Credit and Market Risk. SMUD enters into forward purchase and sales commitments for physical delivery of gas and electricity with utilities and power marketers. SMUD is exposed to credit risk related to nonperformance by its wholesale counterparties under the terms of these contractual agreements. In order to limit the risk of counterparty default, SMUD has a wholesale counterparty risk policy which includes using the credit agency ratings of SMUD's counterparties and other credit services, credit enhancements for counterparties that do not meet an acceptable risk level, and the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty. SMUD is also subject to similar requirements for many of its gas and power purchase agreements. SMUD uses a combination of cash and securities to satisfy its collateral requirements to counterparties.

SMUD's component units, NCGA and NCEA, entered into guaranteed investment contracts and are exposed to credit risk related to nonperformance by its investment provider. For NCGA, the investment provider provides collateral if their credit ratings fall below agreed upon levels. SMUD holds deposits by counterparties and an investment provider and records the amounts as Credit Support Collateral Obligation in the Statements of Net Position.

Collateral deposits that SMUD has with counterparties are recorded as Credit Support Collateral Deposits in the Statements of Net Position.

Accounts Receivable, Allowance for Doubtful Accounts and Energy Efficiency Loans. Accounts receivable is recorded at the invoiced amount and does not bear interest, except for accounts related to energy efficiency loans. SMUD recognizes an estimate of uncollectible accounts for its receivables related to electric service, energy efficiency loans, and other non-electric billings, based upon its historical experience with collections and current energy market conditions. For large wholesale receivable balances, SMUD determines its bad debt reserves based on the specific credit issues for each account. In the Statements of Net Position, SMUD reports its receivables net of the allowance for uncollectible as current assets, and its energy efficiency loans net of the allowance for uncollectible as noncurrent assets. At December 31, 2024 and 2023, SMUD estimated its uncollectible retail customer accounts at $16.9 million and $26.1 million, respectively, based on non-payment behaviors by aging category. SMUD records bad debts for its estimated uncollectible accounts related to electric service as a reduction to the related operating revenues in the Statements of Revenues, Expenses and Changes in Net Position. SMUD records bad debts for its estimated uncollectible accounts related to energy efficiency loans and other non-electric billings in Administrative, General and Customer expense in the Statements of Revenues, Expenses and Changes in Net Position.

SMUD's receivables, allowances for uncollectible and energy efficiency loans are presented below:

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
Retail customers:		
Receivables	$ 226,526	$ 204,466
Less: Allowance for uncollectible	(16,935)	(26,052)
Receivables - net	$ 209,590	$ 178,414
Wholesale and other:		
Receivables	$ 90,657	$ 68,167
Less: Allowance for uncollectible	(4,240)	(2,742)
Receivables - net	$ 86,417	$ 65,425
Energy efficiency loans:		
Receivables	$ 277	$ 507
Less: Allowance for uncollectible	(90)	(123)
Energy efficiency loans - net	$ 187	$ 384

Regulatory Deferrals. The Board has the authority to establish the level of rates charged for all SMUD services. As a regulated entity, SMUD's financial statements are prepared in accordance with SGAS Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants Pronouncements,"*** which requires that the effects of the ratemaking process be recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in Change in Net Position as incurred, are recognized when included in rates and recovered from or refunded to customers. SMUD records various regulatory assets and credits to reflect ratemaking actions of the Board (see Note 8).

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Compensated Absences. SMUD implemented SGAS No. 101 "***Compensated Absences***" in 2024. SMUD accrues vacation leave and compensatory time when employees earn the rights to the benefits. Since there are no cash payments made for sick leave when employees terminate or retire, sick leave is accrued when the employees earn the rights to the benefits and to the extent it is probable that the leave will be used. Compensated absences are recorded as Accrued salaries and compensated absences in the Statements of Net Position. For the years ended December 31, 2024 and 2023, the net increase in the estimated liability for vacation, sick and other compensated absences was $12.4 million and $0.4 million, respectively.

Public Good. Public Good expenses consist of non-capital expenditures for energy efficiency programs, low income subsidies, renewable energy resources and technologies, and research and development.

Gains/Losses on Bond Refundings. Gains and losses resulting from bond refundings are included as a component of Deferred Inflows of Resources or Deferred Outflows of Resources in the Statements of Net Position and amortized as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position over the shorter of the life of the refunded debt or the new debt using the effective interest method.

Gains/Losses on Bond Defeasances or Extinguishments. Gains and losses resulting from bond defeasances or extinguishments that were not financed with the issuance of new debt are included as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position.

Deferred Outflows of Resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized and an inflow of resources (revenue) until that future time.

Derivative Financial Instruments. SMUD records derivative financial instruments (interest rate swap and gas price swap agreements, certain wholesale sales agreements, certain power purchase agreements and option agreements) at fair value in its Statements of Net Position. SMUD does not enter into agreements for speculative purposes. Fair value is estimated by comparing contract prices to forward market prices quoted by third party market participants and/or provided in relevant industry publications. SMUD is exposed to risk of nonperformance if the counterparties default or if the swap agreements are terminated. SMUD reports derivative financial instruments with remaining maturities of one year or less and the portion of long-term contracts with scheduled transactions over the next twelve months as current in the Statements of Net Position (see Note 9).

Interest Rate Swap Agreements. SMUD enters into interest rate swap agreements to modify the effective interest rates on outstanding debt (see Notes 9 and 10).

Gas and Electricity Price Swap and Option Agreements. SMUD uses forward contracts to hedge the impact of market volatility on gas commodity prices for its natural gas-fueled power plants and for energy prices on purchased power for SMUD's retail load (see Note 9).

Insurance Programs. SMUD records liabilities for unpaid claims at their present value when they are probable in occurrence and the amount can be reasonably estimated. SMUD records a liability for unpaid claims associated with general, auto, workers' compensation, and short-term and long-term disability based upon estimates derived by SMUD's claims administrator or SMUD staff. The liability comprises the present value of the claims outstanding and includes an amount for claim events incurred but not reported based upon SMUD's experience (see Note 16).

Pollution Remediation. SGAS No. 49, ***"Accounting and Financial Reporting for Pollution Remediation Obligations,"*** (GASB No. 49) requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. SMUD recorded a pollution remediation obligation for its North City substation, which was built on a former landfill, for the former Community Linen Rental Services Property, and for obligations for several land sites, including a few sites where it will be building a substation. At December 31, 2024 and 2023, the total pollution remediation liability was $20.6 million and $23.2 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self Insurance and Other in the Statements of Net Position. Costs were estimated using the expected cash flow technique prescribed under GASB No. 49, including only amounts that are reasonably estimable.

Hydro License. SMUD owns and operates the Upper American River Hydroelectric Project (UARP). The original license to construct and operate the UARP was issued in 1957 by FERC. Effective July 1, 2014, SMUD received a 50-year hydro license. As part of the hydro licensing process, SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. At December 31, 2024 and 2023, the liability for these contract payments was $62.4 million and $62.7 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self-Insurance and Other in the Statements of Net Position (see Note 17).

Assembly Bill 32. California Assembly Bill (AB) 32 was an effort by the State of California to set a greenhouse gas (GHG) emissions reduction goal into law, and initially was set through 2020. In 2015, the state established a 2030 goal for GHG emissions at 40 percent below 1990 levels, and in July of 2017 AB-398 was approved by the Governor. Central to these initiatives is the Cap and Trade program, which covers major sources of GHG emissions in the State including power plants. AB-398 extended Cap and Trade through 2030. The Cap and Trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances, which are tradable permits, equal to the emissions allowed under the cap. Sources under the cap are required to surrender allowances and offsets equal to their emissions at the end of each compliance period. SMUD is subject to AB-32 and has participated in California Air Resources Board (CARB) administered quarterly auctions in the past. In a normal water year, SMUD expects its free allocation of allowances from the CARB to cover its compliance costs associated with electricity delivered to its retail customers. SMUD expects to recover compliance costs associated with wholesale power sales costs through its wholesale power sales revenues. SMUD continues to monitor new legislation and proposed programs that could impact AB-32 and its subsequent extensions.

In addition, the Low Carbon Fuel Standards (LCFS) was enacted through AB-32. CARB is responsible for the implementation of LCFS and has established a program for LCFS credits. The LCFS program is designed to reduce greenhouse gas emissions associated with the lifecycle of transportation fuels used in California. SMUD participates in the program and receives LCFS credits from CARB for the electricity used to power electric vehicles. The LCFS credits are sold to parties (oil companies) that have a compliance obligation. CARB requires that electricity LCFS credit sales proceeds be spent in a way to benefit current or future Electric Vehicle drivers in California, for both commercial and residential vehicles.

Net Pension Asset (NPA) or Liability (NPL). The NPA or NPL is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the pension plan's fiduciary net position (see Note 14).

Net Other Postemployment Benefit (OPEB) Asset (NOA) or Liability (NOL). The NOA or NOL is the difference between the actuarial present value of projected OPEB benefit payments attributable to employee's past service and the OPEB plan's fiduciary net position (see Note 15).

Net Position. SMUD classifies its net position into three components as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included.
- Restricted – This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in Net investment in capital assets, above), grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation or by the Board. These restricted assets are reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This component of net position consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "Net investment in capital assets" or "Restricted."

Contributions in Aid of Construction (CIAC). SMUD records CIAC from customer contributions, primarily relating to expansions to SMUD's distribution facilities, as Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. Contributions of capital are valued at acquisition value. For ratemaking purposes, the Board does not recognize such revenues when received; rather, CIAC is included in revenues as such costs are amortized over the estimated useful lives of the related distribution facilities (see Note 8).

Revenues and Expenses. SMUD distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with SMUD's principal ongoing operations. The principal operating revenues of SMUD are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as Non-Operating Revenues and Expenses in the Statements of Revenues, Expenses and Changes in Net Position. In 2024 SMUD recognized insurance proceeds of $96.5 million which is included Other income - net. And in 2023 SMUD recognized proceeds for a land sale of $33.3 million, a legal settlement of $14.8 million and insurance proceeds of $13.6 million which is included in Other income - net.

Grants. SMUD receives grant proceeds from federal and state assisted programs for its projects which include, but are not limited to, advanced and renewable technologies, electric transportation, and energy efficiency. SMUD also periodically receives grant proceeds from federal or state assistance programs as partial reimbursements for costs it has incurred as a result of natural disasters, such as storm or fire damages. When applicable, these programs may be subject to financial and compliance audits pursuant to regulatory requirements. During 2024, SMUD recorded $11.1 million of grant proceeds and recognized $3.0 million as a component of Other Income - Net, in the Consolidated Statements of Revenues, Expenses and Changes in Net Position, and $8.1 million as a Regulatory Credit (see Note 8).

SMUD has taxable Build America Bonds in which it receives an interest subsidy from the federal government equal to 35 percent of the interest paid (see Note 10). SMUD received reduced subsidy payments in 2024 and 2023 due to budget sequestration by the federal government. SMUD recognized $3.0 million in revenues in 2024 and $9.3 million in revenues in 2023 for its Build America Bonds, as a component of Other income (expense) - net, in the Statements of Revenues, Expenses and Changes in Net Position. The Build America Bonds were refunded in 2024.

Customer Sales and Excise Taxes. SMUD is required by various governmental authorities, including states and municipalities, to collect and remit taxes on certain customer sales. Such taxes are presented on a net basis and excluded from revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Subsequent Events. Subsequent events for SMUD have been evaluated through March 7, 2025 (see Note 19).

Reclassifications. Certain amounts in the 2023 Financial Statements have been reclassified in order to conform to the 2024 presentation.

Recent Accounting Pronouncements, adopted. In April 2022, GASB issued SGAS No. 99, ***"Omnibus 2022"*** (GASB No. 99). This statement addresses a variety of topics and is effective for SMUD in 2022, 2023, or 2024 depending on the requirement. The two remaining topics in this statement are related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53. These topics are effective for SMUD in 2024 but had no impact on SMUD.

In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for SMUD in 2024 but had no impact.

SMUD implemented SGAS No. 101, "***Compensated Absences***" (GASB No. 101) in 2024 (see Note 3).

Recent Accounting Pronouncements, not yet adopted. In December 2023, GASB issued SGAS No. 102, ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for SMUD in 2025. SMUD is currently assessing the disclosure impact of adopting this statement.

In April 2024, GASB issued SGAS No. 103, ***"Financial Reporting Model Improvements"*** (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues. This Statement is effective for SMUD in 2026. SMUD is currently assessing the impact of adopting this statement.

In September 2024, GASB issued SGAS No. 104, ***"Disclosure of Certain Capital Assets"*** (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital asset note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for SMUD in 2026. SMUD is currently assessing the disclosure impact of adopting this statement.

NOTE 3. ACCOUNTING CHANGE

In June 2022, GASB issued SGAS No. 101, "***Compensated Absences***" (GASB No. 101), to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. This statement is effective for SMUD in fiscal year 2024. The implementation impacted the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position when the accrual of these additional leave liabilities and the associate salary-related payments and the related expenses were recorded. Net position decreased by $11.5 million in 2024. SMUD did not restate 2023 for this change as the impact was immaterial.

NOTE 4. ELECTRIC UTILITY PLANT

The summarized activity of SMUD's Electric Utility Plant during 2024 is presented below:

	Balance January 1, 2024	Additions	Transfers and Disposals	Balance December 31, 2024
		(thousands of dollars)		
Nondepreciable Electric Utility Plant:				
Land and land rights	$ 190,812	$ 7,898	$ (1,602)	$ 197,108
CWIP	590,659	510,809	(573,729)	527,739
Total nondepreciable electric utility plant	781,471	518,707	(575,331)	724,847
Depreciable Electric Utility Plant:				
Generation	1,763,683	248,084	(2,365)	2,009,402
Transmission	649,509	30,608	(3,419)	676,698
Distribution	2,875,763	173,015	(8,765)	3,040,013
Investment in JPAs	46,796	2,790	-0-	49,586
Intangibles	589,531	47,994	-0-	637,525
General	1,139,118	55,245	(69,189)	1,125,174
	7,064,400	557,736	(83,738)	7,538,398
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	0	78,389	-0-	78,389
General	5,556	107	-0-	5,663
	7,320	78,496	-0-	85,816
Subscription Assets	36,948	15,008	(3,702)	48,254
Less: accumulated depreciation and amortization	(3,637,296)	(261,993)	87,093	(3,812,196)
Less: accumulated amortization on JPAs	(8,219)	-0-	(313)	(8,532)
	(3,645,515)	(261,993)	86,780	(3,820,728)
Total depreciable plant	3,463,153	389,247	(660)	3,851,740
Total Electric Utility Plant - net	$ 4,244,624	$ 907,954	$ (575,991)	$ 4,576,587

The summarized activity of SMUD's Electric Utility Plant during 2023 is presented below:

	Balance January 1, 2023	Additions	Transfers and Disposals	Balance December 31, 2023
	(thousands of dollars)			
Nondepreciable Electric Utility Plant:				
Land and land rights	$ 170,616	$ 51,699	$ (31,503)	$ 190,812
CWIP	347,758	507,246	(264,345)	590,659
Total nondepreciable electric utility plant	518,374	558,945	(295,848)	781,471
Depreciable Electric Utility Plant:				
Generation	1,766,397	44,303	(47,017)	1,763,683
Transmission	634,725	20,062	(5,278)	649,509
Distribution	2,785,575	109,830	(19,642)	2,875,763
Investment in JPAs	40,708	6,088	-0-	46,796
Intangibles	571,317	21,613	(3,399)	589,531
General	1,147,814	19,269	(27,965)	1,139,118
	6,946,536	221,165	(103,301)	7,064,400
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	76,804	-0-	(76,804)	-0-
General	5,556	-0-	-0-	5,556
	84,124	-0-	(76,804)	7,320
Subscription Assets	33,972	2,976	-0-	36,948
Less: accumulated depreciation and amortization	(3,546,607)	(270,105)	179,416	(3,637,296)
Less: accumulated amortization on JPAs	(7,905)	(314)	-0-	(8,219)
	(3,554,512)	(270,419)	179,416	(3,645,515)
Total depreciable plant	3,510,120	(46,278)	(689)	3,463,153
Total Electric Utility Plant - net	$ 4,028,494	$ 512,667	$ (296,537)	$ 4,244,624

Leases. SMUD engages in lease contracts for land, communication sites, buildings, and a power plant. SMUD leases land to SFA, a component unit, and as described in Note 2, all of the activities and balances of the component units are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD.

Lessor. Lease agreements include land, communication sites, and a building. Lease terms range from 4 to 35 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that Lessees will exercise the renewal options with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.7 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. At December 31, 2024 and 2023, lease receivables included in current assets were $0.5 million and $0.6 million, respectively, and lease receivables included in noncurrent assets were $16.7 million and $17.4 million, respectively. As of December 31, 2024 and 2023, deferred lease inflows were $16.4 million and $17.4 million, respectively. SMUD recognized lease revenue of $0.7 million and $0.8 million in 2024 and 2023, respectively, which is reported in Street lighting and other on the Statements of Revenues, Expenses and Changes in Net Position. SMUD recognized interest income of $0.3 million in 2024 and 2023. There were no variable lease payments received in 2024 or 2023.

Lessee. Lessee agreements include land, buildings, and a power plant. Lease terms range from 3 to 25 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that the lease agreements will be renewed with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.8 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2024 and 2023, assets recorded under leases were $85.8 million and $7.3 million, respectively, and accumulated amortization associated with lease assets was $27.9 million and $1.2 million, respectively. SMUD recognized amortization expense of $26.6 million in 2024 and $26.1 million in 2023 which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2024 and 2023, lease obligations included in current liabilities, Customer deposits and other, were $26.5 million and $0.4 million, respectively, and lease obligations included in noncurrent liabilities, Self insurance and other, were $32.3 million and $5.9 million, respectively. There were no lease impairments in 2024 or 2023. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual lease principal and interest payments as of December 31, 2024 (in thousands):

	Principal	Interest	Total
2025	$ 26,494	$ 1,096	$ 27,590
2026	27,120	475	27,595
2027	439	131	570
2028	448	126	574
2029	457	120	577
2030-2034 (combined)	1,279	518	1,797
2035-2039 (combined)	1,050	385	1,435
2040-2044 (combined)	916	217	1,133
2045-2049 (combined)	594	38	632
Total	$ 58,797	$ 3,106	$ 61,903

Subscription Assets. SMUD has noncancellable subscription-based information technology arrangements (SBITAs) for the right to use information technology hardware and software. SBITA subscription terms range from 2 to 7 years including options to extend the subscription term after completion of the initial contracted term. The agreements allow for periodic increases to the subscription payments. The interest rates range between 0.25 percent to 3.22 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the subscription term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2024 and 2023, subscription assets recorded were $48.3 million and $36.9 million, respectively, and accumulated amortization associated with subscription assets was $19.6 million and $13.9 million, respectively. SMUD recognized SBITA amortization expense of $9.3 million in 2024 and $7.4 million in 2023 which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2024 and 2023, subscription obligations included in current liabilities, Customer deposits and other, were $10.4 million and $5.9 million, respectively, and subscription obligations included in noncurrent liabilities, Self-insurance and other, were $15.3 million and $15.0 million, respectively. There were no subscription asset impairments in 2024 or 2023. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual SBITA principal and interest payments as of December 31, 2024 (in thousands):

	Principal	Interest	Total
2025	$ 10,442	$ 471	$ 10,913
2026	6,952	274	7,226
2027	4,605	141	4,746
2028	3,639	64	3,703
2029	91	1	92
Total	$ 25,729	$ 951	$ 26,680

NOTE 5. INVESTMENT IN JOINT POWERS AUTHORITY

TANC. SMUD and fourteen other California municipal utilities are members of TANC, a JPA. TANC, along with the other California municipal utilities, own and operate the California-Oregon Transmission Project (COTP), a 500-kilovolt transmission line between central California and southern Oregon. SMUD is obligated to pay approximately 39 percent of TANC's COTP debt service and operations costs in exchange for entitlement to approximately 536 megawatts (MW) of TANC's 1,390 MW transfer capability. Additionally, SMUD has a 48 MW share of TANC's 300 MW firm, bi-directional transmission over Pacific Gas and Electric Company's (PG&E) system between PG&E's Tesla and Midway substations (SOT). The total entitlement shares for the COTP and SOT described above include the long-term agreements listed below.

In 2009, SMUD entered into a 15-year long-term layoff agreement with TANC and certain members, expiring January 31, 2024. This agreement provides for the assignment of all rights and obligations of the City of Palo Alto and the City of Roseville related to their COTP and SOT entitlements. This agreement increased SMUD's COTP entitlement by 36 MW and SOT entitlement by 2 MW. On July 1, 2014, an amendment returned to the City of Roseville all rights and obligations related to the COTP entitlements, which decreased SMUD's COTP entitlement by 13 MW.

Effective July 1, 2014, SMUD entered into a 25-year long-term layoff agreement with TANC and certain members that provides for the assignment of all rights and obligations of Northern California Power Agency and partial rights and obligations of the City of Santa Clara related to their COTP entitlements. This agreement increased SMUD's COTP entitlements by 130 MW.

The long-term debt of TANC, which totals $159.5 million (unaudited) at December 31, 2024, is collateralized by a pledge and assignment of net revenues of TANC supported by take or pay commitments of SMUD and other members. Should other members default on their obligations to TANC, SMUD would be required to make additional payments to cover a portion of such defaulted payments, up to 25 percent of its current obligation. SMUD recorded transmission expenses related to TANC of $18.9 million and $17.5 million in 2024 and 2023, respectively.

In October 2024, TANC issued a line of credit for $120 million for the replacement project related to the series capacitors. In 2024 TANC drew $92 million from the line of credit and disbursed $88.6 million for TANC's cost share of the series capacitor project and $28.7 million for Western Area Power Administration's cost share of the series capacitor project.

Summary financial information for TANC is presented below:

	December 31,	
	2024 (Unaudited)	2023 (Unaudited)
	(thousands of dollars)	
Total Assets	$ 501,368	$ 402,458
Total Deferred Outflows of Resources	-0-	13
Total Assets and Deferred Outflows of Resources	$ 501,368	$ 402,471
Total Liabilities	$ 399,995	$ 307,217
Total Deferred Inflows of Resources	1,287	939
Total Net Position	100,086	94,315
Total Liabilities and Net Position	$ 501,368	$ 402,471
Changes in Net Position for the Six Months Ended December 31	$ 6	$ 14

Copies of the TANC annual financial reports may be obtained from SMUD at P.O. Box 15830, Sacramento, California 95852 or online at www.tanc.us.

BANC. SMUD, City of Redding, City of Roseville, Modesto Irrigation District (MID), City of Shasta Lake, and Trinity Public Utilities District are members of BANC, a JPA formed in 2009. In 2011, operational control of Balancing Authority Area (BAA) operations was transferred from SMUD to BANC. BANC performs FERC approved BAA reliability functions that are managed by North American Electric Reliability Corporation (NERC), nationally, and by Western Electricity Coordinating Council functions in the west. SMUD recorded expenses related to BANC of $5.3 million and $4.3 million in 2024 and 2023, respectively.

Summary financial information for BANC is presented below:

	December 31,	
	2024 (Audited)	2023 (Audited)
	(thousands of dollars)	
Total Assets	$ 7,753	$ 8,093
Total Liabilities	$ 7,753	$ 8,093
Total Net Position	-0-	-0-
Total Liabilities and Net Position	$ 7,753	$ 8,093
Changes in Net Position for the Year Ended December 31	$ -0-	$ -0-

Copies of the BANC annual financial reports may be obtained from SMUD at P.O. Box 15830, Sacramento, California 95852.

NOTE 6. COMPONENT UNITS

SFA Cosumnes Power Plant Project. SFA is a JPA formed by SMUD and MID. SFA operates the Cosumnes Power Plant Project, a 602 MW (net) natural gas-fired, combined cycle facility which began commercial operations in 2006. The revenue stream to pay the SFA bonds' debt service is provided by a "take-or-pay" power purchase agreement between SMUD and SFA. On November 1, 2021, SFA entered into Assignment and Assumption Agreements which transferred the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan). Carson began commercial operations in 1995 and is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Procter and Gamble began commercial operations in 1997 and is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Campbell began commercial operations in 1997 and is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. McClellan is a 72 MW simple cycle combustion turbine and has been operating since 1986.

NCGA. NCGA is a JPA formed by SMUD and the SFA. NCGA has a prepaid gas contract with Morgan Stanley Capital Group (MSCG) expiring in 2027, which is financed primarily by NCGA revenue bonds. SMUD has contracted with NCGA to purchase all the gas delivered by MSCG to NCGA, based on market prices. SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG, pursuant to the Gas remarketing provisions shall purchase all of the remarketed gas for its own account. NCGA is obligated to pay the principal and interest on the bonds. Neither SMUD nor SFA is obligated to make debt service payments on the bonds. NCGA can terminate the prepaid gas contract under certain circumstances, including a failure by MSCG to meet its gas delivery obligation to NCGA or a drop in MSCG's credit rating below a specified level. If this occurs, MSCG will be required to make a termination payment to NCGA based on the unamortized prepayment proceeds received by MSCG.

NCEA. NCEA is a JPA formed by SMUD and the SFA. NCEA has a prepaid natural gas and electricity (commodity) contract with J. Aron & Company LLC (J. Aron) expiring in 2049, which is financed primarily by NCEA revenue bonds. The contract has been amended and restated to expire in 2054 due to the issuance of the 2024 Revenue Refunding Bond. SMUD has contracted with NCEA to purchase all the commodity delivered by J. Aron to NCEA, based on market prices. NCEA is obligated to pay the principal and interest on the bonds. Neither SMUD nor SFA is obligated to make debt service payments on the bonds. NCEA can terminate the prepaid commodity contract under certain circumstances, including a failure by J. Aron to meet its commodity delivery obligation to NCEA. If this occurs, J. Aron will be required to make a termination payment to NCEA based on the unamortized prepayment proceeds received by J. Aron.

The summarized activity of SMUD's component units for 2024 is presented below:

CONDENSED STATEMENTS OF NET POSITION
December 31, 2024
(thousands of dollars)

	SFA	NCGA	NCEA
Assets			
Electric Utility Plant - net	$ 264,777	$ -0-	$ -0-
Current Assets	144,962	51,027	43,720
Noncurrent Assets	481	52,230	687,870
Total Assets	410,220	103,257	731,590
Deferred Outflows of Resources	1,848	-0-	-0-
Total Assets and Deferred Outflows of Resources	$ 412,068	$ 103,257	$ 731,590
Liabilities			
Long-Term Debt - net	$ 64,636	$ 66,245	$ 722,286
Current Liabilities	70,466	30,366	19,824
Noncurrent Liabilities	15,340	-0-	60
Total Liabilities	150,442	96,611	742,170
Deferred Inflows	-0-	-0-	2,567
Net Position	261,626	6,646	(13,147)
Total Liabilities, Deferred Inflows and Net Position	$ 412,068	$ 103,257	$ 731,590

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2024
(thousands of dollars)

	SFA	NCGA	NCEA
Operating Revenues	$ 283,543	$ 31,774	$ 38,290
Operating Expenses	287,312	28,659	8,500
Operating Income (Loss)	(3,769)	3,115	29,790
Non-Operating Revenues and Expenses			
Other Revenues	2,375	889	514
Interest Charges and Other	(2,719)	(4,688)	(44,001)
Change in Net Position Before Distributions and Contributions	(4,113)	(684)	(13,697)
Distribution to Member	-0-	(572)	-0-
Member Contributions	-0-	75	498
Change in Net Position	(4,113)	(1,181)	(13,199)
Net Position – Beginning of Year	265,739	7,827	52
Net Position – End of Year	$ 261,626	$ 6,646	$ (13,147)

CONDENSED STATEMENTS OF CASH FLOWS
December 31, 2024
(thousands of dollars)

	SFA	NCGA	NCEA
Net Cash Provided by Operating Activities	$ 41,112	$ 32,332	$ 37,663
Net Cash Provided by (Used in) Noncapital Financing Activities	156	(31,193)	(31,023)
Net Cash Used in Capital Financing Activities	(31,010)	-0-	-0-
Net Cash Provided by (Used in) Investing Activities	2,032	897	(9,280)
Net Increase (Decrease) in Cash and Cash Equivalents	12,290	2,036	(2,640)
Cash and Cash Equivalents at the Beginning of the Year	46,671	13,936	3,816
Cash and Cash Equivalents at the End of the Year	$ 58,961	$ 15,972	$ 1,176

The summarized activity of SMUD's component units for 2023 is presented below:

CONDENSED STATEMENTS OF NET POSITION
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Assets			
Electric Utility Plant - net	$ 291,172	$ -0-	$ -0-
Current Assets	131,260	45,409	43,765
Noncurrent Assets	588	84,273	509,358
Total Assets	430,020	129,682	553,123
Deferred Outflows of Resources	2,698	-0-	-0-
Total Assets and Deferred Outflows of Resources	$ 425,718	$ 129,682	$ 553,123
Liabilities			
Long-Term Debt - net	$ 80,582	$ 94,540	$ 525,193
Current Liabilities	64,060	27,315	27,630
Noncurrent Liabilities	15,337	-0-	248
Total Liabilities	159,979	121,855	553,071
Net Position	265,739	7,827	52
Total Liabilities and Net Position	$ 425,718	$ 129,682	$ 553,123

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Operating Revenues	$ 258,162	$ 29,999	$ 26,303
Operating Expenses	248,786	25,361	4,366
Operating Income	9,376	4,638	21,937
Non-Operating Revenues and Expenses			
Other Revenues	16,848	615	552
Interest Charges and Other	(2,942)	(5,819)	(16,831)
Change in Net Position Before Distributions and Contributions	23,282	(566)	5,658
Distribution to Member	(25,000)	(659)	(1,103)
Member Contributions	-0-	63	107
Change in Net Position	(1,718)	(1,162)	4,662
Net Position – Beginning of Year	267,457	8,989	(4,610)
Net Position – End of Year	$ 265,739	$ 7,827	$ 52

CONDENSED STATEMENTS OF CASH FLOWS
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Net Cash Provided by Operating Activities	$ 60,501	$ 30,037	$ 24,980
Net Cash Used in Noncapital Financing Activities	(25,000)	(29,430)	(25,176)
Net Cash Used in Capital Financing Activities	(30,919)	-0-	-0-
Net Cash Provided by Investing Activities	1,128	613	1,453
Net Increase in Cash and Cash Equivalents	5,710	1,220	1,257
Cash and Cash Equivalents at the Beginning of the Year	40,961	12,716	2,559
Cash and Cash Equivalents at the End of the Year	$ 46,671	$ 13,936	$ 3,816

As described in Note 2, all of the activities and balances of the component units are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. Copies of SFA's, NCGA's and NCEA's annual financial reports may be obtained from their Executive Office at P.O. Box 15830, Sacramento, California 95852 or online at www.smud.org.

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. SMUD's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow SMUD's investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. SMUD's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate this risk, SMUD limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency, with the exception of the Guaranteed Investment Contracts (GICs) held by NCEA. NCEA's GICs are rated at the credit rating of the commodity supplier, or, if not rated, the guarantor of the commodity supplier which is currently Goldman Sachs rated as "BBB+."

Custodial Credit Risk. This is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, SMUD's deposits and investments may not be returned or SMUD will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. SMUD does not have a deposit or investment policy for custodial credit risk.

As of December 31, 2024 and 2023, $7.2 million in deposits were uninsured for both years. The bank balance is also, per a depository pledge agreement between SMUD and SMUD's bank, collateralized at 134 percent and 136 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2024 and 2023, respectively. SMUD had unsecured deposits in commercial paper and money market funds of $179.9 million and $128.3 million which were uninsured at December 31, 2024 and 2023, respectively. SMUD's investments and money market funds are held in SMUD's name.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. SMUD places no limit on the amounts invested in any one issuer for repurchase agreements, US Treasuries, federal agency, and state and municipal securities.

The following are the concentrations of risk greater than five percent in either year:

	December 31,	
	2024	2023
Investment Type:		
Federal Home Loan Banks	18%	37%
Freddie Mac	17%	14%
Commercial Paper – Microsoft Corporation	N/A	7%
Commercial Paper – Chesham Finance	6%	N/A
Federal Farm Credit Bank	N/A	8%
Corporate Note – Toyota Motor Credit Corp	11%	7%
Corporate Note – Apple Inc	20%	6%
Guaranteed Investment Contracts	13%	5%

Interest Rate Risk. This is the risk of loss due to the fair value of an investment declining due to interest rates rising. Though SMUD has restrictions as to the maturities of some of the investments, it does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. SMUD is exposed to interest rate risk on its interest rate swaps (see Note 9).

The following schedules indicate the credit and interest rate risk at December 31, 2024 and 2023. The credit ratings listed are from Standard & Poor's (S&P) or Moody's. (N/A is defined as not applicable to the rating disclosure requirements.)

At December 31, 2024, SMUD's cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Remaining Maturities (in years) Less Than 1	1-5	More Than 5	Total Fair Value
		(thousands of dollars)			
Cash and Cash Equivalents:					
Cash	N/A	$ 44,923	$ -0-	$ -0-	$ 44,923
LAIF	Not Rated	125,060	-0-	-0-	125,060
Money Market Funds	AAAm	166,139	-0-	-0-	166,139
Collaterals and Escrows	N/A	66,977	-0-	-0-	66,977
Commercial Paper	A-1	13,732	-0-	-0-	13,732
Total cash and cash equivalents		416,831	-0-	-0-	416,831
Investments:					
Federal Home Loan Bank	AA+	39,932	-0-	-0-	39,932
Freddie Mac	AA+	27,887	9,495	-0-	37,382
U.S. Treasury Obligations	Aaa	344,507	124,639	-0-	469,146
Corporate Notes	AAA/AA+/AA/ A+	55,242	34,293	-0-	89,535
Municipal Bonds	AA+/AA/AA-	11,766	-0-	-0-	11,766
Guaranteed Investment Contracts	AA+/ A+	-0-	-0-	28,517	28,517
Total investments		479,334	168,427	28,517	676,278
Total cash, cash equivalents, and investments		$ 896,165	$ 168,427	$ 28,517	$ 1,093,109

At December 31, 2023, SMUD's cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Remaining Maturities (in years) Less Than 1	1-5	More Than 5	Total Fair Value
		(thousands of dollars)			
Cash and Cash Equivalents:					
Cash	N/A	$ 35,263	$ -0-	$ -0-	$ 35,263
LAIF	Not Rated	40,027	-0-	-0-	40,027
Money Market Funds	AAAm	90,188	-0-	-0-	90,188
Collaterals and Escrows	N/A	87,658	-0-	-0-	87,658
Commercial Paper	AAA/A-1	38,088	-0-	-0-	38,088
Total cash and cash equivalents		291,224	-0-	-0-	291,224
Investments:					
Federal Home Loan Bank	AA+	87,460	46,337	-0-	133,797
Freddie Mac	AA+	19,970	29,034	-0-	49,004
Federal Farm Credit Bank	AA+	29,672	-0-	-0-	29,672
U.S. Treasury Obligations	Aaa	185,993	149,030	-0-	335,023
Corporate Notes	AAA/AA+/AA/A+	-0-	63,987	-0-	63,987
Municipal Bonds	AA+/AA/AA-	14,434	11,494	-0-	25,928
Guaranteed Investment Contracts	BBB+	18,489	-0-	-0-	18,489
Total investments		356,018	299,882	-0-	655,900
Total cash, cash equivalents, and investments		$ 647,242	$ 299,882	$ -0-	$ 947,124

SMUD's cash, cash equivalents, and investments are classified in the Statements of Net Position as follows:

	December 31,	
	2024	2023
	(thousands of dollars)	
Cash, Cash Equivalents, and Investments:		
Revenue bond reserve and debt service funds:		
Revenue bond reserve fund	$ -0-	$ 1,027
Debt service fund	68,099	71,371
Component unit bond reserve and debt service funds	52,415	43,281
Total revenue bond reserve and debt service funds	120,514	115,679
Nuclear decommissioning trust fund	9,909	9,418
Rate stabilization fund	345,389	212,131
Component unit other restricted funds	4,178	10,097
Escrow fund	14,026	1,110
Other restricted funds	51,962	28,074
Unrestricted funds	547,131	570,615
Total cash, cash equivalents, and investments	$ 1,093,109	$ 947,124

NOTE 8. REGULATORY DEFERRALS

The Board has taken various regulatory actions that result in differences between the recognition of revenues and expenses for ratemaking purposes and their treatment under generally accepted accounting principles for non-regulated entities (see Note 2). These actions result in regulatory assets and deferred inflow of resources, which are summarized in the tables below. Changes to these balances, and their inclusion in rates, occur only at the direction of the Board.

Regulatory Assets (Costs)

Decommissioning. SMUD's regulatory asset relating to the unfunded portion of its decommissioning liability for the Rancho Seco nuclear power plant is being collected through interest earnings on the Trust Fund. Nuclear fuel storage costs and non-radiological decommissioning costs have been collected in rates since 2009.

Derivative Financial Instruments. SMUD's regulatory costs and/or credits relating to investment and other derivative instruments are intended to defer the net difference between the fair value of derivative instruments and their cost basis, if any. Investment and other derivative instruments are reflected in rates at contract cost and as such, the balance is charged or credited into rates as the related asset or deferred inflow of resource is utilized (see Note 9).

Debt Issuance Costs. SMUD established a regulatory asset for costs incurred in connection with the issuance of debt obligations for the component units, principally underwriter fees and legal costs. The regulatory asset is amortized over the life of the bonds for the component units' debt issuance costs. Debt issuance costs after December 31, 2013 are expensed.

Pension Implementation Costs. SMUD established a regulatory asset for pension costs related to the implementation of GASB No. 68 which requires SMUD to record a net pension asset or a net pension liability. The regulatory asset is being amortized over a period of 25 years starting in 2018.

OPEB Implementation Costs. SMUD established a regulatory asset for OPEB costs related to the implementation of GASB No. 75 which requires SMUD to record a net OPEB asset or net OPEB liability. The regulatory asset is being amortized over a period of 25 years starting in 2020.

Pension/OPEB Deferred Outflows/Inflows. In 2022, SMUD established regulatory accounting for pension and OPEB regulatory costs and/or credits to defer recognition of certain expenses related to the amortization of the pension and OPEB deferred outflows and deferred inflows of resources to match such costs in the appropriate accounting period for rate-making purposes.

SMUD's total regulatory costs for future recovery are presented below:

	December 31,	
	2024	2023
	(thousands of dollars)	
Regulatory Costs:		
Decommissioning	$ 105,119	$ 107,977
Derivative financial instruments	622	1,160
Debt issuance costs	836	1,045
Pension – implementation costs	306,490	323,517
Pension – deferred outflows	274,163	174,576
OPEB – implementation costs	255,464	268,237
OPEB – deferred outflows	59,219	39,612
Total regulatory costs	1,001,913	916,124
Less: regulatory costs to be recovered within one year	(78,921)	(63,415)
Total regulatory costs for future recovery - net	$ 922,992	$ 852,709

Regulatory Credits

CIAC. In 2024 and 2023, SMUD added CIAC totaling $32.7 million and $22.0 million, respectively, to Regulatory Credits in the Statements of Net Position and recorded $16.1 million and $15.3 million of amortization, respectively, to Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. SMUD's regulatory credit relating to CIAC is intended to offset the revenue and expense associated with this accounting treatment. Thus, this regulatory credit is being amortized into rates over the depreciable lives of the related assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

Rate Stabilization. SMUD's regulatory credit relating to Rate Stabilization is intended to defer the need for future rate increases when costs exceed existing rates. At the direction of the Board, amounts may be either deferred into this fund (which reduces revenues), or amounts are recognized out of this fund (which increases revenues). The Board authorizes Rate Stabilization Fund (RSF) deferrals on an event driven basis.

In 2024 and 2023, $9.3 million and $1.3 million, respectively, were deferred from revenue to the RSF as a result of higher than budgeted energy deliveries from the Western Area Power Administration.

SMUD participates in the carbon allowance auctions under AB-32, the Global Warming Solutions Act (see Note 2). The Board authorized deferral of AB-32 auction proceeds to match the revenue recognition with the related expenses. The difference between the auction proceeds received and the funds spent on AB-32 programs are deferred into future years. In 2024, the Board authorized deferring the difference into the RSF and $18.7 million was deferred from revenue to the RSF. In 2023, the Board authorized transferring the difference out of the RSF and $1.5 million was recognized from the RSF to revenue.

SMUD sells LCFS credits under AB-32, the Global Warming Solutions Act (see Note 2). In 2019, the Board authorized deferral of LCFS credit sales to match the revenue recognition with the related expenses. The difference between the LCFS credit sales and the funds spent on LCFS programs are deferred into future years. In 2024 and 2023, the Board authorized transferring the difference out of the RSF and $0.3 million and $2.0 million were recognized from the RSF to revenue.

In 2024, the Board authorized SMUD to defer $121.0 million from operating revenue to the RSF. This transfer from revenue is intended to offset $60.0 million of future unexpected increases in commodity expenditures through 2030, $41.0 million of future one-time specific expenses which may have a significant financial impact on SMUD, and $20.0 million for future Community Impact Plan expenses through 2028. Also in 2022, the Board authorized the use of $41.0 million of deferred operating revenue to offset future Community Impact Plan expenditures from 2022 through 2025. In 2024 and 2023, $7.1 million was recognized from the RSF to revenue each year to offset Community Impact Plan expenditures.

Hydro Rate Stabilization. The Hydro Rate Stabilization Fund (HRSF) was established through the Hydro Generation Adjustment (HGA) mechanism, which helps manage volatility in energy costs. The HGA mechanism applies a formula based on precipitation and wholesale electricity prices to calculate needed withdrawals from or deposits to the HRSF. The maximum balance of the HRSF is 6 percent of the budgeted retail revenue and the maximum annual transfer in or out of the HRSF is 4 percent of budgeted retail revenue. If the HRSF is depleted, SMUD will apply a hydro rate surcharge to customers' bills up to 4 percent. When the HRSF reaches the 6 percent cap, the Board may authorize a hydro rebate to customers or direct the funds for another purpose. In 2024, $8.3 million was recognized from the HRSF to revenue as a result of low precipitation. In 2023, $65.4 million was transferred from revenue to the HRSF as a result of high precipitation.

Senate Bill 1. SMUD implemented a per kilowatt hour solar surcharge, effective January 1, 2008 in order to fund investments in solar required by Senate Bill 1 (SB-1). The difference between the surcharge revenues received and the funds spent on solar initiatives will be recognized or deferred into future years. SMUD has spent less than it collected in SB-1 revenues and has recorded a regulatory credit. Collection of the solar surcharge ended in December 2017 when total collections reached $130.0 million. In 2024 and 2023, $1.0 million and $0.9 million was spent for SB-1 programs, respectively.

Sustainable Communities. In 2023, the Board authorized a $5.0 million restricted donation to be deferred to offset future expenses for sustainable communities. In 2024 and 2023, none of the $5.0 million had been recognized.

Grant Revenues. In 2009, SMUD was awarded several large grants under the American Recovery and Reinvestment Act, which provided significant reimbursements for capital expenditures. In 2010, the Board authorized the deferral of all grant revenue for capital expenditures as regulatory liabilities. This regulatory credit is deferred to match the depreciable lives of the related capital assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

TANC Operations Costs. SMUD's cash payments to TANC exceeded TANC's accrual-based costs and SMUD has recorded a regulatory credit.

SMUD's total regulatory credits for future revenue recognition are presented below:

	December 31,	
	2024	2023
	(thousands of dollars)	
Regulatory Credits:		
CIAC	$ 321,394	$ 304,723
Rate stabilization	257,354	115,752
Hydro rate stabilization	88,035	96,379
Senate Bill 1	1,511	2,553
Sustainable Communities	5,000	5,000
Pension – deferred inflows	185,388	124,797
OPEB – deferred inflows	72,336	54,084
Grant revenues	28,255	24,106
TANC operations costs	35,490	30,912
Total regulatory credits	$ 994,763	$ 758,307

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

To help provide stable electric rates and to meet the forecasted power needs of its retail customers reliably, SMUD enters into various physical and financial fixed price purchase contracts for electricity and natural gas. These fixed price contracts and swap agreements are intended to hedge the exposure due to highly volatile commodity prices. SMUD also enters into interest rate swap agreements to reduce interest rate risk. SMUD utilizes these derivative financial instruments to mitigate its exposure to certain market risks associated with ongoing operations. SMUD has established policies set by an executive committee for the use of derivative financial instruments for trading purposes. These contracts are evaluated pursuant to SGAS No. 53, ***"Accounting and Financial Reporting for Derivative Instruments,"*** (GASB No. 53) to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate and commodity price risk exposures.

SMUD applies hedge accounting for derivative instruments that are deemed effective hedges. Under hedge accounting, the increase or (decrease) in the fair value of a hedge is reported as a Deferred Inflow or Deferred Outflow in the Statements of Net Position. Accumulated gains and losses from derivative instruments that do not meet the effectiveness tests are deferred for ratemaking purposes as regulatory assets on the Statements of Net Position (see Note 8).

SMUD executed numerous new gas and power related purchase agreements, some of which are recorded as hedging or other derivative instruments and are therefore included in the following table. All hedging, investment or other derivative instruments are recorded at fair value in the Statements of Net Position (see Note 12).

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2024 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2024 Changes in Fair Value		Fair Value at December 31, 2024		
	Current Amount	Noncurrent Amount	Current Amount	Noncurrent Amount	Notional
Cash Flow Hedges:					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
Asset: Investment Derivative Instruments					
Gas – Commodity	$ 80	$ -0-	$ 80	$ -0-	610 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Total Investment Derivative Instruments	$ 80	$ -0-	$ 80	$ -0-	$0
Asset: Other Derivative Instruments					
Gas – Commodity	$ 7,177	$ (6,530)	$ 11,286	$ 3,166	46,728 Dth
Electric – Commodity	5,627	-0-	6,718	-0-	501 Dth
Gas – Storage	(835)	-0-	1,108	-0-	1,133 Dth
Gas – Transportation	(661)	-0-	-0-	-0-	
Interest Rate	(682)	4,014	2,704	29,163	$132,020
Total Hedging Derivative Instruments	$ 10,626	$ (2,516)	$ 21,816	$ 32,329	

Liability: Other Derivative Instruments					
Gas – Commodity	$ 779	$ (320)	$ 381	$ 320	2,535 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Investment Derivative Instruments	$ 779	$ (320)	$ 381	$ 320	
Liability: Hedging Derivative Instruments					
Gas – Commodity	$ 28,904	$ 14,563	$ 21,331	$ 7,740	59,473 Dth
Electric – Commodity	3,749	-0-	-0-	-0-	
Gas – Storage	(21)	-0-	21	-0-	218 Dth
Gas – Transportation	1,158	(3,203)	7,934	3,203	19,840 Dth
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Hedging Derivative Instruments	$ 33,790	$ 11,360	$ 29,286	$ 10,943	

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2023 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2023 Changes in Fair Value		Fair Value at December 31, 2023		
	Current Amount	Noncurrent Amount	Current Amount	Noncurrent Amount	Notional
Cash Flow Hedges:					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
Asset: Other Derivative Instruments					
Gas – Commodity	$ (3,110)	$ (329)	$ -0-	$ -0-	
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	(87)	-0-	-0-	-0-	
Gas – Transportation	(2,673)	-0-	-0-	-0-	
Total Investment Derivative Instruments	$ (5,870)	$ (329)	$ -0-	$ -0-	
Asset: Hedging Derivative Instruments					
Gas – Commodity	$ (91,277)	$ (42,333)	$ 4,109	$ 9,696	34,055 Dth
Electric – Commodity	1,091	-0-	1,091	-0-	236 Dth
Gas – Storage	1,441	-0-	1,943	-0-	910 Dth
Gas – Transportation	(52,363)	-0-	661	-0-	450 Dth
Interest Rate	949	(8,497)	3,386	25,149	$151,590
Total Hedging Derivative Instruments	$ (140,159)	$ (50,830)	$ 11,190	$ 34,845	
Liability: Other Derivative Instruments					
Gas – Commodity	$ 916	$ 70	$ 1,160	$ -0-	2,615 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	90	-0-	-0-	-0-	

Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	937	1,354	-0-	-0-	$0
Total Investment Derivative Instruments	$ 1,943	$ 1,424	$ 1,160	$ -0-	
Liability: Hedging Derivative Instruments					
Gas – Commodity	$ (37,376)	$ (15,501)	$ 50,235	$ 22,303	82,778 Dth
Electric – Commodity	(3,749)	-0-	3,749	-0-	253 Dth
Gas – Storage	8,255	-0-	-0-	-0-	
Gas – Transportation	(8,570)	-0-	9,092	-0-	8,183 Dth
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Hedging Derivative Instruments	$ (41,440)	$ (15,501)	$ 63,076	$ 22,303	

Objectives and Terms of Hedging Derivative Instruments. The objectives and terms of SMUD's hedging and other derivative instruments that were outstanding at December 31, 2024 are summarized in the table below. The table is aggregated by the trading strategy. Credit ratings of SMUD's counterparties can be found in the table under Credit Risk. Details of SMUD's interest rate derivative instruments can be found in Note 10.

	Notional Amount Dth	Beginning Date	Ending Date	Minimum Price/Dth	Maximum Price/Dth
Gas – Commodity	109,345	01/01/25	12/31/27	$ 0.91	$ 5.59
Electric – Commodity	501	01/01/25	09/30/25	59.50	89.76
Gas – Storage	1,350	01/01/25	03/31/25	0.75	3.92
Gas – Transportation	19,840	01/01/25	12/31/26	(.29)	3.24

The objectives and terms of SMUD's hedging and other derivative instruments that were outstanding at December 31, 2023 are summarized in the table below. The table is aggregated by the trading strategy.

	Notional Amount Dth	Beginning Date	Ending Date	Minimum Price/Dth	Maximum Price/Dth
Gas – Commodity	119,448	01/01/24	12/31/26	$ 1.32	$ 6.70
Electric – Commodity	489	01/01/24	09/30/24	38.75	161.00
Gas – Storage	910	01/01/24	02/29/24	3.70	5.65
Gas – Transportation	8,633	01/01/24	09/30/24	(.30)	4.20

SMUD hedges its interest rate exposure with swaps. As of December 31, 2024 and 2023, SMUD has one interest rate swap outstanding. The swap is used to convert the interest expense associated with the 2023 Series C variable rate bonds to a fixed interest expense (see Note 10).

SMUD hedges its power and natural gas costs so that it can offer predictable rates to its retail electric customers and support its credit ratings. SMUD maintains a risk management program to control the price, credit, and operational risks arising from its power and natural gas market activities. Under the program, authorized SMUD employees assemble a portfolio of swaps, futures, and forward contracts over time with the goal of making SMUD's purchased power and fuel budget more predictable.

The hedged risks include those related to interest rate and commodity price fluctuations associated with certain forecasted transactions, including interest rate risk on long-term debt, and forward purchases of gas and electricity to meet load.

Derivative Instruments Not Designated as Hedging Derivative Instruments

Gas and Electric Contracts. SMUD utilizes certain gas swap and electric swap agreements under GASB No. 53 not designated as hedging derivative instruments to mitigate exposure to changes in the market price of natural gas and electricity. The fair value of each agreement, excluding the actual settlements to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, in Prepaymetns and other if in an asset position or Current Liabilities - Other Derivative Instruments or Noncurrent Liabilities in Self insurance and other, Other Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Regulatory Credits for future recovery in the Statements of Net Position. The actual settlement payable is recorded in Accounts Payable in the Statements of Net Position, and the actual settlement receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position. The payments and receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position.

Interest Rate Contracts. SMUD utilized certain interest rate swap agreements not designated as hedging derivative instruments under GASB No. 53 to mitigate exposure to fluctuations in interest rates. The fair value of each agreement, excluding the balance of interest to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, Other Derivative Instruments if in an asset position or Current or Noncurrent Liabilities, Other Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Deferred Outflows or Inflows of Resources in the Statements of Net Position. The interest receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position and the accrued interest is recorded in Interest Payable in the Statements of Net Position. The payments or receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position. At December 31 2024, SMUD does not possess any outstanding ineffective interest rate swaps.

The Board has deferred recognition of the effects of reporting the fair value of Other Derivative Instruments for ratemaking purposes and maintains regulatory accounts to defer the accounting impact of these accounting adjustments (see Note 8). Fair values may have changed significantly since December 31, 2024.

Basis Risk. This is the risk that arises when a hedged item and a derivative instrument that is attempting to hedge that item are based on different indices. SMUD is exposed to basis risk when it hedges its natural gas purchases with NYMEX futures contracts, which settle based on the price at Henry Hub, Louisiana. SMUD enters into basis swaps to hedge against this risk, which converts the Henry Hub price to the various locations where SMUD purchases natural gas. SMUD is also exposed to basis risk with the Barclays interest rate swap which is based on 1-month Fallback SOFR whereas the 2023 Series C bonds are a tax-exempt variable-rate demand note with a daily rate reset.

Termination Risk. This is the risk that a derivative instrument will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, credit events upon merger, and other events. One aspect of termination risk is that SMUD would lose the hedging benefit of a derivative instrument that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination, the mark to market value of the derivative instrument was a liability to SMUD, SMUD could be required to pay that amount to the counterparty. Termination risk is associated with all of SMUD's derivative instruments up to the fair value amounts.

Counterparty Credit Risk. This is the risk of loss resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. SMUD can be exposed to significant counterparty credit risk on all derivative instruments. SMUD seeks to minimize credit risk by transacting with creditworthy counterparties. SMUD has established and maintained strict counterparty credit guidelines. SMUD continuously monitors counterparty credit risk and utilizes numerous counterparties to diversify the exposure to potential defaults. Under certain conditions as outlined in SMUD's credit risk management policy, SMUD may require additional credit support under its trading agreements.

Some of SMUD's derivative instrument master agreements contain credit contingent provisions that enable SMUD to maintain unsecured credit as a result of positive investment quality credit ratings from each of the major credit rating agencies. If

SMUD's credit ratings were to be downgraded, there could be a step-down in SMUD's unsecured credit thresholds, and SMUD's counterparties would require additional collateral. If SMUD's credit ratings were to decrease below investment grade, SMUD's unsecured credit thresholds would be reduced to zero, and counterparties to the derivative instruments would demand ongoing full collateralization on derivative instruments in net out of the money positions (see Note 2).

Congestion Revenue Rights. In the normal course of business, SMUD acquires Congestion Revenue Rights (CRRs) as a hedge against congestion costs. While CRRs exhibit the three characteristics of derivative instruments as defined in GASB Statement No. 53, they are generally used by SMUD as factors in the cost of transmission. Therefore, these CRRs meet the normal purchases and sales scope exception and are thus reported on the Statements of Revenues, Expenses and Changes in Net Position as Transmission and distribution expenses a component of Operating Expenses.

The counterparties' credit ratings at December 31, 2024 and 2023 are shown in the table below. The credit ratings listed are from S&P or Moody's.

	December 31,	
	2024	2023
Counterparty Gas Contracts:		
Bank of Montreal	A+	A+
Barclays Bank PLC	A+	A+
Citigroup Energy	BBB+	BBB+
EDF North America	Baa3	Baa3
J.P. Morgan Ventures Energy	A	A-
Merrill Lynch Commodities	A-	A1
Mitsui Bussan	A	A
Morgan Stanley Capital Group	A+	A-
Nextera	A-	A-
Royal Bank of Canada	AA-	AA-
Shell Trading Risk Management	A	A
Interest Rate Contracts:		
Barclays Bank PLC	A+	A+
Goldman Sachs Capital Markets, L.P. (J. Aron)	N/A	BBB+
Morgan Stanley Capital Services, Inc.	N/A	A+

NOTE 10. LONG-TERM DEBT

SMUD's total long-term debt is presented below:

	December 31,	
	2024	2023
	(thousands of dollars)	
Electric revenue bonds, 2.13%-5.0%, 2025-2054	$ 1,898,985	$ 1,783,965
Subordinated electric revenue bonds, 0.7%-5.0%, 2025-2049	332,020	332,020
Total electric revenue bonds	2,231,005	2,115,985
Component unit project revenue bonds, 5.0%, 2025-2030	74,775	87,890
Gas and Commodity supply revenue bonds, index rates and 5.0%, 2025-2054	784,240	657,365
Total long-term debt outstanding	3,090,020	2,861,240
Bond premiums - net	299,304	197,381
Total long-term debt	3,389,324	3,058,621
Less: amounts due within one year	(138,065)	(137,740)
Total long-term debt - net	$ 3,251,259	$ 2,920,881

The summarized activity of SMUD's long-term debt during 2024 is presented below:

	January 1, 2024	Additions	Defeasance Payments or Amortization	December 31, 2024	Amounts Due Within One Year
			(thousands of dollars)		
Electric revenue bonds	$ 1,783,965	$ 649,610	$ (534,590)	$ 1,898,985	$ 90,045
Subordinate electric revenue bonds	332,020	-0-	-0-	332,020	-0-
Component unit project revenue bonds	87,890	-0-	(13,115)	74,775	14,270
Gas and Commodity supply revenue bonds	657,365	689,700	(562,825)	784,240	33,750
Total	2,861,240	1,339,310	(1,110,530)	3,090,020	$ 138,065
Unamortized premiums - net	197,381	147,666	(45,743)	299,304	
Total long-term debt	$ 3,058,621	$1,486,976	$ (1,156,273)	$ 3,389,324	

The summarized activity of SMUD's long-term debt during 2023 is presented below:

	January 1, 2023	Additions	Defeasance Payments or Amortization	December 31, 2023	Amounts Due Within One Year
			(thousands of dollars)		
Electric revenue bonds	$ 1,841,715	$ 261,115	$ (318,865)	$ 1,783,965	$ 84,590
Subordinate electric revenue bonds	200,000	232,020	(100,000)	332,020	-0-
Component unit project revenue bonds	89,735	-0-	(1,845)	87,890	13,115
Gas and Commodity supply revenue bonds	682,550	-0-	(25,185)	657,365	40,035
Total	2,814,000	493,135	(445,895)	2,861,240	$ 137,740
Unamortized premiums - net	210,039	44,471	(57,129)	197,381	
Total long-term debt	$ 3,024,039	$ 537,606	$ (503,024)	$ 3,058,621	

At December 31, 2024 scheduled annual principal maturities and interest are as follows:

	Principal	Interest	Total
		(thousands of dollars)	
2025	$ 138,065	$ 147,082	$ 285,147
2026	144,455	137,090	281,545
2027	152,355	130,549	282,904
2028	124,900	123,549	248,449
2029	77,830	117,316	195,146
2030 – 2034 (combined)	520,900	511,803	1,032,703
2035 – 2039 (combined)	602,605	372,534	975,139
2040 – 2044 (combined)	481,055	255,353	736,408
2045 – 2049 (combined)	496,990	155,710	652,700
2050 – 2054 (combined)	350,865	51,651	402,516
Total requirements	$ 3,090,020	$ 2,002,637	$ 5,092,657

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates, variable rate debt covered by interest rate swaps at their fixed rate, and variable rate debt not covered by interest rate swaps using the debt interest rate of 70.0 percent of 1 month SOFR plus a fixed fee. The SOFR rate is based on the rate in effect at December 31, 2024 for the issues. The 2019 Series B and 2023 Series D Put Bonds assume a 3.0 percent fixed rate coupon after mandatory remarketing.

The 2024 NCEA Put Bonds assume a 5.0 percent fixed rate coupon after mandatory remarketing. Principal in the preceding table includes known principal payments and the amortization schedule for mandatory remarketing bonds.

The following bonds have been issued and are outstanding at December 31, 2024:

Date	Issue	Final Maturity	Interest Rate	Original Amount	Outstanding Amount
				(thousands of dollars)	
Electric Revenue Bonds					
07/14/2016	2016 Series D Bonds	08/15/2028	2.125% - 5.0%	$ 149,890	$ 74,785
12/14/2017	2017 Series E Bonds	08/15/2028	5.0%	202,500	61,570
07/12/2018	2018 Series F Bonds	08/15/2028	5.0%	165,515	62,140
07/25/2019	2019 Series G Bonds	08/15/2041	2.375% - 5.0%	191,875	191,875
05/07/2020	2020 Series H Bonds	08/15/2050	4.0% - 5.0%	400,000	400,000
07/14/2021	2021 Series I Bonds	08/15/2028	5.0%	106,875	91,525
06/23/2022	2022 Series J Bonds	08/15/2033	5.0%	132,725	107,915
06/22/2023	2023 Series K Bonds	08/15/2053	5.0%	200,000	200,000
06/22/2023	2023 Series L Bonds	08/15/2033	5.0%	61,115	59,565
04/11/2024	2024 Series M Bonds	11/15/2054	5.0%	250,000	250,000
04/11/2024	2024 Series N Bonds	11/15/2036	5.0%	399,610	399,610
Subordinated Electric Revenue Bonds					
07/25/2019	2019 Series B Bonds	08/15/2049	5.0%	100,000	100,000
06/23/2023	2023 Series C Bonds	08/15/2041	0.7%	132,020	132,020
06/22/2023	2023 Series D Bonds	08/15/2048	5.0%	100,000	100,000
JPA Revenue Bonds					
06/03/2015	2015 SFA Bonds	07/01/2030	5.0%	193,335	74,775
05/31/2007	2007B NCGA#1 Bonds	07/01/2027	Index Rate	668,470	94,540
04/05/2024	2024 NCEA Bonds	12/01/2054	5.0%	689,700	689,700

2024 Bond Issuances. In April 2024, SMUD issued $399.6 million of 2024 Series N Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2009 Series V and 2010 Series W bonds. Proceeds from the 2024 Series N bonds defeased all the outstanding Series 2009 Series V and 2010 Series W bonds. A total of $450 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting loss of $26.9 million, which is being amortized over the life of the refunding issue. The 2024 Series N Refunding bonds reduced future aggregate debt service payments by $23.7 million and resulted in a total economic gain of $21.3 million, which is the difference between the present value of the old and new debt service payments.

In April 2024, SMUD issued $250 million of 2024 Series M Revenue Bonds. The 2024 Series M Bonds have a fixed coupon rate of 5.0 percent and amortize from 2037 to 2054. Proceeds from the 2024 Series M Bonds were used to refund $150 million of outstanding commercial paper and reimburse SMUD for capital expenses previously incurred.

2024 Commodity Supply Revenue Bond Issuance. In April 2024, NCEA issued $689.7 million of 2024 Commodity Supply Revenue Refunding bonds (2024 Bonds). The 2024 Bonds mature in December 2054 and come with a mandatory tender purchase in August 2030. The purpose of this transaction was to refund the debt associated with 2018 Commodity Supply Revenue bonds (2018 Bonds). Proceeds from the 2024 Bonds refunded all the outstanding 2018 Bonds. A total of $537.3 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-term debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred gain on bond refunding of $2.9 million, which is being amortized over the life of the refunding issue. The refunding increased future aggregate debt service payments by $97.5 million due to the bond term extension and resulted in a total economic gain of $8.4 million, which is the difference between the present value of the old and new debt service payments.

2023 Bond Issuances. In June 2023, SMUD issued $61.1 million of 2023 Series L Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2013 Series B bonds. Proceeds from the 2023 Series L bonds combined with swap termination receipt defeased all the outstanding Series 2013 Series B bonds. A total of $75.7 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting gain of $5.5 million, which is being amortized over the life of the refunding issue. The 2023 Series L Refunding bonds reduced future aggregate debt service payments by $18.1 million and resulted in a total economic gain of $14.3 million, which is the difference between the present value of the old and new debt service payments.

In June 2023, SMUD issued $132.0 million of 2023 Series C Subordinate Electric Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2013 Series A bonds. Proceeds from the 2023 Series C bonds defeased all the outstanding Series 2013 Series A bonds. A total of $132.0 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting gain of $9.9 million, which is being amortized over the life of the refunding issue. As part of the issuance of 2023 Series C bonds, SMUD executed a Standby Bond Purchase Agreement for $132.0 million with TD Bank. The 2023 Series C Refunding bonds are projected to reduce future aggregate debt service payments by $79.9 million and resulted in a projected total economic gain of $55.5 million, which is the difference between the present value of the old and new debt service payments.

In June 2023, SMUD issued $100 million of 2023 Series D Subordinate Electric Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2019 Series A bonds and reimburse SMUD for capital projects in 2022. Proceeds from the 2023 Series D defeased all the outstanding Series 2019 Series A bonds. A total of $100 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The 2023 Series D Subordinate Bonds have a mandatory put date of October 15, 2030. The refunding resulted in the recognition of a deferred accounting gain of $0.6 million, which is being amortized over the life of the refunding issue.

In June 2023, SMUD issued $200 million of 2023 Series K Revenue Bonds. The 2023 Series K Bonds have a fixed coupon rate 5.0 percent and amortize from 2037 to 2053. Proceeds from 2023 Series K Bonds were used to refund $200 million of outstanding commercial paper.

Terms of Debt Indentures. Debt indentures contain a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements. A summary of SMUD's interest rate swap agreement as of December 31, 2024 is as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
$ 132,020	Fixed	0.7179%	70% of 1M Fallback SOFR	08/15/2041	A+

A summary of SMUD's two interest rate swap agreements as of December 31, 2023 are as follows:

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
$ 19,570	Variable	5.17%	SIFMA	07/01/24	BBB+
132,020	Fixed	0.7179%	70% of 1M Fallback SOFR	08/15/41	A

At December 31, 2023, SMUD had a fixed-to-variable interest rate swap agreement with a notional amount of $19.6 million, which was equivalent to the principal amount of SMUD's 1997 Series K Electric Revenue Bonds. The swap expired on July 1, 2024, coinciding with the final interest and principal payment for the 1997 Series K Bonds. Under this swap agreement, SMUD paid a variable rate equivalent to the Securities Industry and Financial Markets Association (SIFMA) Index (3.87 percent at December 31, 2023) and received fixed rate payments of 5.17 percent as of December 31, 2023. In connection with the swap agreement, SMUD had a put option agreement, also with a notional amount of $19.6 million at December 31, 2023, which gave the counterparty the right to sell to SMUD, at par, either the 1997 Series K Bonds, or a portfolio of securities sufficient to defease the 1997 Series K Bonds. SMUD received fixed rate payments of 0.01 percent as of December 31, 2023 in connection with the put option agreement. The exercise of the option terminates the swap at no cost to SMUD. The term of both the swap and the put is equal to the maturity of the 1997 Series K Bonds.

In June 2020, SMUD executed a variable-to-fixed interest rate swap agreement with Barclays Bank PLC with a notional amount of $132.0 million for the purpose of fixing the effective interest rate associated with the potential refunding of the 2013 Series A Bonds. The Barclays 2013 Series A swap became effective in July 2023. The notional value of the swap is amortized over the life of the swap agreement. SMUD can terminate the swap agreement at any time, with payment or receipt of the fair market value of the swaps as of the date of termination. The obligations of SMUD under the swap agreements are not secured by a pledge of revenues of SMUD's electric system or any other property of SMUD.

Component Unit Interest Rate Swap Agreements. NCGA had one interest rate swap agreement as of December 31, 2024, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	NCGA Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating
$ 94,540	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

NCGA had one interest rate swap agreement as of December 31, 2023, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	NCGA Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating
$ 120,070	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

At December 31, 2024 and 2023, NCGA had a variable-to-fixed interest rate swap agreement with a counterparty for the purpose of fixing the effective interest rate associated with the 2007 Series B Bonds. NCGA pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67 percent of the three-month SOFR (4.33 percent at December 31, 2024 and LIBOR rate of 5.35 percent at December 31, 2023) plus an interest rate spread, as specified in the swap agreement. The total notional amount of the swap at December 31, 2024 and 2023 was $94.5 million and $120.1 million, respectively, and was equivalent to the outstanding principal balance on the NCGA Bonds. The swap is amortized over the life of the swap agreement

in a manner corresponding to the principal repayment schedule of the NCGA Bonds. Early termination of the swap would occur upon termination of the prepaid agreement for any reason. Upon early termination, the swap would have no value to either party.
Subordinated Electric Revenue Bonds. Payment of and interest on the Subordinated Electric Revenue Bonds is subordinate to the payment of the principal and interest on SMUD's Electric Revenue Bonds.

Component Unit Bonds. The component units of SMUD have each issued bonds to finance their respective projects. The revenue stream to pay SFA bonds' debt service is provided by a "take-or-pay" power purchase agreement and is therefore not dependent on the successful operation of the project. SMUD guarantees to make payments sufficient to pay principal and interest and all other payments required to be made under SFA's indenture of trust. SFA is not required to repay SMUD for any amounts paid under this guarantee. The revenue stream to pay NCGA and NCEA bonds' debt service is provided by "take-and-pay" purchase agreements. Therefore, principal and interest associated with these bonds are paid solely from the revenues and receipts collected in connection with the operation of the project. Most operating revenues earned by NCGA and NCEA are collected from SMUD in connection with the sale of gas or electricity to SMUD. The ability for NCGA and NCEA to service debt is dependent on various parties (particularly MSCG, as gas supplier for NCGA and J. Aron, as commodity supplier for NCEA) meeting their contractual obligations.

Callable Bonds. SMUD has $170.8 million of Electric Revenue Bonds that are currently callable, $132.0 million of the 2023 Series C bonds, and $38.8 million of 2016 Series D Bonds. From 2025 through 2028, SMUD has no bonds that become callable. SMUD also has a six-month call period on the 2019 Series B Bonds and 2023 Series D in advance of their mandatory remarketing date in 2025 and 2030, respectively.

Collateral. The principal and interest on SMUD's bonds are payable exclusively from, and are collateralized by, a pledge of the net revenues of SMUD's electric system. Neither the credit nor the taxing power of SMUD is pledged to the payment of the bonds and the general fund of SMUD is not liable for the payment thereof.

Covenants. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage.

SMUD has pledged future net electric revenues, component unit net project revenues, and net gas supply prepayment revenues to repay, in electric revenue, component unit project revenue, and gas supply prepayment revenue bonds issued from 2007 through 2024. Proceeds from the bonds provided financing for various capital improvement projects, component unit capital projects, and the prepayments of a twenty-year supply of natural gas and a thirty-year supply of commodity. The bonds are payable solely from the net revenues generated by SMUD's electrical sales, component unit project revenues, and gas supply prepayment revenues and are payable through 2054 at December 31, 2024.

GASB Statement No. 48, ***"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,"*** disclosures for pledged revenues are as follows:

	December 31,	
	2024	2023
	(thousands of dollars)	
Pledged future revenues	$ 3,090,020	$ 2,861,240
Principal and interest payments for the year ended	$ 751,978	$ 589,801
Total net revenues for the year ended	$ 956,367	$ 847,657
Total remaining principal and interest to be paid	$ 4,669,647	$ 4,566,145
Annual principal and interest payments as a percent of net revenues for the year ended	79%	70%

NOTE 11. COMMERCIAL PAPER NOTES

SMUD issues Commercial Paper Notes (Notes) to finance or reimburse capital expenditures. SMUD's commercial paper program is $400.0 million. At December 31, 2024 and 2023, respectively, there were $0 and $150.0 million Notes outstanding. SMUD's commercial paper program is backed by $409.9 million in letter of credit agreements (LOCs) with two banks. Additionally, SMUD has a $100 million revolving credit agreement with Wells Fargo Bank. The LOCs are calculated as the sum of the maximum principal amount of the Notes plus interest thereon at a maximum rate of ten percent per annum for a period of 90 days calculated on the basis of a year of 365 days and the actual number of days elapsed. There have not been any term advances under the LOCs or the revolving credit agreement. The LOCs and revolving credit agreement contain a provision that in an event of default, the outstanding amounts may become immediately due.

The summarized activity of SMUD's Notes during 2024 and 2023 is presented below:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
		(thousands of dollars)		
December 31, 2024	$ 150,000	$ -0-	$ (150,000)	$ -0-
December 31, 2023	$ 150,000	$ 200,000	$ 200,000	$ 150,000

NOTE 12. FAIR VALUE MEASUREMENT

GASB No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SMUD utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect SMUD's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are as follows:

- U.S. Government Agency Obligations – uses a market-based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices.
- U.S. Treasury Obligations – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Corporate Notes – uses a market-based approach. Evaluations are based on various market and industry inputs.
- Municipal Bonds – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Hedging and Other Derivative Instruments:

- Interest rate swap agreements – uses the present value technique. The fair value of the interest rate swap agreements are calculated by discounting the expected cash flows. The cash flows and discount rates are estimated based on a 1-month SOFR forward curve from Bloomberg and assuming SIFMA is equal to 70.0 percent of 1-month SOFR.
- Gas related agreements – uses the market approach based on monthly quoted prices from an independent external pricing service. The fair values for natural gas and electricity derivative financial instruments are calculated based on prevailing market quotes in active markets (i.e., Henry Hub and So Cal) where identical contracts are available. When external quoted market prices are not available, SMUD uses an internally developed valuation model utilizing short-term-observable inputs.

The following tables identify the level within the fair value hierarchy that SMUD's financial assets and liabilities were accounted for on a recurring basis as of December 31, 2024 and 2023, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SMUD's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures	At fair value as of December 31, 2024		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
U.S. Government Agency Obligations	$ -0-	$ 77,314	$ 77,314
U.S. Treasury Obligations	469,146	-0-	469,146
Corporate Notes	-0-	89,534	89,534
Municipal Bonds	-0-	11,766	11,766
Total Investments, including cash and cash equivalents	$ 469,146	$ 178,614	$ 647,760
Other Derivative Instrument Assets:			
Gas related agreements	$ 80	$ -0-	$ 80
Total Other Derivative Instrument Assets	$ 80	$ -0-	$ 80
Hedging Derivative Instrument Assets:			
Gas related agreements	$ 15,560	$ -0-	$ 15,560
Electric related agreements	6,718	-0-	6,718
Interest rate swap agreements	-0-	31,867	31,867
Total Hedging Derivative Instrument Assets	$ 22,278	$ 31,867	$ 54,145
Other Derivative Instrument Liabilities:			
Gas related agreements	$ 701	$ -0-	$ 701
Interest rate swap agreements	-0-	-0-	-0-
Total Other Derivative Instrument Liabilities	$ 701	$ -0-	$ 701
Hedging Derivative Instrument Liabilities:			
Gas related agreements	$ 40,229	$ -0-	$ 40,229
Electric related agreements	-0-	-0-	-0-
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	$ 40,229	$ -0-	$ 40,229

Recurring Fair Value Measures	At fair value as of December 31, 2023		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
U.S. Government Agency Obligations	$ -0-	$ 212,473	$ 212,473
U.S. Treasury Obligations	335,023	-0-	335,023
Corporate Notes	-0-	63,987	63,987
Municipal Bonds	-0-	25,928	25,928
Total Investments, including cash and cash equivalents	$ 335,023	$ 302,388	$ 637,411

Other Derivative Instrument Assets:			
Gas related agreements	$ -0-	$ -0-	$ -0-
Total Other Derivative Instrument Assets	$ -0-	$ -0-	$ -0-
Hedging Derivative Instrument Assets:			
Gas related agreements	$ 16,409	$ -0-	$ 16,409
Electric related agreements	1,091	-0-	1,091
Interest rate swap agreements	-0-	28,535	28,535
Total Hedging Derivative Instrument Assets	$ 17,500	$ 28,535	$ 46,035
Other Derivative Instrument Liabilities:			
Gas related agreements	$ 1,160	$ -0-	$ 1,160
Interest rate swap agreements	-0-	-0-	-0-
Total Other Derivative Instrument Liabilities	$ 1,160	$ -0-	$ 1,160
Hedging Derivative Instrument Liabilities:			
Gas related agreements	$ 81,630	$ -0-	$ 81,630
Electric related agreements	3,749	-0-	3,749
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	$ 85,379	$ -0-	$ 85,379

NOTE 13. ACCRUED DECOMMISSIONING LIABILITY

Asset Retirement Obligations (ARO). SMUD recognizes AROs for its Rancho Seco nuclear power plant facility and the CVFA power plant facility. GASB No. 83 requires measurement of the ARO be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should be determined using all available evidence and requires probability weighting of potential outcomes when sufficient evidence is available. This statement also requires the current value be adjusted for the effects of the general inflation or deflation and an evaluation of relevant factors that may significantly change the estimated asset retirement outlays at least annually.

Rancho Seco Nuclear Power Plant. With the completion of nuclear decommissioning of the former 913 MW nuclear power plant, and the subsequent termination of the 10 Code of Federal Regulations (CFR) 50 license by the Nuclear Regulatory Commission (NRC) effective August 31, 2018, all remaining Rancho Seco decommissioning liability relates to the Independent Spent Fuel Storage Installation (ISFSI) licensed under 10 CFR Part 72. Nuclear decommissioning is the process of safely removing nuclear facilities from service and reducing residual radioactivity to a level that permits termination of the NRC licenses and release of the property for unrestricted use. Final decommissioning of the ISFSI will occur after the spent nuclear fuel (SNF) and Greater Than Class C (GTCC) radioactive waste is removed from the site and SMUD demonstrates that the site is suitable for release in accordance with release criteria specified in 10 CFR 20, Subpart E and an approved License Termination Plan.

The Department of Energy (DOE), under the Nuclear Waste Policy Act (NWPA) of 1982 as amended, is responsible for permanent disposal of spent nuclear fuel and GTCC radioactive waste, which are currently stored in the Part 72 licensed ISFSI. SMUD has a contract with the DOE for the removal and disposal of SNF and GTCC waste. All SMUD’s SNF and GTCC waste are currently stored in sealed canisters in the ISFSI. However, the date when DOE will remove the fuel and GTCC waste is uncertain. In 2010, the DOE formally withdrew the application for licensing of Yucca Mountain as a high-level waste repository. The DOE also announced in January 2010 the creation of a Blue-Ribbon Commission to study alternatives for developing a repository for the nation’s used nuclear fuel. The Commission provided a final report on alternatives in January 2012. The DOE evaluated the recommendations and published the report “Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste” in January 2013.

The next phase of the process will be for Congress and the President of the United States to consider the recommendations and enact legislation to implement the recommendations. At this time, two license applications have been submitted to the NRC for the construction and operation of Consolidated Interim Storage Facility(s) that would store SNF and GTCC waste on an interim basis. One of these applications has been approved (and a license issued) and one application is currently under review by the NRC. Should the NRC license one or both facilities, Congress will have to modify the NWPA to allow for its use. In May 2018, the U.S. House of Representatives passed H.R. 3053 – the Nuclear Waste Policy Amendments Act, which was co-sponsored by Representative Doris Matsui and 109 other members of Congress. This bill includes a provision to allow a Consolidated Interim Storage Facility to store fuel from permanently shut down sites like Rancho Seco. The U.S. Senate did not act on the bill. Until legislation is passed which includes a significant step towards removal of the used nuclear fuel at the Rancho Seco facility, SMUD is committed to the safe and secure storage of its SNF and GTCC waste under its Part 72 license until DOE fulfills its obligation to dispose of this material in accordance with NWPA. In support of this commitment, SMUD submitted its ISFSI license renewal application to the NRC in March of 2018. The NRC issued Renewed Licensee No. SNM-2510 on March 9, 2020. This renewed license authorizes the continued storage of SMUD's SNF and GTCC until June 30, 2060.

The Rancho Seco decommissioning liability is based on an internal study of the remaining decommissioning costs, which consist of: 1) annual spent fuel management costs, 2) transportation of the canisters in the ISFSI and 3) termination of the Part 72 license. The largest part of the decommissioning estimate is the annual spent fuel management costs; next year's annual budget is used for the estimate. The other costs were estimated based on prior experience and studies and prepared by management representatives of the nuclear power plant facility. The costs in the estimate were in 2019 dollars. An employment cost index was used to adjust the other costs portion of the obligation for inflation in 2024. Probability weighting was assigned for two scenarios: 1) spent nuclear fuel will be removed from the site by 2028 and 2) spent nuclear fuel will be removed from the site by 2035. SMUD uses its Trust Fund (see Note 2) to demonstrate financial assurance to the NRC that there are enough funds to complete the termination of the Part 72 license; the balance of the Trust Fund at December 31, 2024 is $9.9 million.

SFA's Carson Power Plant (Carson). SFA's ground lease agreement with the Sacramento Regional County Sanitation District for Carson requires SFA to restore the premises to its original condition upon termination of the contract. A new study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the most recent cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The estimated costs were in 2018 dollars. The result of this study was used to determine the new balance of the ARO and the deferred outflows at January 1, 2018, in order to account for the 2018 activity. The annual All Urban Consumer Price Index was used to adjust this obligation for inflation in 2024. The remaining useful life of Carson's assets is 1 year at December 31, 2024.

The current portion of the Accrued Decommissioning liability represents SMUD's estimate of actual expenditures for Rancho Seco in the next year, as set forth in the annual budget.

At December 31, 2024 and 2023, SMUD's Accrued Decommissioning balance in the Statements of Net Position was $118.8 million and $120.9 million, respectively.

NOTE 14. PENSION PLANS

Summary of Significant Accounting Policies. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (PERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD participates in PERS, an agent multiple-employer public employee defined benefit pension plan (PERS Plan). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and SMUD policies. The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon employee's years of credited service, age, and final compensation. A full description of the pension plan regarding number of employees covered, benefit provision, assumptions (for funding, but not accounting purposes), and membership information are included in the annual actuarial valuation reports as of June 30, 2023 and June 30, 2022.

GASB No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used for the year ended:

PERS Plan	December 31,	
	2024	2023
Valuation date	June 30, 2023	June 30, 2022
Measurement date	June 30, 2024	June 30, 2023

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms for the year ended:

PERS Plan	December 31,	
	2024	2023
Inactive employees or beneficiaries currently receiving benefit payments	3,217	3,172
Inactive employees entitled to but not yet receiving benefit payments	1,048	1,033
Active employees	2,282	2,174
Total employees covered by benefit terms	6,547	6,379

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through PERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the PERS fiscal years ended June 30, 2024 and 2023, the average active employee contribution rate is 7.1 and 6.8 percent of annual pay, respectively. For the PERS fiscal year ended June 30, 2024, the employer's contribution rate is 9.6 percent of annual payroll. For the PERS fiscal year ended June 30, 2023, the employer's contribution rate is 8.9 percent of annual payroll plus $22.4 million for the unfunded accrued liability contribution. Employer contribution rates may change if plan contracts are amended. For the fiscal years ended June 30, 2024 and 2023, SMUD made contributions recognized by the PERS Plan in the amount of $62.1 million and $92.5 million, respectively.

Net Pension Asset (NPA) or Liability (NPL). SMUD's NPA or NPL at December 31, 2024 and 2023 was measured at June 30, 2024 and 2023, respectively. The total pension liability used to calculate the NPA or NPL was determined by actuarial valuations as of June 30, 2023 and 2022 rolled forward using generally accepted actuarial procedures to the June 30, 2024 and 2023 measurement dates for the PERS Plan.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2024 and December 31, 2023 total pension liabilities are as follows for the PERS Plan:

December 31, 2024:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions*. Mortality rates incorporate full generational mortality improvement using 80% of scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	For 2024 and 2023, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

December 31, 2023:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	The mortality table used was developed based on PERS' specific data. The probabilities of mortality are based on the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions*. Mortality rates incorporate full generational mortality improvements using 80% of scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	For 2023 and 2022, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

Discount Rates. For the PERS Plan, the discount rate used to measure the total pension liability for the years ended December 31, 2024 and 2023 was 6.90 percent. For the year ended December 31, 2024, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the PERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class used for December 31, 2024 are as follows:

Asset Class	Current Target Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.0%	4.54%
Global Equity – Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	(5.0)%	(0.59)%

The expected real rates of return by asset class used for December 31, 2023 are as follows:

Asset Class	Current Target Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.0%	4.54%
Global Equity – Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	(5.0)%	(0.59)%

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2024:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2024	$ 2,679,268	$ 2,420,258	$ 259,010
Changes recognized for the measurement period:			
Service cost	46,378	-0-	46,378
Interest	189,234	-0-	189,234
Changes in benefit terms	-0-	-0-	-0-
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	120,696	-0-	120,696
Contributions - employer	-0-	62,116	(62,116)
Contributions - employee	-0-	21,417	(21,417)
Net investment income	-0-	225,340	(225,340)
Benefit payments	(161,249)	(161,249)	-0-
Administrative expense	-0-	(1,969)	1,969
Net changes	195,059	145,655	49,404
Balances at December 31, 2024	$ 2,874,327	$ 2,565,913	$ 308,414

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2023:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2023	$ 2,553,780	$ 2,318,329	$ 235,451
Changes recognized for the measurement period:			
Service cost	42,959	-0-	42,959
Interest	179,370	-0-	179,370
Changes in benefit terms	1,890	-0-	1,890
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	53,600	-0-	53,600
Contributions - employer	-0-	92,504	(92,504)
Contributions - employee	-0-	19,921	(19,921)
Net investment income	-0-	140,540	(140,540)
Benefit payments	(149,331)	(149,331)	-0-
Administrative expense	-0-	(1,705)	1,705
Net changes	125,488	101,929	23,559
Balances at December 31, 2023	$ 2,679,268	$ 2,420,258	$ 259,010

Sensitivity of the NPA or NPL to Changes in the Discount Rate. The following presents the NPA or NPL of the Plan as of the measurement date, calculated using the current discount rate, as well as what the NPA or NPL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

PERS Plan	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
		(thousands of dollars)	
Plan's NPL (NPA), December 31, 2024	$ 670,730	$ 308,414	$ 7,220

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's NPL (NPA), December 31, 2023	$ 599,774	$ 259,010	$ (24,014)

Pension Plan Fiduciary Net Position. Detailed information about the PERS Plan's fiduciary net position is available in the separately issued PERS Plan financial statements. This report, the audited financial statements, and other reports can be obtained at the PERS' website at www.calpers.ca.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended December 31, 2024 and 2023, SMUD recognized pension expense of $52.4 million and $44.8 million, respectively.

At December 31, 2024 and 2023, SMUD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2024	December 31, 2023
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	7,049	13,457
Differences between expected and actual experience	118,058	40,200
Differences between projected and actual earnings on pension plan investments	44,553	115,364
Employer's contributions to the Plan subsequent to the measurement of total pension liability	24,474	13,468
Total deferred outflows of resources	$ 194,134	$ 182,489
Deferred inflows of resources:		
Changes of assumptions	$ -0-	$ -0-
Differences between expected and actual experience	8,416	17,536
Differences between projected and actual earnings on pension plan investments	-0-	-0-
Total deferred inflows of resources	$ 8,416	$ 17,536

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:	
2025	$ 43,165
2026	106,587
2027	20,790
2028	(9,298)
2029	-0-
Thereafter	-0-

Other Plans. SMUD provides its employees with two cash deferred compensation plans: one pursuant to Internal Revenue Code (IRC) Section 401(k) (401(k) Plan) and one pursuant to IRC Section 457 (457 Plan) (collectively, the Plans). The Plans are contributory plans in which SMUD's employees contribute the funds. Each of SMUD's eligible full-time or permanent part-time employees may participate in either or both Plans, and amounts contributed are vested immediately. Such funds are held by a Trustee in trust for the employees upon retirement from SMUD service and, accordingly, are not subject to the general claims of SMUD's creditors. SMUD is responsible for ensuring compliance with IRC requirements concerning the Plans and has the fiduciary duty of reasonable care in the selection of investment alternatives, but neither SMUD, nor its Board or officers have any liability for market variations in the Plans' asset values. SMUD employees are responsible for determining how their funds are to be invested and pay all ongoing fees related to the Plans. The Plans are currently not subject to discrimination testing, nor the requirements of the Employee Retirement Income Security Act of 1974. SMUD employees participating in the Plans are allowed to contribute a portion of their gross income not to exceed the annual dollar limits prescribed by the IRC.

SMUD makes annual contributions to the 401(k) Plan on behalf of certain employees pursuant to a memorandum of understanding with both of its collective bargaining units. SMUD also matches non-represented employee contributions to the 401(k) Plan up to a set amount. SMUD made contributions into the 401(k) Plan of $7.5 million in 2024 and $6.9 million in 2023. SMUD does not match employee contributions, nor make contributions on behalf of its employees to the 457 Plan. Participating employees made contributions into both Plans totaling $36.0 million in 2024 and $34.3 million in 2023.

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS

Summary of Significant Accounting Policies. For purposes of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the California Employers' Retiree Benefit Trust (CERBT). For this purpose, SMUD recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD is a member of CERBT. The CERBT Fund is an IRC Section 115 Trust set up for the purpose of receiving employer contributions to prefund OPEB for retirees and their beneficiaries. CERBT is an agent multiple-employer defined benefit OPEB plan (OPEB Plan) administered by PERS. The OPEB Plan provides medical, dental and long-term disability benefits for retirees and their beneficiaries, in accordance with SMUD policy and negotiated agreements with employee representation groups. The benefit, benefit levels, retiree contributions and employer contributions are governed by SMUD and can be amended by SMUD through its personnel manual and union contracts. Any changes to these benefits would be approved by SMUD's Board and unions.

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms:

	December 31,	
	2024	2023
Inactive employees or beneficiaries currently receiving benefit payments	2,410	2,367
Inactive employees entitled to but not yet receiving benefit payments	47	44
Active employees	2,261	2,202
Total employees covered by benefit terms	4,718	4,613

Contributions. OPEB contributions are elective and not required. In December 2018, SMUD split its CERBT assets across two asset strategies to better align trust assets with liabilities (Strategy 1 for active employees and retirements after June 30, 2018 and Strategy 3 for retirements before July 1, 2018). SMUD contributes the normal cost to the CERBT, and annually receives reimbursement for cash benefit payments from the CERBT. SMUD may also elect to put additional contributions into the OPEB

Plan. For the OPEB Plan's fiscal years ended June 30, 2024 and 2023, SMUD made contributions recognized by the OPEB Plan in the amounts of $11.3 million and $9.1 million, respectively.

Net OPEB Asset (NOA) or Liability (NOL). SMUD's NOL at December 31, 2024 and 2023 were measured as of June 30, 2024 and 2023, respectively, and the total OPEB liability used to calculate the NOL was determined by actuarial valuations as of those dates.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2024 and December 31, 2023 total OPEB liabilities are as follows:

Discount Rate	6.02% (2024). Blended discount rate based on projected benefit streams expected to be paid from each Strategy. 6.02% (2023)
General Inflation	2.50% (2024 and 2023)
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study (2024 and 2023)
Mortality Improvement	Mortality projected fully generational with Scale MP-2021 (2024 and 2023)
Salary Increases	Aggregate – 2.75%; Merit - CalPERS 2000-2019 Experience Study (2024 and 2023)
Healthcare Cost Trend Rates	Non-Medicare: 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024), 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023) Medicare: 6.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024), 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023) Kaiser Medicare: 5.65% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024), 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023)

Discount Rates. For the OPEB Plan, the discount rate used to measure the total OPEB liability was 6.02 percent for the years ended December 31, 2024 and 2023, respectively. This rate is a blended discount rate based on projected benefit streams expected to be paid from Strategies 1 and 3. The projection of cash flows used to determine the discount rate assumed that SMUD contributes the full normal cost to the trust and only takes reimbursement from the trust of the cash benefit payments. Because the implied subsidy benefit payments have a larger present value than the payments toward the unfunded accrued liability, there should be sufficient plan assets to pay all benefits from the trust. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. The long-term expected rate of return of 6.25 percent for Strategy 1 and 5.25 percent for Strategy 3 was applied to all periods of projected benefit payments to determine the total OPEB liability for the years ended December 31, 2024 and 2023, respectively.

The expected real rates of return by asset class used and presented as geometric means for December 31, 2024 are as follows:

Asset Class	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	20.0%	4.06%

Asset Class	Target Allocation CERBT Strategy 3	Expected Real Rate of Return
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	14.0%	4.06%

The expected real rates of return by asset class used and presented as geometric means for December 31, 2023 are as follows:

Asset Class	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	20.0%	4.06%

Asset Class	Target Allocation CERBT Strategy 3	Expected Real Rate of Return
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	14.0%	4.06%

Changes in the NOA or NOL. The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2024:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2024	$ 397,699	$ 372,365	$ 25,334
Changes recognized for the measurement period:			
Service cost	8,709	-0-	8,709
Interest	23,720	-0-	23,720
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	20,552	-0-	20,552
Contributions - employer	-0-	11,250	(11,250)
Net investment income	-0-	33,053	(33,053)
Benefit payments	(24,745)	(24,745)	-0-
Administrative expense	-0-	(120)	120
Net changes	28,236	19,438	8,798
Balances at December 31, 2024	$ 425,935	$ 391,803	$ 34,132

The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2023:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2023	$ 380,464	$ 373,711	$ 6,753
Changes recognized for the measurement period:			
Service cost	8,303	-0-	8,303
Interest	22,126	-0-	22,126
Changes in assumptions	(5,263)	-0-	(5,263)
Differences between expected and actual experience	17,036	-0-	17,036
Contributions - employer	-0-	9,096	(9,096)
Net investment income	-0-	14,632	(14,632)
Benefit payments	(24,967)	(24,967)	-0-
Administrative expense	-0-	(107)	107
Net changes	17,235	(1,346)	18,581
Balances at December 31, 2023	$ 397,699	$ 372,365	$ 25,334

Sensitivity of the NOA or NOL to Changes in the Discount Rate. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current discount rate, as well as what the NOA or NOL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
		(thousands of dollars)	
NOL/(NOA), December 31, 2024	$ 85,371	$ 34,132	$ (8,752)

	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
		(thousands of dollars)	
NOL/(NOA), December 31, 2023	$ 73,469	$ 25,334	$ (14,929)

Sensitivity of the NOA or NOL to Changes in the Healthcare Cost Trend Rates. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current healthcare cost trend rate, as well as what the NOA or NOL would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare trend rate (see assumptions above for healthcare trend rate):

	1% Decrease	Current Healthcare Trend Rate	1% Increase
		(thousands of dollars)	
(NOA)/ NOL, December 31, 2024	$ (13,227)	$ 34,132	$ 91,933
(NOA)/ NOL, December 31, 2023	$ (19,159)	$ 25,334	$ 79,674

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued OPEB Plan's report. This report can be obtained at the PERS' website at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended December 31, 2024 and 2023, SMUD recognized OPEB expense of $10.6 million and $9.1 million, respectively.

At December 31, 2024 and 2023, SMUD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31,	
	2024	2023
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	$ 13,187	$ 19,382
Differences between expected and actual experience	17,183	-0-
Differences between projected and actual earnings on OPEB plan investments	15,244	31,335
Employer's contributions to the OPEB Plan subsequent to the measurement of total OPEB liability	12,601	11,988
Total deferred outflows of resources	$ 58,215	$ 62,705
Deferred inflows of resources:		
Changes of assumptions	$ 5,020	$ 8,224
Differences between expected and actual experience	18,536	29,894
Differences between projected and actual earnings on OPEB plan investments	-0-	-0-
Total deferred inflows of resources	$ 23,556	$ 38,118

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:	
2025	$ (1,092)
2026	14,717
2027	1,709
2028	3,018
2029	3,369
Thereafter	337

NOTE 16. INSURANCE PROGRAMS AND CLAIMS

SMUD is exposed to various risks of loss related to torts, theft of and destruction to assets, errors and omissions, cyber activities, natural disasters, employee injuries and illnesses, and other exposures. SMUD carries commercial insurance coverage to cover most claims in excess of specific dollar thresholds, ranging from $5.0 thousand to $10.0 million per claim. General liability limits are $140.0 million, excess of a $10.0 million self-insured retention. As of December 31, 2024, wildfire liability limits are $290.0 million ($241.5 million commercial insurance plus $48.5 million self-insured retention). SMUD's property insurance coverage is based on the replacement value of the asset. There have been no significant reductions in insurance coverage. In 2024, 2023, and 2022, the insurance policies in effect have adequately covered all settlements of the claims against SMUD. No claims have exceeded the limits of property or liability insurance in any of the past three years. In 2022, SMUD filed a property claim for both equipment damage and business interruption insurance for the Cosumnes Power Plant outage. In 2024, SMUD settled the full claim, recovering $13.6 million for the equipment damage and $138.9 million for the business interruption claim (note, that the business interruption recovery was received in three portions – $50.0 million advance in 2023, a partial settlement of $51.4 million in early 2024, and the final settlement of $37.5 million in quarter three of 2024).

The claims liability is included as a component of Self Insurance and Other in the Statements of Net Position.

SMUD's total claims liability, comprising claims received and claims incurred but not reported, at December 31, 2024, 2023 and 2022 is presented below:

	2024	2023	2022
		(thousands of dollars)	
Workers' compensation claims	$ 6,428	$ 6,926	$ 7,554
General and auto claims	3,077	3,474	3,178
Short and long-term disability claims	1,204	68	58
Claims liability	$ 10,709	$ 10,468	$ 10,790

Changes in SMUD's total claims liability during 2024, 2023 and 2022 are presented below:

	2024	2023	2022
		(thousands of dollars)	
Claims liability, beginning of year	$ 10,468	$ 10,790	$ 12,309
Add: provision for claims, current year	2,722	2,635	1,556
Increase in provision for claims in prior years	343	1,752	1,826
Less: payments on claims attributable to current and prior years	(2,824)	(4,709)	(4,901)
Claims liability, end of year	$ 10,709	$ 10,468	$ 10,790

NOTE 17. COMMITMENTS

Electric Power and Gas Supply Purchase Agreements. SMUD has numerous power purchase agreements with other power producers to purchase capacity, transmission, and associated energy to supply a portion of its load requirements. SMUD has minimum take-or-pay commitments for energy on some contracts. SMUD has numerous long-term natural gas supply, gas transportation and gas storage agreements with Canadian and U.S. companies to supply a portion of the consumption needs of SMUD's natural gas-fired power plants.

At December 31, 2024, the approximate minimum obligations for the "take-or-pay" contracts over the next five years are as follows:

	Electric	Gas
	(thousands of dollars)	
2025	$ 31,492	$ 10,176
2026	32,530	10,451
2027	93,312	10,497
2028	104,135	10,573
2029	105,021	10,737

At December 31, 2024, the approximate minimum obligations for the remaining contracts, assuming the energy or gas is delivered over the next five years, are as follows:

	Electric	Gas
	(thousands of dollars)	
2025	$ 350,563	$ 121,964
2026	315,317	125,772
2027	269,590	124,777
2028	296,757	122,382
2029	297,525	120,234

Contractual Commitments beyond 2029 - Electricity. Several of SMUD's purchase power and transmission contracts extend beyond the five-year summary presented above. These contracts expire between 2030 and 2057 and provide for power under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between $106.0 million in 2030 and $34.0 million in 2057. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the energy is delivered, ranges between $298.6 million in 2030 and $8.3 million in 2054. The Base Resource contract enables SMUD to receive a percentage of the amount of energy made available by Western, after meeting Central Valley Project use requirements, in any given year at a percent share of their revenue requirement; and SMUD has contracted for additional base resource power with no commitment until called upon. SMUD's largest purchase power source (in volume) is the Country Acres contract, where SMUD has contracted ownership of 344 MW's of Solar PV generation and 172 MW's battery energy storage capacity. The Country Acres contract expires on December 31, 2057.

Contractual Commitments beyond 2029 - Gas. Several of SMUD's natural gas supply, gas transportation and gas storage contracts extend beyond the five-year summary presented above. These contracts expire between 2030 and 2054 and provide for transportation and storage under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between $10.9 million in 2030 and $2.4 million in 2054. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the gas is delivered, ranges between $116.2 million in 2030 and $9.7 million in 2054.

Electric Power Price Swap Agreements. SMUD has entered into multiple variable to fixed rate swap with a notional amount totaling 501,125 megawatt hours (MWh) for the purpose of fixing the rate on SMUD's electric power purchases. This electric power price swap agreement results in SMUD paying fixed rates ranging from $59.50 to $89.76 per MWh. The swap agreements expire between January and October 2025.

Gas Price Swap Agreements. SMUD has entered into numerous variable to fixed rate swaps with notional amounts totaling 125,872,500 Dths for the purpose of fixing the rate on SMUD's natural gas purchases for its gas-fueled power plants and gas indexed electric contracts. These gas price swap agreements result in SMUD paying fixed rates ranging from $2.740 to $5.589 per Dth. The swap agreements expire periodically from January 2025 through January 2028.

Gas Transport Capacity Agreements. SMUD has multiple long-term natural gas transport capacity agreements with U.S. companies to transport natural gas to SMUD's natural gas-fired power plants from the supply basins in the North to the California-Oregon border and from supply basins in the southwest and Rocky Mountains to the Southern California border. These gas transport capacity agreements provide for the delivery of gas into SMUD-owned pipeline capacity within California. The gas transport capacity agreements provide SMUD with 48,199 Dth per day (Dth/d) of natural gas pipeline capacity from the North and 39,710 Dth/d from the Southwest or Rocky Mountain Basins through at least 2028.

Gas Storage Agreements. SMUD also has an agreement for the storage of up to 3.0 million Dth of natural gas at regional facilities through March 2026, lowering to 2.0 million Dth through March 2029.

Hydro License Agreements. SMUD has a hydro license for a term of 50 years effective July 1, 2014 (see Note 2). SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. Each contract is adjusted annually by an inflation index.

Construction Contracts. SMUD has entered into various construction contracts for the construction of a wind project and meter replacements. As of December 31, 2024, the not-to-exceed price for these contracts totaled $244.9 million. The remaining contract obligations for these contracts as of December 31, 2024 was $23.8 million.

NOTE 18. CLAIMS AND CONTINGENCIES

FERC Administrative Proceedings. SMUD is involved in a number of FERC administrative proceedings related to the operation of wholesale energy markets, transmission matters, gas transportation, and the development of NERC reliability standards. While these proceedings are complex and numerous, they generally fall into the following categories: (i) filings initiated by the California Independent System Operator Corporation (CAISO) (or other market participants) to adopt/modify the CAISO Tariff and/or establish market design and behavior rules; (ii) filings initiated by existing transmission owners (i.e., PG&E and the other Investor Owned Utilities) to pass through costs to their existing wholesale transmission customers; (iii) filings initiated by FERC on market participants to establish market design and behavior rules or to complain about or investigate market behavior by certain market participants; (iv) filings initiated by transmission owners under their transmission owner tariffs for the purpose of establishing a regional transmission planning process and interconnection agreements; (v) filings initiated by providers of firm gas transportation services under the Natural Gas Act; and (vi) filings initiated by NERC to develop reliability standards applicable to owners, users, and operators of the bulk power system. In addition, SMUD is an active participant in other FERC administrative proceedings, including those related to reliability and cybersecurity standards, variable resource integration, and transmission planning and cost allocation. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

CPUC Administrative Proceedings. SMUD monitors a number of CPUC proceedings. These proceedings generally fall into the following categories: (i) filings initiated by PG&E to adopt/modify its tariffs and/or rules; (ii) rulemakings initiated by the CPUC to establish market design and behavior rules or program rules affecting SMUD customers; and (iii) rulemakings initiated by the CPUC to establish electric and/or gas system safety design and maintenance rules. SMUD believes that determinations of these CPUC proceedings will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

Environmental Matters. SMUD was one of many potentially responsible parties that had been named in a number of actions relating to environmental claims and/or complaints. SMUD has resolved these environmental claims and/or complaints and entered into settlement agreements and/or consent orders. These settlement agreements and consent orders have statutory reopener provisions which allow regulatory agencies to seek additional funds for environmental remediation under certain limited circumstances. While SMUD believes it is unlikely that any of the prior settlements or consent orders will be reopened, the possibility exists. If any of the settlements or consent orders were to be reopened, SMUD management does not believe that the outcome will have a material adverse effect on SMUD's financial position, liquidity or results of operations.

Proposition 26 Lawsuit. In October 2019, two SMUD customers filed a complaint alleging SMUD's immediately prior rate increase was unconstitutional. In January 2024, the lawsuit was dismissed with prejudice due to their failure to diligently prosecute the case, though they have since filed another, similar complaint, which challenges SMUD's rate increases for 2024 and 2025. In January 2025, the court ruled this subsequent case dismissed for plaintiffs' failure to comply with the statutory service and publication requirements. SMUD considers the lawsuit to be wholly without merit.

Other Matters. Currently, SMUD is party to various claims, legal actions and complaints relating to its operations, including but not limited to: property damage and personal injury, contract disputes, torts, and employment matters. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

NOTE 19. SUBSEQUENT EVENTS

SMUD evaluated subsequent events through March 7, 2025, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Required Supplementary Information – Unaudited
For the Years Ended December 31, 2024 and 2023

Required Supplementary Information - Unaudited
For the Years Ended December 31, 2024 and 2023

Schedule of Changes in Net Pension Liability and Related Ratios
During the Measurement Period - PERS Plan

	December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	(thousands of dollars)									
Total pension liability:										
Service cost	$ 46,378	$ 42,960	$ 41,885	$ 38,900	$ 38,901	$ 38,061	$ 36,029	$ 35,040	$ 29,044	$ 27,991
Interest	189,234	176,370	167,926	168,984	164,044	157,976	151,354	150,119	147,497	142,468
Changes of assumptions	-0-	1,890	26,275	-0-	-0-	-0-	(61,585)	123,043	-0-	(34,228)
Differences between expected and actual experience	120,696	53,599	(31,370)	(5,875)	9,981	18,877	1,293	(29,276)	(8,357)	(10,613)
Benefit payments, including refunds of employee contributions	(161,249)	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)	(94,636)
Net change in total pension liability	195,059	125,488	67,113	71,633	87,345	97,366	15,328	174,498	69,029	30,982
Total pension liability, beginning of year	2,679,268	2,553,780	2,486,667	2,415,034	2,327,689	2,230,323	2,214,995	2,040,497	1,971,468	1,940,486
Total pension liability, end of year (a)	$ 2,874,327	$ 2,679,268	$ 2,553,780	$ 2,486,667	$ 2,415,034	$ 2,327,689	$ 2,230,323	$ 2,214,995	$ 2,040,497	$ 1,971,468
Plan fiduciary net position:										
Contributions - employer	$ 62,116	$ 92,504	$ 114,476	$ 229,440	$ 98,344	$ 69,119	$ 90,141	$ 32,389	$ 27,645	$ 22,499
Contributions - employee	21,417	19,921	18,096	17,552	18,095	17,411	16,832	15,845	15,271	14,503
Net investment income	225,340	140,540	(189,479)	454,518	92,534	115,867	138,739	171,596	8,316	35,797
Benefit payments, including refunds of employee contributions	(161,249)	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)	(94,636)
Administrative expense	(1,969)	(1,705)	(1,566)	(1,943)	(2,628)	(1,270)	(7,474)	(2,275)	(969)	(1,795)
Other miscellaneous income/(expense)	-0-	-0-	-0-	-0-	-0-	4	(4)	-0-	34	(25)
Net change in plan fiduciary net position	145,655	101,929	(196,076)	569,191	80,764	83,583	126,471	113,127	(48,858)	(23,657)
Plan fiduciary net position, beginning of year	2,420,258	2,318,329	2,514,405	1,945,214	1,864,450	1,780,867	1,654,396	1,541,269	1,590,127	1,613,784
Plan fiduciary net position, end of year (b)	$ 2,565,913	$ 2,420,258	$ 2,318,329	$ 2,514,405	$ 1,945,214	$ 1,864,450	$ 1,780,867	$ 1,654,396	$ 1,541,269	$ 1,590,127
Net pension liability/(asset), ending (a) - (b)	$ 308,414	$ 259,010	$ 235,451	$ (27,738)	$ 469,820	$ 463,239	$ 449,456	$ 560,599	$ 499,228	$ 381,341
Plan fiduciary net position as a percentage of the total pension liability	89.3%	90.3%	90.8%	101.1%	80.5%	80.1%	79.8%	74.7%	75.5%	80.7%
Covered payroll	$ 290,769	$ 265,184	$ 256,965	$ 257,613	$ 254,756	$ 247,759	$ 235,902	$ 223,685	$ 207,119	$ 197,481
Net pension liability/(asset) as a percentage of covered payroll	106.1%	97.7%	91.6%	-10.8%	184.4%	187.0%	190.5%	250.6%	241.0%	193.1%

Notes to Schedule:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

Schedule of Plan Contributions for Pension - PERS Plan - Unaudited

	December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	(thousands of dollars)									
Actuarially determined contribution	$ 28,316	$ 45,171	$ 44,599	$ 54,315	$ 52,276	$ 49,119	$ 40,142	$ 32,389	$ 27,645	$ 22,499
Contributions in relation to the actuarially determined contribution	(62,116)	(92,504)	(114,476)	(229,440)	(98,344)	(69,119)	(90,142)	(32,389)	(27,645)	(22,499)
Contribution excess	$ (33,800)	$ (47,333)	$ (69,877)	$ (175,125)	$ (46,068)	$ (20,000)	$ (50,000)	$ -0-	$ -0-	$ -0-
Covered payroll	$ 290,769	$ 265,184	$ 256,965	$ 257,613	$ 254,756	$ 247,759	$ 235,902	$ 223,685	$ 207,119	$ 197,481
Contributions as a percentage of covered payroll	21.4%	34.9%	44.5%	89.1%	38.6%	27.9%	38.2%	14.5%	13.4%	11.4%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2024 was derived from the June 30, 2021 funding valuation report.

Actuarial cost method	Entry age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2021 Funding Valuation Report
Asset valuation method	Fair value of assets. For details, see June 30, 2021 Funding Valuation Report
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.80%
Investment rate of return	6.80% Net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In 2021, the investment rate of return was changed from 7.25% to 7.00%. In 2020, the investment rate of return was 7.25%. Prior to 2024, the probabilities of retirement and mortality are based on the 2017 CalPERS Experience Study for the period from 2000 to 2019. Prior to 2020, the probabilities of mortality are based on the 2014 PERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. Prior to 2017, the retirement age and mortality assumptions were based on the 2010 PERS Experience Study for the period from 1997 to 2007. In addition, the mortality assumption for pre-retirement and post-retirement rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of Changes in Net OPEB Asset or Liability and Related Ratios
During the Measurement Period - Unaudited

OPEB. The schedule of changes in NOA or NOL and related ratios is presented above for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
	(thousands of dollars)							
Total OPEB liability:								
Service cost	$ 8,709	$ 8,303	$ 8,744	$ 8,426	$ 8,903	$ 8,946	$ 9,263	$ 8,993
Interest on total OPEB liability	23,720	22,126	22,728	25,008	26,653	26,766	29,656	28,676
Changes of assumptions	-0-	(5,263)	(7,127)	5,895	(11,453)	15,332	3,105	-0-
Differences between expected and actual experience	20,552	17,036	(12,231)	(18,938)	(23,529)	(6,885)	(59,921)	-0-
Benefit payments	(24,745)	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Net change in total OPEB liability	28,236	17,235	(12,055)	(3,690)	(23,274)	19,638	(42,569)	15,477
Total OPEB liability, beginning of year	397,699	380,464	392,519	396,209	419,483	399,845	442,414	426,937
Total OPEB liability, end of year (a)	$ 425,935	$ 397,699	$ 380,464	$ 392,519	$ 396,209	$ 419,483	$ 399,845	$ 442,414
Plan fiduciary net position:								
Contributions - employer	$ 11,250	$ 9,096	$ 860	$ 818	$ 13,299	$ 13,963	$ 34,243	$ 114,573
Net investment income (loss)	33,053	14,632	(52,917)	76,479	20,447	20,132	27,295	24,104
Benefit payments	(24,745)	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Administrative expense	(120)	(107)	(114)	(144)	(191)	(81)	(635)	(123)
Net change in plan fiduciary net position	19,438	(1,346)	(76,340)	53,072	9,707	9,493	36,231	116,362
Plan fiduciary net position, beginning of year	372,365	373,711	450,051	396,979	387,272	377,779	341,548	225,186
Plan fiduciary net position, end of year (b)	$ 391,803	$ 372,365	$ 373,711	$ 450,051	$ 396,979	$ 387,272	$ 377,779	$ 341,548
Net OPEB (asset) or liability, ending (a) - (b)	$ 34,132	$ 25,334	$ 6,753	$ (57,532)	$ (770)	$ 32,211	$ 22,066	$ 100,866
Plan fiduciary net position as a percentage of the total OPEB liability	92.0%	93.6%	98.2%	114.7%	100.2%	92.3%	94.5%	77.2%
Covered payroll	$ 346,382	$ 345,500	$ 301,746	$ 289,014	$ 287,001	$ 282,993	$ 269,753	$ 252,211
Net OPEB (asset) or liability as a percentage of covered payroll	9.9%	7.3%	2.2%	-19.9%	-0.3%	11.4%	8.2%	40.0%

Notes to Schedule

Benefit Changes: There were no changes to benefits.

Changes in Assumptions: In 2024, there were no changes of assumptions. In 2023, the healthcare trends were updated. In 2022, the long-term rate of return for Strategy 3 was updated based on newer target asset allocation, the discount rate was updated based on crossover test, the demographic assumptions were updated to CalPERS 2000-2019 Experience Study, and the mortality improvement scale was updated to Scale MP-2021. In 2021, the discount rate was updated due to weighting of Strategy 1 and Strategy 3 and updated capital market assumptions, the mortality improvement scale was updated to Scale MP-2020, the inflation rate was changed to 2.5% and the implied subsidy was removed for Medicare Advantage Plans. In 2020, the discount rate reflected the split of assets between Strategy 1 and Strategy 3, the mortality improvement scale was updated to Scale MP-2019, and the Kaiser Medicare trend rates were updated.

Schedule of Plan Contributions for OPEB

OPEB Plan. The schedule of OPEB contributions is presented below for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31, (thousands of dollars)							
	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 10,650	$ 8,566	$ 5,425	$ 8,661	$ 12,201	$ 10,710	$ 15,366	$ 16,472
Contributions in relation to the actuarially determined contribution	(11,864)	(8,806)	(1,157)	(853)	(13,233)	(13,155)	(35,128)	(116,181)
Contribution deficiency (excess)	$ (1,214)	$ (240)	$ 4,268	$ 7,808	$ (1,032)	$ (2,445)	$ (19,762)	$ (99,709)
Covered payroll	$ 376,418	$ 342,236	$ 318,094	$ 285,425	$ 289,552	$ 286,835	$ 277,193	$ 260,210
Contributions as a percentage of covered payroll	3.2%	2.6%	0.4%	0.3%	4.6%	4.6%	12.7%	44.6%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2024 were derived from the June 30, 2024 funding valuation report.

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	22-year fixed period for 2023/24
Asset valuation method	Market value of assets
Discount rate	6.25% for all actives and retirements after 6/30/2018, 5.25% for all retirements before 6/30/2018
Inflation	2.50%
Medical trend	Non-Medicare: 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser): 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser): 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
Mortality	CalPERS 2000-2019 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-21

In 2024, the amortization period was for a 22-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2023, the amortization period was for a 23-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2022, the amortization period was for a 24-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-20. In 2021, the amortization period was for a 25-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-19. In 2020, the amortization period was for a 26-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-18. In 2019, the amortization period was for a 27-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-17. In 2018, the amortization period was for a 28-year fixed period. Mortality assumption used PERS 1997-2011 experience study. The mortality improvement projected fully generational with Scale MP-16. In 2017, the amortization period was for a 29-year fixed period. The inflation rate was 3.0% and the discount rate was 7.25%. The mortality projected fully generational with Scale MP-14, modified to converge in 2022.

Northern California Energy Authority

Financial Statements
and Independent Auditors' Report
December 31, 2024 and 2023

NORTHERN CALIFORNIA ENERGY AUTHORITY
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Independent Auditors' Report

To the Commissioners of
Northern California Energy Authority

Opinion

We have audited the accompanying financial statements of the Northern California Energy Authority (Agency), a component unit of the Sacramento Municipal Utility District, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
March 7, 2025

NORTHERN CALIFORNIA ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Using this Financial Report

This annual financial report for Northern California Energy Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2024 and 2023. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Organization and Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 2018. SFA is a JPA formed by SMUD and the Modesto Irrigation District. The Agency was formed for the purpose of prepaying for a fixed quantity supply of natural gas and electricity to be delivered over a thirty-year period by J. Aron & Company LLC (J. Aron) under a Prepaid Commodity Sales Agreement between the Agency and J. Aron. The Agency then sells the natural gas and electricity to SMUD. The Agency issued bonds in December 2018 and commenced gas sales in June 2019. In April 2024, the Agency issued 2024 Commodity Supply Revenue Refunding bonds for the purpose of refunding the debt associated with the 2018 bonds and increasing the value of the prepaid commodity.

SMUD purchases all the natural gas and electricity delivered to the Agency pursuant to the Commodity Supply Contract between SMUD and the Agency. The Agency has no employees, and SMUD contributes to the Agency the actual costs of providing general and administrative services.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

CONDENSED STATEMENTS OF NET POSITION

	2024	2023	2022
Assets			
Current assets	$ 43,720	$ 43,765	$ 36,148
Noncurrent assets	687,870	509,358	524,549
Total assets	$ 731,590	$ 553,123	$ 560,697
Liabilities			
Long-term debt - net	$ 722,286	$ 525,193	$ 544,562
Current liabilities	19,824	27,630	20,537
Noncurrent liabilities	60	248	208
Total liabilities	742,170	553,071	565,307
Deferred Inflows of Resources	2,567	-0-	-0-
Net position			
Restricted	15,263	8,931	3,484
Unrestricted	(28,410)	(8,879)	(8,094)
Total net position	(13,147)	52	(4,610)
Total liabilities and net position	$ 731,590	$ 553,123	$ 560,697

TOTAL ASSETS

Total assets in 2024 increased $178.5 million or 32.3% over 2023, primarily due to a $187.9 million increase in prepaid gas supply due to the amendment to the prepaid commodity sales agreement, offset by a $8.4 million decrease in prepaid gas supply due to the amortization for gas delivered in 2024.

Total assets in 2023 decreased $7.6 million or 1.4% over 2022, primarily due to a decrease of $4.3 million due to the amortization of gas delivered in 2023 and $3.7 million in gas sales to Members receivable due to lower gas price index, offset by $1.3 million increase in restricted cash and cash equivalents due to higher reserve for long-term debt due within one year.

TOTAL LIABILITIES & NET POSITION

Total liabilities in 2024 increased $189.1 million or 34.2% over 2023, primarily due a $195.8 million increase in long-term debt due to the issuance of 2024 Commodity Supply Revenue Refunding bonds for the purpose of refunding the debt associated with the 2018 bonds, offset by a $6.6 million amortization of bond premium.

Net position in 2024 decreased $13.1 million over 2023, based on results of operations.

Total liabilities in 2023 decreased $12.2 million or 2.2% over 2022, primarily due to a decrease of $7.2 million in long-term debt due to $2.3 million principal payment and $4.8 million amortization of bond premium, and $5.1 million in accrued interest and other liabilities primarily due to a decrease in net gas price swap resulting in decrease in net swap settlement due to J. Aron.

Net position in 2023 increased $4.7 million or 101.1% over 2022, based on results of operations.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

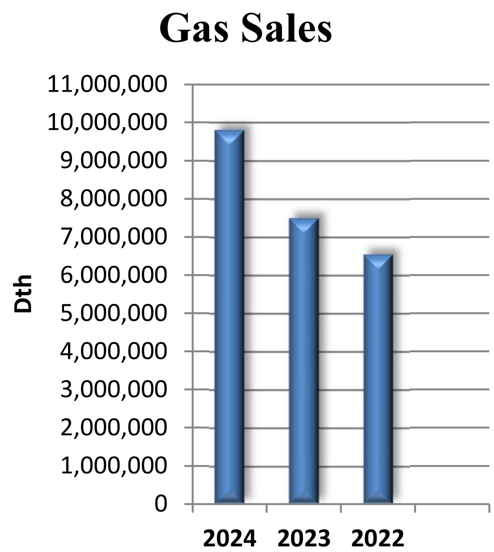
	2024	2023	2022
Operating revenues	$ 38,290	$ 26,303	$ 22,955
Operating expenses	(8,500)	(4,366)	(3,845)
Operating income	29,790	21,937	19,110
Interest income - net	514	552	466
Interest on debt	(24,229)	(16,831)	(16,820)
Other expenses	(19,772)	-0-	-0-
Change in net position before distributions and contributions	(13,697)	5,658	2,756
Distributions to Member	-0-	(1,103)	(941)
Member contributions	498	107	140
Change in net position	(13,199)	4,662	1,955
Net position - beginning of year	52	(4,610)	(6,565)
Net position - end of year	$ (13,147)	$ 52	$ (4,610)

OPERATING REVENUES

Total operating revenues were $38.3 million for 2024, an increase of $12.0 million or 45.6% over 2023. The gas dekatherm (Dth) sales increased 30.8% compared to 2023, as required by the prepaid commodity sales agreement. Gas swap settlement - net increased $48.8 million due to higher net swap price, offset by a decrease of $36.8 million in gas sales to Member as a result of lower gas price index.

Total operating revenues were $26.3 million for 2023, an increase of $3.3 million or 14.6% over 2022. The Dth sales increased 14.6% compared to 2022. Gas sales to Member increased $12.8 million as a result of higher gas price index, offset by a increase of $9.4 million in gas swap settlement - net due to the higher net swap price and volume.

The following chart shows gas sales to Member for the past three years.



<u>OPERATING EXPENSES</u>

Total operating expenses were $28.3 million for 2024, an increase of $23.9 million or 547.6% over 2023, primarily due to $19.8 cost of issuance as a result of refunding of the 2018 bonds and an increase of $4.1 million amortization of the prepaid gas supply.

Total operating expenses were $4.4 million for 2023, an increase of $0.5 million or 13.5% over 2022, primarily due to an increase of $0.5 million amortization of the prepaid gas supply.

Requests for Information

For more information about the Northern California Energy Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Restricted cash and cash equivalents	$ 1,175,575	$ 3,815,126
Restricted investments	28,516,848	18,489,411
Receivables:		
Gas sales to Member	4,313,340	6,239,891
Accrued interest and other	246,636	-0-
Prepaid gas supply	9,467,057	15,191,708
Prepayments	-0-	29,365
Total current assets	43,719,456	43,765,501
NONCURRENT ASSETS		
Prepaid gas supply	687,870,412	509,357,581
Total noncurrent assets	687,870,412	509,357,581
TOTAL ASSETS	$ 731,589,868	$ 553,123,082
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 722,285,686	$ 525,193,431
CURRENT LIABILITIES		
Long-term debt due within one year	5,455,000	14,505,000
Accrued interest and other	14,368,751	13,125,197
Total current liabilities	19,823,751	27,630,197
NONCURRENT LIABILITIES		
Arbitrage rebate liability	60,402	247,927
Total noncurrent liabilities	60,402	247,927
TOTAL LIABILITIES	742,169,839	553,071,555
DEFERRED INFLOWS OF RESOURCES		
Unamortized bond gains	2,567,285	-0-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,567,285	-0-
NET POSITION		
Restricted	15,263,270	8,931,413
Unrestricted	(28,410,526)	(8,879,886)
TOTAL NET POSITION	(13,147,256)	51,527
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 731,589,868	$ 553,123,082

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2024	Years Ended December 31, 2023
OPERATING REVENUES		
Gas sales to Member	$ 24,301,041	$ 61,129,300
Gas swap settlement, net	13,973,910	(34,826,177)
Other gas sales	15,548	-0-
Total operating revenues	38,290,499	26,303,123
OPERATING EXPENSES		
Prepaid gas amortization	8,394,357	4,258,793
Administrative and general	106,157	106,858
Total operating expenses	8,500,514	4,365,651
OPERATING INCOME	29,789,985	21,937,472
NON-OPERATING REVENUES (EXPENSES)		
Interest income - net	513,894	551,828
Interest on debt	(24,228,323)	(16,831,096)
Other expenses	(19,772,300)	-0-
Total non-operating revenues (expenses)	(43,486,729)	(16,279,268)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS AND CONTRIBUTIONS	(13,696,744)	5,658,204
Distributions to Member	-0-	(1,103,493)
Member contributions	497,961	106,741
CHANGE IN NET POSITION	(13,198,783)	4,661,452
NET POSITION - BEGINNING OF YEAR	51,527	(4,609,925)
NET POSITION - END OF YEAR	$ (13,147,256)	$ 51,527

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from gas sales to Member	$ 26,227,592	$ 64,840,409
Other receipts/payments - net	11,436,050	(39,860,454)
Net cash provided by operating activities	37,663,642	24,979,955
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuance, net of premium	192,318,022	-0-
Repayment of long-term debt	-0-	(2,320,000)
Payments for prepaid gas supply	(187,893,579)	-0-
Payments for debt issue costs	(9,627,969)	-0-
Interest payments on long-term debt	(25,819,768)	(21,752,850)
Distributions to Member	-0-	(1,103,493)
Net cash used in noncapital financing activities	(31,023,294)	(25,176,343)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	38,524,138	22,541,625
Purchases of investments	(48,551,575)	(21,680,713)
Interest received	747,538	592,016
Net cash provided by (used in) investing activities	(9,279,899)	1,452,928
Net increase (decrease) in cash and cash equivalents	(2,639,551)	1,256,540
Cash and cash equivalents - beginning of year	3,815,126	2,558,586
Cash and cash equivalents - end of the year	$ 1,175,575	$ 3,815,126
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 29,789,985	$ 21,937,472
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of prepaid gas supply	8,394,357	4,258,793
Changes in operating assets and liabilities:		
Receivables	1,679,915	3,711,109
Prepaid expenses	29,365	116
Payables and accruals	(2,229,980)	(4,927,535)
Net cash provided by operating activities	$ 37,663,642	$ 24,979,955
SUPPLEMENTAL DISCLOSURE OF NONCASH AND RELATED FINANCING ACTIVITIES		
Amortization of debt related premium and gain on refunding	$ 6,901,882	$ 4,863,754
Gain on refunding of long-term debt	2,907,035	-0-
Contributions from Member	497,961	106,741
Net proceeds from bond refundings deposited directly into escrow account	541,184,510	-0-
Underwriter's discount on bond refunding	3,433,289	-0-

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION AND OPERATIONS

The Northern California Energy Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA formed by SMUD and the Modesto Irrigation District. The purpose of the Agency is to prepay for a supply of a fixed quantity of natural gas and electricity (commodity) to be delivered over a thirty-year period (Commodity Project) by J. Aron & Company LLC (J. Aron) under a Prepaid Commodity Sales Agreement (Prepaid Agreement) between the Agency and J. Aron. The Prepaid Agreement, which originally terminates in May 2049, has been amended to terminate in October 2054. J. Aron is obligated to make payments to the Agency for any shortfall of commodity not delivered or taken under the Prepaid Agreement for any reason, including force majeure.

The Agency has entered into a Commodity Supply Contract (CSC) with SMUD that provides for the sale of all commodities delivered to the Agency over the term of the Prepaid Agreement. SMUD is obligated to pay the Agency for the quantities of commodity delivered under the CSC and to pay damages for commodity that SMUD fails to take pursuant to the terms of the CSC. SMUD has no obligation to pay for commodity that the Agency fails to deliver. The Agency anticipates that SMUD will be the only project participant with respect to the Commodity Project during the term of the Prepaid Agreement. However, in the event of a default by SMUD under the CSC, the Agency has agreed to terminate the CSC and may enter into a replacement CSC with one or more municipal utilities on substantially the same terms as the CSC.

The Agency has no employees. The Commodity Project is operated by SMUD's staff. SMUD is obligated to contribute to the Agency the actual costs of providing administrative and general services. SMUD contributed $0.5 and $0.1 million in 2024 and 2023, respectively.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Commodity Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are dependent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Agency or J. Aron. If the Prepaid Agreement is terminated, J. Aron will be required to pay a scheduled termination payment to the Agency. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Agency's long-term debt. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Commodity Project agreement.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Commodity sale revenues, gas swap payments and purchase costs that are directly related to delivery of commodity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources, revenues and expenses. Actual results could differ from those estimates.

Restricted Assets. The Agency's restricted assets are comprised of U.S. government securities and guaranteed investment contracts which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Credit and Market Risk. The Agency entered into guaranteed investment contracts and are exposed to credit risk related to nonperformance by its investment provider.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds.

Investments. The Agency's investments consist of guaranteed investment contracts and are measured at cost.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of commodity from the Commodity Project.

Prepaid Gas Supply. The Agency has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Agency provides for amortization on the historical cost of the Prepaid gas supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Agency amortizes its Prepaid gas supply, the amortization is recorded against the current portion of Prepaid gas supply.

Derivative Instruments. The Agency enters into a forward contract (commodity price swap agreement) to manage its exposure to market volatility of commodity prices. The Agency does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market and the Agency does not record these derivative instruments on its Statements of Net Position. The Agency is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid are reported as a component of Operating Revenues in the Statements of Revenues, Expenses and Changes in Net Position.

Gains/Losses on Bond Refundings. Gains and losses resulting from bond refundings are included as a component of Deferred Inflows of Resources or Deferred Outflows of Resources in the Statements of Net Position and amortized as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position over the shorter of the life of the refunded debt or the new debt using the effective interest method.

Deferred Inflows of Resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized and an inflow of resources (revenue) until that future time.

Amortization of Bond Premiums. Bond premiums are amortized over the life of the bonds using the scientific amortized cost procedure gross method. Unamortized premiums are netted with Long-term debt - net on the Statements of Net Position.

Commodity Price Swap Agreement. The Agency uses a forward contract to hedge the impact of market volatility on gas commodity prices for its CSC.

Net Position. The Agency classifies its Net Position into two components as follows:

- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas Sales to Member. Gas sales to Member are recorded as revenues when the natural gas is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and amortization on Prepaid gas supply assets and are recorded when incurred.

Other Non-operating Expenses. Other non-operating expenses include debt issuance costs on bond refunding.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Member Contributions. Amounts contributed by SMUD for the actual costs of providing administrative and general services are recorded as Member contributions.

Subsequent Events. Subsequent events for the Agency have been evaluated through March 7, 2025 which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In April 2022, GASB issued SGAS No. 99, ***"Omnibus 2022"*** (GASB No. 99). This statement addresses a variety of topics and is effective for Agency in 2022, 2023, or 2024 depending on the requirement. The remaining two topics in this statement are related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53. These topics are effective for the Agency in 2024 but had no impact on the Agency.

In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for the Agency in 2024 but had no impact on the Agency.

In June 2022, GASB issued SGAS No. 101, ***"Compensated Absences"*** (GASB No. 101), to better meet the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences. This will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. This statement is effective for the Agency in 2024. This statement had no impact as the Agency has no employees.

Recent Accounting Pronouncements, not yet adopted. In December 2023, GASB issued SGAS No. 102, ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for the Agency in 2025. The Agency is currently assessing the impact of adopting this statement.

In April 2024, GASB issued SGAS No. 103, ***"Financial Reporting Model Improvements"*** (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

In September 2024, GASB issued SGAS No. 104, ***"Disclosure of Certain Capital Assets"*** (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings. The Agency uses the credit ratings of Massachusetts Mutual Life Insurance (MassMutual) and Toronto Dominion Bank (TD Bank).

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated at least, at the credit rating of the commodity supplier, or, if the commodity supplier is not rated, the guarantor of the commodity supplier which is currently Goldman Sachs.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk. At December 31, 2024 and 2023, the Agency had money market funds of $1.2 million and $3.8 million which were uninsured and held in trust for the benefit of the Agency, respectively. At December 31, 2024 and 2023, the Agency had no investments subject to custodial credit risk.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency has concentrations of risk greater than five percent invested in TD Bank of 73% and MassMutual of 27% at December 31, 2024 and in J. Aron of 100% at December 31, 2023.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2024 and 2023. At December 31, 2024 and 2023, all investment funds were in guaranteed investment contracts that will terminate on August 1, 2030.

Investment Agreement. The Agency has entered into guaranteed investment contracts in which it has agreed to invest the debt service fund for a fixed rate of return of 4.52% with TD Bank, and the debt service reserve and the swap reserve funds for a guaranteed fixed rate of return of 4.72% with MassMutual. These agreements terminate on August 1, 2030.

The following schedules present credit risk by type of security held at December 31, 2024 and 2023. The credit ratings listed are from Standard & Poor's.

The Agency's cash, cash equivalents, and investments consist of the following:

	Credit Rating	December 31, 2024	December 31, 2023
Cash and cash equivalents:			
Money market funds	AAAm	$ 1,175,575	$ 3,815,126
Total cash and cash equivalents		1,175,575	3,815,126
Investments:			
Guaranteed investment contracts	A+/AA+	28,516,848	18,489,411
Total investments		28,516,848	18,489,411
Total cash, cash equivalents, and investments		$ 29,692,423	$ 22,304,537

The Agency's cash, cash equivalents, and investments are classified in the Statements of Net Position as follows:

	December 31, 2024	December 31, 2023
Cash, cash equivalents, and investments:		
Debt service funds	$ 25,528,092	$ 19,304,537
Total debt service funds	25,528,092	19,304,537
Other restricted funds:		
Working capital fund	3,000,000	3,000,000
Revenue fund	1,164,331	-0-
Total other restricted funds	4,164,331	3,000,000
Total cash, cash equivalents, and investments	$ 29,692,423	$ 22,304,537

NOTE 4. PREPAID GAS SUPPLY

In April 2024, the original 2018 Prepaid Agreement was amended and restated through 2054, as a result of the issuance of the 2024 Revenue Refunding Bonds.

The Agency's prepaid gas supply is presented below:

	December 31, 2024	December 31, 2023
Prepaid gas supply	$ 697,337,469	$ 524,549,289
Less: amounts due within one year	(9,467,057)	(15,191,708)
Total prepaid gas supply - noncurrent portion	$ 687,870,412	$ 509,357,581

The following summarizes prepaid gas supply activity for the year ended December 31, 2024:

	January 1, 2024	Additions	Terminations/ Amortizations	December 31, 2024
Prepaid gas supply	$ 524,549,289	$ 187,893,579	$ (15,105,399)	$ 697,337,469

The following summarizes prepaid gas supply activity for the year ended December 31, 2023:

	January 1, 2023	Additions	Amortizations	December 31, 2023
Prepaid gas supply	$ 528,808,082	$ -0-	$ (4,258,793)	$ 524,549,289

The prepaid gas supply is the discounted NPV of the fixed monthly natural gas prices per million British Thermal Units (MMBtu) as specified in, and over the remaining term of, the Prepaid Agreement.

NOTE 5. LONG-TERM DEBT

The Agency's long-term debt is presented below:

	December 31, 2024	December 31, 2023
Commodity supply revenue refunding bonds, fixed rate 5.0%, 2025-2054	$ 689,700,000	$ -0-
Commodity supply revenue bonds, fixed rates 4.0% - 5.0%, 2024-2049	-0-	537,295,000
Unamortized premiums	38,040,686	2,403,431
Total long-term debt	727,740,686	539,698,431
Less: amounts due within one year	(5,455,000)	(14,505,000)
Total long-term debt - net	$ 722,285,686	$ 525,193,431

The following summarizes long-term debt activity for the year ended December 31, 2024:

	January 1, 2024	Additions	Defeasance, Payments or Amortizations	December 31, 2024
Commodity supply revenue refunding bonds	$ -0-	$ 689,700,000	$ -0-	$ 689,700,000
Commodity supply revenue bonds	537,295,000	-0-	(537,295,000)	-0-
Unamortized premiums	2,403,431	43,346,310	(7,709,055)	38,040,686
Total long-term debt	$ 539,698,431	$ 733,046,310	$ (545,004,055)	$ 727,740,686

The following summarizes long-term debt activity for the year ended December 31, 2023:

	January 1, 2023	Additions	Defeasance, Payments or Amortizations	December 31, 2023
Commodity supply revenue bonds	$ 539,615,000	$ -0-	$ (2,320,000)	$ 537,295,000
Unamortized premiums	7,267,185	-0-	(4,863,754)	2,403,431
Total long-term debt	$ 546,882,185	$ -0-	$ (7,183,754)	$ 539,698,431

At December 31, 2024 scheduled annual principal maturities and interest are as follows:

Year	Principal	Interest	Total
2025	$ 5,455,000	$ 34,485,000	$ 39,940,000
2026	4,840,000	34,212,250	39,052,250
2027	5,085,000	33,970,250	39,055,250
2028	7,625,000	33,716,000	41,341,000
2029	6,775,000	33,334,750	40,109,750
2030 – 2034 (combined)	109,365,000	155,739,500	265,104,500
2035 – 2039 (combined)	156,115,000	122,869,750	278,984,750
2040 – 2044 (combined)	102,570,000	87,798,250	190,368,250
2045 – 2049 (combined)	120,690,000	61,551,500	182,241,500
2050 – 2054 (combined)	171,180,000	28,046,000	199,226,000
Total	$ 689,700,000	$ 625,723,250	$ 1,315,423,250

Interest in the preceding table includes interest requirements at current fixed rate coupon of 5.0 percent until mandatory remarketing date on August 1, 2030, and an assumed 5.0 percent fixed rate after mandatory remarketing. Principal in the preceding table includes known principal payments until mandatory remarketing date and the amortization schedule after mandatory remarketing date.

2024 Bond Issuance. In April 2024, the Agency issued $689.7 million of 2024 Commodity Supply Revenue Refunding bonds (2024 Bonds). The 2024 Bonds mature in December 2054 and come with a mandatory tender purchase in August 2030. The purpose of this transaction was to refund the debt associated with 2018 Commodity Supply Revenue bonds (2018 Bonds). Proceeds from the 2024 Bonds refunded all the outstanding 2018 Bonds. A total of $537.3 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-term debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred gain on bond refunding of $2.9 million, which is being amortized over the life of the refunding issue.

The Agency had pledged future net revenues to repay $689.7 million at December 31, 2024 for bonds issued in April 2024, and $537.3 million at December 31, 2023 for bonds issued in December 2018. Proceeds from the Bonds were used to purchase the Commodity Project from J. Aron with the remaining amounts used to fund the appropriate accounts for the Agency. The Bonds, payable through 2054, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the CSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100% of the Agency's net revenues. The total principal and interest remaining to be paid on the Bonds is $892.4 million and $857.6 million at December 31, 2024 and 2023, respectively. Debt service payments on the 2024 Bonds are made semi-annually on February 1 and August 1. The Agency will pay the first bond principal payment on August 1, 2025 in the amount of $5.5 million. Interest paid was $27.6 million and $21.8 million for 2024 and 2023, respectively. Total gross revenues were $38.8 million and $26.9 million for 2024 and 2023, respectively. The 2024 refunding increased future aggregate debt service payments by $97.5 million due to the bond term extension and resulted in a total economic gain of $8.4 million, which is the difference between the present value of the old and new debt service payments.

The ability of the Agency to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Commodity Project. If the Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from J. Aron. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The amount of termination payment declines over time as J. Aron performs its commodity delivery obligations under the Prepaid Agreement. The Members are not obligated to pay debt service costs if the Commodity Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Commodity Project are insufficient to meet debt service obligations.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

NOTE 6. COMMITMENTS

Commodity Price Swap Agreement. The Agency has entered into a floating-to-fixed natural gas and electricity commodity price swap agreement (Commodity Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Agency's commodity sales to SMUD under the CSC. The Agency pays an index-based commodity price over the thirty-year period and receives a fixed commodity price as specified in the Commodity Swap Agreement, for notional quantities of commodity at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Commodity Swap Agreement terminates on October 1, 2054. The total notional amount of the Commodity Swap Agreement remaining at December 31, 2024 through June 30, 2028 was 33.1 million MMBtu for gas and 23.9 million MWh for electricity. Presently, the Commodity Swap Agreement is an average of 25,918 MMBtu per calendar day through June 30, 2028 and 2,482 MWh per day starting July 1, 2028. Actual daily commodity deliveries will vary from month to month, changing on the first day of the month. Early termination of the Commodity Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Commodity Swap Agreement would have no value to either party.

NOTE 7. CONTINGENCIES

General Contingencies. The Agency's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Commodity Project does not operate and there are insufficient funds to pay the bondholders. The Agency expects that the commodity will continue to be delivered as planned.

In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

Northern California Gas Authority No. 1

Financial Statements
and Independent Auditors' Report
December 31, 2024 and 2023

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
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Independent Auditors' Report

To the Commission of
Northern California Gas Authority No. 1

Opinion

We have audited the accompanying financial statements of the Northern California Gas Authority No. 1 (Agency), a component unit of the Sacramento Municipal Utility District, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
March 7, 2025

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Using this Financial Report

This annual financial report for Northern California Gas Authority No. 1 (Agency) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2024, and 2023. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Organization and Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 2007. SFA is a JPA formed by SMUD and the Modesto Irrigation District. The Agency was formed for the purpose of prepaying for a fixed quantity supply of natural gas to be delivered over a twenty-year period by Morgan Stanley Capital Group, Inc. (MSCG) under a Prepaid Gas Purchase and Sale Agreement (Prepaid Gas Supply) between the Agency and MSCG. The Agency then sells the natural gas to SMUD. The Agency issued bonds in May 2007 and commenced gas sales in June 2007.

SMUD purchases all of the natural gas delivered to the Agency pursuant to the Gas Supply Contract between SMUD and the Agency. In 2023, SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG shall purchase all of the remarketed gas for its own account and make payment of such disposition proceeds to the Agency consistent with the terms of the Prepaid Agreement. The Agency has no employees, and SMUD contributes to the Agency the actual costs of providing general and administrative services.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

CONDENSED STATEMENTS OF NET POSITION

	2024	2023	2022
Assets			
Current assets	$ 51,027	$ 45,409	$ 40,591
Noncurrent assets	52,230	84,273	112,872
Total assets	$ 103,257	$ 129,682	$ 153,463
Liabilities			
Long-term debt - net	$ 66,245	$ 94,540	$ 120,070
Current liabilities	30,366	27,315	24,404
Total liabilities	96,611	121,855	144,474
Net position			
Restricted	14,954	12,500	11,178
Unrestricted	(8,308)	(4,673)	(2,189)
Total net position	6,646	7,827	8,989
Total liabilities and net position	$ 103,257	$ 129,682	$ 153,463

TOTAL ASSETS

Total assets in 2024 decreased $26.4 million or 20.4% over 2023, primarily due to a decrease of $28.5 million in prepaid gas supply due to amortization for gas delivered in 2024.

Total assets in 2023 decreased $23.8 million or 15.5% over 2022, primarily due to a decrease of $25.2 million in prepaid gas supply due to amortization for gas delivered in 2023.

TOTAL LIABILITIES & NET POSITION

The total liabilities in 2024 decreased $25.2 million or 20.7% over 2023, primarily due to a decrease of $25.5 million in long-term debt as result of scheduled principal payment.

Net position in 2024 decreased $1.2 million or 15.1% over 2023, based on results of operations and due to a $0.6 million distribution to Member.

The total liabilities in 2023 decreased $22.6 million or 15.7% over 2022, primarily due to a decrease of $22.9 million in long-term debt as result of scheduled principal payment.

Net position in 2023 decreased $1.2 million or 12.9% over 2022, based on results of operations and due to a $0.7 million distribution to Member.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

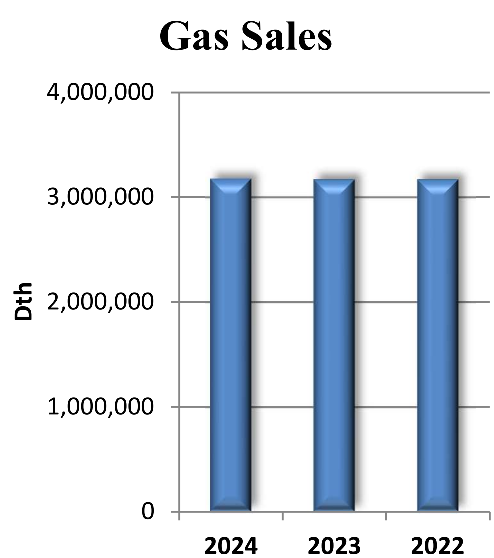
	2024	2023	2022
Operating revenues	$ 31,774	$ 29,999	$ 28,472
Operating expenses	(28,659)	(25,361)	(22,520)
Operating income	3,115	4,638	5,952
Interest income	889	615	326
Interest on debt	(4,689)	(5,819)	(6,610)
Change in net position before distributions and contributions	(684)	(566)	(332)
Distributions to Member	(572)	(659)	(590)
Member contributions	75	63	73
Change in net position	(1,181)	(1,162)	(849)
Net position - beginning of year	7,827	8,989	9,838
Net position - end of year	$ 6,646	$ 7,827	$ 8,989

OPERATING REVENUES

Total operating revenues were $31.8 million for 2024, an increase of $1.8 million or 5.9% over 2023. The gas dekatherm (Dth) sales increased 0.3% compared to 2023. Gas swap settlement - net increased $5.3 million due to higher net swap price, offset by a decrease of $3.5 million in gas sales to Member as a result of lower gas price index.

Total operating revenues were $30.0 million for 2023, an increase of $1.5 million or 5.4% over 2022. The gas Dth sales decreased 0.1% compared to 2022. Gas swap settlement - net increased $8.2 million due to higher net swap price, offset by a decrease of $6.7 million in gas sales to Member as a result of lower gas price index.

The following chart shows gas sales to Member for the past three years.



OPERATING EXPENSES

Total operating expenses were $28.7 million for 2024, an increase of $3.3 million or 13.0% over 2023, primarily due to an increase of $3.3 million amortization of the prepaid gas supply.

Total operating expenses were $25.4 million for 2023, an increase of $2.8 million or 12.6% over 2022, primarily due to an increase of $2.8 million amortization of the prepaid gas supply.

Requests for Information

For more information about the Northern California Gas Authority No. 1, visit our website at www.smud.org or contact us at customerservices@smud.org.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF NET POSITION

	December 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Restricted cash and cash equivalents	$ 15,971,864	$ 13,935,731
Receivables:		
Gas sales to Member	366,437	537,742
Accrued interest and other	2,646,275	2,336,454
Prepaid gas supply	31,921,769	28,478,928
Other prepayments	15,630	15,630
Regulatory costs to be recovered within one year	104,796	104,796
Total current assets	51,026,771	45,409,281
NONCURRENT ASSETS		
Prepaid gas supply	52,049,725	83,971,494
Regulatory costs for future recovery	157,197	261,993
Prepaid bond insurance costs	23,446	39,076
Total noncurrent assets	52,230,368	84,272,563
TOTAL ASSETS	$ 103,257,139	$ 129,681,844
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 66,245,000	$ 94,540,000
CURRENT LIABILITIES		
Payable due to Member	1,053,492	349,255
Long-term debt due within one year	28,295,000	25,530,000
Accrued interest and other	1,017,326	1,435,914
Total current liabilities	30,365,818	27,315,169
TOTAL LIABILITIES	96,610,818	121,855,169
NET POSITION		
Restricted	14,954,464	12,499,817
Unrestricted	(8,308,143)	(4,673,212)
TOTAL NET POSITION	6,646,321	7,826,675
TOTAL LIABILITIES AND NET POSITION	$ 103,257,139	$ 129,681,844

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2024	Years Ended December 31, 2023
OPERATING REVENUES		
Gas sales to Member	$ 1,088,135	$ 4,599,151
Gas swap settlement, net	30,686,490	25,400,010
Total operating revenues	31,774,625	29,999,161
OPERATING EXPENSES		
Prepaid gas amortization	28,478,928	25,193,326
Administrative and general	75,670	63,108
Regulatory amounts collected in rates	104,796	104,796
Total operating expenses	28,659,394	25,361,230
OPERATING INCOME	3,115,231	4,637,931
NON-OPERATING REVENUES (EXPENSES)		
Interest income	889,288	614,932
Interest on debt	(4,688,833)	(5,819,387)
Total non-operating revenues (expenses)	(3,799,545)	(5,204,455)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS AND CONTRIBUTIONS	(684,314)	(566,524)
Distributions to Member	(571,710)	(658,616)
Member contributions	75,670	63,108
CHANGE IN NET POSITION	(1,180,354)	(1,162,032)
NET POSITION - BEGINNING OF YEAR	7,826,675	8,988,707
NET POSITION - END OF YEAR	$ 6,646,321	$ 7,826,675

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF CASH FLOWS

	December 31, 2024	December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from gas sales to Member	$ 721,698	$ 5,153,593
Receipts from others	31,610,605	24,883,073
Net cash provided by operating activities	32,332,303	30,036,666
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of long-term debt	(25,530,000)	(22,865,000)
Interest payments on long-term debt	(5,091,795)	(5,905,894)
Distributions to Member	(571,710)	(658,616)
Net cash used in noncapital financing activities	(31,193,505)	(29,429,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	897,335	612,631
Net cash provided by investing activities	897,335	612,631
Net increase in cash and cash equivalents	2,036,133	1,219,787
Cash and cash equivalents - beginning of the year	13,935,731	12,715,944
Cash and cash equivalents - end of the year	$ 15,971,864	$ 13,935,731
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 3,115,231	$ 4,637,931
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of prepaid gas supply	28,478,928	25,193,326
Regulatory amortization	104,796	104,796
Changes in operating assets and liabilities:		
Receivables	(146,563)	(310,609)
Payables and accruals	779,911	411,222
Net cash provided by operating activities	$ 32,332,303	$ 30,036,666
SUPPLEMENTAL DISCLOSURE OF NONCASH RELATED FINANCING ACTIVITIES		
Amortization of debt related premiums	$ (15,630)	$ (15,630)
Contributions from Member	75,670	63,108

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION AND OPERATIONS

The Northern California Gas Authority No. 1 (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA formed by SMUD and the Modesto Irrigation District. The purpose of the Agency is to prepay for a supply of a fixed quantity of natural gas to be delivered over a twenty-year period (Gas Project) by Morgan Stanley Capital Group, Inc. (MSCG) under a Prepaid Gas Purchase and Sale Agreement (Prepaid Agreement) between the Agency and MSCG. The Prepaid Agreement terminates on May 31, 2027. MSCG is obligated to make payments to the Agency for any shortfall of gas not delivered or taken under the Prepaid Agreement for any reason, including force majeure.

The Agency has entered into a Gas Supply Contract (GSC) with SMUD that provides for the sale of all of the natural gas delivered to the Agency over the term of the Prepaid Agreement. SMUD is obligated to pay the Agency for the quantities of gas delivered under the GSC and to pay damages for gas that SMUD fails to take pursuant to the terms of the GSC. SMUD has no obligation to pay for gas that the Agency fails to deliver. The Agency anticipates that SMUD will be the only project participant with respect to the Gas Project during the term of the Prepaid Agreement. However, in the event of a default by SMUD under the GSC, the Agency has agreed to terminate the GSC and may enter into a replacement GSC with one or more municipal utilities on substantially the same terms as the GSC. In 2023, SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG, pursuant to the Gas remarketing provisions of the Prepaid Agreement shall purchase all of the remarketed gas for its own account at a price equal to the monthly index price minus an administrative charge of $0.05 per million British Thermal Units (MMBtu) and make payment of such disposition proceeds to the Agency consistent with the terms of the Prepaid Agreement.

The Agency has no employees. The Gas Project is operated by SMUD's staff. SMUD is obligated to contribute to the Agency the actual costs of providing administrative and general services. SMUD contributed $0.1 million both in 2024 and 2023.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Gas Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are dependent upon the continued delivery of natural gas to the Gas Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Agency or MSCG. If the Prepaid Agreement is terminated, MSCG will be required to pay a scheduled termination payment to the Agency. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Agency's long-term debt. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Gas Project agreement.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Natural gas sale revenues, gas swap payments and purchase costs that are directly related to delivery of natural gas are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Restricted Assets. The Agency's restricted assets are comprised of U.S. government securities and commercial paper which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Credit and Market Risk. The Agency entered into a synthetic guaranteed investment contract (see Note 3) in 2007 and is exposed to credit risk related to nonperformance by its investment provider. This contract requires the investment provider, MSCG, to post collateral if their credit ratings fall below agreed upon levels. The amount is recorded as current restricted asset with an associated current liability on the Statements of Net Position.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds.

Receivable from/Payable to Member. The Agency records as a Receivable from Member the amounts due from SMUD and a Payable to Member the amounts due to SMUD for the purchase of natural gas from the Gas Project.

Prepaid Gas Supply. The Agency has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Agency provides for amortization on the historical cost of the Prepaid gas supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Agency amortizes its Prepaid gas supply, the amortization is recorded against the current portion of Prepaid gas supply.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"*** which require that the effects of the rate making process be recorded in the financial statements. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight line method over the remaining life of the associated bonds and recorded in Regulatory amounts collected in rates in the Statements of Revenues, Expenses and Changes in Net Position.

Prepaid Bond Insurance Costs. The Agency recorded a prepaid asset for the prepaid bond insurance portion of unamortized debt issuance costs of previously issued bonds of the Agency. The prepaid bond insurance costs will be amortized using the straight line method over the remaining life of the associated bonds and recorded in Interest on debt in the Statements of Revenues, Expenses and Changes in Net Position.

Derivative Instruments. The Agency enters into forward contracts (interest rate swap and natural gas commodity price swap agreements) to manage its exposure to interest rate risk and market volatility of natural gas commodity prices. The Agency does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market and the Agency does not record these derivative instruments on its Statements of Net Position. The Agency is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid for the gas swap are reported as a component of Operating Revenues in the Statement of Revenues, Expenses and Changes in Net Position.

Gas Swap Agreement. The Agency uses forward contracts to hedge the impact of market volatility on gas commodity prices for its GSC.

Interest Rate Swap Agreements. The Agency enters into interest rate swap agreements to modify the effective interest rates on outstanding debt. Interest expense is reported net of the swap payments received or paid as a component of Interest on debt in the Statement of Revenues, Expenses and Changes in Net Position.

Net Position. The Agency classifies its Net Position into two components as follows:

- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas Sales to Member. Amounts received by SMUD for the purchases of natural gas from the Gas Project are recorded as revenues when the natural gas is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and amortization on Prepaid gas supply assets and Regulatory amounts collected in rates and are recorded when incurred.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Member Contributions. Amounts contributed by SMUD for the actual costs of providing administrative and general services are recorded as Member contributions.

Reclassifications. Certain amounts in the 2023 Financial Statements have been reclassified in order to conform to the 2024 presentation.

Subsequent Events. Subsequent events for the Agency have been evaluated through March 7, 2025, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In April 2022, GASB issued SGAS No. 99, ***"Omnibus 2022"*** (GASB No. 99). This statement addresses a variety of topics and is effective for Agency in 2022, 2023, or 2024 depending on the requirement. The remaining two topics in this statement are related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53. These topics are effective for the Agency in 2024 but had no impact on the Agency.

In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for the Agency in 2024 but had no impact on the Agency.

In June 2022, GASB issued SGAS No. 101, ***"Compensated Absences"*** (GASB No. 101), to better meet the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences. This will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. This statement is effective for the Agency in 2024. This statement had no impact as the Agency has no employees.

Recent Accounting Pronouncements, not yet adopted. In December 2023, GASB issued SGAS No. 102, ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for the Agency in 2025. The Agency is currently assessing the impact of adopting this statement.

In April 2024, GASB issued SGAS No. 103, ***"Financial Reporting Model Improvements"*** (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

In September 2024, GASB issued SGAS No. 104, ***"Disclosure of Certain Capital Assets"*** (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned, or the Agency will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk. At December 31, 2024 and 2023, the Agency had unsecured deposits in commercial paper and money market funds of $16.0 million and $13.9 million which were uninsured and held in trust for the benefit of the Agency, respectively. There is no collateral deposit held at December 31, 2024 or 2023.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. To limit the Agency's credit risk for commercial paper purchased under the Debt Service Fund Agreement, the aggregate maturity amount invested in any combination of one issuer, affiliate of issuer, or backed by any one credit support, cannot exceed $30.0 million. The Agency has concentrations of risk greater than five percent invested in Chesham of 100% at December 31, 2024 and at December 31, 2023.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. At December 31, 2024 and 2023, all of the Agency's investments had maturities of one year or less.

Debt Service Fund Agreement. The Agency has entered into a synthetic guaranteed investment contract, in the form of a forward supply agreement, in which it has agreed to purchase securities with the debt service deposit amounts for a guaranteed fixed rate of return of 5.148%. Commercial paper delivered under the forward supply agreement is included within the investments below. The agreement terminates on June 30, 2027.

The following schedules present credit risk by type of security held at December 31, 2024 and 2023. The credit ratings listed are from Standard & Poor's (S&P).

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2024	December 31, 2023
Cash and Cash Equivalents:			
Money market funds	AAAm	$ 2,239,891	$ 326,410
Commercial paper	A-1	13,731,973	13,609,321
Total cash and cash equivalents		$ 15,971,864	$ 13,935,731

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31, 2024	December 31, 2023
Cash and Cash Equivalents:		
Debt service fund	$ 15,969,371	$ 13,763,046
Other restricted funds:		
Interest on credit support	74	70
Revenue fund	2,419	172,615
Total other restricted funds	2,493	172,685
Total cash and cash equivalents	$ 15,971,864	$ 13,935,731

NOTE 4. PREPAID GAS SUPPLY

The Agency's prepaid gas supply is presented below:

	December 31, 2024	December 31, 2023
Prepaid gas supply	$ 83,474,785	$ 111,766,389
Prepaid gas supply revenue	496,709	684,033
Total prepaid gas supply	83,971,494	112,450,422
Less: amounts due within one year	(31,921,769)	(28,478,928)
Total prepaid gas supply - noncurrent portion	$ 52,049,725	$ 83,971,494

The following summarizes prepaid gas supply activity for the year ended December 31, 2024:

	January 1, 2024	Terminations	Amortization	December 31, 2024
Prepaid gas supply	$ 111,766,389	$ -0-	$ (28,291,604)	$ 83,474,785
Prepaid gas supply revenue	684,033	-0-	(187,324)	496,709
Total prepaid gas supply	$ 112,450,422	$ -0-	$ (28,478,928)	$ 83,971,494

The following summarizes prepaid gas supply activity for the year ended December 31, 2023:

	January 1, 2023	Terminations	Amortization	December 31, 2023
Prepaid gas supply	$ 136,783,269	$ -0-	$ (25,016,880)	$ 111,766,389
Prepaid gas supply revenue	860,479	-0-	(176,446)	684,033
Total prepaid gas supply	$ 137,643,748	$ -0-	$ (25,193,326)	$ 112,450,422

The prepaid gas supply is the discounted NPV of the fixed monthly natural gas prices per MMBtu as specified in, and over the remaining term of, the Prepaid Agreement. The prepaid gas supply revenue is the discounted NPV of $0.07 per MMBtu over the remaining term of the Prepaid Agreement.

NOTE 5. LONG-TERM DEBT

The Agency issued $668.5 million of 2007 Series B Gas Project Revenue Bonds (Bonds) in May 2007 with variable interest rates, maturing July 2027.

The Agency's long-term debt is presented below:

	December 31, 2024	December 31, 2023
2007 Series B Gas project revenue bonds, variable rates, 2025-2027	$ 94,540,000	$ 120,070,000
Less: amounts due within one year	(28,295,000)	(25,530,000)
Total long-term debt - net	$ 66,245,000	$ 94,540,000

The following summarizes long-term debt activity for the year ended December 31, 2024:

	January 1, 2024	Additions	Payments/ Amortizations	December 31, 2024
2007 Gas project revenue bonds	$ 120,070,000	$ -0-	$ (25,530,000)	$ 94,540,000
Total long-term debt	$ 120,070,000	$ -0-	$ (25,530,000)	$ 94,540,000

The following summarizes long-term debt activity for the year ended December 31, 2023:

	January 1, 2023	Additions	Payments/ Amortizations	December 31, 2023
2007 Gas project revenue bonds	$ 142,935,000	$ -0-	$ (22,865,000)	$ 120,070,000
Total long-term debt	$ 142,935,000	$ -0-	$ (22,865,000)	$ 120,070,000

At December 31, 2024 scheduled annual principal maturities and interest are as follows:

Year	Principal	Interest	Total
2025	$ 28,295,000	$ 3,764,547	$ 32,059,547
2026	31,420,000	2,513,106	33,933,106
2027	34,825,000	1,124,151	35,949,151
Total	$ 94,540,000	$ 7,401,804	$ 101,941,804

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates and variable rate debt covered by interest rate swaps at their fixed swap rate.

The Agency had pledged future net revenues to repay $94.5 million and $120.1 million at December 31, 2024 and 2023, respectively, for Bonds issued in May 2007. Proceeds from the Bonds were used to purchase the Gas Project from MSCG at a price of $754.1 million with the remaining amounts used to fund the appropriate accounts for the Agency. The Bonds, payable through 2027, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the GSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100% of the Agency's net revenues. The total principal and interest remaining to be paid on the Bonds was $101.9 million and $132.4 million at December 31, 2024 and 2023, respectively. Debt service payments on the Bonds are made quarterly on January 1, April 1, July 1 and October 1. Principal and interest paid was $30.4 million and $28.7 million for 2024 and 2023, respectively. Total gross revenues were $33.7 million and $30.6 million for 2024 and 2023, respectively.

The ability of the Agency to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Gas Project. If the Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from MSCG. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The amount of termination payment declines over time as MSCG performs its gas delivery obligations under the Prepaid Agreement. The Members are not obligated to pay debt service costs if the Gas Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Gas Project are insufficient to meet debt service obligations.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements - 2007 Series B Bonds.

The following summarizes the Agency's swap agreement at December 31, 2024:

Notional Amount	Agency Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating (S&P)
$ 94,540,000	Fixed	4.304%	67% of SOFR + .89528%	07/01/27	A+

The following summarizes the Agency's swap agreement at December 31, 2023:

Notional Amount	Agency Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating (S&P)
$ 120,070,000	Fixed	4.304%	67% of SOFR +.89528%	07/01/27	A+

The Agency has a variable-to-fixed interest rate swap agreement with a counterparty. The Agency pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67% of the three-month Chicago Mercantile Exchange Term SOFR (4.59% for 2024 and 5.39% for 2023) plus an interest spread, as specified in the swap agreement. The total notional amount of the swap at December 31, 2024 and 2023 was $94.5 million and $120.1 million, respectively, and was equivalent to the outstanding principal balance on the Agency's Bonds. The swap is amortized over the life of the swap agreement in a manner corresponding to the principal repayment schedule of the Bonds. Early termination of the swap would occur upon termination of the Prepaid Agreement for any reason. Upon early termination, the swap would have no value to either party.

Variable Rate 2007 Series B Bonds. The Agency's variable rate Bonds bear interest at a quarterly rate of 3.97% and 4.51% at December 31, 2024 and 2023, respectively.

NOTE 6. COMMITMENTS

Natural Gas Commodity Price Swap Agreement. The Agency has entered into a floating-to-fixed natural gas commodity price swap agreement (Gas Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Agency's natural gas sales to SMUD under the GSC. The Agency pays an index-based natural gas price over the twenty-year period and receives a fixed natural gas price as specified in the Gas Swap Agreement, for notional quantities of natural gas at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Gas Swap Agreement terminates on May 31, 2027. The total notional amount of the Gas Swap Agreement remaining at December 31, 2024 was 7.6 million MMBtu. Presently, the Gas Swap Agreement is 8,675 MMBtu per calendar day, and this amount will change on June 1 of each remaining year of the Gas Swap Agreement and will range from 8,673 to 8,675 MMBtu per calendar day. Early termination of the Gas Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Gas Swap Agreement would have no value to either party.

NOTE 7. CONTINGENCIES

General Contingencies. The Agency's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of natural gas to the Gas Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Gas Project does not operate and there are insufficient funds to pay the bondholders. The Agency expects that the natural gas will continue to be delivered as planned.

In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

Sacramento Municipal Utility District Financing Authority

Financial Statements
and Independent Auditors' Report
December 31, 2024 and 2023

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
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Independent Auditors' Report

To the Commission of
Sacramento Municipal Utility District Financing Authority

Opinion

We have audited the accompanying financial statements of the Sacramento Municipal Utility District Financing Authority (Agency), a component unit of the Sacramento Municipal Utility District, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
March 7, 2025

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Using this Financial Report

This annual financial report for Sacramento Municipal Utility District Financing Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2024 and 2023. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority formed by the Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District. The Agency owns and operates the Cosumnes Power Plant Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in 2006, is comprised of a 602 megawatt (MW) natural gas-fired combined cycle generation plant.

The Agency entered into Assignment and Assumption Agreements which transferred the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan), (assigned Power Plants), to the Agency as of November 1, 2021.

Carson which began commercial operations in 1995, is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Procter and Gamble which began commercial operations in 1997, is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Campbell which began commercial operations in 1997, is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator (CTG) and a steam turbine generator (STG). McClellan is a 72 MW simple cycle combustion turbine and has been operating since 1986.

SMUD purchases all of the electricity produced by the Project and the assigned Power Plants pursuant to the Power Purchase Agreements (PPA) between SMUD and the Agency and the assigned Power Plants. The Agency has no employees and is obligated to reimburse SMUD for the actual costs of providing general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

Financial & Operational Highlights

In 2024, the Agency's plant operator, Ethos Energy Power Plant Services, LLC (Ethos), continued to perform quarterly offline gas turbine water washes and inspections as part of standard maintenance protocols at the Project and the assigned Power Plants. These outages and inspections have been an integral part of the Project's and the assigned Power Plants' successful performances which include ratings from the Institute of Electrical and Electronics Engineers (IEEE) for availability and reliability.

The Project obtained an IEEE Availability rating of 89.0%. The Project obtained an IEEE Reliability rating of 98.9% and an overall capacity factor of 80.20%. The plant completed a distributed control system upgrade.

Carson obtained an IEEE Availability rating of 54.11%, an IEEE Reliability rating of 92.79%, and a successful call-up ratio for the simple cycle unit of 100%. The low availability rating was due to a failure in the steam turbine.

Procter and Gamble obtained an IEEE Availability rating of 90.27%, an IEEE Reliability rating of 99.36%, and a successful call-up ratio for the simple cycle unit of 100%. The plant completed a major overhaul of the STG.

Campbell obtained an IEEE Availability rating of 92.09%, an IEEE Reliability rating of 99.90%, and a unit capacity factor of 46.36%.

McClellan obtained an IEEE Availability rating of 96.34%, an IEEE Reliability rating of 99.93%, and an overall capacity factor of 0.50%.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

CONDENSED STATEMENTS OF NET POSITION

	2024	2023	2022
Assets			
Electric utility plant - net	$ 264,777	$ 291,172	$ 309,606
Current assets	144,962	131,260	109,011
Noncurrent assets	481	588	682
Total assets	410,220	423,020	419,299
Deferred outflows of resources	1,848	2,698	3,258
Total assets and deferred outflows of resources	$ 412,068	$ 425,718	$ 422,557
Liabilities			
Long-term debt - net	$ 64,636	$ 80,582	$ 95,553
Current liabilities	70,466	64,060	44,332
Noncurrent liabilities	15,340	15,337	15,215
Total liabilities	150,442	159,979	155,100
Net position			
Net investment in capital assets	181,353	192,926	207,660
Restricted	9,059	8,017	2,264
Unrestricted	71,214	64,796	57,533
Total net position	261,626	265,739	267,457
Total liabilities and net position	$ 412,068	$ 425,718	$ 422,557

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES

Total assets in 2024 decreased $12.8 million or 3.0% over 2023, primarily due to the following:

- A decrease of $26.4 million in total electric utility plant - net primarily due to depreciation expense for the year, offset by additions to construction work in progress.
- An increase of $11.6 million in unrestricted cash primarily due to zero distributions made to Member in 2024.
- An increase of $2.4 million in power sales to Member receivable primarily due to higher fuel, offset by lower maintenance expense portions of the PPA billings in December.
- A decrease in prepayments of $1.8 million due to the decrease in contract milestone payments for goods and services contracts and lower insurance premiums as a result of a decrease in the allocation of SMUD's All Risk Property premium.

Total assets in 2023 increased $3.7 million or 0.9% over 2022, primarily due to the following:

- A decrease of $18.4 million in total electric utility plant - net primarily due to depreciation expense for the year, offset by additions to construction work in progress.
- An increase of $5.7 million in restricted cash primarily due to a higher reserve for long-term debt due within one year.
- An increase of $15.4 million in power sales to Member receivable primarily due to higher fuel portion of the PPA billings in December.
- A decrease of $1.2 million in materials and supplies primarily due to the issuance of inventory used for the CTG #2 major overhaul at the Project and the CTG major overhaul at Campbell.

- An increase of $2.4 million in prepayments primarily due to advance payments for the refurbishment of the spare rotor at the Project.

TOTAL LIABILITIES & NET POSITION

Total liabilities in 2024 decreased $9.5 million or 6.0% over 2023, primarily due to the following:

- A decrease of $14.8 million in long-term debt due to a $13.1 million principal payment and $1.7 million amortization of bond premium.
- A decrease of $1.4 million in accounts payable primarily due to a $1.1 million decrease in maintenance expense and a $0.6 million decrease in capital expenses due to Ethos at December 31, 2024.
- An increase of $7.0 million in payable due to Member primarily due to higher fuel and outside services portions of the PPA billings in December.

Net position in 2024 decreased $4.1 million or 1.5% over 2023 based on results of operations.

Total liabilities in 2023 increased $4.9 million or 3.1% over 2022, primarily due to the following:

- A decrease of $3.7 million in long-term debt due to a $1.8 million principal payment and $1.9 million amortization of bond premium.
- A decrease of $12.7 million in accounts payable primarily due to an $8.4 million decrease in capital expenses for the repair of the fault in the stator ground to the STG at the Project and a $2.2 million decrease in operator reimbursable expenses due to Ethos at December 31, 2023.
- An increase of $21.2 million in payable due to Member primarily due to higher fuel portion of the PPA billings in December.

Net position in 2023 decreased $1.7 million or 0.6% over 2022 based on results of operations.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

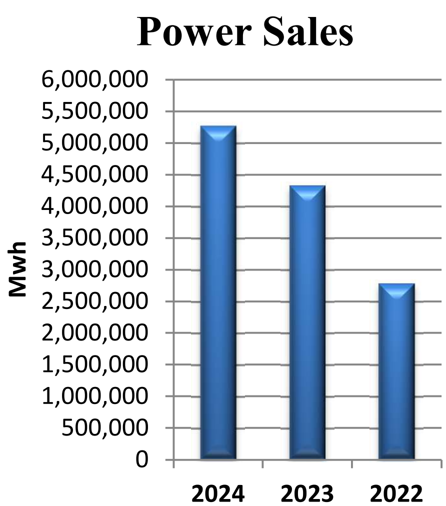
	2024	2023	2022
Operating revenues	$ 283,543	$ 258,162	$ 115,823
Operating expenses	(287,312)	(248,786)	(94,436)
Operating income (loss)	(3,769)	9,376	21,387
Non-operating revenues (expenses)	(344)	13,906	(2,546)
Change in net position before distributions	(4,113)	23,282	18,841
Distributions to Member	-0-	(25,000)	(35,000)
Change in net position	(4,113)	(1,718)	(16,159)
Net position - beginning of year	265,739	267,457	283,616
Net position - end of year	$ 261,626	$ 265,739	$ 267,457

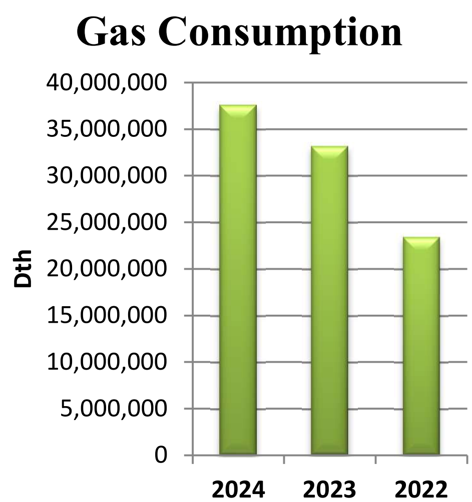
OPERATING REVENUES

Total operating revenues were $283.5 million for 2024, an increase of $25.4 million or 9.8% over 2023. The power megawatt hour (MWh) sales increased 21.9% and gas dekatherm (Dth) consumption increased 13.4% compared to 2023. The Agency's power sales are determined monthly, based on a formula defined in the PPA, which is driven by the Agency's actual cost of operations including debt service and capital costs. In 2024, more revenue was needed due to higher fuel costs, overhaul costs, debt service costs, and operator reimbursable costs, offset by lower capital costs and insurance costs.

Total operating revenues were $258.2 million for 2023, an increase of $142.3 million or 122.9% over 2022. The power MWh sales increased 55.6% and gas Dth consumption increased 41.6% compared to 2022. In 2023, more revenue was needed due to higher fuel usage and lower gas sales by Member as a result of higher fuel, operator reimbursable costs, and other operator costs, offset by lower capital and overhaul costs.

The following charts show power sales and gas consumption for the past three years.





OPERATING EXPENSES

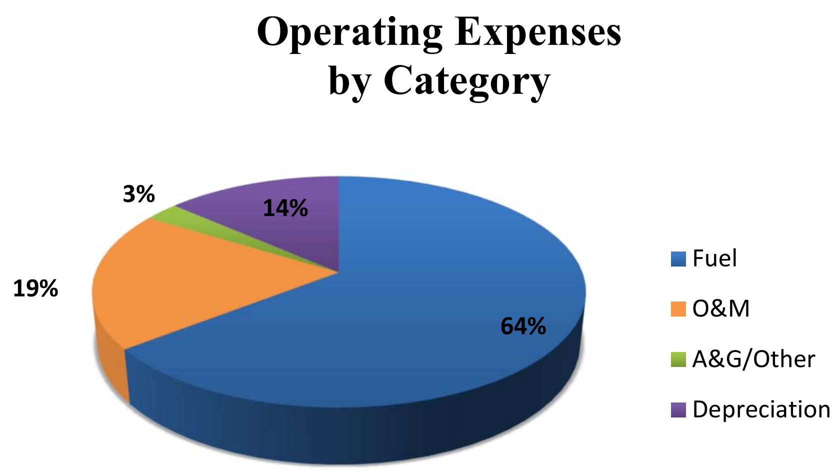
Total operating expenses were $287.3 million for 2024, an increase of $38.5 million or 15.5% over 2023, primarily due to the following:

- An increase of $27.3 million in fuel expense due to higher fuel volume of $21.1 million and fuel cost of $6.2 million.
- An increase of $7.7 million in maintenance expense primarily due to the major overhaul of the steam turbine at Carson and maintenance performed on the combustion turbine (CT) engine at Procter and Gamble.
- An increase of $4.4 million in depreciation and amortization expense primarily due to the recognition of a full year of depreciation for the major overhaul of the CT at Campbell and CT#2 at the Project that were unitized at the end of 2023.

NON-OPERATING REVENUES (EXPENSES)

Total non-operating revenues (expenses) were ($0.3) million for 2024, a decrease of $14.3 million or 102.5% over 2023, primarily due to $13.6 million insurance proceeds received in 2023 for the fault in the stator ground to the STG at the Project.

The following chart illustrates 2024 operating expenses by expense classification and percentage of the total.



Total operating expenses were $248.8 million for 2023, an increase of $154.4 million or 163.5% over 2022, primarily due to the following:

- An increase of $155.7 million in fuel expense primarily due to the Project returning to full service in March which was offline for the greater portion of 2022 due to a fault in the stator ground to the STG.
- An increase of $2.1 million in operations expense primarily due to the increase in operator reimbursable expenses.
- A decrease of $6.5 million in maintenance expense primarily due to the major overhaul of the STG and CTG #3 at the Project in 2022.
- An increase of $2.9 million in administrative and general expense primarily due to the increase in insurance premiums for the Project and assigned Power Plants.

Requests for Information

For more information about the Sacramento Municipal Utility District Financing Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31,	
	2024	2023
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 984,666,324	$ 978,600,114
Less accumulated depreciation and amortization	(727,193,359)	(690,364,863)
Plant in service - net	257,472,965	288,235,251
Construction work in progress	7,303,738	2,936,617
Total electric utility plant - net	264,776,703	291,171,868
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted cash and cash equivalents	48,033,366	36,457,507
Restricted cash and cash equivalents	10,928,335	10,213,875
Receivables:		
Power sales to Member	60,159,008	57,764,085
Steam sales	1,076,602	1,320,083
Accrued interest and other	463,546	276,785
Materials and supplies	17,097,867	16,240,230
Prepayments	7,099,260	8,883,288
Regulatory costs recovered within one year	104,416	104,416
Total current assets	144,962,400	131,260,269
NONCURRENT ASSETS		
Regulatory costs for future recovery	469,870	574,286
Other	11,602	13,360
Total noncurrent assets	481,472	587,646
TOTAL ASSETS	410,220,575	423,019,783
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized bond losses	652,783	910,672
Deferred asset retirement obligation outflow	1,194,998	1,787,421
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,847,781	2,698,093
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 412,068,356	$ 425,717,876

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2024	December 31, 2023
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 64,636,049	$ 80,582,096
CURRENT LIABILITIES		
Accounts payable	6,082,035	7,514,564
Lease liability due within one year	297,290	288,525
Payable due to Member	47,879,382	40,873,581
Long-term debt due within one year	14,270,000	13,115,000
Accrued interest on debt	1,869,375	2,197,250
Accrued interest on leases	67,487	70,929
Total current liabilities	70,465,569	64,059,849
NONCURRENT LIABILITIES		
Accrued decommissioning	10,467,420	10,166,132
Lease liability	4,873,077	5,170,367
Total noncurrent liabilities	15,340,497	15,336,499
TOTAL LIABILITIES	150,442,115	159,978,444
NET POSITION		
Net investment in capital assets	181,353,070	192,926,552
Restricted	9,058,960	8,016,625
Unrestricted	71,214,211	64,796,255
TOTAL NET POSITION	261,626,241	265,739,432
TOTAL LIABILITIES AND NET POSITION	$ 412,068,356	$ 425,717,876

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2024	Years Ended December 31, 2023
OPERATING REVENUES		
Power sales to Member	$ 276,399,372	$ 246,078,181
Gas sales to Member	1,478,321	1,038,579
Steam sales	5,420,809	10,828,252
Other	244,276	216,809
Total operating revenues	283,542,778	258,161,821
OPERATING EXPENSES		
Fuel	185,209,902	157,856,738
Operations	38,848,661	37,279,479
Maintenance	16,795,872	9,110,546
Administrative and general	7,468,217	9,964,699
Depreciation and amortization	38,884,998	34,470,329
Regulatory amounts collected in rates	104,416	104,416
Total operating expenses	287,312,066	248,786,207
OPERATING INCOME (LOSS)	(3,769,288)	9,375,614
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,218,752	1,190,491
Interest on debt	(2,648,469)	(2,865,372)
Lease interest	(70,405)	(76,734)
Other income	156,219	15,658,335
Total non-operating revenues (expenses)	(343,903)	13,906,720
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	(4,113,191)	23,282,334
Distributions to Member	-0-	(25,000,000)
CHANGE IN NET POSITION	(4,113,191)	(1,717,666)
NET POSITION - BEGINNING OF YEAR	265,739,432	267,457,098
NET POSITION - END OF YEAR	$ 261,626,241	$ 265,739,432

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from power and gas sales to Member	$ 275,482,770	$ 231,744,162
Receipts from steam sales	5,664,290	10,842,709
Other receipts	244,276	13,909,894
Payments to Member	(184,641,649)	(135,000,092)
Payments to vendors	(55,638,042)	(60,995,729)
Net cash provided by operating activities	41,111,645	60,500,944
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distribution to Member	-0-	(25,000,000)
Receipts from federal grants	156,219	-0-
Net cash provided by (used in) noncapital financing activities	156,219	(25,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(13,137,662)	(24,227,310)
Repayment of long-term debt	(13,115,000)	(1,845,000)
Interest payments on long-term debt	(4,394,502)	(4,486,750)
Lease payments	(362,372)	(360,089)
Net cash used in capital and related financing activities	(31,009,536)	(30,919,149)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,031,991	1,128,196
Net cash provided by investing activities	2,031,991	1,128,196
Net increase in cash and cash equivalents	12,290,319	5,709,991
Cash and cash equivalents - beginning of the year	46,671,382	40,961,391
Cash and cash equivalents - end of the year	$ 58,961,701	$ 46,671,382
CASH AND CASH EQUIVALENTS INCLUDED IN:		
Unrestricted cash and cash equivalents	$ 48,033,366	$ 36,457,507
Restricted cash and cash equivalents	10,928,335	10,213,875
Cash and cash equivalents - end of the year	$ 58,961,701	$ 46,671,382

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31,			
		2024		2023
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$	(3,769,288)	$	9,375,614
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization		38,884,998		34,470,329
Other revenues		-0-		13,693,085
Regulatory amortization		104,416		104,416
Asset retirement obligation amortization		893,711		688,827
Changes in operating assets and liabilities:				
Receivables		(2,151,442)		(15,358,141)
Other assets		928,149		(1,128,643)
Payables and accruals		6,221,101		18,655,457
Net cash provided by operating activities	$	41,111,645	$	60,500,944
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Net amortization of debt related (expenses) and premiums	$	1,418,158	$	1,575,252
Construction expenditures included in accounts payable		868,442		1,516,271
Write-off Clean Air Act Section 185 fees accrual		-0-		1,965,250

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION AND OPERATIONS

The Sacramento Municipal Utility District Financing Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District (MID) pursuant to the California Government Code. The purpose of the Agency is to own and operate the Cosumnes Power Plant Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in February 2006, is comprised of a 602 megawatt (MW) natural gas-fired combined cycle generation plant. The Project is situated on approximately 38 acres of land adjacent to SMUD's decommissioned nuclear power plant. The land is owned by SMUD and leased to the Agency.

The Agency entered into Assignment and Assumption Agreements which transferred the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan), (assigned Power Plants), to the Agency as of November 1, 2021.

Carson, previously owned and operated by the Central Valley Financing Authority (CVFA), a JPA formed by SMUD and the Sacramento Regional County Sanitation District (SRCSD), began commercial operations in 1995 and is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Carson is situated on approximately ten acres of land adjacent to the SRCSD sewage treatment plant. The land is owned by SRCSD and leased to the Agency.

Procter and Gamble, previously owned and operated by the Sacramento Cogeneration Authority (SCA), a JPA formed by SMUD and the Agency, began commercial operations in 1997 and is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Procter and Gamble is situated on approximately eight acres of land owned by the Agency, which is adjacent to the Procter & Gamble Manufacturing Company (P&G) plant in Sacramento.

Campbell, previously owned and operated by Sacramento Power Authority (SPA), a JPA formed by SMUD and the Agency, began commercial operations in 1997 and is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. Campbell is situated on approximately six acres of land which is owned by SMUD and leased to the Agency.

McClellan, previously owned and operated by SPA, is a 72 MW simple cycle combustion turbine and has been operating since 1986. McClellan is located on the United States Air Force property at the former McClellan Air Force Base in Sacramento. The land is leased by SMUD and subleased to the Agency.

The Agency has no employees. The Project and the assigned Power Plants are operated by Ethos Energy Power Plant Services, LLC (Ethos) under the terms of the Operations and Maintenance Agreements.

Pursuant to the Power Purchase Agreements (PPA) with SMUD and the Agency, SMUD purchases, on a "take-or-pay" basis, all capacity, energy, and environmental attributes of the Project and assigned Power Plants. The Agency is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, water, and other costs paid by SMUD on the Agency's behalf. The Agency paid SMUD $190.9 million in 2024 and $154.1 million in 2023.

Carson provides steam to SRCSD's adjacent sewage treatment plant pursuant to the Long-Term Commodity Agreement. Carson also provides steam and electricity for the refrigeration process of the Glacier Ice facility pursuant to the Thermal Energy Sales Agreement. The primary fuel for Carson is a mixture of natural gas and digester gas from SRCSD's sewage treatment plant. Presently, digester gas represents one half percent of the fuel used by Carson and the remaining amount is sold to SMUD.

The Agency sells steam to P&G pursuant to a Steam Sales Agreement, which was assigned to SCA from SMUD.

SMUD is entitled to all rights and property of the Project and the assigned Power Plants in the event of termination of the JPA agreement. Neither MID nor SRCSD has any obligation to make contributions or advances to the Agency. The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are not dependent upon the continued successful operation of the Project. SMUD is required to make payments in an amount sufficient to pay principal and interest and all other payments required to be made under the Indenture of Trust (Indenture), dated June 1, 2015. Neither MID nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Project agreements.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Electric revenues and costs that are directly related to generation of electricity and steam are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Plant in Service. The Agency generally computes depreciation on Electric Utility Plant on a straight-line basis using five years for software and the remaining life of the JPA for all other capital assets. The costs of replacement units are capitalized. Major overhaul parts are depreciated over their estimated useful lives, ranging from 4 to 24 years. Repair and maintenance costs are charged to expense. When the Agency retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Capital assets are generally defined by the Agency as tangible assets with an initial individual cost of more than five thousand dollars and an estimated useful life in excess of two years.

Leases. Leases are contracts that convey control of the right to use another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset. The Agency only has lessee contracts.

For lessee contracts, lease assets and liabilities are reported at present value using the Agency's incremental borrowing rate in the Statements of Net Position. The lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The amortization of the discount for lessee contracts is recorded as Accrued interest on leases in the Statements of Net Position with the offset to Lease interest expense in the Statements of Revenues, Expenses and Changes in Net Position.

Restricted Assets. The Agency's restricted assets are comprised of cash, which is limited for specific purposes pursuant to the Indenture requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in the Local Agency Investment Fund (LAIF) and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. The value of the pooled shares in LAIF which may be withdrawn anytime, are recorded at amortized cost which approximates fair value and is exempt from the fair value measurement.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of power generated by the Project and assigned Power Plants.

Steam Sales Receivable. The Agency records a steam sales receivable for amounts due from P&G for the sale and delivery of steam.

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Prepayments. The Agency's prepayments consist of advance payments for inventory, property insurance, leases, goods and services and permits. The Agency pays for property insurance, leases, and permits annually in advance. These prepayments are recognized as expenses in the month the actual costs are incurred.

Other Noncurrent Assets. Other Noncurrent Assets is comprised of emission reduction credits.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"*** which requires that the effects of the rate making process be recorded in the financial statements. Accordingly, certain expenses and credits normally reflected in the Change in Net Position as incurred are recognized when included in rates and recovered from, or refunded to, SMUD through the PPA. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight-line method over the remaining life of the associated bonds and recorded in Regulatory amounts collected in rates in the Statements of Revenues, Expenses and Changes in Net Position.

Deferred Outflows of Resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Gains/Losses on Bond Refundings. Gains and losses resulting from bond refundings are included in Deferred outflows and Deferred inflows of resources and amortized as a part of Interest on debt, over the shorter of the life of the refunded debt or the new debt using the effective interest method, in the Statements of Revenues, Expenses and Changes in Net Position.

Payable to Member. The Agency records as a Payable to Member the amounts due to SMUD for general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

Asset Retirement Obligation (ARO). Under SGAS No. 83, ***"Certain Asset Retirement Obligations,"*** the Agency has a legal obligation to decommission the Carson facility. The Agency records the ARO as Accrued decommissioning and a corresponding Deferred asset retirement obligation outflows in the Statements of Net Position. The Deferred asset retirement obligation outflows is amortized over the remaining useful life of the Carson facility and included as Operating Expenses in the Statements of Revenues, Expenses and Changes in Net Position (see Note 6).

Net Position. The Agency classifies its Net Position into three components as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in net capital, above), grants, or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets, deferred outflows of resources and liabilities that do not meet the definition of "Net investment in capital assets" or "Restricted."

Operating Revenues. Power sales to Member are recorded as revenues when the electricity is delivered. Gas sales to Member, Steam sales, and rent income on subleased property are recorded when earned.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets and are recorded when incurred.

Other Non-operating Revenues. Other non-operating revenues include a cash receipt from a Federal grant for COVID expense relief in 2024 and proceeds from an insurance claim related to the fault in the stator ground to the steam turbine generator at the Project for 2023.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Subsequent Events. Subsequent events for the Agency have been evaluated through March 7, 2025, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In April 2022, GASB issued SGAS No. 99, ***"Omnibus 2022"*** (GASB No. 99). This statement addresses a variety of topics and is effective for Agency in 2022, 2023, or 2024 depending on the requirement. The remaining two topics in this statement are related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53. These topics are effective for the Agency in 2024 but had no impact on the Agency.

In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for the Agency in 2024 but had no impact on the Agency.

In June 2022, GASB issued SGAS No. 101, ***"Compensated Absences"*** (GASB No. 101), to better meet the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences. This will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. This statement is effective for the Agency in 2024. This statement had no impact as the Agency has no employees.

Recent Accounting Pronouncements, not yet adopted. In December 2023, GASB issued SGAS No. 102, ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for the Agency in 2025. The Agency is currently assessing the impact of adopting this statement.

In April 2024, GASB issued SGAS No. 103, ***"Financial Reporting Model Improvements"*** (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

In September 2024, GASB issued SGAS No. 104, ***"Disclosure of Certain Capital Assets"*** (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

NOTE 3. ELECTRIC UTILITY PLANT AND RELATED OPERATING AGREEMENTS

The Agency had the following electric utility plant activity during 2024:

	Balance January 1, 2024	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2024
Nondepreciable electric utility plant:				
Construction work in progress	$ 2,936,617	$ 12,489,833	$ (8,122,712)	$ 7,303,738
Land	772,000	-0-	-0-	772,000
Total nondepreciable electric utility plant	3,708,617	12,489,833	(8,122,712)	8,075,738
Depreciable electric utility plant:				
Generation	971,486,764	8,122,712	(2,056,502)	977,552,974
Lease assets - Land	6,341,350	-0-	-0-	6,341,350
Less: accumulated depreciation and amortization	(690,364,863)	(38,884,998)	2,056,502	(727,193,359)
Total electric utility plant - net	$ 291,171,868	$ (18,272,453)	$ (8,122,712)	$ 264,776,703

The Agency had the following electric utility plant activity during 2023:

	Balance January 1, 2023	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2023
Nondepreciable electric utility plant:				
Construction work in progress	$ 24,258,810	$ 16,036,420	$ (37,358,613)	$ 2,936,617
Land	772,000	-0-	-0-	772,000
Total nondepreciable electric utility plant	25,030,810	16,036,420	(37,358,613)	3,708,617
Depreciable electric utility plant:				
Generation	956,267,131	37,358,613	(22,138,980)	971,486,764
Lease assets - Land	6,341,350	-0-	-0-	6,341,350
Less: accumulated depreciation and amortization	(678,033,514)	(34,470,329)	22,138,980	(690,364,863)
Total electric utility plant - net	$ 309,605,777	$ 18,924,704	$ (37,358,613)	$ 291,171,868

The Agency leases land from SMUD and SRCSD for the Project and assigned Power Plants. Lease terms range from 30 to 35 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that the lease agreements will be renewed with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.731% to 1.364% based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2024, and December 31, 2023, assets recorded under leases were $6.3 million and accumulated amortization associated with the leases was $1.4 million and $1.1 million, respectively. The Agency recognized amortization expense of $0.4 million for both 2024 and 2023, which are included in Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2024 and 2023, lease obligations included in current liabilities were $0.3 million and lease obligations included in noncurrent liabilities were $4.9 million and $5.2 million, respectively. There were no payments recorded in the current period that were not included in the measurement of the lease liability and there were no lease impairments as of December 31, 2024 and 2023.

The following table summarizes the lease principal and interest payments as of December 31, 2024:

Year	Principal	Interest	Total
2025	$ 297,290	$ 67,487	$ 364,777
2026	306,331	63,929	370,260
2027	315,657	60,251	375,908
2028	325,275	56,450	381,725
2029	335,195	52,521	387,716
2030-2034 (combined)	1,504,377	202,531	1,706,908
2035-2039 (combined)	1,706,670	97,398	1,804,068
2040	379,572	5,177	384,749
Total	$ 5,170,367	$ 605,744	$ 5,776,111

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow the Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned, or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk.

At December 31, 2024 and 2023, $1.0 million and $1.3 million of the Agency's cash balances were uninsured, respectively. The bank balance is also, per a depository pledge agreement between the Agency and the Agency's bank, collateralized at 134% and 136% of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, the Agency had money market funds of $10.9 million and $10.2 million which were uninsured, respectively. The Agency's money market funds are held in trust for the benefit of the Agency.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency had no investments subject to this risk at December 31, 2024 and 2023.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2024 and 2023.

The following schedules present credit risk by type of security held at December 31, 2024 and 2023. The credit ratings listed are from Standard & Poor's. N/A is defined as not applicable to the rating disclosure requirements.

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2024	December 31, 2023
Cash and Cash Equivalents:			
Deposits	N/A	$ 1,285,624	$ 1,518,846
LAIF	Not Rated	46,747,742	34,938,661
Money market funds	AAAm	10,928,335	10,213,875
Total cash and cash equivalents		$ 58,961,701	$ 46,671,382

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31, 2024	December 31, 2023
Cash and Cash Equivalents:		
Debt service funds	$ 10,928,335	$ 10,213,875
Unrestricted cash and cash equivalents	48,033,366	36,457,507
Total cash and cash equivalents	$ 58,961,701	$ 46,671,382

NOTE 5. LONG-TERM DEBT

The Agency issued $193.3 million of 2015 Cosumnes Project Revenue Refunding Bonds (Bonds) in June 2015 with interest rates ranging from 2.0% to 5.0%, maturing July 2030.

The Agency's long-term debt is presented below:

	December 31, 2024	December 31, 2023
2015 Cosumnes project revenue refunding bonds, fixed rates 5%, 2025-2030	$ 74,775,000	$ 87,890,000
Unamortized premiums	4,131,049	5,807,096
Total long-term debt	78,906,049	93,697,096
Less: amounts due within one year	(14,270,000)	(13,115,000)
Total long-term debt - net	$ 64,636,049	$ 80,582,096

The following summarizes long-term debt activity for the year ended December 31, 2024:

	January 1, 2024	Additions	Refunding, Payments or Amortization	December 31, 2024
Cosumnes project revenue refunding bonds	$ 87,890,000	$ -0-	$ (13,115,000)	$ 74,775,000
Unamortized premiums	5,807,096	-0-	(1,676,047)	4,131,049
Total long-term debt	$ 93,697,096	$ -0-	$ (14,791,047)	$ 78,906,049

The following summarizes long-term debt activity for the year ended December 31, 2023:

	January 1, 2023	Additions	Refunding, Payments or Amortization	December 31, 2023
Cosumnes project revenue bonds	$ 89,735,000	$ -0-	$ (1,845,000)	$ 87,890,000
Unamortized premiums	7,663,307	-0-	(1,856,211)	5,807,096
Total long-term debt	$ 97,398,307	$ -0-	$ (3,701,211)	$ 93,697,096

The annual debt service requirements to maturity for Bonds are as follows at December 31, 2024:

Year	Principal	Interest	Total
2025	$ 14,270,000	$ 3,738,750	$ 18,008,750
2026	13,630,000	3,025,250	16,655,250
2027	13,065,000	2,343,750	15,408,750
2028	12,815,000	1,690,500	14,505,500
2029	15,460,000	1,049,750	16,509,750
2030	5,535,000	276,750	5,811,750
Total	$ 74,775,000	$ 12,124,750	$ 86,899,750

Proceeds from the Bonds were used to refund previously issued 2006 Bonds that provided financing for the Project. The Bonds, payable through 2030, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes revenues from the PPA and investment income from funds established under the Indenture.

The Agency has pledged future net revenues to repay $74.8 million and $87.9 million for the Bonds at December 31, 2024 and 2023, respectively. Annual principal and interest payments on the Bonds required approximately 6.2% and 2.5% of the Agency's net revenues for 2024 and 2023, respectively. The total principal and interest remaining to be paid on the Bonds is $86.9 million and $104.4 million at December 31, 2024 and 2023, respectively. Debt service payments are made semi-annually on January 1 and July 1. Principal and interest paid was $17.5 million and $6.3 million for 2024 and 2023, respectively. Total gross revenues were $284.0 million and $258.4 million for 2024 and 2023, respectively.

The payments of principal and interest related to the Agency's long-term debt are not dependent upon the continued successful operation of the Project. SMUD guarantees to make payments in an amount sufficient to pay principal and interest and all other payments required to be made under the Indenture, under a "take-or-pay" contract. The Agency is not required to repay SMUD for any amounts paid under this guarantee.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

NOTE 6. ACCRUED DECOMMISSIONING

Asset Retirement Obligation (ARO). The Agency accounts for the ARO associated with the future retirement of Carson. GASB No. 83 requires the measurement of the ARO be based on the best estimate of the current value of the outlays expected to be incurred and the current value be adjusted for the effects of the general inflation or deflation at least annually. In addition, it also requires a government to evaluate relevant factors that may significantly change the estimated asset retirement outlays.

The Agency's ground lease agreement with the SRCSD for Carson requires to restore the premises to its original condition upon termination of the contract. In 2018 a study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the 2018 cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The result of this study was used to determine the balance of the ARO and the deferred outflows at January 1, 2018. The Agency used the annual All Urban Consumer Price Index to adjust this obligation for inflation in 2024. At December 31, 2024, the remaining useful life of Carson's assets is one year.

NOTE 7. INSURANCE PROGRAMS

The Agency purchases commercial property and casualty insurance coverage at levels consistent with coverages on similar facilities. Policy deductibles vary depending on the type of coverage. The excess liability limit for most claims against the Agency is $140.0 million, and property damage is covered under an all-risk policy to replacement value of the asset. The all-risk coverage also includes business interruption (BI) coverage for the generation assets, which is sublimited based on the projected output. Generally, the maximum risk that the Agency would be exposed to is limited to $0.25 million for casualty claims, $5.0 million for property claims, and a 60-day waiting period for BI coverage. The Project, however, is subject to a $10.0 million equipment deductible and a 90-day BI waiting period. No claims have exceeded the limits of property or liability insurance in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8. COMMITMENTS

Natural Gas Interconnection and Supply Agreements. Pursuant to the Natural Gas Interconnection and Supply Agreements, SMUD supplies all the natural gas requirements of the Project and the assigned Power Plants. The Agency pays for the actual supply, storage and transportation costs for the fuel supplied to the Project and the assigned Power Plants as specified in the agreements for 30 years following acceptance. The agreements will be in effect for Carson through October 2025, for Procter and Gamble through March 2027, for Campbell through December 2027 and for the Project through September 2039.

Operation and Maintenance Agreements. Ethos serves as the Operator and is responsible for the primary operation, repair, overhaul and maintenance services of the Project and the assigned Power Plants. The Agency pays for such services according to the terms of the agreements and provides, at no cost to Ethos, fuel, water, and power not already provided for in other agreements. At December 31, 2024 and 2023, the minimum annual commitment to Ethos were approximately $12.6 million and $12.3 million, respectively.

Water Supply Agreement. Pursuant to the Water Supply Agreement, SMUD supplies water to the Agency. The Agency is obligated to pay for the actual water supply, storage, and transportation costs for 30 years through September 2039.

Commodity Agreement. Carson provides SRCSD's sewage treatment plant with all the steam required for its operation and emergency power should the outside power supply become disrupted. The Agency also purchases a minimum of 90% of the digester gas made available to Carson by the sewage treatment plant, provided the gas meets standards set forth in this agreement, as amended, which expires in October 2025.

NOTE 9. CONTINGENCIES

General Contingencies. In the normal operation of business, the Agency is party to various claims, legal actions, and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

2

SSS No. CFO 25-003	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date Finance & Audit – 3/18/25 Board Meeting Date N/A

TO		TO	
1.	Scott Martin	6.	
2.	Jose Bodipo-Memba	7.	
3.	Lora Anguay	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**		**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	3/5/25

NARRATIVE:

Requested Action: SMUD's Financial Results for the year 2024.

Summary: Informational presentation with an overview of SMUD's financial results for the year 2024.

Board Policy: *(Number & Title)* GP-3, Board Job Description

Benefits: Provide Board members current information regarding SMUD's financial condition.

Cost/Budgeted: N/A

Alternatives: Provide Board members an informational overview of the 2023 SMUD Financial Results via written memo.

Affected Parties: SMUD, Accounting

Coordination: Accounting

Presenter: Lisa Limcaco, Director, Accounting, and Controller

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
SMUD's 2024 Financial Results	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

3

SSS No. CFO 24-020	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date FINANCE & AUDIT - 2025 Board Meeting Date N/A

TO		TO	
1.	Jose Bodipo-Memba	6.	
2.	Lora Anguay	7.	
3.	Scott Martin	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	12/18/23

NARRATIVE:

Requested Action: Provide the Board with SMUD's financial results for the year-to-date period and a summary of SMUD's current Power Supply Costs.

Summary: Staff will present SMUD's financial results for the year-to-date period and a summary of SMUD's current Power Supply Costs to the Board of Directors.

Board Policy: *(Number & Title)* Governance Process GP-3, Board Job Description

Benefits: Provide Board members with information regarding SMUD's financial position and SMUD's current power supply costs.

Cost/Budgeted: Included in budget for internal labor.

Alternatives: Provide information via written memo/report to the Board.

Affected Parties: Accounting

Coordination: Accounting

Presenter: Lisa Limcaco, Director of Accounting & Controller

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
SMUD's Financial Results & Power Supply Costs	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM

TO: Distribution

DATE: February 28, 2025
ACC 25-004

FROM: Kathy Ketchum / Lisa Limcaco

SUBJECT: **JANUARY 2025 FINANCIAL RESULTS AND OPERATIONS DATA**

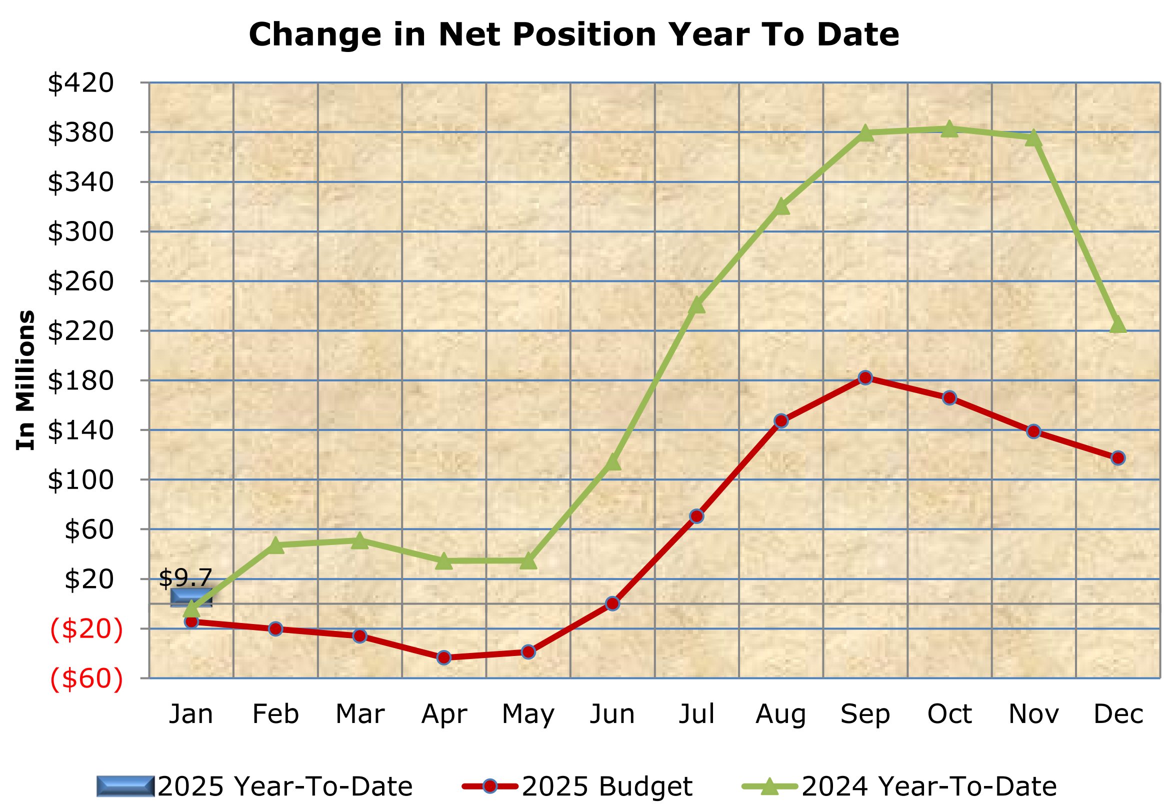
We are attaching the financial and operating reports for the one month of 2025. They include sales and generation statistics and other selected data.

The change in net position is an increase of $9.7 million compared to a budgeted decrease of $14.5 million, resulting in a favorable variance of $24.2 million.

We prepared these statements on the accrual basis of accounting, and they conform to generally accepted accounting principles. The bases for the budget amounts are:

1) Budgeted electric revenues are based on the Forecast of Revenues by the Pricing Department, adjusted for unbilled revenues; and

2) Budgeted operating expenses reflect the 2025 Budget approved by the Board of Directors on December 12, 2024.



SACRAMENTO MUNICIPAL UTILITY DISTRICT
EXECUTIVE SUMMARY
For the One Month Ended January 31, 2025

Net Position

- The change in net position is an increase of $9.7 million compared to a budgeted decrease of $14.5 million, resulting in a favorable variance of $24.2 million.

Revenues

- Revenues from sales to customers were $126.7 million, which was $7.1 million higher than planned. The increase is primarily due to:
    - Higher commercial sales of $5.3 million primarily due to higher customer rate.
    - Higher residential sales of $1.5 million primarily due to higher customer rate.
    - No actual provision for uncollectible accounts compared to a budget of $0.3 million. The current balance of the accumulated provision is sufficient to cover write-offs of arrears.
- Low Carbon Fuel Standard (LCFS) revenues were $1.5 million due to LCFS credit sales.
- Non-cash revenues transferred to the rate stabilization fund were $1.5 million for LCFS. LCFS funds are deferred until SMUD has qualified program expenses (projects that reduce carbon emissions or electric vehicle programs) to recognize revenue.
- Non-cash revenues transferred from the rate stabilization fund were $5.9 million, which is $5.2 million higher than plan. The increase is primarily due to $4.6 million of revenue recognized for AB-32.

Commodities, Purchased Power, and Production

- SMUD's generation was lower by 177 GWh (22.5 percent); JPA and other generation was lower by 114 GWh (16.9 percent); and Hydro generation was lower by 63 GWh (56.3 percent).
- Purchased power expense of $29.6 million, less surplus power sales of $11.4 million was $18.2 million, which was $6.7 million higher than planned due to increased market purchases because of significantly lower market prices. This increase is due to lower hydro and thermal generation that led to increased market purchases at favorable market prices.
- Production operations cost of $32.3 million, less surplus gas sales of $6.6 million, was $25.7 million, which was $12.7 million lower than planned.
    - Fuel costs of $21.2 million less surplus gas sales of $6.6 million, was $14.6 million, which was $8.2 million lower than planned. Fuel costs were lower due to decrease in thermal generation because it was more economical to replace the thermal generation with market purchases.
- The "power margin", or sales to customers less cost of purchased power, production operations costs and gas hedges included in investment revenue was $82.0 million, which was $12.3 million higher than planned. The power margin as a percentage of sales to customers was 64.7 percent, which was 6.5 percent higher than planned. This is primarily due to lower production costs due to lower fuel costs and higher customer sales.

Other Operating Expenses

- All other operating expenses were $80.0 million, which was $4.1 million lower than planned.
    - Transmission and distribution operations expenses were down $2.2 million primarily due to lower cost of transmission fees than planned.
    - Administrative & General expenses were down $2.6 million primarily due to a slower start to projects such as Agile product teams, SAP S4HANA, and Retrofit Hi-Profile Conference Rooms projects.
    - Public Good expenses were higher by $0.5 million primarily due to higher than planned rebate volume in Advanced Homes Solutions program.
    - Transmission and distribution maintenance expenses were $1.5 million lower than planned. This is primarily due to the recent operational changes in the vegetation maintenance of transmission and distribution lines.
    - Non-cash depreciation and amortization is higher by $1.8 million primarily due to higher than planned amortization of software subscription-based assets.

Non-operating Revenues and Expenses

- Other revenue, net, was $0.6 million higher than planned primarily due to higher interest income of $1.4 million, offset by higher investment expense of $0.8 million due to natural gas hedging activity.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Month Ended January 31, 2025
(thousands of dollars)

	Actual	Budget	Over (Under)	Percent of Increase (Decrease)
OPERATING REVENUES				
Sales to customers	$ 126,744	$ 119,675	$ 7,069	5.9 %
Sales of surplus power	11,407	19,887	(8,480)	(42.6)
Sales of surplus gas	6,553	-	6,553	*
SB-1 revenue (deferral)/recognition, net	59	-	59	*
LCFS revenue	1,520	-	1,520	*
Other electric revenue	3,764	3,438	326	9.5
Revenue to rate stabilization fund	(1,520)	-	(1,520)	*
Revenue from rate stabilization fund	5,931	746	5,185	695.0
Total operating revenues	154,458	143,746	10,712	7.5
OPERATING EXPENSES				
Operations				
Purchased power	29,582	31,385	(1,803)	(5.7)
Production	32,286	38,430	(6,144)	(16.0)
Transmission and distribution	7,552	9,743	(2,191)	(22.5)
Customer accounts	4,914	4,762	152	3.2
Customer service and information	6,471	6,841	(370)	(5.4)
Administrative and general	16,850	19,438	(2,588)	(13.3)
Public good	4,529	4,018	511	12.7
Total operations	102,184	114,617	(12,433)	(10.8)
Maintenance				
Production	4,093	4,164	(71)	(1.7)
Transmission and distribution	8,131	9,642	(1,511)	(15.7)
Total maintenance	12,224	13,806	(1,582)	(11.5)
Depreciation and amortization				
Depreciation and amortization	23,344	21,577	1,767	8.2
Amortization of regulatory asset	4,068	3,883	185	4.8
Total depreciation and amortization	27,412	25,460	1,952	7.7
Total operating expenses	141,820	153,883	(12,063)	(7.8)
OPERATING INCOME (LOSS)	12,638	(10,137)	22,775	(224.7)
NON-OPERATING REVENUES AND EXPENSES				
Other revenues/(expenses)				
Interest income	3,983	2,543	1,440	56.6
Investment revenue (expense)	(788)	-	(788)	*
Other income (expense) - net	(2)	74	(76)	(102.7)
Unrealized holding gains (losses)	104	-	104	*
Revenue - CIAC	1,762	1,810	(48)	(2.7)
Total other revenues	5,059	4,427	632	14.3
Interest charges				
Interest on long-term debt	7,949	8,461	(512)	(6.1)
Interest on commercial paper and other	20	266	(246)	(92.5)
Total interest charges	7,969	8,727	(758)	(8.7)
CHANGE IN NET POSITION	$ 9,728	$ (14,437)	$ 24,165	(167.4) %

* Equals 1000% or greater.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the One Month Ended January 31, 2025
(thousands of dollars)

	Actual	Budget	Over (Under)	Percent of Increase (Decrease)
OPERATING REVENUES				
Sales to customers	$ 126,744	$ 119,675	$ 7,069	5.9 %
Sales of surplus power	11,407	19,887	(8,480)	(42.6)
Sales of surplus gas	6,553	-	6,553	*
SB-1 revenue (deferral)/recognition, net	59	-	59	*
LCFS revenue	1,520	-	1,520	*
Other electric revenue	3,764	3,438	326	9.5
Revenue to rate stabilization fund	(1,520)	-	(1,520)	*
Revenue from rate stabilization fund	5,931	746	5,185	695.0
Total operating revenues	154,458	143,746	10,712	7.5
OPERATING EXPENSES				
Operations				
Purchased power	29,582	31,385	(1,803)	(5.7)
Production	32,286	38,430	(6,144)	(16.0)
Transmission and distribution	7,552	9,743	(2,191)	(22.5)
Customer accounts	4,914	4,762	152	3.2
Customer service and information	6,471	6,841	(370)	(5.4)
Administrative and general	16,850	19,438	(2,588)	(13.3)
Public good	4,529	4,018	511	12.7
Total operations	102,184	114,617	(12,433)	(10.8)
Maintenance				
Production	4,093	4,164	(71)	(1.7)
Transmission and distribution	8,131	9,642	(1,511)	(15.7)
Total maintenance	12,224	13,806	(1,582)	(11.5)
Depreciation and amortization				
Depreciation and amortization	23,344	21,577	1,767	8.2
Amortization of regulatory asset	4,068	3,883	185	4.8
Total depreciation and amortization	27,412	25,460	1,952	7.7
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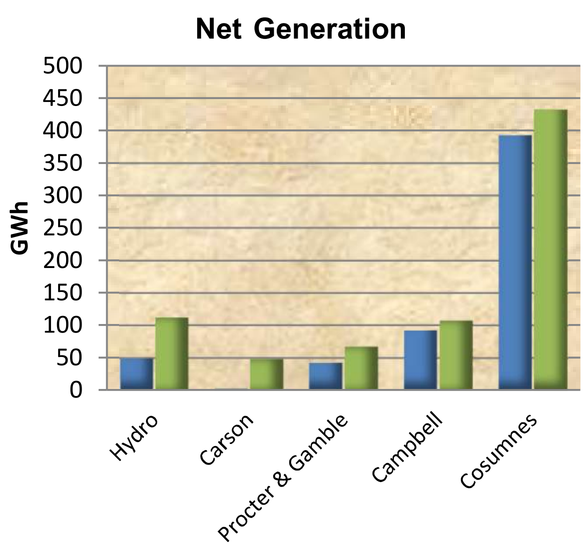
OPERATING INCOME (LOSS)	12,638	(10,137)	22,775	(224.7)
NON-OPERATING REVENUES AND EXPENSES				
Other revenues (expenses)				
Interest income	3,983	2,543	1,440	56.6
Investment revenue (expense)	(788)	-	(788)	*
Other income (expense) - net	(2)	74	(76)	(102.7)
Unrealized holding gains (losses)	104	-	104	*
Revenue - CIAC	1,762	1,810	(48)	(2.7)
Total other revenues	5,059	4,427	632	14.3
Interest charges				
Interest on long-term debt	7,949	8,461	(512)	(6.1)
Interest on commercial paper and other	20	266	(246)	(92.5)
Total interest charges	7,969	8,727	(758)	(8.7)
CHANGE IN NET POSITION	$ 9,728	$ (14,437)	$ 24,165	(167.4) %

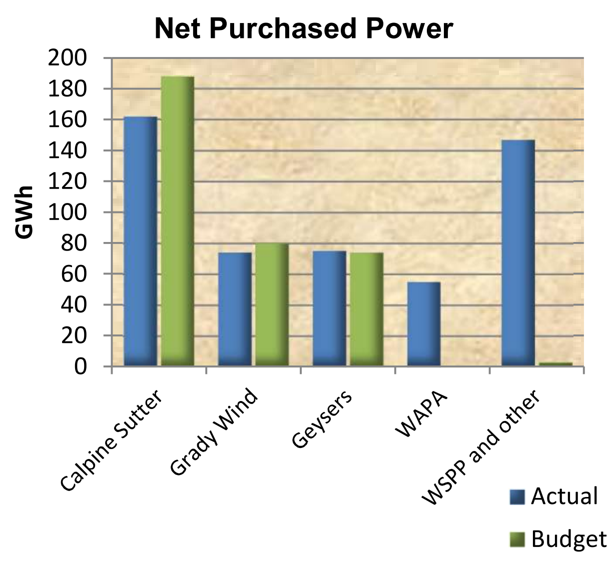
* Equals 1000% or greater.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
SOURCES AND USES OF ENERGY - COMPARED TO BUDGET
For the Period Ended January 31, 2025

	Month		Increase (Decrease)	Year to Date		Increase (Decrease)
Sources of Energy (GWh)	Actual	Budget	Percentage	Actual	Budget	Percentage
Net Generated						
Hydro	49	112	(56.3)	49	112	(56.3)
Carson Power Plant	2	48	(95.8)	2	48	(95.8)
Procter & Gamble Power Plant	42	67	(37.3)	42	67	(37.3)
Campbell Power Plant	92	107	(14.0)	92	107	(14.0)
Cosumnes Power Plant	393	433	(9.2)	393	433	(9.2)
Other	32	20	60.0	32	20	60.0
Total net generation	610	787	(22.5)	610	787	(22.5)
Purchased Power less transmission losses:						
CalEnergy	12	19	(36.8)	12	19	(36.8)
Calpine Sutter	162	188	(13.8)	162	188	(13.8)
Drew Solar	18	17	5.9	18	17	5.9
Feed in Tariff	11	9	22.2	11	9	22.2
Geysers	75	74	1.4	75	74	1.4
Grady Wind	74	80	(7.5)	74	80	(7.5)
Rancho Seco PV II	16	13	23.1	16	13	23.1
WAPA	55	-	*	55	-	*
WSPP and other	147	3	*	147	3	*
Other long term power	33	37	(10.8)	33	37	(10.8)
Total net purchases	603	440	37.0	603	440	37.0
Total sources of energy	1,213	1,227	(1.1)	1,213	1,227	(1.1)
Uses of energy:						
SMUD electric sales and usage	851	868	(2.0)	851	868	(2.0)
Surplus power sales	318	323	(1.5)	318	323	(1.5)
System losses	44	36	22.2	44	36	22.2
Total uses of energy	1,213	1,227	(1.1) %	1,213	1,227	(1.1) %

* Change equals 1000% or more.





Net generation is lower than planned for the one-month period.

- Hydro generation is lower than planned (56.3 percent).
- JPA generation is lower than planned (19.2 percent).

Purchased power, less surplus power sales, is higher than plan (143.6 percent).

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
January 31, 2025 and 2024
(thousands of dollars)

A S S E T S

	SMUD	SFA	NCEA	NCGA #1	Intercompany Eliminations	Total 2025	Total 2024
ELECTRIC UTILITY PLANT							
Plant in service, original cost	$ 6,854,082	$ 984,666	$ -	$ -	$ (4,578)	$ 7,834,170	$ 7,334,754
Less accumulated depreciation	3,105,329	730,506	-	-	(1,101)	3,834,734	3,659,855
Plant in service - net	3,748,753	254,160	-	-	(3,477)	3,999,436	3,674,899
Construction work in progress	519,556	17,441	-	-	-	536,997	615,336
Investment in Joint Power Agencies	324,538	-	-	-	(283,512)	41,026	38,550
Total electric utility plant - net	4,592,847	271,601	-	-	(286,989)	4,577,459	4,328,785
RESTRICTED ASSETS							
Revenue bond reserves	-	-	-	-	-	-	1,027
Restricted for payment of debt service	87,435	-	-	-	-	87,435	88,102
JPA funds	-	10,597	30,186	18,008	-	58,791	37,479
Nuclear decommissioning trust fund	9,946	-	-	-	-	9,946	9,459
Rate stabilization fund	340,978	-	-	-	-	340,978	207,601
Other funds	66,871	-	4,183	15	-	71,069	41,600
Due (to) from unrestricted funds (decommissioning)	(6,684)	-	-	-	-	(6,684)	(6,684)
Due (to) from restricted funds (decommissioning)	6,684	-	-	-	-	6,684	6,684
Less current portion	(135,852)	(10,597)	(34,368)	(18,023)	-	(198,840)	(148,715)
Total restricted assets	369,378	-	1	-	-	369,379	236,553
CURRENT ASSETS							
Cash, cash equivalents and investments							
Unrestricted	452,418	38,844	-	-	-	491,262	544,566
Restricted	135,852	10,597	34,368	18,023	-	198,840	148,715
Accounts receivable - net	331,815	73,449	4,564	3,063	(127,644)	285,247	240,807
Lease receivable	769	-		-	(225)	544	630
Energy efficiency loans due within one year	139	-	-	-	-	139	139
Interest receivable	7,617	146	-	11	-	7,774	7,509
Lease interest receivable	27	-	-	-	(4)	23	25
Regulatory costs to be recovered within one year	94,127	104	-	105	-	94,336	76,024
Derivative financial instruments maturing within in one year	19,686	-	-	-	-	19,686	10,153
Inventories	158,570	17,098	-	-	-	175,668	145,537
Prepaid gas to be delivered within one year	-	-	9,467	32,232	-	41,699	45,545
Prepayments and other	27,581	7,062	-	16	-	34,659	35,400
Total current assets	1,228,601	147,300	48,399	53,450	(127,873)	1,349,877	1,255,050
NONCURRENT ASSETS							
Regulatory costs for future recovery							
Decommissioning	97,043	-	-	-	-	97,043	100,197
Pension	637,576	-	-	-	-	637,576	550,168
OPEB	314,380	-	-	-	-	314,380	310,003
Bond Issues	-	461	-	148	-	609	819
Derivative financial instruments	479	-	-	-	-	479	97
Derivative financial instruments	30,651	-	-	-	-	30,651	33,216
Prepaid gas	-	-	686,747	49,052	-	735,799	588,414
Lease receivable	19,870	-	-	-	(3,300)	16,570	17,259
Energy efficiency loans - net	162	-	-	-	-	162	409
Other	90,079	12	-	22	-	90,113	88,649
Total noncurrent assets	1,190,240	473	686,747	49,222	(3,300)	1,923,382	1,689,231
TOTAL ASSETS	$ 7,381,066	$ 419,374	$ 735,147	$ 102,672	$ (418,162)	$ 8,220,097	$ 7,509,619
DEFERRED OUTFLOWS OF RESOURCES							
Accumulated decrease in fair value of hedging derivatives	34,560	-	-	-	-	34,560	61,477
Deferred pension outflows	143,317	-	-	-	-	143,317	140,837
Deferred OPEB outflows	50,990	-	-	-	-	50,990	56,729
Deferred ARO outflows	-	1,095	-	-	-	1,095	1,713
Unamortized bond losses - other	28,844	633	-	-	-	29,477	6,141
TOTAL DEFERRED OUTFLOWS OF RESOURCES	257,711	1,728	-	-	-	259,439	266,897
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,638,777	$ 421,102	$ 735,147	$ 102,672	$ (418,162)	$ 8,479,536	$ 7,776,516

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
January 31, 2025 and 2024
(thousands of dollars)

LIABILITIES AND NET ASSETS

	SMUD	SFA	NCEA	NCGA #1	Intercompany Eliminations	Total 2025	Total 2024
LONG-TERM DEBT - NET	$ 2,394,963	$ 64,508	$ 721,690	$ 66,245	$ -	$ 3,247,406	2,917,804
CURRENT LIABILITIES							
Commercial paper notes	-	-	-	-	-	-	150,000
Accounts payable	124,742	5,809	4	44	-	130,599	125,397
Purchased power payable	102,545	49,534	-	1,231	(127,644)	25,666	32,771
Credit support collateral obligation	11,032	-	-	-	-	11,032	10,106
Long-term debt due within one year	90,045	14,270	5,455	28,295	-	138,065	137,740
Accrued decommissioning	7,471	-	-	-	-	7,471	7,140
Interest payable	39,603	312	17,243	295	-	57,453	46,312
Accrued interest liability		5	-	-	(4)	521	259
Accrued salaries and compensated absences	70,365	-	-	-	-	70,365	65,436
Derivative financial instruments maturing within one year	22,442	-	-	-	-	22,442	39,312
Customer deposits	2,263	-	-	-	-	2,263	1,989
Lease and subscription software liability	36,597	306	-	-	(225)	36,678	4,302
Other	54,881	-	-	-	-	54,881	57,085
Total current liabilities	562,506	70,236	22,702	29,865	(127,873)	557,436	677,849
NONCURRENT LIABILITIES							
Accrued decommissioning - net	100,306	10,467	-	-	-	110,773	113,139
Derivative financial instruments	13,562	-	-	-	-	13,562	23,279
Net pension liability	308,564	-	-	-	-	308,564	259,010
Net OPEB liability	32,207	-	-	-	-	32,207	25,334
Lease liability	43,803	4,567	-	-	(3,300)	45,070	98,528
Other	125,382	-	60	-	-	125,442	88,611
Total noncurrent liabilities	623,824	15,034	60	-	(3,300)	635,618	607,901
TOTAL LIABILITIES	3,581,293	149,778	744,452	96,110	(131,173)	4,440,460	4,203,554
DEFERRED INFLOWS OF RESOURCES							
Accumulated increase in fair value of hedging derivatives	50,147	-	-	-	-	50,147	43,369
Deferred pension inflows	765	-	-	-	-	765	8,416
Deferred OPEB inflows	15,238	-	-	-	-	15,238	30,616
Deferred lease inflows 520	19,852	-	-	-	(3,477)	16,375	17,294
Regulatory credits	1,095,433	-	-	-	-	1,095,433	850,256
Unamortized bond gains - other	33,091	-	2,529	-	-	35,620	36,355
Unearned revenue	3,651	-	-	-	-	3,651	3,860
TOTAL DEFERRED INFLOWS OF RESOURCES	1,218,177	-	2,529	-	(3,477)	1,217,229	990,166
NET POSITION							
Balance at beginning of year	2,840,490	261,626	(13,147)	6,646	(283,496)	2,812,119	2,586,698
Net increase (decrease) for the year	(1,183)	9,698	1,305	(92)	-	9,728	(3,902)
Member contributions (distributions) - net	-	-	8	8	(16)	-	-
TOTAL NET POSITION	2,839,307	271,324	(11,834)	6,562	(283,512)	2,821,847	2,582,796
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 7,638,777	$ 421,102	$ 735,147	$ 102,672	$ (418,162)	$ 8,479,536	$ 7,776,516

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
For the Period Ended January 31, 2025
(thousands of dollars)

	Month	Year to Date
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 137,323	$ 137,323
Receipts from surplus power and gas sales	14,670	14,670
Other receipts	1,357	1,357
Payments to employees - payroll and other	(41,349)	(41,349)
Payments for wholesale power and gas purchases	(49,143)	(49,143)
Payments to vendors/others	(65,281)	(65,281)
Net cash used in operating activities	(2,423)	(2,423)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest on debt	(1,017)	(1,017)
Net cash used in noncapital financing activities	(1,017)	(1,017)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(30,018)	(30,018)
Contributions in aid of construction	1,722	1,722
Interest on debt	(2,161)	(2,161)
Lease and other receipts/payments - net	(2,865)	(2,865)
Net cash used in capital and related financing activities	(33,322)	(33,322)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	36,597	36,597
Purchases of securities	(77,499)	(77,499)
Interest and dividends received	3,809	3,809
Investment revenue/expenses - net	(780)	(780)
Net cash used in investing activities	(37,873)	(37,873)
Net decrease in cash and cash equivalents	(74,635)	(74,635)
Cash and cash equivalents at the beginning of the month and year	416,831	416,831
Cash and cash equivalents at January 31, 2025	$ 342,196	$ 342,196
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	$ 262,039	$ 262,039
Restricted and designated cash and cash equivalents	67,788	67,788
Restricted and designated assets (a component of the total of $369,379 at January 31, 2025)	12,369	12,369
Cash and cash equivalents at January 31, 2025	$ 342,196	$ 342,196

4

SSS No. RS25-002	**BOARD AGENDA ITEM** STAFFING SUMMARY SHEET	Committee Meeting & Date: Finance & Audit – 03/18/25 Board Meeting Date: March 20, 2025

TO		TO	
1.	Jennifer Restivo	6.	
2.	Scott Martin	7.	
3.	Jose Bodipo-Memba	8.	
4.	Lora Anguay	9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar	X	**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Alcides Hernandez	Revenue Strategy	B256	6397	02/25/25

NARRATIVE:

Requested Action: Approve June 4, 2025, as the Public Hearing date for considering the Chief Executive Officer and General Manager's Report and Recommendation ("CEO & GM Report") on Rates and Services (Volumes 1 and 2) dated March 20, 2025, and the CEO & GM Report on Open Access Transmission Tariff (Volumes 1 and 2) dated March 20, 2025.

Summary: Initiate the public rate process by setting June 4, 2025, as the public hearing date for considering proposals presented in the CEO & GM Reports for modifications to SMUD's Rates, Rules and Regulations and Open Access Transmission Tariff (OATT). The CEO & GM is expected to publicly release the CEO & GM Reports with the Board's setting of the public hearing date. The public workshops associated with the rate process will also be published.

Board Policy: *(Number & Title)* Strategic Direction SD-2, Competitive Rates; Strategic Direction SD-3, Access to Credit Markets

Benefits: Initiates the 2025 rate process for public communication regarding proposed modifications to SMUD's Rates, Rules and Regulations and OATT.

Cost/Budgeted: N/A

Alternatives: N/A

Affected Parties: SMUD and SMUD Customers

Coordination: Revenue Strategy

Presenter: Alcides Hernandez, Manager, Revenue Strategy

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
SMUD 2025 Rate Process	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No.	BOARD AGENDA ITEM	Committee Meeting & Date
BOD 2025-004	STAFFING SUMMARY SHEET	FINANCE & AUDIT - 2025
		Board Meeting Date
		N/A

	TO		TO
1.	Scott Martin	6.	
2.	Lora Anguay	7.	
3.	Jose Bodipo-Memba	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	x	**No** *If no, schedule a dry run presentation.*	**Budgeted**	x	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Rob Kerth / Crystal Henderson	Board Office	B307	5424	12/29/24

NARRATIVE:

Requested Action: A summary of directives is provided to staff during the committee meeting.

Summary: The Board requested an ongoing 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 to make clear the will of the Board. The Finance & Audit Committee Chair will summarize Board member requests that come out of the committee presentations for this meeting.

Board Policy: *(Number & Title)* Governance Process GP-4, Board/Committee Work Plan and 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 the will of the Board.

Cost/Budgeted: Included in budget for internal labor.

Alternatives: Not to summarize the Board's requests at this meeting.

Affected Parties: Board of Directors, Board Office and Executive Office

Coordination: Crystal Henderson, Special Assistant to the Board

Presenter: Rob Kerth, Finance & Audit Committee Chair

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
Summary of Committee Direction – Finance & Audit Committee	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.