

**Attachment B**  
**2005 Budget**

November 3, 2004  
GM 04-227

## BOARD OF DIRECTORS

### **2005 BUDGET**

Dear Board Member:

We are pleased to present you with the District's 2005 Budget. The Budget was developed to align with the core and key values and strategic directives set down by the Board in the strategic planning process. It funds the initiatives and ongoing programs that staff has developed to carry out the Board's strategic directives, both in 2005 and over a longer-term planning horizon.

Developing a comprehensive plan and budget for 2005 that meets key financial performance measures was very challenging due to external cost pressures on the energy supply commodity budget from increasing natural gas and electricity prices and reduced energy deliveries from the Western Area Power Administration (WAPA). The Business Unit O&M and Capital budgets were also impacted by higher retirement funding and health insurance costs, and they responded to this challenge by developing O&M and Capital budgets for 2005 that prioritize work, achieve efficiencies and reduce discretionary costs while still meeting operational performance targets.

The projected financial results from the 2005 Budget are based on current rate schedules and maintaining the current \$75 million balance in the Rate Stabilization Fund reserve. The \$87.4 million increase in commodity costs in 2005 will reduce the budgeted increase in net assets (net income) to a decrease of \$3.2 million. While revenues are very close to covering costs and the debt service coverage achieved meets the minimum required by our bond indenture, there is no contingency in the budget and the lower increase in net assets and cash flow will adversely affect our progress towards SD-3, the 20 percent equity strategic directive.

Balance Sheet equity is one of the primary financial indicators used by credit and bond rating agencies to set our rating. Our rating directly affects our ability to implement strategic plan elements such as commodity hedging, debt financing for Cosumnes and Solano Wind, and potential purchases of natural gas reserves. After the Board adopted

the 20 percent equity target goal, the rating agencies upgraded our financial outlook. The strategic plan we presented to them projected we would reach 13 percent in 2005, 15.5 percent in 2006 and 20 percent in 2007. After the commodity cost increases, we will only reach 11 percent in 2005, 11.5 percent in 2006 and 13.7 percent in 2007. Staff will be delivering its recommendations in December for the revenue increase needed to reach the Board's equity target.

Highlights of the proposed 2005 Budget include:

- Completion of the 500 MW Cosumnes Power Plant construction
- Major progress on construction of the 85 MW Solano Wind expansion
- 100,000 feet of cable injection to extend life of older underground cable
- Implementation of Mobile Dispatch and Outage Management
- Expanded key account program and internet service options for customers, including Spanish-language options
- Funds for local dairy biogas and hydrogen refueling projects
- Funds for Zero Energy Homes with PV included
- \$650,000 increase in energy efficiency rebates
- Incorporate WAPA and COTP into SMUD control area
- Rollout District-wide diversity initiative
- Significantly higher customer participation in low income programs and Greenergy

The Board has laid out an ambitious strategic agenda that challenges staff to strive for excellence in all core and key value areas. In the following sections, we provide detail on the strategic initiatives and programs that are funded in the 2005 Budget, and the related performance targets and milestones we plan to reach during the year.

## **COMPETITIVE RATES (SD-2) and ACCESS TO CREDIT MARKETS (SD-3)**

The largest cost component of the 2005 Budget, and also the one most susceptible to external market forces, is energy supply commodity costs for purchased power, fuel and transmission costs. The District is beginning to see the effect of higher energy prices, much like consumers are already seeing in gasoline and home heating costs. Commodity costs are increasing \$87.4 million or 20 percent in the 2005 Budget, and make up 41 percent of the District's overall budget expenses, up from 35 percent in 2004. This increase will result in a lower increase in net assets (net income) in 2005 and over the entire 2005-7 planning horizon. Based on the contracts staff has entered into to hedge prevailing market conditions, the 2005 budgeted and 2006-7 planned increases in net assets will not be enough to reach the Board's strategic target of 20 percent customer equity by the end of 2007.

The increase in energy supply commodity costs is largely attributable to the recent, sharp increase in the price of natural gas. The average market price has increased from \$5/Mmbtu in 2004 to over \$6.30/Mmbtu for 2005 supplies, and spot prices have recently gone even higher. The District expects to generate 27 percent of its energy needs at our gas-fired cogeneration plants in 2005. Gas prices also drive the price of electricity in Western regional energy markets, where we will purchase another 16 percent. Although we have secured over 95 percent of electricity and gas requirements for 2005, many of these systematic purchases were made as prices increased. The overall impact of higher gas prices on the 2005 commodity budget is approximately \$45 million.

The District continues to pursue an effective hedging strategy to reduce exposure to volatile gas prices, through acquisition of natural gas reserves and medium-term supply contracts. We are still pursuing additional reserve purchases and have funds in 2005 for evaluating potential purchases. On the energy side, we are actively searching for energy exchange deals such as the recent California Department of Water Resources agreement to maximize the value of the Cosumnes Power Plant energy. The value of the hedging program can be illustrated by the fact that if the District were buying all its gas and short-term energy at today's prices, the 2005 budget would have been an additional \$57 million higher. We currently have three separate contracts to hedge our hydro exposure to precipitation. While these contracts reduce risk, we are still subject to financial risk from a dry hydro year for up to \$25 million, and an additional \$6 million increase or decrease for each 10 percent change in natural gas prices. This risk is balanced by the \$75 million currently held in the Rate Stabilization Fund reserve.

Higher commodity costs in 2005 are also driven by a reduction in low-cost energy historically supplied by WAPA. The WAPA contract changes in January 2005 to one where the District instead of WAPA supplies 1000 gigawatt hours of supplemental energy for the western hydro resource. WAPA was obtaining this energy under a now-terminated contract with PG&E that was at less than market price, so the cost of this energy to the District will increase substantially in 2005. In addition, there is a one-time further reduction of 250 gigawatt hours in 2005 due to higher federal water releases in 2004 for desalinization following the levee break in the Delta. This additional energy adds about \$13 million to the commodity budget.

Another source of significant cost pressure in 2005 is employee benefits. The District was notified in September, 2004 of reinstatement of the District's retirement contribution to PERS effective July 1, 2005. The District has not been required to contribute to PERS since 2000 due to our "superfunded" status – net assets which had significantly exceeded the present value of retirement benefits earned. Although the District's plan remains overfunded, changes in actuarial assumptions and a lower investment return in 2001 and 2002 have caused PERS to require the District to resume contributions. The planned rate starting July 1, 2005 is 12 percent of straight-time salaries and wages, with a total budget impact of approximately \$9.4 million. Staff will be working closely with PERS to review the changes, but we have assumed the contributions will continue in 2006 and

2007 with budget impacts of \$20 million each year. Health insurance premiums for active and retired employees are increasing an average of 9 percent in 2005, raising the budget by \$3.2 million. The District is actively working to limit health care cost increases through a variety of wellness initiatives, such as the Kaiser Health Evaluation program initiated in 2004.

To counter the commodity and benefit increases, the Business Units succeeded in limiting budget increases in non-commodity Operations & Maintenance (O&M) costs for 2005. After adjusting for \$8.0 million in employee benefit increases, \$3.0 million for Cosumnes Power Plant O&M, and other one-time and non-controllable costs, the non-commodity O&M budget in 2005 is increasing only \$700,000 or .3 percent, to \$275 million. To offset contractual cost-of-living increases for SMUD employees totaling \$3.5 million, we were able to reduce discretionary costs for contract services, travel, office supplies and materials, non-skill training and other non-labor line items without affecting customer service or strategic initiatives. Staffing levels were also reduced as a result of operational efficiencies. Although the Budget shows a net increase of 3 positions, we added 7 positions for the WAPA control area (paid for by WAPA) and 18 apprentice/workforce planning positions in Distribution Services, so ongoing, base staffing was reduced by 22 positions or 1 percent of the workforce. These positions were eliminated following retirements.

## **RELIABILITY (SD-4)**

### ***RELIABLE LONG-TERM ENERGY SUPPLY***

Providing reliable electric service is a core value of the District, and the 2005 Budget fully funds the programs and initiatives to meet or exceed reliability performance targets set by the Board.

To insure a reliable energy supply for customers in 2005, the 2005 Budget includes sufficient capacity reserves for the peak summer season. We have funded all of the District's commercial and residential load management programs, and ongoing energy efficiency programs in Public Good continue to contribute to peak load reduction. We have planned all necessary preventive maintenance and capital improvements for our generating plants and transmission system to promote and insure high availability.

On the operational side, we will complete incorporating WAPA into our control area by January 1, 2005, and proceed with the transition of COTP by late-2005. We will also continue to enhance our scheduling and control capabilities. Our control area will continue to limit the impact from potential increases in transmission-related fees from the ISO or other entities.

The 2005 Budget includes significant funds directed towards bringing new long-term generating resources on-line. In late 2005 we will finish construction of the 500 MW Cosumnes Power Plant, and we will make major progress on the 85 MW Solano Wind expansion set to come on-line in May, 2006. The Budget also provides \$2.7 million in PV development money, focusing on promoting market-based commercial installations and pushing Zero Energy Home and Rooftop PV installations.

### ***DISTRIBUTION SYSTEM RELIABILITY***

The District has made great strides in recent years in reducing the frequency and duration of outages to customers, and we are continuing the high level of funding in O&M and Capital for 2005 to further this trend. The keystones of our reliability improvement program for 2005 are tree trimming, underground cable replacement and repair, pole inspection and replacement, preventive maintenance and replacement of the most troublesome circuits. We are continuing to plan for 200,000 feet of cable replacement and injection to upgrade the oldest, direct-buried underground cable, the number one cause of outages. The cable injection program has proved very cost-effective and promises to significantly extend the life of the treated cable.

Distribution expects to begin realizing reductions in outage duration and work management efficiencies in 2005 as Outage Management and Mobile Dispatch come into full use. Based on the system inventory completed in 2004, a stepped-up inspection program is planned for 2005, and inspection and outage information will help us better plan for system maintenance and capital improvements in the future.

We have not seen any appreciable slowdown in permit or lot construction activity this year and therefore the new construction planning assumptions and budget for 2005 are consistent with 2004. Our construction cycle times have remained under target this year, and design times have come down during the year and are very close to target, so we expect to meet service response goals in 2005. We plan to implement the internet site for commercial job-tracking to further improve the process.

One of the key long-range planning issues for Distribution is insuring a workforce with enough trained journey-level workers to accomplish planned reliability work. Because of an aging workforce and higher level of retirements than expected in 2004, Distribution is adding 18 apprentice and other positions in 2005 to insure an adequate workforce in 2008 and beyond. The higher level of apprentices over the next few years will increase on-the-job training costs in both O&M and Capital.

## **CUSTOMER RELATIONS (SD-5)**

The focus of the 2005 Customer O&M and Capital budgets is to continue to improve the timeliness and responsiveness of customer interactions, expand communications channels, and continue to provide value-added products and services that fulfill customer expectations. We completed the SAP upgrade in 2004 and continue to expand services and information available on the internet and through Integrated Voice Response (IVR). Besides making it easier and faster for customers to do business with the District, the efficiencies realized have allowed us to reduce staffing and costs and shift additional resources into key account services for commercial customers.

In 2005 we will complete the Advanced Metering Infrastructure study and develop recommendations for implementation of changes. Our hope is that we will be able to offer cost-effective metering alternatives to customers that they can use to better manage energy usage, while also providing peak load reduction and efficiency benefits to the District.

The District has one of the most diverse customer bases in the nation, and an important component and goal of our diversity initiative is to communicate effectively with all customer groups to help them take advantage of our products and services. Several initiatives are planned in 2005 to help us make real progress on this issue.

The list of value-added products and services offered to District customers in 2005 includes energy efficiency, Greenergy, Home Power and low income assistance. The 2005 energy efficiency Budget of \$27.0 million, an increase of \$2.3 million or 7.5 percent over 2004, includes a variety of energy efficiency offerings for residential and commercial customers, such as lighting, equipment replacement and shade trees. Staff was able to shift \$653,000 into rebates through more efficient administration of programs. Energy efficiency investments benefit our customers, by lowering bills and promoting efficient energy usage, the local business community, who deliver many of these services, and the local community, through emission reductions. Energy efficiency costs are increasing \$569,000 or 3.75 percent, higher than the cost-of-living escalator of 2.5 percent, due to the impact of PERS contributions and health benefits. We have increased funding for low income assistance programs in 2005 by \$1.7 million to cover a higher number of participants – 44,100 customers, up 16 percent over 2004 – and higher weatherization expenditures, which will produce higher energy and peak load savings. We are also budgeting for increases in customer participation in Greenergy and Home Power programs. Greenergy participation is targeted to increase to 36,200 or 6.3 percent of our total customer base.

## **ENVIRONMENTAL PROTECTION (SD-7)**

The District's core commitment to environmental protection is reflected in programs and initiatives throughout the Business Unit budgets for 2005. These include:

- Construction of Solano Wind 85 MW expansion
- Commercial and residential PV programs
- New renewable energy contracts with CalPine and PPM
- 36,200 customers in Greenergy Programs
- Energy Efficiency programs to reduce air pollutants
- Hydrogen fuel cell vehicle demonstration project
- Dairy biomass project funding
- Zero Energy Home program funding
- RideSharing program with 30 percent employee participation
- Recycling 50 percent of non-hazardous waste
- Adding flexible fuel vehicles to District fleet
- Implementing Environmental Procurement Policy

In addition, our work in promoting and advancing environmental protection extends to longer-range resource planning and research and development efforts, which are key values for the District.

### ***RESOURCE PLANNING***

The District is committed to an integrated approach to resource planning under which environmentally-friendly sources of new energy, such as renewables, energy efficiency and distributed generation, will compete with conventional sources for future energy needs. In 2005, staff will complete an evaluation of available renewable and energy efficiency options and make recommendations to purchase renewables from the RFP solicitation. Most of the RFP projects impact 2006 or later. The 2005 Budget does not include funding for incremental renewable or energy efficiency spending, however to the extent new resources replace energy budgeted for 2005, funding can be obtained from the commodity budget.

### ***RESEARCH & DEVELOPMENT***

The District has budgeted \$3.2 million in 2005 for R&D and demonstration projects aimed at advancing promising renewable generation and customer technologies. In addition, the District will be administering over \$4 million of grant funds so our total investment in R&D is over \$7 million.



## **EMPLOYEE RELATIONS SD-8)**

The 2005 Budget continues our core emphasis on maintaining a motivated, well-trained workforce. We are continuing to revamp our recruiting, hiring and data management processes, all Business Units are active in workforce planning to insure that replacements are ready as retirements occur, and our diversity initiative is designed to assure that all are treated with respect and dignity, and to prepare our workforce to meet the needs of a diverse community.

We are fully funding the full range of employee benefits we offer our employees in 2005, and focusing our efforts on expanding our wellness programs with an eye towards limiting health care cost increases in the future and improving the quality of life for employees.

## **SAFETY (SD-6)**

The District remains firmly committed to its core value of providing a safe workplace for all employees by promoting a culture of safety. We are continuing to focus on the successful programs we have implemented over the last few years, Behavior-Based Safety, Safety Training Observation Program (STOP), and Smith Defensive Driving. The Business Units with more office workers are also focusing on prevention of musculoskeletal injuries and ergonomic workplace design. Facilities is continuing to complete cost-effective projects that make the workplace safer for employees and the public.

## **LOCAL CONTROL (SD-11) and ECONOMIC DEVELOPMENT**

The core value of local control permeates all aspects of the Budget, since our ultimate goal is to serve our customer-owners in the Sacramento community. SMUD commits a higher percentage of its budget to Public Good and environmental programs than any other utility in California, and we do this because these are good business programs that can also have a positive impact of the Sacramento community and its quality of life.

Part of being a local utility is improving the local economic community by doing business locally, as our SEED program encourages, and by promoting business and jobs growth through our energy efficiency loan programs and competitive rates.

## **BUDGET SUMMARY**

The 2005 Budget totals \$1.261 billion, an increase of \$51.66 million or 4.3 percent over the original approved 2004 Budget (the 2004 budget augmentation of \$19.2 million for the PG&E settlement is not included because it would distort comparisons with 2005). The increase is due to the \$87.4 million increase in energy supply commodity costs that resulted from higher natural gas prices. The O&M Budget for 2005 totals \$822.6 million, which is \$101.7 million or 14.1 percent higher than the 2004 Budget. The increase is due to higher commodity costs, retirement contributions and health insurance costs. The Commodity budget for 2005 of \$513.5 million is \$87.4 million or 20.5 percent higher than 2004, also due to higher natural gas prices. The Public Good Budget is increasing due to more customers participating in low income programs, funding for the Zero Energy Homes program, and higher energy efficiency rebates. The Other O&M Budget is increasing \$10.7 million due to restarting the District's retirement contribution to PERS and \$3.0 million for O&M at the Cosumnes Power Plant in November and December. The Debt Service component of the 2005 Budget totals \$159.0 million, an increase of \$27.2 million or 20.6 percent over 2004. This increase is due to higher scheduled bond principal repayments, which were artificially low in 2004 because some bonds were retired early in 2003. The Capital and Net Loan Budget for 2005 is \$279.0 million, a decrease of \$77.2 million or 21.7 percent from 2004. The decrease is due to much lower expenditures on the Cosumnes Power Plant as it nears completion. Detail of changes in each of the Budget components is provided in the attachment to this letter.

## **FINANCIAL ASSUMPTIONS AND TARGETS**

The 2005 budgeted increase in net assets (net income) target, based on current retail rates, is 0, which is \$74.4 million lower than the adjusted 2004 target. The budget includes a \$3.2 million transfer from the Rate Stabilization Fund to bring net income to 0. Customer revenues projected for 2005 are approximately \$21.6 million higher than 2004; however, after adjusting out the surcharge revenue in 2004 the actual increase is \$27 million or 2.9 percent. The increase is due to customer growth and higher average use per customer. Budgeted commodity costs for 2005 are \$87.4 million higher than the 2004 Budget, due to higher natural gas prices, and this explains the decrease in net income. O&M costs in 2005 are increasing by \$10.7 million due to retirement contributions/health insurance increases of \$8.0 million and Cosumnes O&M of \$3.0 million. The District's Public Good funding is increasing \$3.6 million in 2005 due to higher customer participation in the low income/life support assistance programs (\$1.7 million), an inflation adjustment for energy efficiency and research and development programs (\$.5 million), the addition of retirement contributions (\$.5 million), and new funding for Zero Energy Homes and digester gas programs.

The fixed charge coverage ratio measures the extent to which budgeted operating cash flow exceeds budgeted debt service, including interest expense and principal repayments on the District's outstanding debt. The fixed charge coverage ratio target for 2005 is 1.19 times, which is lower than the 1.93 in the 2004 budget. The substantial decrease is due to a \$74 million decrease in operating cash flow and an increase in scheduled principal repayments from \$33 million to \$58 million. Principal repayments are higher because \$27 million originally due in 2004 was called in 2003, lowering 2004 artificially. Without this factor, fixed charge for 2004 would have been 1.69. The budget assumes a median rainfall year and average temperatures for customer sales. In the event of a dry year either for the District or in the Northwest, or other contingencies that could affect commodity costs or customer revenues, our risk management strategy is designed to limit the budget impact to no more than \$31 million with a 95 percent certainty. If this occurs, fixed charge coverage would drop to 1.0.

Projected financial results for 2004 is for net income of approximately \$70 million, versus an adjusted target of \$74.4 million. Commodity costs are projected to be \$22 million over budget due to a dry hydro year and rising natural gas prices, but customer revenues are projected to be \$15-20 million over budget and other O&M costs will be \$4-5 million under budget.

## **LONG-RANGE BUSINESS FORECAST**

Our primary strategic financial target is to increase net assets (customer equity) as a percentage of total capitalization (debt plus accumulated net assets/retained net income) from its current level of 8 percent to 20 percent at the end of 2007. This is necessary to maintain or improve our bond rating and insure continued access to capital and credit markets as needed in the strategic plan. To reach this target would require securing a natural gas supply for 2005-7 at a target cost to the District of approximately \$4.00 per Mmbtu. The market has moved considerably higher than the target price, and we have so far been unable to purchase any additional reserves. We have also been recently notified by PERS to expect retirement contribution rates of 12-13 percent per year beginning July 1, 2005 through 2007, and this has added approximately \$40 million to O&M targets for 2005-7. As a result of the increases in commodity costs, we have delayed implementation of the funding for postemployment health benefits until 2007, which is also the date the new Governmental Accounting Standards Board statement takes effect. Staff has made every effort to mitigate these increases to O&M by developing a three year operating plan that limits the increase in other expenses to the rate of customer growth, while still meeting the reliability and customer service targets that have made SMUD the top-rated California electric utility in the latest J. D. Power ratings.

With these higher costs factored in to the 2005-7 plan, we are projected to reach an equity level of 13-14 percent by the end of 2007. This represents a shortfall in the increase in net assets of approximately \$180 million over the next three years. Based on SMUD's current sales level, each 1 percent rate increase would translate into approximately \$30 million over the 2005-2007 plan period. Staff is currently working to finalize a recommendation that will address this shortfall and other customer cost of service issues.

Sincerely,

JAN SCHORI  
GENERAL MANAGER

## 2005 OPERATIONS & MAINTENANCE BUDGET

	\$ Millions		
	<u>2004 Budget</u>	<u>2004 Forecast</u>	<u>2005 Budget</u>
Commodity Expenses (1)	\$426.1	\$448.9	\$513.5
Other Operating Expenses	237.3	233.7	248.0
Decommissioning Funding	27.0	27.0	27.0
Public Good Expenses	<u>30.4</u>	<u>30.4</u>	<u>34.0</u>
TOTAL	<u>\$720.8</u>	<u>\$740.0</u>	<u>\$822.6</u>

(1) Does not include budget augmentation of \$19.2 million for PG&E settlement

The 2005 Budget for Operations & Maintenance (O&M) expense totals \$822.6 million - \$513.5 million for energy supply commodity costs, \$34.0 million for public good programs, \$248.0 million for operation and maintenance activities and \$27.0 million for decommissioning funding. The 2005 O&M budget is \$101.8 million or 14.1 percent higher than the 2004 Budget.

The 2005 Commodity Budget of \$513.5 million is \$87.4 million or 20.5 percent higher than the 2004 Budget due to higher prices for natural gas and electricity and a reduction in energy deliveries from WAPA. Purchased power costs in the 2005 Commodity budget total \$367.8 million, which is \$54.6 million or 17.4 percent higher than 2004. We are buying less power under long-term contracts in 2005 due to a change in the WAPA contract effective in 2005. Natural gas commodity costs, including depletion and interest on Rosa reserves, are \$130.1 million, an increase of \$32.4 million over 2004. Generation at our thermal plants is 518 GWh or 21 percent higher in 2005 because of the Cosumnes Power Plant coming on-line in late 2005.

The 2005 Budget for other operations and maintenance (O&M) expenses totals \$248.0 million, which is \$10.7 million or 4.1 percent higher than the 2004 Budget. This line item covers core business operations of the Distribution, Customer, and Energy Supply

Business Units, including O&M and interest expense for the three cogeneration plants, supporting costs of Technology and Internal Services, Corporate Services, Insurance and the contribution to the decommissioning trust fund. Energy Supply O&M costs in 2005 total \$80.7 million, which is \$7.3 million or 10.0 percent higher than 2004. This increase is due to \$3.0 million for Cosumnes O&M, \$2.2 million for PERS and health insurance increases, and \$1.7 million for penstock painting and HVAC repairs at hydro and an increase in water charges. The budget for Distribution O&M increases \$3.1 million or 6.2 percent over 2004. \$1.8 million of the increase is attributable to PERS and health care increases, and the remaining increase is from tree trimming contract cost increases. Overall funding for key maintenance programs is remaining constant in order to insure we maintain our current work cycles and avoid backlogs. Customer Business Unit O&M, net of revenues, is \$1.5 million or 2.3 percent higher in the 2005 Budget, however after adjusting for \$2.6 million in PERS and health insurance increases the budget actually declined \$1.1 million or 1.8 percent. This reduction was accomplished through staff and non-labor reductions resulting from operating efficiencies. The 2005 O&M Budgets for Corporate Services, Technology and Internal Services are in total approximately level with 2004. These budgets had an \$890,000 increase from the PERS and health insurance costs, but property and liability insurance premiums went down \$1.3 million. These costs are mostly allocated to the core business units based on their usage of the services provided, so this increase is a part of the overall variance in the core business unit budgets.

The 2005 Budget commitment for Public Good programs is \$34.0 million, which is an increase of \$3.6 million over 2004. \$1.2 million of the increase is in low income and life support rate assistance, due to a planned 16 percent increase in the number of eligible customers participating in these programs. Low income weatherization is increasing \$607,000 or 25 percent to cover an expansion of the energy efficient refrigerator program. Energy efficiency spending is up \$569,000 or 3.8%, with most of the variance due to PERS contributions and higher health insurance. Research and development and renewable generation programs are increasing approximately \$600,000, \$100,000 because of PERS/health insurance and \$500,000 in new funds for research & development related to meeting the Renewable Portfolio Standard goals for new generation.

Energy efficiency funding for 2005 is \$15.7 million, an increase of \$569,000 over 2004. The budget for rebates and incentives for installing energy efficiency measures is increasing \$653,000 to meet higher customer demand for popular programs. This will result in higher levels of peak and energy savings from Public Good spending next year. Energy efficiency programs are aided by the District's energy efficiency loan program, which is funded for \$29.5 million in new loans in 2005. Funding for renewable generation, electric transportation, customer advanced technology, and renewable generation R&D is 12.1 percent higher at \$6.0 million in the 2005 Budget. The District has been at the forefront of renewable energy development and technology advancement for the last decade, and the 2005 Budget funding will enable us to continue this

leadership role. Funding for new PV installations for existing customers has been reduced slightly, but more funds are devoted to developing the new construction residential market and transitioning commercial PV to a market-based system. Besides the District funding for technology R&D, the District is managing \$4.0 million in California Energy Commission grants in 2005.

### **2005 DEBT SERVICE BUDGET**

	\$ Millions		
	<u>2004 Budget</u>	<u>2004 Forecast</u>	<u>2005 Budget</u>
Interest Expense	\$106.6	\$108.1	\$109.3
Charged to JPAs	( 8.8)	( 8.8)	( 9.0)
Principal Repayments	33.6	33.6	58.3
Trustee Fees & Issuance Costs	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>
TOTAL	<u>\$131.9</u>	<u>\$133.3</u>	<u>\$159.0</u>

The 2005 Budget for debt service totals \$159.0 million, an increase of \$27.2 million over the 2004 Budget. This increase is primarily due to a higher level of scheduled revenue bond principal repayments in 2005. \$27 million of principal payments originally due in 2004 were called early in November 2003, reducing the scheduled repayments in 2004.

Interest expense represents accrued interest on revenue bonds and commercial paper, net of any related swap revenue, and amortization of deferred debt issuance costs and refunding gains and losses. The credit for interest costs charged to the JPAs represents the portion of the interest expense on the District's investments in the PG&E Line 301/400 pipeline, the local gas pipeline and the Rosa natural gas reserves which is allocated to the cogeneration plants for fuel delivery and included in the JPA budgets under fuel commodity. The increase in 2005 is because of higher Rosa production in 2005. Principal repayments represent scheduled repayment of revenue bonds and commercial paper notes.

The 2005 Budget does not include any early debt retirement but does include an increase of \$200 million in commercial paper notes outstanding to finance Cosumnes Power Plant and Solano Wind expenditures. It is anticipated that the District will, at some point, issue bonds to finance construction of the Cosumnes Power Plant. This financing is not included in the 2005 Budget. There is also no new debt financing for a possible acquisition of natural gas reserves.

Interest expense is increasing from the 2004 to 2005 Budget due to \$115 million of new money bonds issued in 2004.



## 2005 CAPITAL INVESTMENT BUDGET

	\$ Millions		
	<u>2004 Budget</u>	<u>2004 Forecast</u>	<u>2005 Budget</u>
<u>ONGOING CAPITAL</u>			
Energy Supply	\$ 66.5	\$ 62.0	\$58.0
Distribution	68.3	68.3	66.8
Customer	6.0	4.7	6.6
Technology	37.5	23.5	21.6
Internal Services	12.0	12.1	15.7
Corporate Services	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ONGOING	<u>\$190.2</u>	<u>\$170.6</u>	<u>\$168.7</u>
<u>RESOURCE CAPITAL</u>			
Cosumnes Power Plant	138.5	153.8	46.0
Solano Wind Project	8.5	5.5	52.1
Rosa Gas Reserves	<u>11.5</u>	<u>8.0</u>	<u>9.3</u>
TOTAL CAPITAL	<u>\$348.7</u>	<u>\$337.8</u>	<u>\$276.0</u>
Net Loans	<u>\$7.5</u>	<u>\$3.5</u>	<u>\$ 3.0</u>
TOTAL CAPITAL AND LOANS	<u>\$356.6</u>	<u>\$341.4</u>	<u>\$279.0</u>

The 2005 capital investment and loan budget of \$279.0 million provides the funds to continue investing in electric system improvements necessary to serve a rapidly increasing customer base, to continue replacing and upgrading aging infrastructure, to increase the amount and efficiency of local generation capability, and to implement technology improvements recommended by reengineering projects.

The \$77.6 million decrease in the capital and loan budget from 2004 is due to lower construction expenditures on the Cosumnes Power Plant project as it nears completion.

**Energy Supply Capital Investment** programs focus on capital improvements and additions to the District's generation, transmission, fuel supply and bulk power system control assets, which are the responsibility of the Energy Supply business unit. Also under this category are costs related to the Rancho Seco dismantlement projects, which are reimbursable from the decommissioning trust fund. Total energy supply capital expenditures in the 2005 Budget are \$165.3 million; of this total, \$58.0 million is for ongoing capital projects, which is a decrease of \$8.5 million from 2004. \$107.4 million of the 2005 Budget relates to Phase 1 of the Cosumnes Power Plant, Phase 2 development of Solano Wind, and additional drilling costs at Rosa reserves. Solano milestones include major progress on construction of the 85 MW expansion and Russell substation upgrade, and the Rosa capital expenditures will expand the capacity of available reserves.

Planned capital additions and improvements to existing SMUD generation assets in 2005 total \$12.8 million, which is an \$8.8 million decrease from 2004. The level of expenditures on UARP upgrade and capacity expansion projects - \$5.1 million - is \$6.1 million lower than 2004 because of completion of most of the Jaybird generator refurbishment in 2004. The UARP Relicensing Project budget is down slightly from 2004 at \$4.6 million. Transmission and energy management systems reliability projects total \$13.8 million in the 2005 Budget, a \$1.3 million decrease from 2004. Major expenditures in 2005 include a spare bulk transformer and construction of a backup control center under a cost-sharing project with WAPA and CDWR. Decommissioning capital is increasing from \$28.5 million in 2004 to \$30.4 million in the 2005 Budget due to an increase in dismantling activities.

**Distribution** represents capital improvements and investment in the energy delivery infrastructure, such as overhead and underground lines and substations, that delivers electricity to our customers. Proposed capital investment for 2005 is \$66.8 million, a decrease of \$1.5 million from 2004. These projects fall into two categories: new service connections, and asset management or reliability-related improvements. The new service segment increases from \$19.5 million to \$26.2 million in 2005. Distribution is expecting continued high new customer connections in 2005 based on permit activity, and planned work in special facilities is higher in 2005. The asset management or reliability segment budget for 2005 is \$40.9 million, which is \$7.9 million lower than 2004. The decrease is due to a lower assumption for new and upgraded substations in 2005 to better reflect the actual level of work in previous years. The cable replacement target for 2005 is the same as 2004 at 200,000 feet, but half of this total will have life extension through injection at a lower unit cost.

**Customer** business unit capital expenditures are for improvements to equipment and systems that are used to provide service to customers, such as the Contact Center telephone system and the SAP Customer Care System, and for metering equipment for new customers and programs. The budget for 2005 is increasing from \$6.0 million to

\$6.6 million due to higher meter acquisition costs for the MV-90 system, and acquisition of meter reading route software.

**Technology** business unit capital projects are for additions or improvements to the District's computer network, including hardware and operating software, SAP/SDIT enterprise software system, desktop and laptop PCs, and telecommunications and telephone system infrastructure. The Technology capital budget for 2005 totals \$21.6 million, a decrease of \$15.8 million from 2004. The decrease reflects completion of the SAP upgrade and SDIT implementation in 2004, plus a lower level of infrastructure spending.

**Internal Service** business unit capital investments in the 2005 Budget total \$15.7 million, an increase of \$3.8 million over 2004. This category includes vehicles, facilities and office and general equipment. The increase is attributable to an increase in spending on Facilities projects at 59<sup>th</sup> Street, the Field Reporting Facility and Headquarters campus, coupled with increases in materials and contract services to finish ongoing projects.

**Net Loans** are budgeted for a net increase in outstanding loans of \$3.0 million in the 2005 Budget, slightly lower than the 2004 Budget of \$7.5 million. This budget segment covers loans to customers for energy efficiency improvements, economic development, and PV Pioneer participants. New loan funding is \$30.0 million, an increase of \$5 million due to higher expected demand for energy efficiency loans due to more rebate programs and lower rates on loans. Repayment of existing loans is budgeted at \$27 million, an increase of \$5 million to reflect actual repayment levels in 2004.

**RESOLUTION NO. 04-12-10**

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

**Section 1.** This resolution may be referred to as the 2005 Budget Resolution.

**Section 2.** (a) There is hereby appropriated from the General Fund sufficient monies for the payment of demands against the District which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of the District's program for the period January 1, 2005, through December 31, 2005.

Operations and maintenance:

Commodity - purchased power, fuel and wheeling	513,494,000
Public Goods Charge	34,042,000
Customer, distribution, energy supply, decommissioning, internal service, technology, corporate services	<u>275,034,000</u>
Sub-Total	822,570,000
Debt Service	159,014,000
Capital	275,982,000
Net energy efficiency and other loans	<u>3,000,000</u>
<b>TOTAL</b>	<b><u>\$1,260,566,000</u></b>

(b) The Commodity line item budget is based on assumptions of average rainfall and temperatures during 2005. The District has in place or may enter into additional agreements under which monies will be either paid or received by the District in the event actual weather conditions

deviate significantly from average. Should this occur, the Commodity line item budget will be reduced or increased to reflect this payment or receipt.

(c) Budgeted energy purchases necessary to meet customer energy sales requirements are based on average weather conditions and expected customer growth in 2005. Should actual weather conditions or growth levels cause the District retail sales and related energy requirements to be higher, the Commodity line item budget will be increased by \$.0497 (the average budgeted cost of energy in the 2005 Commodity budget) per kilowatt-hour of additional retail energy sales to offset the cost of these sales.

(d) For purposes of Section 11891.6 of the Municipal Utility District Act, there shall be deemed added to each line item a 10 percent contingency. Demands against the District which relate to obligations incurred for each line item and are within such line item amount plus the 10 percent contingency may be paid without prior specific approval of this Board, provided the total of such payments during 2005 may not exceed the total budget amount of \$1,260,566,000 plus adjustments for weather hedge contracts and higher retail sales as set forth in paragraphs (b) and (c) above.

**Section 3.** Demands against the District may be paid without the prior specific approval of this Board if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the General Manager or someone to whom she has delegated such approval authority. It is the purpose and intent of this paragraph to delegate to the General Manager authority to make purchases, to negotiate and execute

contracts, and expend funds in any manner necessary or appropriate to the administration of the business affairs of the District, all within the amounts and for the purposes set forth above, and subject to the provisions of existing law and of all the duly passed resolutions of this Board, including the Board-approved delegations of authority.

**Section 4.** At monthly intervals the Treasurer shall transfer from the General Fund appropriate amounts into each of the various funds established to service the District's general obligation indebtedness, its Electric System Revenue Bond indebtedness, and its Electric Revenue Bond indebtedness in approximately equal installments as set forth in the tabulations on file with the Accountants.

**Section 5.** The number of permanent full-time employees during 2005 shall not exceed 2,193 employees plus a one percent contingency without further authorization of this Board.

**Section 6.** The Public Goods Charge as set forth in Resolution No. 97-02-05, adopted on February 6, 1997, shall be adjusted from 4.64 percent of 1994 revenues to 5.20 percent of 1994 revenues. The percentage allocation for the public goods charge expenditures as set forth in Resolution No. 97-02-05, adopted on February 6, 1997, as amended by Resolution Nos. 97-12-17, adopted December 18, 1997, and 98-11-10, adopted November 30, 1998, reaffirmed by Resolution No. 99-10-01, adopted October 7, 1999, and amended by Resolution No. 99-12-10, adopted December 2, 1999, and Resolution No. 00-12-10, adopted December 7, 2000, and Resolution No. 01-12-01 dated

December 6, 2001, and Resolution No. 02-12-17 dated December 19, 2002, and Resolution 03-12-13 dated December 4, 2003 shall be adjusted from 1.51 percent to 1.79 percent for low income assistance, and from 2.32 percent to 2.40 percent for energy efficiency, from .37 percent to .42 percent for new renewable generation, and from .44 percent to .59 percent for research and development. There shall be deemed added to each line item a 10 percent contingency. Demands against the District which relate to obligations incurred for each line item and are within such line item amount plus the 10 percent contingency may be paid without prior specific approval of this Board, provided the total of such payments during 2005 may not exceed the total public goods budget amount of \$34,042,000.

**Section 7.** The Accountant, on behalf of the District, is hereby authorized to transfer sufficient funds from the Rate Stabilization Fund in order to bring budgeted net income to 0.

Adopted: December 2, 2004

INTRODUCED BY DIRECTOR POSNER				
SECONDED BY DIRECTOR DAVIS				
DIRECTOR	AYE	NO	ABSTAIN	ABSENT
PATTERSON				X
SHIROMA	X			
POSNER	X			
SLATON	X			
KEAT	X			
CARR	X			
DAVIS	X			



# **Vision Statement**

Strategic Directive (SD-1A)

As a community-owned utility, SMUD's vision is to be a leader in customer satisfaction and a positive force in promoting community benefits.

# **Purpose Statement**

Strategic Directive (SD-1B)

SMUD's purpose is to provide solutions to meet our customers' electrical energy needs.



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# Strategic Directives

## Core Values - Strategically Essential for SMUD

- SD-2 Maintain Competitive Rates
- SD-3 Maintain Access to Credit Markets
- SD-4 Reliability - Meet Customer Load Demand
- SD-5 Maintain a high level of Customer Relations
- SD-6 Safety - Create a safe work environment for workers and customers

# Strategic Directives

## Core Values - Strategically Essential for SMUD

- SD-7 Environmental Protection through resource conservation and stewardship, pollution prevention, waste minimization and recycling, and environmental justice
- SD-8 Employee Relations - Maintain a high quality, diverse workplace in which employees treat one another with dignity and respect

## Strategic Directives

### Key Values - Provide Value-Added Services to SMUD Customers and Ratepayers

- SD-9 Achieve rate stability, improvements in local air quality, and the conservation of fossil fuels through an integrated Resource Planning and evaluation process
- a. Local environmental benefits – emphasize local and regional benefits over global benefits
  - b. Peak shaving – Lower the cost to serve our customers by reducing per customer peak usage

# Strategic Directives

## Key Values - Provide Value-Added Services to SMUD Customers and Ratepayers

### SD-9 Resource Planning *(continued)*

- c. **Renewable energy** – Meet 10% of the District's load with renewables by 2006 and 20% of its load with renewables by 2011
- d. **Clean distributed generation** – Develop and deploy cost effective, clean distributed generation
- e. **Market competitive energy efficiency** – In addition to Public Goods energy efficiency programs, invest in energy efficiency that is verifiable and cost effective

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## Strategic Directives

Key Values - Provide Value-Added Services to SMUD Customers and Ratepayers

SD-10 Invest in Research and Development projects that support core and key values, based on an analysis of the projects' relative risks and their potential benefits to SMUD customers

# Strategic Directives

## Core Values - Strategically Essential for SMUD

- SD-11 Local Control – Support for public power and preservation of local decision-making and control
  
- SD-12 Ethics – Maintain the public trust and confidence in the integrity and ethical conduct of the Board and District employees



**SMUD**

SACRAMENTO MUNICIPAL UTILITY DISTRICT

The Power To Do More.™

**DISTRICT SUMMARY**

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# **Strategic Directives – Major Initiatives**

## **District Purpose (SD-1)**

1. Evaluate Davis, West Sacramento, Woodland, and Yolo County Annexation feasibility

---

# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

### **CORE VALUE: SD-2 Competitive Rates**

1. Lower Energy Costs and Improve Efficiency
  - Completion of the Cosumnes Power Plant
  - Three-year Business Unit Plans that manage costs and meet targets
  
2. Retain System Flexibility
  - UARP Relicensing including pumped storage



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# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

### **CORE VALUE: SD-2 Competitive Rates *(continued)***

3. Reduce the Impact of Volatile Energy Markets
  - a. Manage Natural Gas Costs
    - Create a gas portfolio of diversified assets and contract terms
  - b. Manage Control Area Costs
    - Realize the benefits of SMUD's Control Area

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# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

**CORE VALUE:** SD-2 Competitive Rates *(continued)*

4. Monitor and Participate in Proceedings Influencing the Energy Market and Utility Regulatory Climate
  - Advocate positions consistent with District values

# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

### **CORE VALUE: SD-3 Access to Credit Markets**

1. Improve Customer Equity and Cash Flow
  - Establish rate levels consistent with equity goals
  
2. Maintain Strong Cash Reserves
  - Minimum unrestricted cash of \$75M
  - Rate Stabilization Fund of \$75M

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# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

**CORE VALUE: SD-3 Access to Credit Markets (continued)**

3. Minimize Unexpected Losses Through Energy Risk Management Practices
  - Ongoing programs to hedge market, weather, credit, operational and other identified risk exposures

# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

### **CORE VALUE: SD-4 Reliability**

1. Manage Supply and Electric Capacity to Maintain and Improve Reliability
  - a. Plan System with Sufficient Capacity to Meet Extreme Customer Demands
    - Cosumnes Power Plant Project
    - Additional system load serving capability by 2009
    - Evaluation of Cosumnes Phase II
    - Sutter Transmission Line (joint study)
    - Two-Way Radio Communications System Replacement
  - b. Operate Own Control Area and Maintain Sufficient Reliability Services

# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

**CORE VALUE: SD-4 Reliability** *(continued)*

2. Maintain Present Distribution Reliability and Manage System Outage Frequency and Duration
  - Improve Cable Reliability
  - Prioritize Distribution System Maintenance Expenditures
  - Utilize SDIT to Improve Efficiency
  - Prioritize Capital Improvements

---

# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

### **CORE VALUE: SD-5 Customer Relations**

1. Utilize Technology to Improve Communication with Customers
  - IVR and WEB Upgrades
  - Outage Management and the SDIT System
2. Provide Customers a Variety of Energy Solutions
  - Value Added Customer Services
  - Rate Alternatives



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# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

**CORE VALUE: SD-5 Customer Relations *(continued)***

3. Capture Customer Concerns and Address Future Customer Needs
  - Customer Surveys



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# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

### **CORE VALUE: SD-6 Safety**

1. Maintain a Safe Environment for Workers and Customers
  - Implement Safety Management Systems
  - Safety Initiatives that promote safe work environment

---

# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

**CORE VALUE:** SD-7 Environmental Protection

### 1. Improve the Local Environment

- Environmental Procurement Policy
- Promote “Zero Energy Home” Residential Communities
- Improve Air Quality

---

# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

**CORE VALUE:** SD-8 Employee Relations

1. Maintain a High Quality, Diverse Workplace
  - Recruit and Retain Employees to Ensure Diversity of Skills That Meet Customer Needs
  - Utilize New Technology to Improve Efficiency and Lower Costs
  - Improve Employee Health and Wellness to Moderate the Cost of Medical Coverage

---

# Strategic Directives – Major Initiatives

## Provide Value-Added Services to SMUD Customers and Ratepayers

### **KEY VALUE:** SD-9 Resource Planning

1. Reduce Power Supply Costs by Reducing Peak Demand and Energy
  - Develop additional peak load management programs
  - Develop Cost Effective Energy Efficiency

---

# Strategic Directives – Major Initiatives

## Provide Value-Added Services to SMUD Customers and Ratepayers

**KEY VALUE:** SD-9 Resource Planning *(continued)*

### 2. Diversify Energy Resources

- Start construction of additional 85MW to complete the 100MW wind project
- Evaluate renewable proposals and decide what portion of long term Renewable Portfolio Standards (RPS) goals are to be met by proposed projects
- Advance Clean Distributed Generation
- Continue leadership role in Solar Power

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# Strategic Directives – Major Initiatives

## Provide Value-Added Services to SMUD Customers and Ratepayers

**KEY VALUE: SD-9 Resource Planning *(continued)***

2. Reduce Impact of Fossil Fuel Consumption
  - Procure Renewable Resources to Achieve SMUDs Renewable Portfolio Standards (RPS) goals *(Key Value)*
  - Greenergy Rate Option



# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

### **CORE VALUE: SD-10 Research & Development**

- Support the development of technologies and programs to reduce fossil fuel consumption and improve the local environment.

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# Strategic Directives – Major Initiatives

## Achieving the Values and Outcomes

### **CORE VALUE: SD-11 Local Control**

1. Ensure public power systems can provide solutions that best meet the needs of the customers.
  - Encourage public participation
  - Preserve the benefits of public power for customers





# Other Major Initiatives

## Economic Development

The Board of Directors is currently reviewing where to focus economic development efforts. Staff is continuing with programs:

- Encourage Economic Growth through Business Expansion
- Provide Financing Options to Encourage Growth
- Supplier Diversity Outreach



# Board of Director's Performance Metrics Included in Strategic Directives

Strategic Directive	Metric	2004 Target	2004 Forecast	2005 Target
SD-2 Competitive Rates	<b>Competitive System Average Rates</b>	10% Below Pacific Gas & Electric	10% Below Pacific Gas & Electric	10% Below Pacific Gas & Electric
SD-3 Access to Credit Markets	<b>Equity Contribution to Total District Capitalization</b>	20% by the end of 2007	20% by the end of 2007	20% by the end of 2007
SD-4 Reliability	<b>Customer Load Demand Met through Use of its Generation Resources and Purchase Power Portfolio</b>	100%	100%	100%
SD-4 Reliability	<b>Overall availability of transmission assets</b>	>99%	100%	>99%
SD-4 Reliability	<b>Reliability Measures Length of Outages (SAIDI) and Frequency of Outages (SAIFI)</b>	SAIDI = 80.4 min SAIFI = 1.16	SAIDI = 83.2 min <sup>(5)</sup> SAIFI = 1.10	SAIDI = 80.4 min SAIFI = 1.16
SD-5 Customer Relations	<b>Customer Satisfaction Survey (1)</b>	95%	96%	95%
SD-6 Safety	<b>OSHA recordable incident rate, lost time incident rate, and preventable vehicle incident rate (2)</b>	OSHA=8.9 LTA=2.6 PVA=6.0	OSHA=10.5 LTA=2.0 PVA=6.8	OSHA=7.5 LTA= 2.2 PVA=5.1
SD-9 Resource Planning	<b>Per Customer Peak Usage (3)</b>	n/a	5.14 kW	TBD
SD-9 Resource Planning	<b>Renewable energy to meet SMUD's load (4)</b>	7.0%	7.5%	8.0%

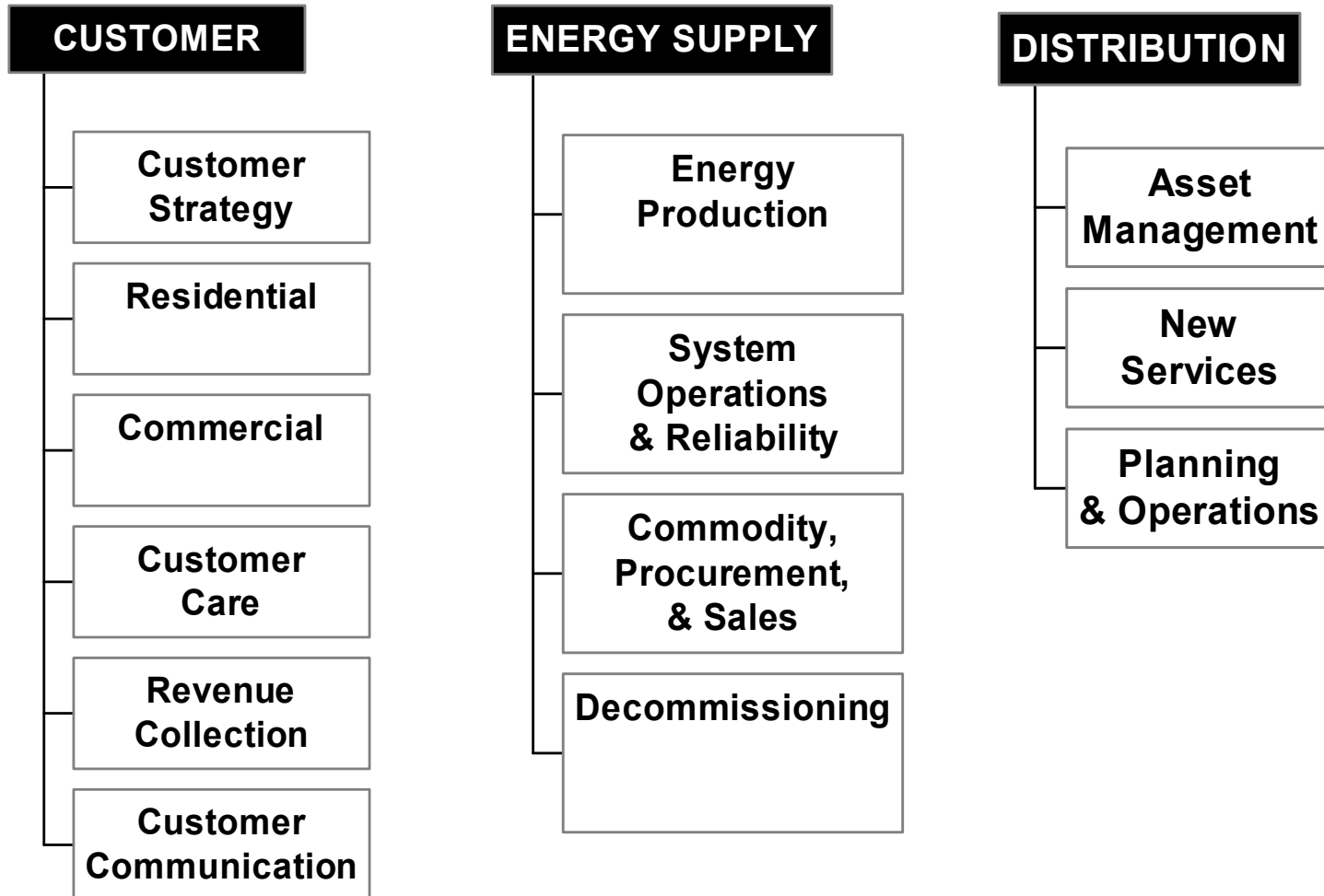
(1) Customer Satisfaction Survey (very satisfied/satisfied) comprised of New Service Design & Construction, Tree Trimming, Meter Services (Distribution BU), Residential Energy Efficiency Audits, and Contact Center New Connects (Customer BU)  
 (2) The five-year overall safety goal is: OSHA 5.8; LTA 1.7; PVA 3.9. 2005 is the third year of the five-year overall safety goal to reduce 2002 District safety incident rates by 50%.  
 (3) Normalized to a 106 degree summer day.  
 (4) Overall target 10% by 2006 and 20% by 2011.  
 (5) 2004 Forecast slightly higher than expected based on Jan/Feb storms.

# Other District Monitoring Metrics Used by Management

Strategic Directive	Metric	2004 Target	2004 Forecast	2005 Target
SD-2 Competitive Rates SD-3 Access to Credit Markets	<b>Non-commodity O&amp;M Actual vs. Budget (1)</b>	<= 100%	99%	<= 100%
SD-2 Competitive Rates SD-3 Access to Credit Markets	<b>Commodity \$/MWh of Energy Requirements (1)</b>	39.9	41.7	46.6
SD-2 Competitive Rates SD-3 Access to Credit Markets	<b>2005-2007 Operational Planning Targets (1)</b>	Meet 2005 Target	Met 2005 Target	Meet 2006 Target
SD-5 Customer Relations	<b>Contact Center Average Speed of Answer</b>	1:00 minute	40 seconds	1:00 minute
SD-5 Customer Relations	<b>New Service Cycle Time (2)</b>	Subdivision: Design: 70 days Construction: 6 weeks  Commercial: Design: 60 days Construction: 60 days	Subdivision: Design: 80 days Construction: 6 weeks  Commercial: Commitment: 60 days Construction: 60 days	Subdivision: Design: 80 days Construction: 6 weeks  Commercial: Commitment: 60 days Construction: 60 days
SD-7 Environmental Protection	<b>Emission reductions measured through GWh saved through Energy Efficiency and Solar Programs</b>	32.77 GWh	42.53 GWh	59.68 GWh
Economic Development <small>(strategic directive in progress)</small>	<b>Percent of Supplier Emerging Enterprise Development (SEED) contracts</b>	7.5%	8.0%	7.5%
Economic Development <small>(strategic directive in progress)</small>	<b>Percent of Equal Business Opportunity Program (EBOP) M/WBE Contract participation</b>	30%	>30%	30%
<p>(1) Supports Board metric for Equity Contribution Total District Capitalization to be 20% by the end of 2007.  (2) BIA/SMUD negotiated residential design lead time change from 70 to 80 days</p>				

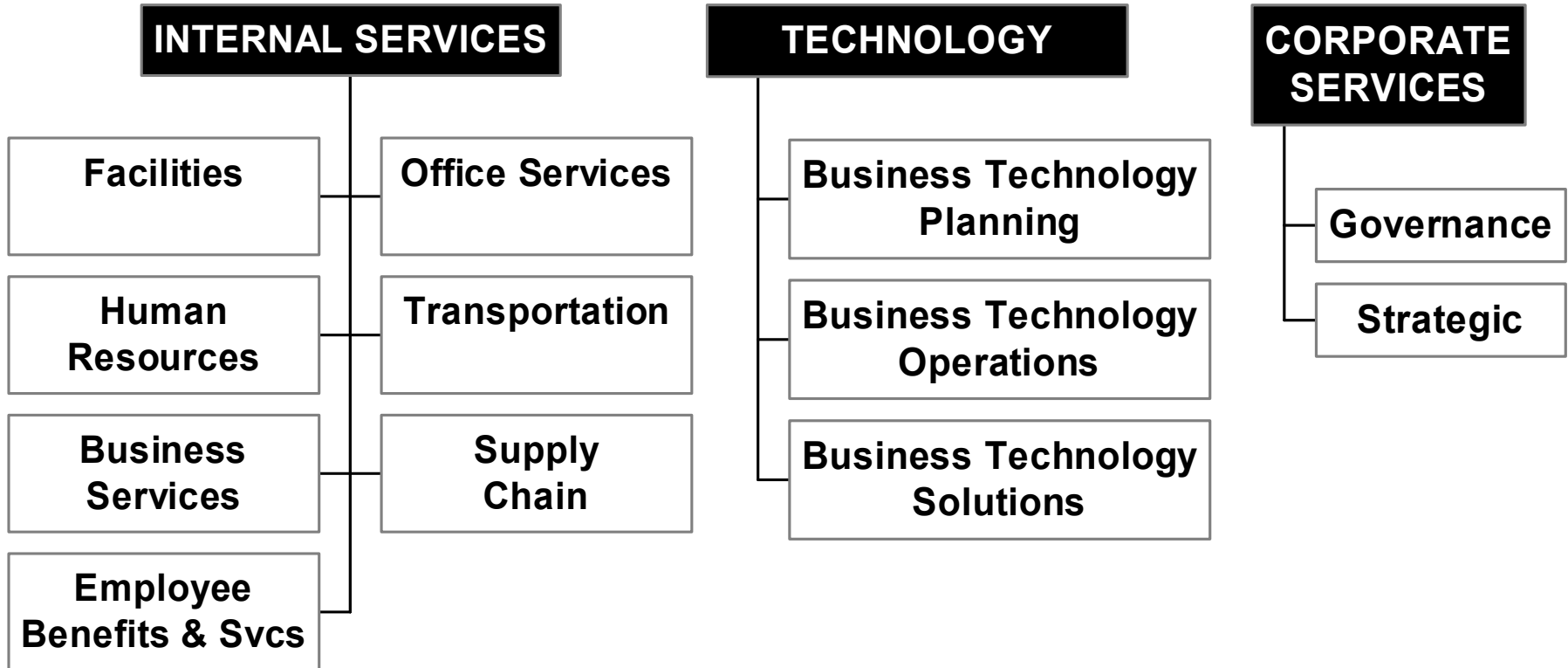
# Business Units & Segments

*Core Processes: 1) Acquire & Retain Customers; 2) Supply Energy; 3) Deliver Energy*

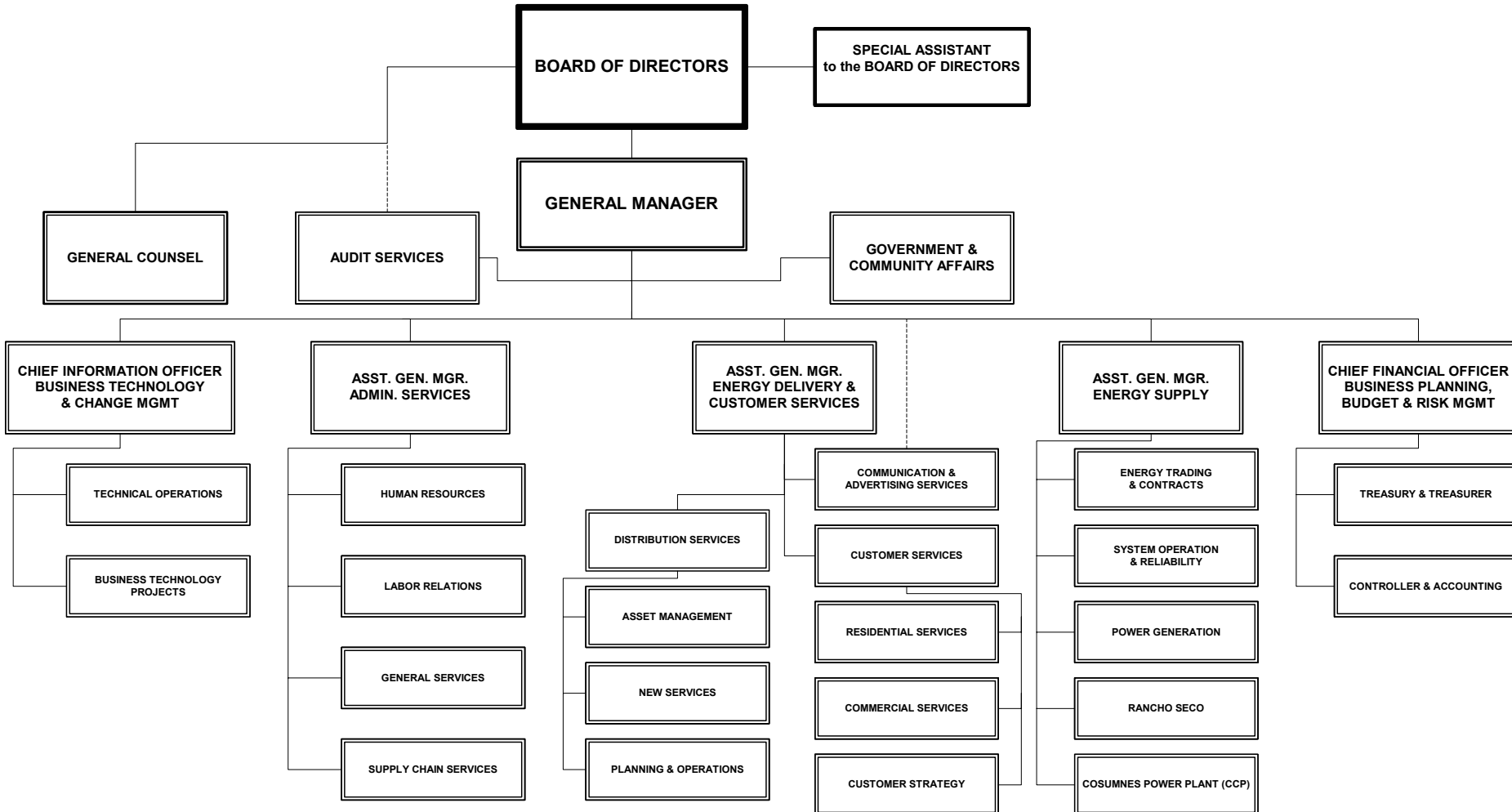


# Business Units & Segments

*Enabling Processes*

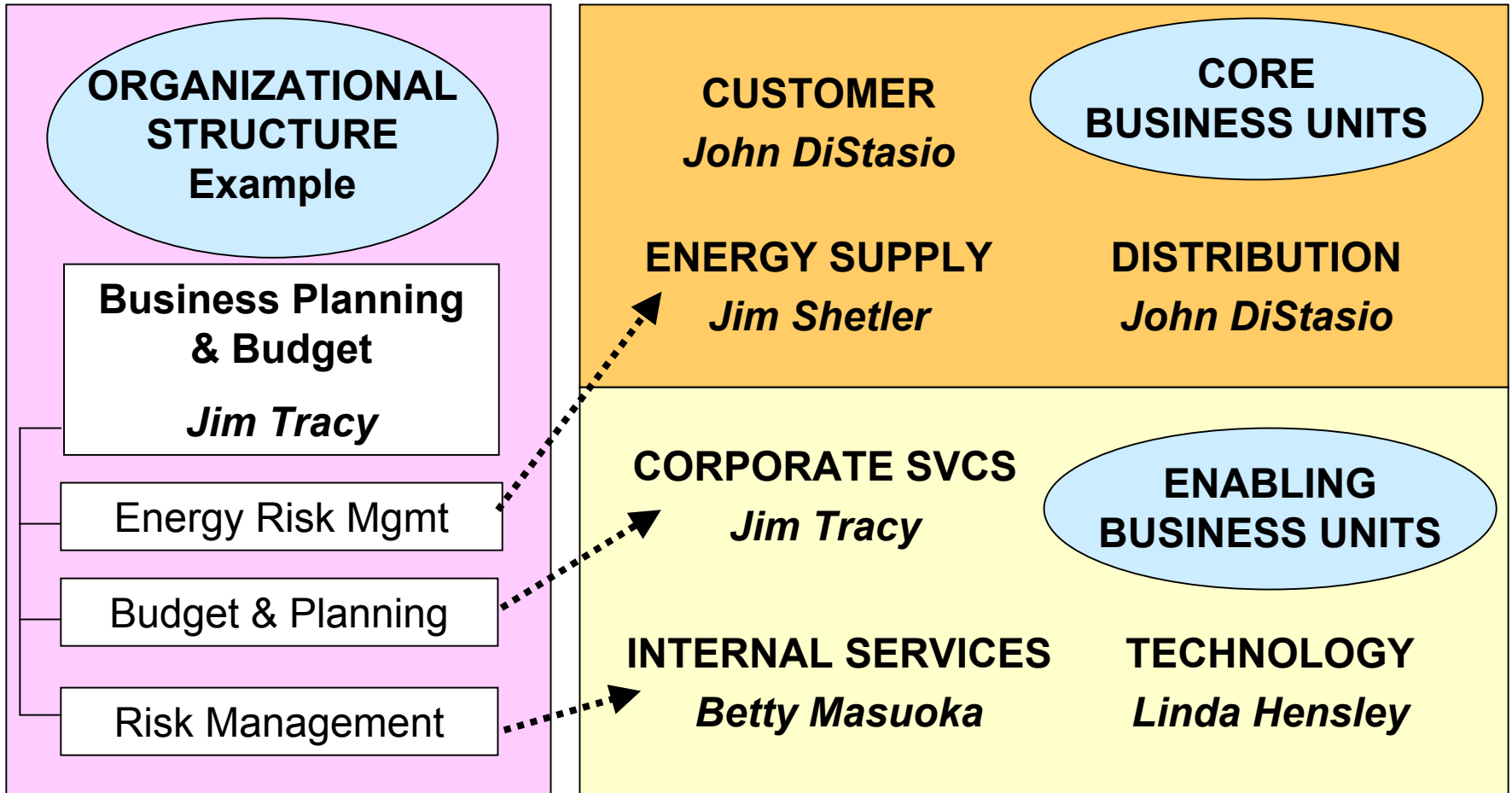


# Organization Chart



# DISTRICT BUDGET

The District Budget is summarized by Business Unit processes which in some cases differs from the organizational reporting structure.



## 2005 Economic Outlook and Assumptions

The planning data presented here is based on a recent update by the Budget & Business Planning Department.

The Sacramento region has enjoyed strong economic and population growth during 2003-4 although there has been stagnant employment growth. The recession is still having an impact on the San Francisco Bay Area, but has not been felt as hard in Sacramento. Even during the spring and summer of 2004, when job growth was flat in Sacramento, building activity was close to the highest level in the last decade. As the national and state economies continue to improve, the Sacramento region should continue to strengthen economically. One of the potential negatives is the effort to balance the State budget and its effect on local government employment.

New customers added to the District's customer base in 2005 are projected to total approximately 12,800. This equates to a 2.3 percent annual growth rate, which is on par with the recent past. Of the 2005 projection, 11,400 are residential customers and 1,400 commercial, industrial, and other.

	<b><u>2004</u></b> <b><u>BUDGET</u></b>	<b><u>2004</u></b> <b><u>FORECAST</u></b>	<b><u>2005</u></b> <b><u>BUDGET</u></b>
New residential customers	11,405	11,700	11,400
All other new customers	1,210	1,100	1,400
TOTAL new customers	12,615	12,800	12,800
Residential customers, end of year	503,880	502,800	514,200
All other customers, end of year	63,454	63,300	64,800
TOTAL customers, end of year	567,334	566,100	579,000



## 2005 Economic Outlook and Assumptions *(continued)*

Energy sales to customers is projected to increase 3.0 percent from the 2004 budget assumption. This increase in growth is a result of a higher projection of customer accounts, and our customers energy-conserving behavior and purchases are not quite as vigorous as three years ago.

Unmanaged Peak load is also forecasted to increase in 2005 to 2,953 MW, from a weather-normalized peak load of 2,864 MW in 2004.

	<b><u>2004 BUDGET</u></b>	<b><u>2005 BUDGET</u></b>
Billed energy sales (GWh)	10,025	10,325
Peak load (MW)	2,864	2,953

### **OTHER OPERATING ASSUMPTIONS**

#### **NUCLEAR PLANT DECOMMISSIONING:**

The District submitted to the Nuclear Regulatory Commission (NRC) in 1991 its plans for decommissioning Rancho Seco. Under the plans, the District will maintain the plant in safe storage until the year 2008. The transfer of spent nuclear fuel to dry storage was completed in 2002, and 2005 activities will focus on ongoing Safstor and incremental decommissioning.

## **2005 Economic Outlook and Assumptions *(continued)***

### INFLATION AND ESCALATION FACTORS:

The forecasted inflation factor for use where applicable in preparing the 2005 budget is 2.3%. The longer-term outlook (ten years) used in the business strategy update is slightly higher.

The cost-of-living (COLA) increase for District salaries and wages during 2005 is based on formulas contained in negotiated bargaining agreements. The COLA adjustment is tied to the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers - U.S. City Average. The 2005 labor COLA adjustment is assumed to be approximately 3%.

## **2005 Economic Outlook and Assumptions *(continued)***

### **2005 POWER SUPPLY ASSUMPTIONS**

The 2004-2005 Resource Operating Plan is the basis for the operating assumptions for the 2005 Budget. Compared to previous forecasts, 2005 is showing increasing natural gas prices and short-term energy prices, 25-30 percent higher than 2004 budgeted levels.

SMUD became a Control Area in June 2002 and now independently operates its power system. Beginning January 1, 2005 the Western Area Power Administration (WAPA) will be integrated into our Control Area, and we anticipate adding the California-Oregon Transmission Project (COTP) later in 2005. We are not subject to market disruptions that result from financially induced supply shortages for the Independent System Operator or investor-owned utilities. SMUD is still subject to certain ISO transmission fees for energy imported from outside our service territory, and these charges have been estimated in the 2005 Budget.

## **2005 Economic Outlook and Assumptions (*continued*)**

### **SMUD GENERATION**

SMUD Hydroelectric (Upper American River Project): The 2005 Plan assumes average rainfall and median generation - 1,704 GWh – which is lower than 2004 due to carryover.

Other SMUD Generation (Cosumnes Power Plant, McClellan Gas Turbine, Camp Far West, Photovoltaic, Solano Wind): The 2005 Plan assumes average generation subject to limitations governing operation of each plant. The 2005 Plan assumes energy from Cosumnes in November and December 2005.

CVFA Carson Cogeneration This gas-fired cogeneration project, which began commercial operation in October 1995, consists of a 57 MW combined cycle unit and a 42 MW peaking unit. Planned generation in 2005 is 416 GWh, up from 412 in 2004.

SCA Procter & Gamble Cogeneration This gas-fired cogeneration project, which began commercial operation in March 1999, consists of a 120 MW combined cycle power plant and a 44 MW peaking unit that became operational in May 2001. Planned generation in 2005 is 849 GWh, down from 872 in 2004.

SPA Campbell Soup Cogeneration. This gas-fired cogeneration project, which began commercial operation in November 1997, consists of a 159.6 MW combined cycle power plant. Planned generation in 2005 is 1,061 GWh, up from 1,136 in 2004.

## **2005 Economic Outlook and Assumptions (*continued*)**

### **PURCHASED POWER**

Western Area Power Administration (WAPA) / Central Valley Project (CVP): 2005 Plan assumes purchase of 361 MW of capacity and 909 GWh of energy at system load factor under existing power purchase agreement which expires December 31, 2005. A separate agreement provides 38 GWh for McClellan load.

Pacificorp: 2005 Plan assumes purchase of 100 MW of capacity and approximately 568 GWh of energy under an agreement which expires December 31, 2014.

Snohomish Public Utility District: Purchase of up to 42 MW of capacity and 240 GWh of energy under a power purchase agreement that began in 1995 and continues through September 2007.

Kiefer Landfill: Purchase of the 8.3 MW Kiefer landfill project energy output, totaling 76 GWh in 2005. The agreement began in 2001 and runs for fifteen years.

Duke Energy (Morgan Stanley): Purchase of 75 MW – 532 GWh under two separate contracts that began in 2001 and run through 2005 and 2006.

City of Klamath Falls: Purchase of 80 MW – 302 GWh under two agreements (one peaking) that run through 2011/2012.

PacifiCorp Power Marketing: Purchase of 300 MW – 1,396 GWh under four contracts (one peaking, one wind) that expire in 2010 through 2015.

CalPine. Purchase of 50 MW of geothermal energy – 438 GWh under an agreement signed in 2004 running five years.



**SMUD**

SACRAMENTO MUNICIPAL UTILITY DISTRICT

The Power To Do More.<sup>SM</sup>

## DISTRICT SUMMARY

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### **2005 Economic Outlook and Assumptions *(continued)***

The balance of energy requirements to meet forecasted sales to customers will be short-term purchases of energy, which will be delivered to the District under the South-of-Tesla agreement with PG&E (Southwest & California), or over the District's 330 MW share of the California-Oregon Transmission Project (Northwest). These purchases are coordinated through the District's membership in the Western Systems Power Pool (WSPP), which facilitates sales and exchanges among its 30 member utilities, and through market trading.

## **2005 Budget Summary**

The District's 2005 Budget summarized on the following pages is a blueprint of planned operating, public goods and debt service expenses, capital expenditures and net loans for the fiscal year beginning January 1, 2005. Historical comparisons to the 2004 Budget adopted by the Board on December 4, 2003 are shown to put the 2005 Budget in perspective. A forecast of actual 2004 expenses is also shown.

Beginning with the 2001 Budget, the O&M and Capital Budgets have been shown by Business Unit rather than organizationally. The District's Business Units correspond to business processes which deliver specific products and services to District customers. The core business processes are represented by the Customer, Energy Supply and Distribution Business Units. Included within Energy Supply and Customer are Public Good costs related to energy efficiency, low income assistance, renewable generation and research and development. These costs are shown separately because they are funded by the Public Goods Charge component of District rates. The Technology, Internal Services and Corporate Services Business Units provide services which enable the other business units to perform their work. The change in planning and budgeting philosophy is to more accurately plan and measure the total cost of the District's business processes and set performance improvement targets for the processes and Business Units that will most efficiently accomplish strategic goals. This budgeting methodology also most efficiently allocates and plans resources from throughout the District to the Business Units and work processes.

Within each Business Unit budget, work processes are subdivided into business segments and individual business processes. Budget detail is provided at both levels. Business segments and processes enable each business unit to effectively plan and measure performance of its operations at a manageable level.

## **2005 Budget Summary (*continued*)**

The budgeted costs shown under each core Business Unit include all the costs of performing the work planned for 2005. These include labor costs from departments throughout the District which perform work in the core business processes. Labor costs include employee benefits, and also an allocation of internal service costs such as transportation, facilities, technology, human resources, and office services based on each department's usage of these services. Net costs budgeted by Technology, Internal Services and Corporate Services represent those process costs that are not allocated to the core business units, such as software training and data conversion, insurance and risk management, cash and debt management, and corporate legal, government affairs, budget and business planning, management and Board of Directors.

The 2005 Budget includes the following major components:

**OPERATING EXPENSES:** Expenses related to producing and acquiring energy, operating and maintaining the electrical delivery system, providing service to customers including public goods (energy efficiency, low income assistance, new renewable generation sources, and research and development of advanced technologies) programs, corporate activities, and costs related to decommissioning Rancho Seco. Included within this category as a separate line item are commodity costs associated with energy supply. These costs include purchased power, fuel for energy production, and transmission wheeling costs.

Also included under Energy Supply are fuel, operating and interest expense associated with CVFA's Carson Cogeneration plant, SCA's Procter & Gamble plant and SPA's Campbell Soup Cogeneration plant. These expenses are shown in the SMUD Budget because SMUD will reimburse CVFA, SCA and SPA for their costs under the terms of the Power Purchase Agreements. The detail CVFA, SCA and SPA Budgets are also in separate booklets as they will be approved by the CVFA, SCA and SPA Commissions.

**DEBT SERVICE:** Interest expense on and principal repayments of the District's outstanding long-term debt and commercial paper notes, and trustee fees and debt issuance costs. Detail is provided in the Budget Summary.





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## 2005 Budget Summary (*continued*)

**CAPITAL INVESTMENT:** Investment in additions and improvements to the District's property, plant and equipment. The Capital Investment budget includes all qualifying costs related to acquiring or constructing physical assets which meet the District's capitalization guidelines - cost exceeding \$500 and an estimated service life of at least two years. The District follows Federal Energy Regulatory Commission (FERC) capitalization guidelines which dictate the inclusion of all direct costs (labor, employee benefits, materials, services and other) and a proportionate share of indirect costs (engineering and construction supervision and support, transportation, insurance, etc.) related to capital projects. Capital assets are depreciated to expense on a straight-line basis over their estimated useful service life.



**2005 O&M Budget Summary**  
(\$ 000s)

O&M	2004 Budget	2004 Forecast	2005 Proposed	\$ Change	% Change
<i>Customer (other)</i>	65,075	64,854	67,515	2,440	4%
<i>Public Good</i>	28,175	28,167	30,826	2,650	9%
<b>Customer (total)</b>	<b>\$ 93,250</b>	<b>\$ 93,021</b>	<b>\$ 98,340</b>	<b>\$5,090</b>	<b>5%</b>
<b>Distribution</b>	<b>\$ 50,781</b>	<b>\$ 49,420</b>	<b>\$ 53,886</b>	<b>\$3,105</b>	<b>6%</b>
<i>Commodity (net)</i>	* 426,093	* 448,833	513,494	87,401	21%
<i>Energy Supply (other)</i>	81,646	81,828	87,406	5,760	7%
<i>Decommissioning</i>	9,934	10,377	11,006	1,072	11%
<i>Public Good</i>	2,248	2,181	3,217	969	43%
<b>Energy Supply (total)</b>	<b>\$ 519,922</b>	<b>\$ 543,219</b>	<b>\$ 615,123</b>	<b>\$95,201</b>	<b>18%</b>
<i>Internal Svcs (unallocated)</i>	\$ 12,839	\$ 11,498	\$ 11,544	(\$1,295)	-10%
<i>Technology (unallocated)</i>	\$ 2,426	\$ 1,851	\$ 3,267	\$840	35%
<b>Corporate Services</b>	<b>\$ 13,687</b>	<b>\$ 12,965</b>	<b>\$ 13,410</b>	<b>(\$277)</b>	<b>-2%</b>
<b>Decommissioning Contribution</b>	<b>\$ 27,000</b>	<b>\$ 27,000</b>	<b>\$ 27,000</b>	<b>\$0</b>	<b>0%</b>
<b>TOTAL O&amp;M</b>	<b>\$ ** 719,905</b>	<b>\$ ** 738,974</b>	<b>\$ 822,570</b>	<b>\$ 102,666</b>	<b>14%</b>
<b>TOTAL Public Good</b>	<b>\$ 30,423</b>	<b>\$ 30,348</b>	<b>\$ 34,042</b>	<b>\$ 3,619</b>	<b>12%</b>

\*2004 Budget/Forecast excludes one-time adjustment of \$19.2 million for Administrative Law Judge decision at FERC on PG&E scheduling.

\*\*2004 Budget/Forecast on this table excludes approximately \$900K due to O&M expenses reclassified to allocated costs beginning in 2005.



# Description of Cost Elements

<b>Activity Type Labor</b>	District employee labor planned directly to a business unit work process. Each Activity Type has a standard hourly charge-out rate that is based on productive (non-leave) hours, average annual employee salaries, and includes benefits.
<b>Cost Center Surcharge</b>	A rate developed to recover the indirect costs of a Cost Center. Includes Activity Type labor for administration, supervision, training, and miscellaneous general expenses such as office supplies and travel and an allocation of internal service costs such as transportation and technology. It is assessed as a percentage of Activity Type Labor planned directly to the work.
<b>Material &amp; Equipment</b>	Materials and equipment either issued from inventory or purchased for a specific project or task.
<b>Material &amp; Warehouse Surcharge</b>	A rate developed to recover the cost of procuring, storing, and handling materials and equipment. It is assessed relative to the cost of the materials or equipment and whether issued from inventory or purchased specifically for a project or task
<b>Other Expenses</b>	All services and other non-material costs not covered by other specific cost elements. This includes insurance, training, travel, rents, leases, advertising, etc.
<b>Utilities &amp; Postage</b>	The cost of telephones, other utilities and postage.
<b>Rebates &amp; Incentives</b>	The cost of energy efficiency rebates and incentives.
<b>Commodities</b>	The cost of purchased power, wheeling, and fuel for District and JPA generating plants.
<b>Surplus/Wholesale Power Sales</b>	The revenue generated from selling energy which is not needed to meet District retail load.
<b>Outside Services</b>	The cost of outside services contracts, consultants, and outside legal service
<b>Contract Services Surcharge</b>	A rate developed to recover the costs of procuring outside service agreements (excluding outside legal service.) It is assessed relative to the contract amount.
<b>Cost Reduction/ Reimbursements</b>	Reimbursements, cost-sharing grants, or pass-through amounts received from outside parties to reduce net costs.
<b>LI/Med Rate Discount</b>	The discount given to customers who qualify for the Low Income or Medical Energy Discount (MED) rate subsidy.
<b>Corporate Allocation</b>	Miscellaneous general and administrative District expenses including insurance and risk management, cash management, debt management, and other. Allocated to capital and public good projects based on a flat District-wide percentage of direct activity type labor.

**2005 O&M Budget Cost Element Summary \***  
(\$ 000s)

O&M	2004 Budget	2004 Forecast	2005 Proposed	\$ Change	% Change
Activity Type Labor	\$ 125,850	\$ 123,777	\$ 135,287	\$ 9,437	7%
Cost Center Surcharge	81,313	79,074	86,996	5,682	7%
Material & Equipment	11,040	9,943	9,597	(1,443)	-13%
Material & Warehouse Surcharge	688	742	566	(121)	-18%
Other Expenses	22,725	20,655	22,568	(158)	-1%
Utilities & Postage	5,879	5,887	6,042	163	3%
Rebates & Incentives	4,502	6,012	6,379	1,877	42%
Commodities	** 521,845	** 496,286	561,638	39,793	8%
Surplus/Whsl Pwr Sales	(95,752)	(47,453)	(48,144)	48,166	-50%
Outside Services	62,301	60,560	65,144	2,843	5%
Contract Services Surcharge	864	875	937	73	8%
Cost Reduction/Reimbursements	(8,723)	(6,941)	(7,659)	1,064	-12%
LI/MED Rate Discount	7,480	7,415	8,688	1,208	16%
Corporate Allocation	433	425	425	(8)	-2%
<b>O&amp;M Subtotal</b>	<b>\$ 740,445</b>	<b>\$ 757,258</b>	<b>\$ 848,464</b>	<b>\$ 108,019</b>	<b>15%</b>
Int Svc Allocated to Business Units	(38,201)	(36,693)	(41,208)	(3,007)	8%
Tech Allocated to Business Units	(26,755)	(25,806)	(28,195)	(1,440)	5%
JPA Interest	17,416	17,216	16,509	(907)	-5%
Decommissioning Contribution	27,000	27,000	27,000	0	0%
<b>O&amp;M Total</b>	<b>\$ *** 719,905</b>	<b>\$ *** 738,974</b>	<b>\$ 822,570</b>	<b>\$ 102,666</b>	<b>14%</b>
<b>Revenue</b>	<b>\$ (3,778)</b>	<b>\$ (4,859)</b>	<b>\$ (4,994)</b>	<b>\$ (1,215)</b>	<b>32%</b>

\*Includes Public Good

\*\*2004 Budget/Forecast excludes one-time adjustment of \$19.2 million for Administrative Law Judge decision at FERC on PG&amp;E scheduling.

\*\*\*2004 Budget/Forecast on this table excludes approximately \$900K due to O&amp;M expenses reclassified to allocated costs beginning in 2005.



<b>District Public Good Summary (\$ 000s)</b>	<b>2004 Budget</b>	<b>2004 Forecast</b>	<b>2005 Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
Energy Efficiency	\$ 15,177	\$ 14,565	\$ 15,747	\$ 569	3.8%
Residential Assistance	\$ 9,906	\$ 9,909	\$ 11,712	\$ 1,805	18.2%
Solar Program	\$ 2,454	\$ 3,072	\$ 2,733	\$ 280	11.4%
Research & Development	\$ 2,886	\$ 2,802	\$ 3,851	\$ 965	33.4%
<b>TOTAL</b>	<b>\$ 30,423</b>	<b>\$ 30,348</b>	<b>\$ 34,042</b>	<b>\$ 3,619</b>	<b>11.9%</b>

- 2005 Proposed Budget includes \$574K escalation and \$1.8M increase in Residential Assistance per Board Resolution No.01-10-02
- Addition of \$590K to offset effect of PERS contribution
- One-time increase of \$1M to support critical projects: Dairy Digester and Zero Energy Homes
- Number of participating customers in Residential Assistance increased 16%
- Proposed Budget does not include additional money for recently approved directive for Energy Efficiency Programs



<b>2005 Public Good*</b> (\$ 000s)			
<b>Business Unit Summary</b>	<b>Customer Business Unit</b>	<b>Energy Supply Business Unit</b>	<b>Total</b>
Energy Efficiency	\$ 15,747	\$ -	\$ 15,747
Residential Assistance	\$ 11,712	\$ -	\$ 11,712
Solar Program	\$ 1,622	\$ 1,112	\$ 2,733
Research & Development	\$ 1,746	\$ 2,105	\$ 3,851
<b>Total</b>	<b>\$ 30,826</b>	<b>\$ 3,217</b>	<b>\$ 34,042</b>
<i>*Specific Public Good information is provided within the Customer and Energy Supply Business Unit</i>			

**2005 Capital & Net Loans Budget Summary**

(\$ 000s)

<b>Capital</b>	<b>2004 Budget</b>	<b>2004 Forecast</b>	<b>2005 Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
Customer	\$ 6,020	\$ 4,725	\$ 6,587	\$ 567	9%
Distribution	68,303	68,302	66,778	(1,525)	-2%
Energy Supply	66,487	61,957	57,962	(8,525)	-13%
Energy Supply <i>(CPP, Wind, Rosa)</i>	158,523	167,332	107,295	(51,228)	-32%
Internal Services	11,908	12,030	15,714	3,806	32%
Technology	37,478	23,495	21,647	(15,831)	-42%
<b>TOTAL CAPITAL</b>	<b>\$ 348,718</b>	<b>\$ 337,840</b>	<b>\$ 275,982</b>	<b>\$ (72,735)</b>	<b>-21%</b>
<b>TOTAL NET LOANS</b>	<b>\$7,500</b>	<b>\$3,500</b>	<b>\$3,000</b>	<b>(\$4,500)</b>	<b>-60%</b>

**2005 Capital & Net Loans Budget Cost Element Summary**  
(\$000s)

<b>Capital</b>	<b>2004 Budget</b>	<b>2004 Forecast</b>	<b>2005 Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
Activity Type Labor	\$ 41,833	\$ 41,339	\$ 44,202	\$ 2,369	6%
Cost Center Surcharge	25,132	25,545	27,674	2,542	10%
Material & Equipment	52,278	47,501	80,159	27,881	53%
Material & Warehouse Surcharge	5,212	4,648	4,511	(701)	-13%
Other Expenses	16,424	14,227	15,902	(522)	-3%
Utilities & Postage	21	22	20	(1)	-5%
Rebates & Incentives	0	0	0	0	0%
Commodities	0	0	0	0	0%
Outside Services	235,112	218,611	130,375	(104,738)	-45%
Contract Services Surcharge	2,431	2,876	2,133	(298)	-12%
Cost Reduction/Reimbursements	(31,974)	(19,203)	(31,432)	543	-2%
Corporate Allocation	2,247	2,273	2,436	189	8%
<b>Capital Subtotal</b>	<b>\$ 348,718</b>	<b>\$ 337,840</b>	<b>\$ 275,982</b>	<b>\$ (72,735)</b>	<b>-21%</b>
Net Loans	7,500	3,500	3,000	(4,500)	-60%
<b>Capital &amp; Net Loans</b>	<b>\$ 356,218</b>	<b>\$ 341,340</b>	<b>\$ 278,982</b>	<b>\$ (77,235)</b>	<b>-22%</b>





District Summary	2004 Approved Positions	2005 Positions Planned	Net Increase/ Decrease
<b>Corporate Services</b>			
Full-Time	56	58	2
Other	10	9	(1)
<b>Subtotal</b>	<b>66</b>	<b>67</b>	<b>1</b>
<b>Customer</b>			
Full-Time	580	578	(2)
Other	73	62	(11)
<b>Subtotal</b>	<b>653</b>	<b>640</b>	<b>(13)</b>
<b>Distribution</b>			
Full-Time	632	659	27
Other	37	33	(4)
<b>Subtotal</b>	<b>669</b>	<b>692</b>	<b>23</b>
<b>Energy Supply</b>			
Full-Time	310	314	4
Other	68	60	(8)
<b>Subtotal</b>	<b>378</b>	<b>374</b>	<b>(4)</b>
<b>Internal Services</b>			
Full-Time	390	391	1
Other	19	22	3
<b>Subtotal</b>	<b>409</b>	<b>413</b>	<b>4</b>
<b>Technology</b>			
Full-Time	201	193	(8)
Other	12	12	0
<b>Subtotal</b>	<b>213</b>	<b>205</b>	<b>(8)</b>
<b>District Total</b>			
Full-Time	2169	2193	24
Other	219	198	(21)
<b>TOTAL</b>	<b>2388</b>	<b>2391</b>	<b>3</b>

- Included in the 2005 Budgeted Positions: 7 WAPA Control Area positions (*mostly funded by WAPA*) and 18 apprentice positions for critical skills development: electrical and line workers, meter and electrical technicians, network cable splicers, and distribution system operators



<b>LABOR SUMMARY \$000's</b>	<b>2004 Budget</b>	<b>2005 Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
Regular Labor <i>(includes paid leave)</i>	\$152,586	\$157,589	\$5,004	3.3%
Overtime Labor	8,726	8,942	216	2.5%
<b>TOTAL Labor</b>	<b>\$161,311</b>	<b>\$166,531</b>	<b>\$5,220</b>	<b>3.2%</b>
<i>*Employee Benefits information is covered at the end of the Internal Services Business Unit documentation</i>				

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## 2005 Debt Service Budget

The following schedules depict the 2005 Budget for Debt Service. The District issues Electric Revenue Bonds and Commercial Paper Notes to finance long-lived capital assets. The Debt Service Budget includes accrued interest expense on outstanding Electric Revenue Bonds and Commercial Paper Notes, net of any swap revenues tied to specific debt issues, amortization of issuance costs and gain or loss on refundings that were deferred for recovery over the term of the debt, scheduled principal repayments of Bonds and Commercial Paper, trustee fees associated with administration of debt service payments, and issuance costs associated with planned new debt issues.

Revenue Bond Interest and Amortization totals \$106.4 million in the 2005 Budget, a \$3.3 million increase over 2004. The increase is due to a new debt issue of \$115 million in 2004.

Commercial Paper Interest totals \$2.9 million in the 2005 Budget, a decrease of \$.6 million from 2004. Commercial paper is being used to finance Cosumnes Power Plant construction until a project financing is completed.

Scheduled principal repayments of revenue bonds and commercial paper notes total \$58.3 million in 2005, a \$24.7 million increase over 2004. The increase is because \$27 million of repayments originally scheduled in 2004 were eliminated when the bonds were retired early in November 2003.

Trustee Fees of \$150,000 are slightly lower than the 2004 Budget.

Bond Issuance Costs of \$250,000 included in the 2005 Budget are for SMUD labor, travel, rating agency fees, legal and auditor support and other costs associated with a revenue bond offering planned for early 2006.

<b>Debt Service Summary (\$000's)</b>	<b>2004 Budget</b>	<b>2004 Forecast</b>	<b>2005 Proposed</b>	<b>% Change Proposed to Budget</b>
<b><u>DESCRIPTION</u></b>				
REVENUE BOND INTEREST NET <sup>1</sup>	98,386	102,587	102,138	3.81%
AMORTIZATION <sup>2</sup>	4,683	4,683	4,229	-9.69%
<b>NET REVENUE BOND INTEREST AND AMORT</b>	<b>103,069</b>	<b>107,270</b>	<b>106,367</b>	<b>3.20%</b>
COMMERCIAL PAPER INTEREST <sup>3</sup>	3,542	785	2,937	-17.08%
<b>TOTAL INTEREST EXPENSE</b>	<b>106,611</b>	<b>108,055</b>	<b>109,304</b>	<b>2.53%</b>
PRINCIPAL	33,645	33,645	58,265	73.18%
TRUSTEE FEES	200	75	150	-25.00%
BOND ISSUANCE COSTS	250	335	250	0.00%
<b>TOTAL BUDGETED DEBT SERVICE</b>	<b>140,706</b>	<b>142,110</b>	<b>167,969</b>	<b>19.38%</b>
<sup>1</sup> Includes all debt-related swap payments and is net of swap revenue. Includes variable rate subordinate debt. Variable rate assumed to be 2.39% including marketing and other fees.				
<sup>2</sup> Amortization of bond issuance costs, premiums and discounts and gain or loss on refundings.				
<sup>3</sup> Assumes an interest rate of 2.8% (including all related fees) on average commercial paper balance of \$104 million.				



SUMMARY OF DEBT SERVICE ON EXISTING SMUD BOND ISSUES (\$000'S)						
Date Issued	Issue	1/1/2005 Principal Balance	Issued Interest Rate	Final Maturity Date	2005 Scheduled Principal Payment	2005 Interest Expense
Jun-92	<i>Series A (Refunding)</i>	18,395	6.25%	2009	-	1,150
Oct-93	<i>Series G (Refunding)</i>	27,495	6.50%	2013	-	1,787
Apr-96	<i>Series J</i>	6,200	5.25% to 5.40%	2011	-	330
Jun-97	<i>Series K<sup>1</sup></i>	131,030	5.25% to 5.90%	2024	-	7,196
Jul-97	<i>Series L (Refunding)</i>	183,650	5.00% to 5.20%	2022	-	9,403
Jun-01	<i>Series N</i>	131,085	5.00%	2028	-	6,554
Jun-01	<i>Series O (Refunding)</i>	78,730	4.00% to 5.25%	2024	-	3,988
Sep-01	<i>Series P (Refunding)</i>	76,585	4.00% to 5.25%	2023	-	3,903
Aug-04	<i>Series Q</i>	130,525	3.00% to 5.25%	2028	3,770	6,162
Jun-03	<i>Series R</i>	481,275	2.50% to 5.00%	2033	3,435	22,930
Aug-03	<i>Series S</i>	331,170	5.00% to 6.00%	2020	50,635	16,682
May-04	<i>Series T</i>	130,950	2.50% to 5.50%	2030	-	6,672
	Total Revenue Bonds	<u>1,727,090</u>			<u>57,840</u>	<u>86,757</u>
	Subordinated Electric Revenue Bonds					
Nov-85	<i>1984 Refunding Series</i>	24,575	8.00%	2010	-	1,966
Jul-01	<i>Series A</i>	51,175	Variable	2024	-	1,224
Jul-01	<i>Series B (Refunding)<sup>2</sup></i>	22,500	Variable	2008	-	588
Aug-02	<i>Series C (Refunding)<sup>3</sup></i>	40,000	Variable	2018	-	957
Aug-02	<i>Series D (Refunding)<sup>3</sup></i>	60,000	Variable	2018	-	1,436
Aug-02	<i>Series E (Refunding)<sup>3</sup></i>	59,100	Variable	2018	-	1,414
Aug-02	<i>Series F (Refunding)<sup>3</sup></i>	55,000	Variable	2018	-	1,316
Aug-02	<i>Series G (Refunding)<sup>3</sup></i>	55,000	Variable	2018	-	1,316
Jul-03	<i>Series H (Refunding)<sup>4</sup></i>	55,750	Variable	2028	225	1,332
Jul-03	<i>Series I (Refunding)<sup>4</sup></i>	55,750	Variable	2028	200	1,332
	SubTotal	<u>478,850</u>			<u>425</u>	<u>12,881</u>
	Total Outstanding Bonds and Notes	<u>\$2,205,940</u>	Principal & Interest Payments		<u>\$58,265</u>	<u>\$99,638</u>
	Swap Payments and Revenue					\$2,501
	<b>Total Electric Revenue Bonds</b>				<b>\$58,265</b>	<b>\$102,139</b>

<sup>1</sup> Swapped to a variable rate for the life of the debt.  
<sup>2</sup> Rate synthetically fixed via interest rate swap at 4.5%.  
<sup>3</sup> Rate synthetically fixed via interest rate swap at 4.345%.  
<sup>4</sup> Rate synthetically fixed via interest rate swap at 2.894%.

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## 2005 Debt Service Budget

The following schedules depict the 2005 Budget for Debt Service. The District issues Electric Revenue Bonds and Commercial Paper Notes to finance long-lived capital assets. The Debt Service Budget includes accrued interest expense on outstanding Electric Revenue Bonds and Commercial Paper Notes, net of any swap revenues tied to specific debt issues, amortization of issuance costs and gain or loss on refundings that were deferred for recovery over the term of the debt, scheduled principal repayments of Bonds and Commercial Paper, trustee fees associated with administration of debt service payments, and issuance costs associated with planned new debt issues.

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Trustee Fees of \$150,000 are slightly lower than the 2004 Budget.

Bond Issuance Costs of \$250,000 included in the 2005 Budget are for SMUD labor, travel, rating agency fees, legal and auditor support and other costs associated with a revenue bond offering planned for early 2006.

<b>Debt Service Summary (\$000's)</b>	<b>2004 Budget</b>	<b>2004 Forecast</b>	<b>2005 Proposed</b>	<b>% Change Proposed to Budget</b>
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COMMERCIAL PAPER INTEREST <sup>3</sup>	3,542	785	2,937	-17.08%
<b>TOTAL INTEREST EXPENSE</b>	<b>106,611</b>	<b>108,055</b>	<b>109,304</b>	<b>2.53%</b>
PRINCIPAL	33,645	33,645	58,265	73.18%
TRUSTEE FEES	200	75	150	-25.00%
BOND ISSUANCE COSTS	250	335	250	0.00%
<b>TOTAL BUDGETED DEBT SERVICE</b>	<b>140,706</b>	<b>142,110</b>	<b>167,969</b>	<b>19.38%</b>
<sup>1</sup> Includes all debt-related swap payments and is net of swap revenue. Includes variable rate subordinate debt. Variable rate assumed to be 2.39% including marketing and other fees.				
<sup>2</sup> Amortization of bond issuance costs, premiums and discounts and gain or loss on refundings.				
<sup>3</sup> Assumes an interest rate of 2.8% (including all related fees) on average commercial paper balance of \$104 million.				



SUMMARY OF DEBT SERVICE ON EXISTING SMUD BOND ISSUES (\$000'S)						
Date Issued	Issue	1/1/2005 Principal Balance	Issued Interest Rate	Final Maturity Date	2005 Scheduled Principal Payment	2005 Interest Expense
Jun-92	<i>Series A (Refunding)</i>	18,395	6.25%	2009	-	1,150
Oct-93	<i>Series G (Refunding)</i>	27,495	6.50%	2013	-	1,787
Apr-96	<i>Series J</i>	6,200	5.25% to 5.40%	2011	-	330
Jun-97	<i>Series K<sup>1</sup></i>	131,030	5.25% to 5.90%	2024	-	7,196
Jul-97	<i>Series L (Refunding)</i>	183,650	5.00% to 5.20%	2022	-	9,403
Jun-01	<i>Series N</i>	131,085	5.00%	2028	-	6,554
Jun-01	<i>Series O (Refunding)</i>	78,730	4.00% to 5.25%	2024	-	3,988
Sep-01	<i>Series P (Refunding)</i>	76,585	4.00% to 5.25%	2023	-	3,903
Aug-04	<i>Series Q</i>	130,525	3.00% to 5.25%	2028	3,770	6,162
Jun-03	<i>Series R</i>	481,275	2.50% to 5.00%	2033	3,435	22,930
Aug-03	<i>Series S</i>	331,170	5.00% to 6.00%	2020	50,635	16,682
May-04	<i>Series T</i>	130,950	2.50% to 5.50%	2030	-	6,672
	Total Revenue Bonds	<u>1,727,090</u>			<u>57,840</u>	<u>86,757</u>
	Subordinated Electric Revenue Bonds					
Nov-85	<i>1984 Refunding Series</i>	24,575	8.00%	2010	-	1,966
Jul-01	<i>Series A</i>	51,175	Variable	2024	-	1,224
Jul-01	<i>Series B (Refunding)<sup>2</sup></i>	22,500	Variable	2008	-	588
Aug-02	<i>Series C (Refunding)<sup>3</sup></i>	40,000	Variable	2018	-	957
Aug-02	<i>Series D (Refunding)<sup>3</sup></i>	60,000	Variable	2018	-	1,436
Aug-02	<i>Series E (Refunding)<sup>3</sup></i>	59,100	Variable	2018	-	1,414
Aug-02	<i>Series F (Refunding)<sup>3</sup></i>	55,000	Variable	2018	-	1,316
Aug-02	<i>Series G (Refunding)<sup>3</sup></i>	55,000	Variable	2018	-	1,316
Jul-03	<i>Series H (Refunding)<sup>4</sup></i>	55,750	Variable	2028	225	1,332
Jul-03	<i>Series I (Refunding)<sup>4</sup></i>	55,750	Variable	2028	200	1,332
	SubTotal	<u>478,850</u>			<u>425</u>	<u>12,881</u>
	Total Outstanding Bonds and Notes	<u>\$2,205,940</u>	Principal & Interest Payments		<u>\$58,265</u>	<u>\$99,638</u>
	Swap Payments and Revenue					\$2,501
	<b>Total Electric Revenue Bonds</b>				<b>\$58,265</b>	<b>\$102,139</b>

<sup>1</sup> Swapped to a variable rate for the life of the debt.  
<sup>2</sup> Rate synthetically fixed via interest rate swap at 4.5%.  
<sup>3</sup> Rate synthetically fixed via interest rate swap at 4.345%.  
<sup>4</sup> Rate synthetically fixed via interest rate swap at 2.894%.



## **2005 Business Forecast**

The 2005 business forecast is a set of pro forma (projected) financial statements, which are derived from the 2005 budget. The financial statements depict the expected results of operations (Income Statement), financial position (Balance Sheet) and cash position (Cash Flow Analysis) during and at the end of the 2005 Budget year. The financial statements are based on the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC) with budgeted costs grouped by functional category. The business forecast also includes "non-cash" expenses such as depreciation and amortization of capital and regulatory assets, which are not included in the 2005 Budget because funds were expended in prior budget years. The District's budget presents costs on a business unit basis, which is very similar to FERC groupings.

The pro forma financial statements include the consolidated accounts and operations of SMUD, the Central Valley Financing Authority (CVFA), the Sacramento Cogeneration Authority (SCA) and the Sacramento Power Authority (SPA). CVFA, SCA and SPA are joint powers agencies between SMUD and other entities which have issued debt to construct the Carson Cogeneration plant, Procter & Gamble cogeneration plant and Campbell Soup cogeneration plant, respectively, and own and operate the plants. SMUD has entered into Power Purchase Agreements with CVFA, SCA and SPA to purchase all of the plants' output and, if certain operating standards are met, pay for JPA and plant costs. The relationship between SMUD, CVFA, SCA and SPA meets the criteria established by the Governmental Accounting Standards Board for consolidation in the controlling entity's financial statements.

The budgeted and actual fixed charge ratio and net income as shown on the Pro Forma Income Statement are primary measures of the District's financial performance which are monitored closely by the bond rating agencies in setting the District's bond rating. The fixed charge ratio is a measure of the number of times net operating cash flow before interest expense covers total cash debt service payments, including both interest and principal. Net income is the residual after deducting all expenses from revenues for the period.



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## 2005 Business Forecast (*continued*)

The 2005 Budget will produce \$0.0 of net income for the District in 2005 and a fixed charge coverage ratio of 1.20 times. Budgeted net income is lower than the 2004 target due to higher energy supply commodity costs for natural gas and purchased power in 2005. The fixed charge ratio is also lower because of lower operating cash flow and higher scheduled debt principal repayments.

The pro forma balance sheet and cash flow statement show that the District's financial position at December 31, 2005 should remain very strong, and unrestricted cash balance will be approximately \$75 million. The cash balance is lower than 2004 because of capital expenditures for Phase 1 of Cosumnes Power Plant and Phase 2 of Solano Wind. The Budget assumes issuance of \$150 million in commercial paper notes to fund Cosumnes and Solano Wind construction.

**2005 Pro Forma Consolidated Income Statement**  
**(\$ Millions)**

	2004 Budget	2004 Forecast	2005 Budget
<b>OPERATING REVENUES:</b>			
Sales to Customers	953.2	961.2	974.0
Transfer (To)From Rate Stabilization Fund	12.3	12.3	3.2
Other Electric Revenue	10.7	11.7	12.5
<b>TOTAL OPERATING REVENUES</b>	<b>976.2</b>	<b>985.2</b>	<b>989.6</b>
<b>OPERATING EXPENSES:</b>			
Purchased Power	442.5	411.5	431.8
Surplus/Wholesale Power Sales	(95.8)	(56.0)	(48.1)
<b>Net Purchased Power</b>	<b>346.7</b>	<b>355.5</b>	<b>383.7</b>
Production	134.8	141.4	172.0
Transmission & Distribution	69.6	68.6	73.8
Customer Accounts	50.3	49.3	51.9
Customer Service & Information Expense	16.7	16.7	17.1
Public Goods Expense	30.4	30.4	34.0
Administrative & General	35.0	33.5	35.7
<b>Total Operations</b>	<b>683.6</b>	<b>695.5</b>	<b>768.2</b>
Amortization of Regulatory Asset - RS/CCPA	1.1	1.1	1.2
Provision for Depreciation	96.7	95.7	106.0
Provision for Decommissioning	28.9	28.9	28.8
Taxes	0.1	0.1	0.1
<b>TOTAL OPERATING EXPENSES</b>	<b>810.5</b>	<b>821.4</b>	<b>904.2</b>
<b>NET OPERATING INCOME</b>	<b>165.7</b>	<b>163.8</b>	<b>85.4</b>

**2005 Pro Forma Consolidated Income Statement (continued)**  
**(\$ Millions)**

	2004 Budget	2004 Forecast	2005 Budget
<b>OTHER INCOME (DEDUCTIONS):</b>			
Interest Income and Other	24.0	25.5	25.7
Refunds/Settlements	0.0	0.0	0.0
AFUDC - Equity	0.0	0.0	0.0
Write-off Preliminary Costs	(2.4)	(1.5)	(1.5)
<b>Income Before Interest Charges</b>	<b>187.3</b>	<b>187.8</b>	<b>109.7</b>
<b>INTEREST EXPENSE:</b>			
Interest on Long-Term Debt	121.7	125.7	124.0
Interest on Commercial Paper	3.5	1.0	2.9
AFUDC - Borrowed Funds	(12.4)	(14.9)	(17.3)
<b>Net Interest Charges</b>	<b>112.9</b>	<b>111.9</b>	<b>109.7</b>
Income Before Extraordinary Item	74.4	76.0	(0.0)
Writeoff Unamortized Debt Costs	0.0	1.5	0.0
<b>NET INCOME</b>	<b>74.4</b>	<b>74.5</b>	<b>(0.0)</b>
Interest Payments	106.9	108.4	110.1
Principal Payments	33.6	33.6	58.3
<b>Total Fixed Costs</b>	<b>140.5</b>	<b>142.0</b>	<b>168.3</b>
<b>Cash Available to Pay Fixed Costs</b>	<b>271.2</b>	<b>266.8</b>	<b>202.5</b>
<b>FIXED CHARGE COVERAGE RATIO</b>	<b>1.93</b>	<b>1.88</b>	<b>1.20</b>
<b>RATE STABILIZATION FUND</b>	<b>87.3</b>	<b>75.0</b>	<b>71.8</b>

## **2005 Business Forecast (*continued*)**

### **Overview of the 2005 Pro Forma Consolidated Income Statement**

The following provides information on the components of the income statement:

**Operating Revenues:** The 2005 forecasted Customer Revenues are based on the sales forecast of 10,325 GWh and current rate structure. The sales number is 3.0 percent higher than the 2004 Budget due to new customer growth and higher usage per customer. Billed customer revenues are budgeted at \$963.6 million, which is 2.3 percent higher than the 2004 budget estimate. 2004 revenues include Rate Stabilization surcharge revenue through April 30; after adjusting for the lower surcharge revenue, the increase over 2004 is approximately \$27 million or 3 percent, due to new customer growth, higher usage and higher special facilities revenue. 2004 sales and customer revenues are forecast at approximately 10,175 GWh and approximately \$957 million due to hotter summer weather and higher special facilities revenue.

Other Electric Revenue includes transmission wheeling fees paid to the District, miscellaneous customer revenues such as field service charges, and steam sales revenue from the CVFA, SCA and SPA Cogeneration plants. The 2005 budget is higher than 2004 due to higher steam sales revenue.

**Operating Expenses:** Operating expenses forecasted for 2005 reflect the 2005 District budget, including CVFA, SCA and SPA expenses, and non-cash expenses such as depreciation of fixed assets and amortization of advance capacity payments.

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## **2005 Business Forecast (*continued*)**

**Purchased Power:** The 2005 budget for Purchased Power is based on the 2005 energy supply commodity budget excluding wheeling, which is accounted for under Transmission and Distribution, and fuel, which is accounted for under Production, and also includes \$11.2 million in energy trading and power contract administration costs. The increase over the 2004 budget is due to higher market prices and the replacement of 1,250 gigawatt hours of energy from WAPA due to expiration of the supplemental energy contract. The budget is shown net of surplus and wholesale power sales revenue, which represents revenues from the sale of generation and bulk power purchases which are surplus to our customers' needs. Actual costs for 2004 are higher than budget due to unbudgeted purchases to make up for the shortfall in hydroelectric generation..

**Production:** Production costs include costs to operate and maintain District-owned generating plants, Carson Cogeneration, Procter & Gamble and Campbell Soup, and fuel costs for McClellan gas turbine, Cosumnes Power Plant and Carson, P&G and Campbell Soup. The increase in the 2005 Budget is due to higher natural gas prices and the gas-fired Cosumnes Power Plant beginning operation in late 2005.

**Transmission and Distribution:** Transmission and Distribution (T&D) costs include operation and maintenance costs associated with the transmission and distribution systems, and transmission wheeling costs. The 2005 Budget is increasing as a result of higher labor and benefit costs and increased funding for distribution system inspections.

**Customer Accounts:** Customer Accounts reflects such costs as meter reading, call center and customer inquiries and uncollectible customer revenues. The 2005 budget is higher than 2004 because of planned customer growth, higher labor and employee benefit costs, continued expansion of the key accounts program, and the effort to expand the use of the internet for our customers.

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## **2005 Business Forecast (*continued*)**

**Customer Service and Information Expense:** Customer Service and Informational Expense includes costs associated with customer information and education programs, development and marketing of new products and services, electrotechnology, electric transportation marketing, loan origination and servicing costs and uncollectible loan costs. Costs associated with energy efficiency programs, low income assistance programs and advanced & renewable research and development are included in Public Goods. Budgeted costs are slightly higher in 2005 due to higher labor and benefit costs.

**Public Goods Expense:** This line item was added in 1998 based on policy changes approved by the Board and implemented May 1, 1998. Public Goods programs include low income and life support assistance programs, energy efficiency programs, new renewable generation, and advanced and renewable technology research, development and demonstration costs. The 2005 Budget of \$34.0 million is \$3.6 million higher than 2004, due to increases in funding for low income assistance as a result of higher customer participation, inflationary increases in other programs as approved by the Board in the Resource Plan, higher benefit costs, and funding for the dairy biogas and zero energy homes programs.

**Administrative and General:** Administrative and General (A&G) costs includes administrative costs such as legal, financial reporting, insurance, budget and business planning and general management costs. This line item also includes A&G costs related to CVFA, SCA and SPA. The increase for 2005 is due to a higher labor and benefit costs.

**Amortization of Regulatory Asset - Plant:** Amortization of Regulatory Asset - plant reflects the amortization of the regulatory assets established by the Board to recover in future rates the District's share of fuel enrichment facilities decommissioning assessed by the Department of Energy.

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## **2005 Business Forecast (*continued*)**

**Provision for Depreciation:** Provision for Depreciation reflects the depreciation of the District's electric utility plant-in-service and the Carson Cogeneration, Procter & Gamble cogeneration and Campbell Soup cogeneration plants. The 2005 Budget amount is based on existing plant-in-service and estimated completion dates for construction-work-in-progress, and the most-current depreciation rates. The increase in 2005 is due to the start of depreciation on the Cosumnes Power Plant and SDIT computer system.

**Provision for Decommissioning:** The provision for decommissioning includes the external trust funding for the period (\$27.0 million) plus interest earnings on trust investments. Decommissioning funding for 2005 is based on the District's Decommissioning Plan. Interest earnings are estimated at \$1.8 million for 2005.

**Taxes:** This line item represents property taxes on the value of unimproved property at Fresh Pond (EL Dorado County).

### **Other Income (Deductions)**

**Interest Income and Other:** Interest Income and Other is based on the assumption that the District will earn an average of approximately 1.75 percent on unrestricted and restricted cash balances. This line also includes interest income on energy efficiency loans to customers, and interest earned by CVFA, SCA and SPA on their operating and reserve fund balances. Also included in this line per FERC guidelines are projected revenues of \$4.8 million from Rancho Seco park, Greenergy, PV Partnerships and new products and services for 2005, as well as associated costs of \$3.4 million. The 2005 Budget is slightly higher than 2004 due to higher revenue from Home Power and Greenergy.



## 2005 Business Forecast (*continued*)

**Allowance for Funds Used During Construction - Equity funds/ borrowed funds:** Allowance for Funds Used During Construction (AFUDC) represents the interest cost of funds used during construction. The increase in 2005 is due to the Cosumnes Power Plant and Solano Wind.

**Write-off of Preliminary Project Costs:** Write-off of Preliminary Project costs is an estimate of costs to be written off related to projects which the District has deferred preliminary costs until feasibility or planning studies can be completed and final determination can be made on whether such projects will actually be developed.

**Interest Expense:** The interest on long-term and commercial paper debt reflects the District's obligation for existing debt, and interest expense on CVFA, SCA and SPA bonds. Net interest expense on SMUD revenue bonds and commercial paper is increasing in 2005 due to new debt issued in 2004 to reimburse for prior capital expenditures. JPA interest is \$1.0 million lower due to principal repayments during 2004.

### **Fixed Charge Coverage Ratio**

**Interest Payments:** Represents the cash portion of interest expense on SMUD bonds (CVFA, SCA and SPA interest is treated as an O&M expense for fixed charge purposes) and commercial paper, not including amortization of deferred bond issuance costs and gain/loss on bond refundings. The increase in 2005 is a result of new debt issued in 2004

**Principal Payments:** Represents scheduled repayment of long-term debt. The scheduled amount for 2005 is \$58.3 million. The increase over 2004 is because \$27 million of bonds originally scheduled for retirement in 2004 were called early in November 2003.

**Cash Available to Pay Fixed Costs:** Represents net cash flow before interest expense - operating, interest and other income plus non-cash expenses such as depreciation and amortization. Cash available based on the 2005 Budget is lower because of higher energy supply commodity costs in 2005.



<b>SACRAMENTO MUNICIPAL UTILITY DISTRICT 2005 Budget Pro Forma Consolidated Balance Sheet (\$ Millions)</b>		
	<b>Projected 12/31/04</b>	<b>Projected 12/31/05</b>
<b>ASSETS</b>		
Unrestricted Cash	145	75
Debt Service Reserves	121	120
Rate Stabilization Fund	75	72
Decommissioning Fund	81	75
Electric Utility Plant, Net	2,050	2,198
Accounts & Loans Receivable	250	270
Other Current Assets	38	40
Regulatory Assets	260	220
Advance Capacity Payments	0	0
Energy Efficiency Investment	0	0
Other Noncurrent Assets	40	40
<b>TOTAL SMUD ASSETS</b>	<b><u>3,060</u></b>	<b><u>3,110</u></b>
JPA Plant-in-Service/Construction-in-Progress	339	325
JPA Other Assets	101	100
<b>TOTAL CONSOLIDATED ASSETS</b>	<b><u>3,500</u></b>	<b><u>3,535</u></b>
<b>LIABILITIES &amp; CAPITAL</b>		
Customer Equity/Other Capital	225	225
Long-Term Debt	2,180	2,122
Commercial Paper Notes	0	150
Other Current Liabilities	240	240
Decommissioning & DOE Liability	265	223
Other Noncurrent Liabilities	150	150
<b>TOTAL SMUD LIABILITIES &amp; CAPITAL</b>	<b><u>3,060</u></b>	<b><u>3,110</u></b>
JPA Long-Term Debt	286	277
JPA Other Liabilities & Capital	154	148
<b>TOTAL CONSOLIDATED LIABILITIES &amp; CAPITAL</b>	<b><u>3,500</u></b>	<b><u>3,535</u></b>

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## **2005 Business Forecast (*continued*)**

### **Overview of the 2005 Pro Forma Consolidated Balance Sheet**

The 2005 Pro Forma Consolidated Balance Sheet is a projection of consolidated balance sheet account balances for SMUD, the Central Valley Financing Authority (CVFA owns Carson Ice cogeneration plant), the Sacramento Cogeneration Authority (SCA owns Procter & Gamble cogeneration plant), and the Sacramento Power Authority (SPA owns Campbell Soup cogeneration plant) as of December 31, 2004 and December 31, 2005. Year-end 2004 and 2005 balances are predicated on actual balances as of September 30, 2004, the 2004 fourth quarter budget, and the 2005 SMUD Budget.

The Pro Forma Balance Sheet is a condensed version of the balance sheet presented in the monthly financial statements. Similar accounts with smaller dollar balances have been combined to simplify analysis and presentation. Except where specific changes are known or estimable, balances in other current asset and liability accounts are assumed to remain constant from 2004 to 2005.

### **A summary of changes in individual line items follows:**

**Unrestricted Cash:** Cash available for operating and capital expenditures. Detail of change is shown on the 2005 Pro Forma Cash Flow Statement.

**Restricted for Debt Service:** Amounts deposited in restricted debt service funds as fixed by Bond Resolutions.

**Rate Stabilization Fund:** This is a fund set up by the Board to provide a cushion against a rate increase in years where weather conditions or other non-controllable events cause large budget variances. In May, 2001, the Board adopted a 3 percent surcharge to rebuild the fund, which had been depleted in the energy crisis. The current balance in the Fund is \$75 million, and the 2005 Budget assumes a \$3.2 million transfer to reach 0 net income.



## 2005 Business Forecast (*continued*)

**Decommissioning Fund:** Amounts set aside with external trustee to cover estimated cost of decommissioning Rancho Seco. Activity in 2005 is for funding contribution plus interest (\$28.8 million) and withdrawals to cover budgeted decommissioning expenses (\$41.4 million - \$11.0 million O&M, \$30.4 million Capital).

**Electric Utility Plant (Net):** Investment in electric utility plant at cost less accumulated depreciation. Net increase in 2005 is due to budgeted SMUD capital investment less depreciation expense.

**Accounts and Loans Receivable:** Due from customers for electric sales and energy efficiency loans.

**Other Current Assets:** Includes accrued interest receivable, materials and supplies inventory and prepayments.

**Regulatory Assets:** Includes decommissioning costs and DOE assessment deferred for rate recovery in future years. Change in account balance reflects amortization of plant regulatory asset and net change in unfunded decommissioning accrual.

**Advance Capacity Payments:** Payments to Pacific Power and Light in advance for future firm capacity purchases under power sale agreements. Balance is being amortized to expense over term of agreement.

**Other Noncurrent Assets:** Includes unamortized loss on advance refundings, unamortized debt issuance costs, and other.

## 2005 Business Forecast (*continued*)

**JPA Plant-in-Service and Other Assets:** Represents the actual or estimated construction cost of the local JPA cogeneration plants, and other assets such as restricted debt service funds and operating funds.

**Customer Equity/Other Capital:** Represents earnings retained by the District for reinvestment into the business, plus other capital accounts such as equity in JPAs.

**Long-Term Debt:** Outstanding balance of SMUD long-term bonds used to finance capital investment. 2005 change due to scheduled principal repayments.

**Commercial Paper Notes:** Outstanding balance of commercial paper notes used to finance capital investment. Increase in 2005 is to finance capital expenditures for Cosumnes Power Plant.

**Other Current Liabilities:** Includes accounts payable, accrued salaries, vacation and interest payable and customer deposits.

**Decommissioning Accrual:** Represents the estimated cost in current year dollars to decommission Rancho Seco per decommissioning cost study. Accrual is increased annually to reflect inflation and reduced as budgeted decommissioning work is completed.

**Other Noncurrent Liabilities:** Includes unamortized gain on debt refundings, deferred rate stabilization revenues, and other.

**JPA Long-Term Debt and Other Liabilities/Capital:** Represents the balance of cogeneration project revenue bonds issued by the JPAs to finance construction of the local plants, and other liabilities such as amounts payable to SMUD to reimburse for its asset contributions to projects.



<b>2005 Pro Forma Consolidated Cash Flow</b>	
<b>(\$ Millions)</b>	
<b>CASH INFLOWS:</b>	
Sales, Net of Uncollectible Accounts (1)	968
Transfer (To) From Rate Stabilization Fund	3
Interest Income and Other (2)	15
<b>TOTAL OPERATING CASH INFLOW</b>	<b>986</b>
<b>CASH OUTFLOWS (Per 2004 Budget):</b>	
Net Operating Expenses (3)	257
Commodity Expenses	494
Payments to JPAs, Net (5)	40
Interest Payments (4)	105
<b>TOTAL OPERATING CASH OUTFLOW</b>	<b>896</b>
<b>NET CASH FLOW FROM OPERATIONS</b>	<b>91</b>
<b>OTHER CASH OUTFLOWS:</b>	
Scheduled Debt Principal Repayments	59
Capital Expenditures:	
District Ongoing Capital (excluding Decommissioning)	138
Cosumnes, Wind, Rosa Reserves	107
Reimbursable Capital and Net Loans (3)	3
<b>TOTAL NONOPERATING CASH OUTFLOW</b>	<b>307</b>
<b>NET CASH INFLOW FROM 2004 BUDGET</b>	<b>(216)</b>
<b>PROJECTED UNRESTRICTED CASH BALANCE @ 1/1/04 (6)</b>	<b>120</b>
Net Cash Inflow From 2004 Budget	(216)
New Debt Issue	200
Net Change in Debt Service Reserve Funds	0
<b>PROJECTED UNRESTRICTED CASH BALANCE @ 12/31/05 (6)</b>	<b>104</b>
<small>(1) Excludes low income/life support rate credits. Includes revenues from products &amp; services.</small>	
<small>(2) Excludes interest on decommissioning fund.</small>	
<small>(3) Excludes decommissioning expenditures which are assumed to be reimbursed from the external trust, JPA O&amp;M and interest, and low income/life support rate credits.</small>	
<small>(4) Excludes amortization.</small>	
<small>(5) Payments for cogeneration plant O&amp;M and 1.2 times debt service. Fuel is included under Commodity. This amount is net of JPA cash distributions.</small>	
<small>(6) Does not include Rate Stabilization Fund balance.</small>	

## **2005 Business Forecast (*continued*)**

### **Overview of the 2005 Pro Forma Consolidated Cash Flow Analysis**

The 2005 Pro Forma Cash Flow Statement is a projection of budgeted sources and uses of cash for 2005 and 2005 year-end unrestricted cash balance. The District's current policy is to maintain unrestricted cash reserves of at least \$75 million, not including the Rate Stabilization Fund reserve which also has a \$75 million balance.

The District generates positive net cash flow from operations because of non-cash expenses such as depreciation and amortization. In 2005, cash generated from operations should total approximately \$88 million. The primary uses of this cash are non-decommissioning capital investment, net loans to customers, and scheduled debt principal repayments. The 2005 Budget for capital investment, excluding decommissioning capital which is reimbursed from the trust fund, and loans totals \$245 million - \$138 million for ongoing capital investment and \$107 million for Cosumnes, Solano Wind and Rosa gas reserves. The ongoing capital budget is down \$23 million from 2004 due to completion of several large projects in 2004, while major capital spending is lower due to lower Cosumnes and Rosa budgets. Scheduled debt principal repayments in 2005 total \$58.3 million, higher than in 2004 due to an early call on \$27.7 million of bonds originally scheduled for repayment in 2004. The District plans to increase the balance of outstanding commercial paper notes by \$200 million in 2005 to fund Cosumnes construction. The District's unrestricted cash balance is projected at \$100 million at the end of 2005.



## 2005-2007 Financial Forecast

<b>Financial Results (\$ Millions)</b>	<b>2004 Budget</b>	<b>2004 Forecast</b>	<b>2005 Proposed</b>	<b>2006 Target</b>	<b>2007 Target</b>
Customer & Other Revenues (Net)	\$960	\$977	\$981	\$1,000	\$1,019
Rate Stabilization Transfer	\$12	\$12	\$3	\$0	\$0
Commodities	\$445	\$467	\$513	\$441	\$416
O&M Budget	\$240	\$235	\$256	\$292	\$319
<b>OPERATING MARGIN</b>	<b>\$287</b>	<b>\$287</b>	<b>\$215</b>	<b>\$268</b>	<b>\$284</b>
Amortization & Depreciation	\$123	\$122	\$131	\$146	\$140
Interest Expense	\$116	\$117	\$118	\$114	\$110
Interest & Other Income	\$26	\$26	\$34	\$22	\$22
<b>NET INCOME</b>	<b>\$74</b>	<b>\$74</b>	<b>\$0</b>	<b>\$29</b>	<b>\$55</b>
3-Year Debt Service Coverage	1.72	1.67	1.40	1.51	1.66
<b>EQUITY %</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>12%</b>	<b>14%</b>



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## **2005-2007 Financial Forecast (*continued*)**

### **Overview of the 2005 –2007 Financial Forecast**

The 2005-2007 Financial Forecast is an overview of the District's financial results over the 2005-2007 planning horizon. The 2004 and 2005 numbers are based on the approved and proposed budgets, the 2004 forecast is based on the latest 2004 projection, and the 2005 and 2006 numbers are based on staff projections using latest available commodity market prices, the District's commodity hedging strategy, and O&M and Capital targets set by the Business Units. Customer revenue estimates are based on current rates.

The Forecast shows the District's progress in meeting the 20 percent customer equity goal set by the Board in Strategic Directive SD-3, Access to Credit Markets. This goal is one of the primary measures used by the credit and bond rating agencies to measure the District's financial strength, and meeting this goal is essential to insure that other elements of the strategic plan can be successfully implemented.

The forecast shows that, at current rate levels, the District will reach approximately 14 percent customer equity level by the end of 2007. The primary reason for not meeting the 20 percent target is higher natural gas and purchased power costs caused by the recent increase in natural gas prices, which also leads to lower operating cash flows and increased borrowing requirements.

The forecast also shows the three-year debt service coverage ratio, which is operating cash flow divided by the maximum one-year debt service over the 2005-2007 period. The District's bond indentures require that if the ratio drops below 1.4 the District set aside additional restricted funds, and a drop below 1.2 requires a revenue increase. The table shows that, due to the commodity cost increases and resulting drop in operating cash flow, and much higher principal repayments in 2007, the ratio will drop to 1.4 in 2005 before recovering in 2006 and 2007.

## **2005-2007 Financial Forecast (*continued*)**

**Customer Revenues** includes customer and other electric revenues, before the residential assistance and medical discounts, and net of uncollectible accounts. The increases in 2006 and 2007 are due to customer growth.

**Rate Stabilization** represents revenues transferred from the Rate Stabilization Fund. The \$3 million transfer in 2005 is to bring budgeted net income to 0.

**Commodity** includes costs for natural gas, purchased power, and transmission. The decreases in 2006 and 2007 are due to energy from the Cosumnes Power Plant replacing purchased power in these years, and the expiration of a high-cost purchased power contract in 2007. The reduction in commodity costs for Cosumnes are offset by approximately \$40 million in O&M, depreciation and interest costs for Cosumnes shown on other lines in the forecast. The 2004 numbers include the \$19.2 million settlement with PG&E for prior year scheduling charges.

**O&M** represents operations and maintenance costs for distribution, transmission, energy supply, customer services, Public Good, technology, internal services and corporate services. The 2006 and 2007 projections are based on targets set by the Business Units. The increases in 2005, 2006 and 2007 are partially due to O&M for Cosumnes Power Plant and Solano Wind, retirement and benefit funding, postemployment benefit funding, customer growth and higher labor and benefit costs. See the analysis under Cost per Customer for further detail.

**Depreciation and Amortization** include depreciation of fixed assets, amortization of advance capacity payments, depletion of the Rosa gas reserve, and decommissioning. The increase in 2006 is for the Cosumnes Power Plant and Solano Wind, and the decrease in 2007 is because several large technology assets are fully depreciated.



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## 2005-2007 Financial Forecast (*continued*)

**Interest Expense** includes interest on District long-term debt, commercial paper notes, and JPA long-term debt. Interest expense is declining due to scheduled principal repayments in 2005-2007.

**Interest and Other Income** includes interest income on investments, loan interest, and allowance for funds used during construction. The increase in 2005 is due to capitalized interest on Cosumnes and Solano Wind.

## 2005-2007 Financial Forecast

<b>O&amp;M Per Customer</b>	<b>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Budget</b>	<b>2005 Proposed</b>	<b>2006 Target</b>	<b>2007 Target</b>
Total O&M \$ Millions	\$202	\$215	\$227	\$240	\$256	\$292	\$319
Cosumes/Wind	\$0	\$0	\$0	\$0	\$3	\$25	\$27
PERS Funding/Benefits	\$0	\$0	\$0	\$0	\$8	\$15	\$16
Post Employment Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$20
<b>Base O&amp;M \$ Millions</b>	<b>\$202</b>	<b>\$215</b>	<b>\$227</b>	<b>\$240</b>	<b>\$245</b>	<b>\$252</b>	<b>\$257</b>
Average Number of Customers (000)	524	536	548	561	573	586	599
<b>COST PER CUSTOMER</b>	<b>\$385</b>	<b>\$401</b>	<b>\$414</b>	<b>\$428</b>	<b>\$427</b>	<b>\$430</b>	<b>\$428</b>

## **2005-2007 Financial Forecast (*continued*)**

### **O&M Cost Per Customer**

O&M cost per customer is a measure used in the electric utility industry to show the level of year-to-year controllable O&M costs adjusted for customer growth. In order to calculate the measure, the following non-controllable costs are excluded:

**Cosumnes and Wind O&M** represent incremental costs in 2005-2007 for operation of the Cosumnes Power Plant, Solano Wind Phase 2, and overhaul costs at the cogeneration plants.

**PERS Funding** represents estimated retirement contributions to PERS using an assumed contribution rate of 12 percent. PERS notified the District in June that contributions will start July 1, 2005, and we have assumed contributions will continue through 2007.

**Postemployment Benefits Funding** represents the estimated incremental expense when the District begins funding its postemployment liability in 2007.

The results show that District Business Units have made a concerted effort to set controllable O&M targets for 2005-2007 that keep the cost per customer level over the 3 year planning period. This is in spite of cost-of-living and inflationary increases in labor and material costs that are expected to average 2.5-3.0 percent during the planning period.



**SMUD**

SACRAMENTO MUNICIPAL UTILITY DISTRICT

The Power To Do More.™

**CUSTOMER BUSINESS UNIT**

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# 2005 Approved Budget

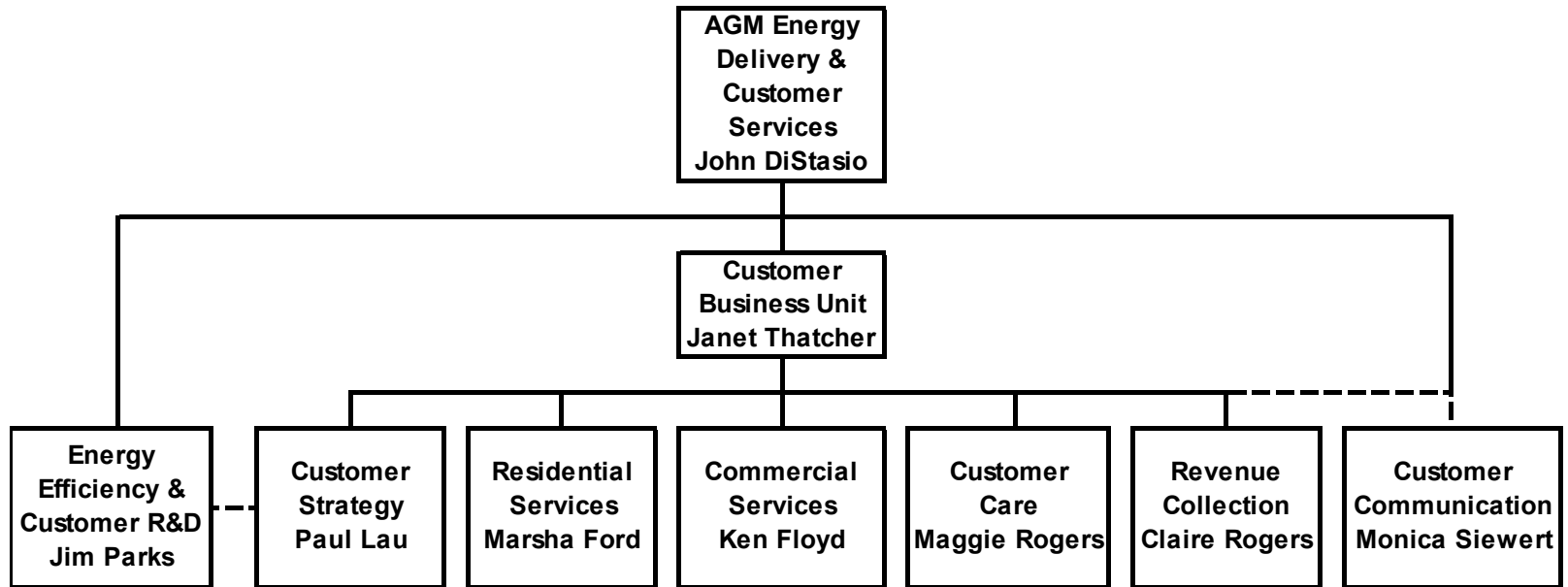
## Business Unit

### Customer

**Business Unit Leader: John DiStasio**  
**AGM, Energy Delivery and Customer Services**



# Business Unit and Segments



# Alignment with Strategic Directives

## SD-2 Competitive Rates

### 2005 Initiatives

- Assure rates are competitive across all customer classes.
- Implement process improvements to achieve cost reductions in accordance with the Customer Business Unit Strategic Plan.

### 2004 Accomplishments

- Achieved cost per customer of \$105 consistent with Strategic Plan.
- Met financial targets while adding 12,900 new customers.





# Alignment with Strategic Directives

## SD-3 Access to Credit Markets

### 2005 Initiatives

- Present 2005 Rates recommendations to ensure District revenue requirements are met.
- Develop and maintain rate levels consistent with District equity goals to assure adequate revenue reserves.
- Increase revenue through better management and collection of accounts receivable.

### 2004 Accomplishments

- Improved management of receivables through development of reporting and analytical tools.



# Alignment with Strategic Directives

## SD-3 Access to Credit Markets

### 2004 Accomplishments *(continued)*

- Developed tools to automate delinquent account selection and deposit process.

# Alignment with Strategic Directives

## SD-4 Reliability

### 2005 Initiatives

- Maintain Load Management programs (VECP and ACLM) in the event of capacity shortages.
- Continue to support and enhance IVR Outage Reporting Line.

### 2004 Accomplishments

- Increased ACLM participation approx. 4%.
- Added 5,000 new ACLM cyclers.
- IVR processed nearly 50,000 outage reports.

# Alignment with Strategic Directives

## SD-5 Customer Relations

### 2005 Initiatives

- Continue to make SMUD “Easier to Do Business With” through the rollout of customer service options and communication channels.
- Complete Advanced Metering Infrastructure (AMI) study.
- Maintain customer awareness of SMUD programs and services and positive public perception of SMUD.
- Develop and expand programs and services that deliver the greatest value and benefit to our special assistance customers.

# Alignment with Strategic Directives

## SD-5 Customer Relations *(continued)*

### 2004 Accomplishments

- Increased Web transactions from 60,000 to 150,000.
- Electronic Bill Presentment & Payment.
- About 350 customers will receive assistance in 2004 from the District's new EnergyHELP program.
- Received four 1<sup>st</sup> Place awards from the National Fuel Funds Network for the EnergyHELP Program.
- Initiated Refrigerator Replacement Program to low-income customers.



# Alignment with Strategic Directives

## SD-5 Customer Relations *(continued)*

### 2004 Accomplishments *(continued)*

- Reduced Residential Contact Center average handle time from 6:27 to 5:59 without increasing resources allowing for 8% more calls.
- Energy Planning Network's 2004 Award for Excellence for Best Product/Service Launch for HomePower program.
- Utility Marketing's Project of the Year Award for HomePower from EMACS/EL&P.
- Received the Tree Line USA Award from the U.S. Dept of Forestry for the 4<sup>th</sup> year in a row for SMUD's Shade Tree Program.



# Alignment with Strategic Directives

## SD-5 Customer Relations *(continued)*

### 2004 Accomplishments *(continued)*

- SMUD rated top utility in California by JD Power.
- Negotiated 3 large retention agreements with Key Account Customers.
- SMUD's Annual report wins national design excellence award.
- Spanish web pages to go live in December 2004.
- Expanded Public Service Announcements.
- Broadened marketing to ethnic markets.

# Alignment with Strategic Directives

## SD-6 Safety

### 2005 Initiatives

- Implement Behavior Based Safety to integrate a proactive approach to safety.

### 2004 Accomplishments

- Behavior Based Safety teams implemented for all the Customer BU employees.
- Projecting to meet lost-time and preventable vehicle accident targets.



# Alignment with Strategic Directives

## SD-7 Environmental Protection

### 2005 Initiatives

- Improve Sacramento's air quality by removing 70,920 lbs of NOx from the air and reduce fossil fuel consumption.
- Advocate for SMUD's position relative to clean air and energy efficiency legislation, codes, and standards.

### 2004 Accomplishments

- World Wildlife Fund Award
- Energy Star Partner of the Year Award
- National Energy Resources Organization (NERO) Award



# Alignment with Strategic Directives

## SD-7 Environmental Protection *(continued)*

### 2004 Accomplishments

- Champions of Energy Efficiency Award.
- Achieved over 30,000 pounds NOx reduction from electric vehicle technologies.
- Removed 598 gasoline-powered lawnmowers from the community.
- Commercial Greenergy enrollment sales have exceeded forecast by more than 200%.
- BERCA Award for Environmental Stewardship.

# Alignment with Strategic Directives

## SD-8 Employee Relations

### 2005 Initiatives

- Continue to utilize process teams to develop and implement process improvements.

### 2004 Accomplishments

- Launched three new Customer Care training programs.
- Completed Intranet redesign with Strategic directives prominently located on home page.
- Received two national awards for publication excellence for SMUD's employee publications (ENN and HiLines.)



# Alignment with Strategic Directives

## SD-9 Resource Planning

### 2005 Initiatives

- Implement cost effective and verifiable energy efficiency programs as part of the District's Integrated Resource Plan.
- Increase energy efficiency rebates by \$650,000 through more efficient program delivery.
- Reach our goal of 58.9 GWh and 12.7 MWs of verifiable energy and capacity savings.
- Redesign energy efficiency programs to reflect impact of 2005 Title 24 changes and Federal appliance efficiency standards.

# Alignment with Strategic Directives

## SD-9 Resource Planning *(continued)*

### 2005 Initiatives

- Expand PV marketplace by transitioning sales design and construction to the local contracting community for the District's Residential customers.
- Continue to support Customer Load Management programs by providing management of the Volunteer Emergency Curtailment Program (VECP) and Air-conditioner Load Management (ACLM) program.

# Alignment with Strategic Directives

## SD-9 Resource Planning *(continued)*

### 2004 Accomplishments

- Forecast to complete 180kW in new Commercial PV installations.
- Anticipate about 50 Residential PV installations representing approximately 140kW.
- Increased ACLM participation approx. 4%.
- Added 5,000 new ACLM cyclers.



# Alignment with Strategic Directives

## SD-10 Research & Development

### 2005 Initiatives

- Evaluate emerging energy efficiency technologies in building insulation, HVAC, lighting, and motors in cooperation with customers and account representatives.
- Support Freedom Car and State Hydrogen Highway initiatives through fuel cell vehicle demonstrations.
- Continue truck electrification idle reduction programs in cooperation with local partners and federal grants.



# Alignment with Strategic Directives

## SD-10 Research & Development *(continued)*

### 2005 Initiatives *(continued)*

- Evolve electric forklift program to promote higher efficiency charges and off-peak charging.
- Support state and federal efforts to develop improved codes and standards that promote energy efficiency.
- Develop “Share Car” program in cooperation with Fleet Transportation to increase interest in Rideshare.





# Alignment with Strategic Directives

## SD-10 Research & Development *(continued)*

### 2004 Accomplishments

- Conducted over 30 different applied energy efficiency technology projects with SMUD customers.
- Won two APPA research grants to support new HVAC and voltage regulation energy efficiency projects.
- Initiated Fuel Cell Vehicle Project negotiations.
- Won a second federal grant to support truck electrification idle reduction activities.
- Completed Southwest Airlines ground support vehicle electrification project.



# Alignment with Strategic Directives

## SD-10 Research & Development *(continued)*

### 2004 Accomplishments *(continued)*

- Monitored more than 30 separate energy efficiency and/or air quality regulatory or legislative initiatives.
- Received ACEEE Champions of Energy Efficiency Award.

# Other Major Initiatives & Accomplishments

## Economic Development<sup>1</sup>

### 2005 Initiatives

- Create and update efforts to assist with new business formation and expansion on existing businesses within the District's service area.

### 2004 Accomplishments

- Revamped operations of the McClellan Technology Incubator.
- Approved \$813,000 in small business loans.
- Participated in Sacramento Regional Marketing Council public relations efforts.

<sup>1</sup>The Board of Directors is currently reviewing where to focus economic development efforts.

# Major Assumptions

- Meet customer growth to process an additional 70,000 customer calls and 150,000 meter reads and bills with essentially the same budgeted hours.
- The District will continue to promote the HomePower Program and sign up an additional 11,151 customers by the end of 2005.
- SMUD's EAPR Program will grow to 44,100 participants and the MED Rate Program to 7,800 customers.
- SMUD's Greenergy Program will increase to 34,400 customers for Residential and to 1,800 customers for Commercial.
- SMUD's Greenergy Program will offer a Green Tag product that can be marketed to commercial and other customers with locations both inside and outside the SMUD territory.



## Major Assumptions *(continued)*

- Expand promotion of the EnergySmart home energy audit on the Web, with a target of 7,500 users by the end of 2005.
- Process over 300,000 Web contacts.
- The New Construction energy efficiency programs will be re-designed to reflect new, more stringent California Title 24 building standards and Federal appliance efficiency standards.



# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-2 Competitive Rates	<b>O&amp;M Cost per Customer <sup>1</sup></b>	\$110	\$107	\$108
SD-1 District Purpose SD-2 Competitive Rates	<b>Residential Assistance cost per customer</b>	n/a	\$170	\$175
SD-2 Competitive Rates SD-3 Access to Credit Markets	<b>Net Electric Account Write-offs <sup>2</sup></b>	0.46%	0.54%	0.46%
SD-1 District Purpose SD-2 Competitive Rates	<b>Retail Sales Revenue</b>	\$2.7	\$3.7	\$3.5
SD-2 Competitive Rates	<b>Retail Revenue Programs Meeting Forecast</b>	80%	88%	80%
SD-1 District Purpose SD-2 Competitive Rates SD-9 Resource Planning	<b>Energy Efficiency Programs Cents/kWh</b>	6.0 cents	5.0 cents	4.0 cents
SD-5 Customer Relations	<b>Contact Center Average Speed of Answer <sup>3</sup></b>	1:00 minute	40 seconds	1:00 minute
SD-5 Customer Relations	<b>Contact Center Service Level (% in 60 seconds)</b>	90%	89%	90%
SD-5 Customer Relations	<b>Contact Center Average Handle Time (in minutes)</b>	6:30	5:59	6:15

<sup>1</sup> No. of customers based on Business Planning End of Year projection. 2005 Projection 581,686 customers.<sup>2</sup> Changed write-offs from 120 to 90 days resulting in one additional month of write-off included in 2004.<sup>3</sup> District -level metric.



# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-5 Customer Relations	<b>WEB-enabled contacts</b>	150,000	150,000	300,000
SD-5 Customer Relations	<b>Customer Satisfaction Survey <sup>1</sup></b> <i>(Very Satisfied-/Satisfied)</i> • <b>Contact Center New Connects</b> • <b>Residential Energy Efficiency Audits</b>	99% 91%	98% 92%	99% 91%
SD-1 District Purpose SD-2 Competitive Rates SD-9 Resource Planning	<b>Energy Efficiency Programs Meeting Goals <sup>2</sup></b>	90%	75%	90%
SD-1 District Purpose SD-2 Competitive Rates SD-9 Resource Planning	<b>Renewable Portfolio Milestones (solar resources) <sup>3</sup></b>	240 kW	320 kW	475 kW
SD-1 District Purpose SD-9 Resource Planning	<b>Reduced Energy Cost/Consumption for Low Income Customers</b>	500 homes weatherized 200 Refr. Replaced 530,000 kWh saved 80kW demand reduced	585 homes weatherized 200 Refr. Replaced 607,000 kWh saved 92 kW demand reduced	500 homes weatherized 400 Refr. Replaced 760,000 kWh saved 110kW demand reduced

<sup>1</sup> Components of District level metric

<sup>2</sup> Small C&I Retrofit program (representing 22% of scorecard) will not hit goal this year. Program incentives were reduced from 2003 levels and were not as generous as those offered through the CPUC's Public Good programs. Incentive levels have been set mid-way between 2003/2004 levels for 2005.

<sup>3</sup> 2005 Target increase due to redirecting funds from Residential to C&I to better reflect activity in each sector as C&I sector was over-subscribed by the 1st Qtr of 2004.



# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-1 District Purpose	<b>Participants in Residential Assistance EAPR Program <sup>1</sup></b>	38,100	40,066	44,100
SD-1 District Purpose SD-7 Environmental Protection	<b>Participants in Greenergy Program (cumulative)</b>	28,648	29,590	36,200
SD-1 District Purpose SD-7 Environmental Protection	<b>Avoided Air Pollutants (efficiency, EV, &amp; solar) (pounds of NOx)</b>	30,570	60,021	70,920
SD-4 Reliability SD-9 Resource Planning	<b>Energy and Capacity Savings (efficiency) <sup>2</sup></b>	10.2 MW 32.3 GWh	12.0 MW 42.0 GWh	12.7 MW 58.9 GWh
SD-4 Reliability SD-9 Resource Planning	<b>Energy and Capacity Savings (solar) <sup>2</sup></b>	0.30 MW 0.47 GWh	0.320 MW 0.531 GWh	0.475 MW 0.779 GWh

<sup>1</sup> Participants in Residential Assistance EAPR - 2004 Budget represents an average; 2004 Forecast and 2005 Target represents year-end actual.

<sup>2</sup> District level metric combines efficiency and solar capacity savings (GWh).





# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-6 Safety	Reduce the District's number and severity of OSHA recordable, lost time, and preventable vehicle incident rates <sup>1</sup>	OSHA ≤12.4 (63) LTA ≤2.7 (14) PVA ≤8.0 (12)	OSHA 15.2 (83) LTA 2.2 (12) PVA 4.1 (6)	OSHA ≤10.6 (53) LTA ≤2.3 (11) PVA ≤6.8 (10)
SD-8 Employee Relations	% of performance evaluations and development plans completed annually	100%	100%	100%
SD-8 Employee Relations	% of employee ratings on survey items related to communications	>72.64%	Data available at year end	Improvement over 2004 results
SD-8 Employee Relations	% of employee ratings on survey items related to employee satisfaction	>89.26%	Data available at year end	Improvement over 2004 results
<sup>1</sup> 2005 is the third year of the five-year overall safety goal to reduce 2002 District safety incident rates by 50%				



Summary	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
O&M	\$65,075	\$64,854	\$67,515	\$2,440	4%
Revenue	(\$2,838)	(\$3,809)	(\$3,825)	(\$987)	35%
O&M (Net)	<b>\$62,237</b>	<b>\$61,045</b>	<b>\$63,689</b>	<b>\$1,452</b>	<b>2%</b>
Public Good	<b>\$28,175</b>	<b>\$28,167</b>	<b>\$30,826</b>	<b>\$2,650</b>	<b>9%</b>
Capital	\$6,020	\$4,725	\$6,587	\$567	9%
Net Loans	\$7,500	\$3,500	\$3,000	(\$4,500)	-60%
Capital Net	\$13,520	\$8,225	\$9,587	(\$3,933)	-29%
<b>Business Unit Total</b>	<b>\$103,932</b>	<b>\$97,437</b>	<b>\$104,102</b>	<b>\$170</b>	<b>0%</b>

**Overview**

**O&M** - Maintain customer satisfaction levels by expanding customer service channels (e.g. IVR, Web & Retail Partnerships) and enhancing residential and business programs. Expand the Commercial Greenergy programs by offering a block-based pricing option.

**Public Good** - Provide an additional \$650,000 in customer rebates; expand Residential Assistance programs including EAPR, MEDRate and Bill Assistance; and remove air pollutants from the environment equivalent to removing 15,500 cars from the road.

**Capital** - Continue to implement technological solutions that will enable employees to serve customers more efficiently and offer customers more self-service options (e.g. automation energy efficiency & incentives tracking, Route Scheduling, addition of Your Account, Property Manager Portal and Spanish version of Your Account customer capabilities, among others).

**O&M - Cost Element Summary**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$33,854	\$33,898	\$34,758	\$905	3%
Cost Center Surcharge	\$20,373	\$20,392	\$22,298	\$1,926	9%
Material & Equipment	\$1,481	\$1,388	\$1,312	(\$169)	-11%
Mat'l & Whse Surcharge	\$103	\$104	\$87	(\$16)	-15%
Other Expenses	\$1,938	\$1,647	\$1,833	(\$105)	-5%
Utilities & Postage	\$3,289	\$3,261	\$3,409	\$120	4%
Rebates & Incentives	\$676	\$450	\$226	(\$450)	-67%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$4,512	\$4,432	\$3,803	(\$710)	-16%
Contract Svcs Surcharge	\$105	\$106	\$90	(\$15)	-14%
Cost Reduc/Reimb	(\$1,256)	(\$824)	(\$303)	\$953	-76%
Corporate Allocation	\$0	\$0	\$0	\$0	0%
<b>O&amp;M Total</b>	<b>\$65,075</b>	<b>\$64,854</b>	<b>\$67,515</b>	<b>\$2,440</b>	<b>4%</b>
<b>Revenue</b>	<b>(\$2,838)</b>	<b>(\$3,809)</b>	<b>(\$3,825)</b>	<b>(\$987)</b>	<b>35%</b>
<b>O&amp;M (Net)</b>	<b>\$62,237</b>	<b>\$61,045</b>	<b>\$63,689</b>	<b>\$1,452</b>	<b>2%</b>



Retail Products & Services	2004 Budget (\$000)		2004 Forecast (\$000)		2005 Proposed (\$000)	
	Expenses	Revenue	Expenses	Revenue <sup>2</sup>	Expenses	Revenue
Diagnostic Services	\$ 23	\$0	\$21	(\$3)	\$19	(\$3)
Energy Management	\$ 3	\$0	(\$1)	\$0	\$0	\$0
Energy Tracking Services	\$ 139	(\$134)	\$193	(\$131)	\$147	(\$137)
EV Infrastructure	\$ 85	(\$90)	\$136	(\$12)	\$51	\$0
Greenenergy-Commercial	\$ 107	(\$135)	\$119	(\$160)	\$163	(\$201)
Greenenergy-Residential	\$ 826	(\$1,223)	\$858	(\$2,123)	\$838	(\$1,350)
Home Power Service	\$ 1,130	(\$668)	\$1,022	(\$642)	\$1,394	(\$1,333)
Lease Distribution Facilities	\$ 6	(\$165)	\$9	(\$180)	\$6	(\$165)
Moving Connections	\$ 61	(\$22)	\$51	(\$16)	\$61	(\$51)
On-line Check Writing <sup>1</sup>	\$ -	(\$132)	\$0	(\$132)	\$0	(\$180)
Surge Protectors	\$ 275	(\$270)	\$267	(\$302)	\$273	(\$337)
<b>TOTALS</b>	<b>\$2,655</b>	<b>(\$2,838)</b>	<b>\$2,675</b>	<b>(\$3,701)</b>	<b>\$2,953</b>	<b>(\$3,756)</b>

<sup>1</sup> On-line Check Writing revenue captured in Take the Order<sup>2</sup> Excludes termination fees on Energy Efficiency loans and interest revenue on Economic Development loans.**Overview**

- *Diagnostic Services - limited to responding to customer requests.*
- *Energy Management - phased out in 2004.*
- *Energy Tracking - maintain current level of enrollments.*
- *EV Infrastructure - reduced due to CARB shift in emphasis from EVs to hybrid electric vehicles.*
- *Greenenergy-Commercial - revenue excludes credit for market rate.*
- *Greenenergy-Residential - revenue excludes credit for market rate.*
- *Home Power Service - program revenue increase due to year 3 of product start-up.*
- *Lease Distribution Facilities - reflecting recognition of income as revenue rather than reimbursements.*
- *Moving Connections - increased revenues based on improvement in the Contact Center transfer rate.*
- *On-line Check Writing - on target.*
- *Surge Protectors - increase due to increased demand for service.*

**Public Good - Cost Element Summary**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$6,690	\$6,552	\$6,511	(\$179)	-3%
Cost Center Surcharge	\$4,964	\$4,852	\$5,455	\$491	10%
Material & Equipment	\$1,321	\$1,099	\$565	(\$756)	-57%
Mat'l & Whse Surcharge	\$30	\$26	\$32	\$2	6%
Other Expenses	\$1,038	\$581	\$793	(\$245)	-24%
Utilities & Postage	\$148	\$129	\$120	(\$28)	-19%
Rebates & Incentives	\$3,706	\$4,802	\$5,209	\$1,503	41%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$3,067	\$3,049	\$3,457	\$390	13%
Contract Svcs Surcharge	\$67	\$66	\$78	\$11	17%
Cost Reduc/Reimb	(\$737)	(\$798)	(\$474)	\$263	-36%
EAPR/MED Rate Discount	\$7,480	\$7,415	\$8,688	\$1,208	16%
Corporate Allocation	\$401	\$394	\$391	(\$11)	-3%
<b>Public Good Total</b>	<b>\$28,175</b>	<b>\$28,167</b>	<b>\$30,826</b>	<b>\$2,650</b>	<b>9%</b>

**2005 Public Good**

<b>Business Unit Summary</b>	<b>Customer Business Unit (\$000)</b>	<b>Energy Supply Business Unit (\$000)</b>	<b>Total (\$000)</b>
Energy Efficiency	\$ 15,747	0	\$ 15,747
Residential Assistance	\$ 11,712	0	\$ 11,712
Solar Program	\$ 1,622	\$ 1,112	\$ 2,733
Research & Development	\$ 1,746	\$ 2,105	\$ 3,851
<b>Total</b>	<b>\$ 30,826</b>	<b>\$ 3,217</b>	<b>\$ 34,042</b>

**Overview**

Provide an additional \$650,000 in rebates for Energy Efficiency programs by reducing program administrative costs through process improvements. Coordinate with the Energy Efficiency and Customer R&D group to incorporate new technologies in programs offerings. Expand Residential Assistance services including EAPR, MEDRate and Bill Assistance. Provide an additional 200 Energy Star refrigerators to qualifying low income customers. Transition the Residential PV program sales, inventory, and construction to the local contracting community.

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Public Good Programs	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
<b>Energy Efficiency</b>					
<b>Residential</b>					
Energy Advisory Services	\$1,269	\$1,030	\$1,098	(\$171)	-13%
Energy Efficient Appliances	\$359	\$312	\$458	\$100	28%
Equipment Efficiency Program	\$2,008	\$2,606	\$2,208	\$200	10%
Pool & Spa	\$114	\$73	\$171	\$57	50%
Residential New Construction Program	\$639	\$613	\$797	\$158	25%
Retail Lighting Program	\$987	\$959	\$1,176	\$189	19%
Shade Tree Program	\$1,479	\$1,474	\$1,575	\$96	7%
Solar Water Heating Program	\$260	\$169	\$333	\$73	28%
Planning, Research & Evaluation, and Customer Education	\$1,019	\$862	\$1,036	\$17	2%
<b>Subtotal-Residential</b>	<b>\$8,133</b>	<b>\$8,099</b>	<b>\$8,853</b>	<b>\$720</b>	<b>9%</b>



Public Good Programs	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
<b>Energy Efficiency (continued)</b>					
<b>Commercial</b>					
Agricultural Advisory Program <sup>1</sup>	\$149	\$73	\$0	(\$149)	-100%
Cool Roof Program	\$181	\$164	\$174	(\$7)	-4%
Commercial New Construction	\$794	\$822	\$433	(\$361)	-45%
Retrofit-General	\$2,666	\$1,903	\$2,302	(\$364)	-14%
Retrofit-Key	\$2,235	\$2,643	\$2,949	\$714	32%
Planning, Research & Evaluation, and Customer Education	\$1,019	\$862	\$1,036	\$17	2%
<b>Subtotal-Commercial</b>	<b>\$7,044</b>	<b>\$6,467</b>	<b>\$6,894</b>	<b>(\$151)</b>	<b>-2%</b>
<b>TOTAL Energy Efficiency</b>	<b>\$15,177</b>	<b>\$14,565</b>	<b>\$15,747</b>	<b>\$569</b>	<b>4%</b>

<sup>1</sup>Agricultural Advisory Program will be funded as part of the 2005 Customer O&M budget.



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Public Good Programs	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
<b>Residential Assistance</b>					
Energy Assistance Program Rate (EAPR) Discount	\$6,138	\$6,138	\$7,223	\$1,084	18%
Medical Equipment Discount (MED) Rate Discount	\$1,342	\$1,277	\$1,466	\$124	9%
<b>Subtotal - EAPR &amp; MEDRate Discounts</b>	<b>\$7,480</b>	<b>\$7,415</b>	<b>\$8,688</b>	<b>\$1,208</b>	<b>16%</b>
Energy Assistance Program Administration	\$563	\$594	\$798	\$235	42%
MEDRate Administration	\$234	\$310	\$409	\$175	75%
<b>Subtotal - EAPR &amp; MEDRate Admin</b>	<b>\$797</b>	<b>\$905</b>	<b>\$1,207</b>	<b>\$410</b>	<b>52%</b>
Low Income Weatherization	\$1,424	\$1,184	\$1,219	(\$205)	-14%
Bill Assistance	\$206	\$405	\$597	\$392	190%
<b>TOTAL Residential Assistance</b>	<b>\$9,906</b>	<b>\$9,909</b>	<b>\$11,712</b>	<b>\$1,805</b>	<b>18%</b>

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Public Good Programs	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
<b>Solar Program</b>					
PV Pioneer II Systems – Residential	\$1,103	\$954	\$650	(\$453)	-41%
PV Systems – Commercial	\$478	\$1,074	\$971	\$493	103%
PV New Construction ( <i>Energy Supply</i> )	\$699	\$817	\$1,112	\$413	59%
Utility Scale PV ( <i>Energy Supply</i> )	\$173	\$227	\$0	(\$173)	-100%
<b>TOTAL Solar Program</b>	<b>\$2,454</b>	<b>\$3,072</b>	<b>\$2,733</b>	<b>\$280</b>	<b>11%</b>

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Public Good Programs	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
<b>Research &amp; Development</b>					
Electric Transportation Technology	\$572	\$534	\$439	(\$133)	-23%
Energy Efficiency & Customer Research & Development	\$938	\$1,130	\$1,307	\$369	39%
Distributed Technology ( <i>Energy Supply</i> )	\$616	\$596	\$855	\$239	39%
Research & Development-PV ( <i>Energy Supply</i> )	\$760	\$541	\$412	(\$348)	-46%
Renewable Initiatives ( <i>Energy Supply</i> )	\$0	\$0	\$838	\$838	100%
<b>TOTAL Research &amp; Development</b>	<b>\$2,886</b>	<b>\$2,802</b>	<b>\$3,851</b>	<b>\$965</b>	<b>33%</b>



<b>ENERGY EFFICIENCY GOALS</b>			
<b>Program</b>		<b>MW</b>	<b>GWh</b>
<b>RESIDENTIAL</b>	Energy Advisory	0.068	0.380
	Shade Trees	0.640	1.470
	Solar Domestic Water Heater	0.004	0.027
	Equipment Efficiency	2.980	2.870
	Appliance Efficiency	0.110	0.430
	Energy Star Lighting	2.300	16.500
	New Construction	1.367	2.900
	Pool/Spa Load Management	0.500	0.170
<b>Residential Program Totals</b>		<b>7.969</b>	<b>24.747</b>
<b>COMMERCIAL</b>	General Retrofit	1.530	7.040
	Key/Major Retrofit	2.300	24.960
	Cool Roofs	0.250	0.150
	New Construction	0.680	2.040
<b>Commercial Program Totals</b>		<b>4.760</b>	<b>34.190</b>
<b>TOTAL Energy Efficiency</b>		<b>12.729</b>	<b>58.937</b>



## AIR POLLUTION REDUCTION GOALS

NOx Reduction (lbs) Energy Efficiency programs	40,745
NOx Reduction (lbs) Electric Transportation	30,175
<b>Total NOx Reduction (lbs) Energy Efficiency Programs</b>	<b>70,920</b>

## SOLAR GOALS

Program	MW	GWh
Residential PV	0.100	0.160
Commercial PV	0.375	0.619
<b>TOTAL Solar</b>	<b>0.475</b>	<b>0.779</b>

**Capital - Cost Element Summary**

<b>Description</b>	<b>2004 Budget (\$000)</b>	<b>2004 Forecast (\$000)</b>	<b>2005 Proposed (\$000)</b>	<b>\$ Change Proposed to Budget (\$000)</b>	<b>% Change Proposed to Budget</b>
Activity Type Labor	\$1,687	\$1,056	\$1,997	\$311	18%
Cost Center Surcharge	\$1,152	\$716	\$1,369	\$218	19%
Material & Equipment	\$2,095	\$2,128	\$2,473	\$378	18%
Mat'l & Whse Surcharge	\$118	\$120	\$154	\$37	31%
Other Expenses	\$15	\$3	\$15	\$0	0%
Utilities & Postage	\$0	\$0	\$0	\$0	0%
Rebates & Incentives	\$0	\$0	\$0	\$0	0%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$833	\$732	\$447	(\$385)	-46%
Contract Svcs Surcharge	\$20	\$18	\$11	(\$9)	-46%
Cost Reduc/Reimb	\$0	(\$137)	\$0	\$0	0%
Corporate Allocation	\$101	\$88	\$120	\$19	18%
<b>Capital Total</b>	<b>\$6,020</b>	<b>\$4,725</b>	<b>\$6,587</b>	<b>\$567</b>	<b>9%</b>
<b>Net Loans</b>	<b>\$7,500</b>	<b>\$3,500</b>	<b>\$3,000</b>	<b>(\$4,500)</b>	<b>-60%</b>
<b>Capital (Net)</b>	<b>\$13,520</b>	<b>\$8,225</b>	<b>\$9,587</b>	<b>(\$3,933)</b>	<b>-29%</b>



<b>Primary Staffing</b>	<b>2004 Budget</b>	<b>2005 Proposed</b>	<b>Net Increase (Decrease)</b>
Permanent Full-Time	580	578	(2)
Other	73	62	(11)
<b>Business Unit Total</b>	<b>653</b>	<b>640</b>	<b>(13)</b>

**2005 Proposed vs. 2004 Budget**

Due to increased efficiencies, a total of seven admin and back office support positions were reduced in various areas throughout the business unit. An additional six (net) direct support positions from throughout the business unit were either transferred or eliminated while still maintaining essential customer services.



Primary Cost Centers Salaries & Wages	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Regular	\$34,803	\$35,167	\$35,798	\$995	3%
Overtime	\$1,157	\$1,024	\$1,031	(\$127)	-11%
<b>Total Salaries &amp; Wages</b>	<b>\$35,960</b>	<b>\$36,191</b>	<b>\$36,829</b>	<b>\$869</b>	<b>2%</b>
Employee Benefits	\$12,956	\$13,056	\$15,946	\$2,990	23%
<b>Total</b>	<b>\$48,916</b>	<b>\$49,246</b>	<b>\$52,774</b>	<b>\$4,728</b>	<b>8%</b>

**2005 Proposed vs. 2004 Budget**

Salaries and wages increased due to contracted cost of living and merit increases. Employee Benefits increased due to District-wide rising medical premium costs and PERS.



## **Residential Segment**

### Segment Description:

Residential Services provides programs, products and services to over 499,000 residential customers, which represents approximately 45% of District revenues. This segment is divided into two groups: Residential General and Residential Assistance. Residential General represents all residential customers. The Residential Assistance sub-segment represents the District's customers with special needs ( e.g. MED Rate, EAPR).



# Residential Segment – O&M

Residential Segment O&M Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
General Customers	\$831	\$ (213)	\$97	(\$734)	-88%
Assisted Customers	\$5	\$ 5	\$14	\$9	179%
<b>TOTAL O&amp;M</b>	<b>\$836</b>	<b>(\$208)</b>	<b>\$111</b>	<b>(\$725)</b>	<b>-87%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Change from 2004 is due to increased revenues expected from Greenergy and HomePower Programs. Greenergy customer acquisition is expected to increase about 23%; additional promotion costs will increase to achieve new enrollment goal. Continue to promote HomePower Program in its 3rd year. Demand for Surge Protector services is also expected to increase in 2005. Expand the use of EnergySmart home energy audits on the Web, CD-ROM and written versions in Spanish.



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## **Residential Segment – Capital**

*No Capital processes in the Residential Segment*



# Commercial Segment

## Segment Description

Commercial Services provides programs, products and services to the approximately 63,000 commercial, industrial and agricultural customers, which represents 54% of District revenues. This segment is divided into two sub-segments: Key/Major Accounts, which represents the 500 largest customers, and General, representing the remaining small to medium commercial customers.



## Commercial Segment – O&M

Commercial Segment O&M Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Middle Account Management	\$1,917	\$1,857	\$2,637	\$720	38%
Key/Major Account Management	\$2,572	\$2,482	\$2,599	\$28	1%
Commercial Programs All Customers	\$458	\$371	\$461	\$4	1%
<b>TOTAL O&amp;M</b>	<b>\$4,947</b>	<b>\$4,709</b>	<b>\$5,698</b>	<b>\$751</b>	<b>15%</b>

### Significant Changes 2005 Proposed vs. 2004 Budget

Continue with development of the Commercial Account Management Center to further strengthen relationships and provide emery solutions to our Key and Major account holders which is reflected in the increased 2005 proposed budget.



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# Commercial Segment – Capital

*No Capital processes in the Commercial Segment*



# Customer Strategy Segment

## Segment Description:

Customer Strategy is responsible for developing and managing the strategic and business planning process for the Customer Business Unit; performing market research and customer behavior and satisfaction surveys to benchmark process and program performances; and developing and managing product/service delivery channels. Energy Efficiency and Customer R&D is a new organization that is responsible for researching new and emerging technologies, performing demonstration projects, and evaluating the results.



## Customer Strategy Segment – O&M

Strategy Segment O&M Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Customer Strategy	\$7,203	\$7,113	\$7,007	(\$196)	-3%
Energy Efficiency & Customer R&D	\$386	\$ 517	\$428	\$42	11%
<b>TOTAL O&amp;M</b>	<b>\$7,589</b>	<b>\$7,630</b>	<b>\$7,435</b>	<b>(\$154)</b>	<b>-2%</b>

### Significant Changes 2005 Proposed vs. 2004 Budget

Expand Web contacts to 300,000 by implementing Electronic Bill Presentment and Payment, Property Manager Portals, and other customer self-service options. Establish new partnerships within the community to make it more convenient for our customers to obtain information and enroll in SMUD programs and services. EV Infrastructure exit strategy causing a reduction in labor and revenues. Rate process planned for 2005.





# Customer Strategy Segment – Capital

Strategy Segment Capital Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Customer Strategy	\$763	\$324	\$510	(\$253)	-33%
Energy Efficiency & Customer R&D	\$126	\$ 20	\$132	\$6	5%
<b>TOTAL CAPITAL</b>	<b>\$889</b>	<b>\$344</b>	<b>\$642</b>	<b>(\$247)</b>	<b>-28%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Implement technology projects to maintain leadership in energy efficiency, improve energy efficiency tracking system and expand customer self-service channels. Decreased District-owned EV Infrastructure budget by \$121k as program closes.

# Customer Strategy Segment – Capital

<b>CUSTOMER STRATEGY - MAJOR CAPITAL PROJECTS</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (\$000)</b>
<b>Misc Technology Projects - WEB/IVR</b> - Provide customers with expanded channels to conduct their business and increase customer awareness and knowledge of SMUD'S programs, products, and services. <i>2005 Projects: Your Account, Property Manager Portal, Spanish Version of Your Account.</i>	<b>Competitive Rates Customer Service</b>	\$ 235
<b>Energy Efficiency Tracking System</b> - Upgrade and enhance existing system to allow for improved tracking and monitoring of energy efficiency programs. <i>2005 Projects: Automate Low Income Energy Efficiency Tracking, Automate Commercial Energy Efficiency Incentive Process.</i>	<b>Competitive Rates Customer Service.</b>	\$ 275
<b>EV Charging Stations</b> - Continued minimal support for SMUD-owned EV charging stations and transition to projects that support hydrogen refueling infrastructure activities.	<b>Environmental Protection</b>	\$ 133
<b>TOTAL</b>		\$ 643



## Customer Care Segment

### Segment Description:

Customer Care is responsible for the efficient operation of the District's Residential Contact Center, providing technical support for the hiring and development of staff in the Residential and Commercial Segments, establishing standards, and providing training management for customer service, technical, and sales skills within the business unit, and ensuring SAP and computer related projects are managed effectively.



# Customer Care Segment – O&M

Customer Care Segment O&M Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
All Customers	\$14,846	\$ 15,600	\$13,784	(\$1,061)	-7%
TOTAL O&M	\$14,846	\$15,600	\$13,784	(\$1,061)	-7%

**Significant Changes 2005 Proposed vs. 2004 Budget**

Focus on increasing automation and improving alignment of work in the Contact Center to reduce average handle time to 6:15 and increase service level to 90% of calls answered in 60 seconds. Continue development and training of employees with technical and sales skills in the Customer Business Unit to increase efficiency and customer satisfaction.



## Customer Care Segment - Capital

Customer Care Segment Capital Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
All Customers	\$1,444	\$ 1,052	\$1,099	(\$345)	-24%
TOTAL CAPITAL	\$1,444	\$1,052	\$1,099	(\$345)	-24%

### Significant Changes 2005 Proposed vs. 2004 Budget

Enhance IVR to offer multilingual IVR access and additional customer options. Initiate a study to determine the need for SAP enhancements or replacement of CSR Express SAP/user interface to maintain efficiency in the Contact Center.



# Customer Care Segment - Capital

<b>CUSTOMER CARE - MAJOR CAPITAL PROJECTS</b>		
<b>Project</b>	<b>Alignment with Strategic Objective</b>	<b>2005 Budget (\$000)</b>
<b>Replace CSR Express</b> - Provide efficient, value-added handling of inbound customer calls to maintain high customer satisfaction.	<b>Customer Service</b>	<b>\$ 520</b>
<b>IVR Enhancements</b> - Initiate enhancements to the new IVR system to maximize customer satisfaction and use of this technology; offer options for special-needs customers.	<b>Customer Service</b>	<b>\$ 578</b>
<b>TOTAL</b>		<b>\$ 1,099</b>



# Revenue Collection Segment

## Segment Description:

Revenue Collection is responsible for management of financial transactions and risk management of accounts/loans receivable in the areas of meter reading, field services, billing, loan processing, credit and collections and to provide training on revenue collection activities.



# Revenue Collection Segment – O&M

Revenue Collection Segment O&M Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
All Customers	\$30,841	\$ 30,097	\$33,393	\$2,552	8%
<b>TOTAL O&amp;M</b>	\$30,841	\$30,097	\$33,393	\$2,552	8%

## Significant Changes 2005 Proposed vs. 2004 Budget

Implement technology and process improvement projects in Field, Billing, Credit, and Finance to improve service levels and reduce costs. Continue implementation of financial analysis and risk assessment to decrease write-offs. Processing an additional 154,000 bills and continuing to support energy efficiency programs through financing. Increase primarily due to contractual cost of living and merit increases and associated benefits.





# Revenue Collection Segment – Capital

Revenue Collection Segment Capital Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Capital	\$3,687	\$ 3,328	\$4,846	\$1,159	31%
Net Loans	\$7,500	3,500	\$3,000	(\$4,500)	-60%
<b>NET CAPITAL</b>	<b>\$11,187</b>	<b>\$6,828</b>	<b>\$7,846</b>	<b>(\$3,341)</b>	<b>-30%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Continue to support customer demand for purchase and installation of meters and operation of the MV 90 system. Implement Credit/Collection Management System to improve service levels and costs. Continue to offer energy efficiency loans to assist customers in managing their energy needs.



# Revenue Collection Segment – Capital

<b>REVENUE COLLECTION - MAJOR CAPITAL PROJECTS</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (\$000)</b>
<b>Purchase/Install Metering Equipment</b> - Continue supporting customer demand for the purchase and installation of single-phase and three-phase metering	<b>Customer Service</b>	<b>\$ 3,885</b>
<b>Credit/Collection Management</b> - Contribute towards reducing the cost per customer by installing systems and implementing policies and processes for managing the District's revenue assets	<b>Competitive Rates &amp; Access to Credit Markets</b>	<b>\$ 366</b>
<b>Misc Technology Projects</b> - (2005-MV 90/SAP Integration and Route Scheduling)	<b>Competitive Rates &amp; Access to Credit Markets</b>	<b>\$ 595</b>
<b>TOTAL</b>		<b>\$ 4,846</b>

# Customer Communication Segment

## Segment Description:

Customer Communication is responsible for developing and coordinating a consistent image and messages in advertising and customer communications; to promote and increase the awareness of District programs; and to contribute to customers' positive perception of SMUD. The segment provides advertising services, news services, Website management, tradeshow support, video and corporate communications, and outreach to low-income and multi-ethnic communities.



# Customer Communication Segment – O&M

Segment O&M Process	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
All Customers	\$3,179	\$ 3,217	\$3,269	\$90	3%
<b>TOTAL O&amp;M</b>	\$3,179	\$3,217	\$3,269	\$90	3%

**Significant Changes 2005 Proposed vs. 2004 Budget**

Maintain the overall high customer awareness of SMUD services and programs and increase awareness in the newer customer groups including recent immigrants. Increase target marketing of programs to culturally diverse audiences.



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# **Customer Communication Segment – Capital**

*No Capital processes in the Customer Communication Segment*



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**ENERGY SUPPLY BUSINESS UNIT**

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# 2005 Approved Budget

## Business Unit

### Energy Supply

**Business Unit Leader: Jim Shetler**  
**AGM, Energy Supply**



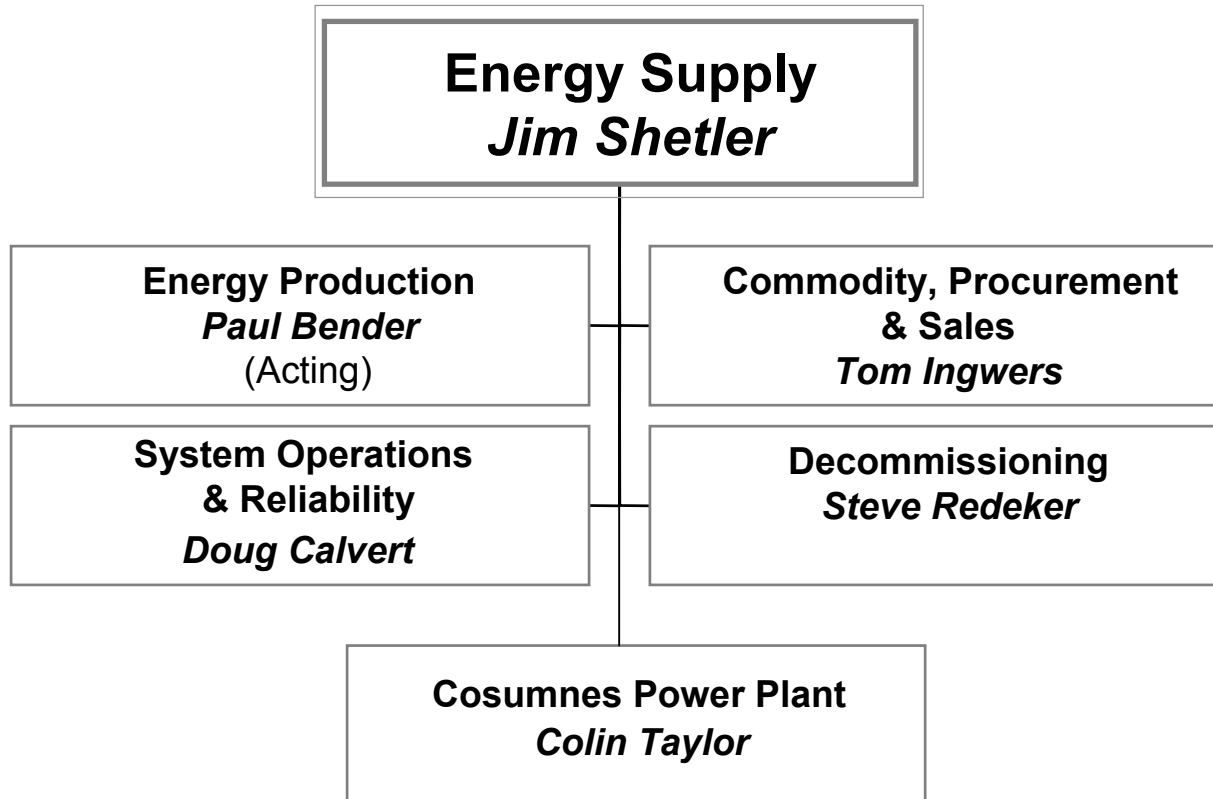
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## ENERGY SUPPLY BUSINESS UNIT

### Business Unit and Segments





## Major Assumptions / Priorities

### Major Assumptions:

- Median Water Year
- Manage high level of ISO/FERC filings

### Major District Priorities / Initiatives:

- **Build Cosumnes Power Plant (CPP)**

#### Goals

- Commercial operation of the plant to commence November 2005.

- **Purchase gas reserves in the western U.S. in close proximity to SMUD interstate pipeline capacity and procure additional pipeline and storage assets to provide fuel price savings, stability and enhanced supply reliability (Commodity Procurement & Sales)**

#### Goals

- Procure additional interstate pipeline capacity to key supply basins to support Cosumnes by 12/31/2005. Continue to look for and purchase gas reserve opportunities meeting SMUD criteria and financial portfolio needs.

- **Diversify power supply portfolio by increasing non-hydro renewable to 10% by 2006 (Energy Production)**

#### Goals

- Begin construction on Phase 2 of the Solano Wind Project in September 2005 to expand the project to 100MW.
- Approve purchase power agreements with successful bidders from RPS solicitation.

- **Limit the frequency and duration of customer outages through preventive maintenance and infrastructure improvements (System Operation & Reliability)**

#### Goals

- Outage duration due to generation / transmission / pipeline less than 45 seconds per customer per year.

- **Hydro Re-licensing (Energy Production)**

#### Goals

- Submit the license application to FERC by July 31, 2005.

- **Develop an Environmental Management System (Energy Supply - Safety)**

#### Goals

- Complete implementation of an Environmental Management System in Energy Supply in the first quarter of 2005.





## Key Assumptions - Commodities Budget

	2004 Budget	2004 Forecast	2005 Proposed
<b>Expected Peak - MW</b>	<b>2,864</b>	<b>2,672</b>	<b>2,953</b>
<b>Expected Energy Requirements - GWh</b>	<b>10,685</b>	<b>10,843</b>	<b>11,007</b>
<b>GENERATION</b>			
UARP Generation - GWh	1,967	1,313	1,704
Thermal Generation - GWh	2,427	2,443	2,945
Other Generation - GWh	46	30	54
<b>Total Generation - GWh</b>	<b>4,440</b>	<b>3,786</b>	<b>4,703</b>
<b>Total Generation % of Total Energy</b>	<b>41%</b>	<b>35%</b>	<b>42%</b>
<b>PURCHASED POWER</b>			
Net Uncommitted Transactions % of Total Energy	6%	5%	6%
Net Short-Term Committed Purchases % of Total Energy	6%	10%	14%
Net Long-Term Contract % of Total Energy	46%	51%	38%
<b>Purchased Power as a % of Total Energy</b>	<b>59%</b>	<b>65%</b>	<b>58%</b>
<b>Generation &amp; Purchased Power as a % of Total Energy</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>PURCHASED POWER COSTS</b>			
Uncommitted Transactions - \$ / MWh	\$30	\$46	\$54
Short-Term Committed Purchase Energy Cost - \$ / MWh	\$53	\$56	\$49
Long-Term Committed Purchase Energy Cost - \$ / MWh	\$46	\$43	\$55
Peaking Capacity Costs (Millions)	\$9	\$9	\$6
<b>NATURAL GAS</b>			
Natural Gas Demand (MMBtu)	20,602,707	20,474,990	24,867,831
Committed Natural Gas Purchases (MMBtu)	24,452,254	20,482,620	26,016,806
<b>Net Long / (Short)</b>	<b>3,849,547</b>	<b>7,630</b>	<b>1,148,975</b>
<b>Committed Gas Purchases as a % of Total Gas</b>	<b>119%</b>	<b>100%</b>	<b>105%</b>
<b>Average Cost of Committed Gas Contracts (Inc. Rosa) - \$ / MMBtu</b>	<b>\$3.62</b>	<b>\$4.05</b>	<b>\$4.00</b>
<b>FORECAST PRICES</b>			
On Peak Power Price Forecast (\$ / MWh)	\$46	\$52	\$56
Off Peak Power Price Forecast (\$ / MWh)	\$36	\$41	\$45
Flat Power Price (\$ / MWh)	\$41	\$47	\$51
Natural Gas Price Forecast (\$ / MMBtu)	\$4.99	\$5.63	\$6.30

## **Alignment with Strategic Directives**

### **SD-2 Competitive Rates**

#### **2005 Initiatives**

- Completion of the Cosumnes Power Plant.
- File UARP Relicensing application including pumped storage option.
- Develop additional peak load management programs.
- Procure additional interstate pipeline capacity and continue to look for and purchase gas reserve opportunities.
- Realize the benefits of SMUD's Control Area. Inclusion of COTP to SMUD's Control Area.
- Optimize availability of generation, transmission, pipeline assets.
- Manage Rancho Seco Decommissioning to avoid increases in Trust Fund Contribution.

## **Alignment with Strategic Directives (cont.)**

### **SD-2 Competitive Rates (cont.)**

#### **2004 Accomplishments**

- Gas was available at Cosumnes Power Plant on 10/12/04.
- All major foundations at Cosumnes Power Plant were completed by 9/1/04.
- Currently the original scheduled field studies are 100% complete for the UARP Re-licensing.
- The Plenary Group has approved the Settlement Negotiations Group Protocols.
- The annual decommissioning cost estimate is complete and the only increase is due to inflation, thus the 2005 Trust Fund contribution rate will be the same as for 2004: \$27 million.
- Incorporation of WAPA 230kV system into SMUD Control Area

## **Alignment with Strategic Directives (cont.)**

### **SD-3 Access to Credit Markets (Risk Management)**

#### **2005 Initiatives**

- Ongoing programs to hedge market, weather, credit, operational and other identified risk exposures.

#### **2004 Accomplishments**

- Procured significant amount of power and gas such that remaining net “Uncommitted Open Position” for 2005 is less than 5%.
- For 2006, we have hedged significantly and currently have a remaining “net Uncommitted Open Position” of about 15%.
- Completed the first edition of Energy Risk Management Procedures Manual.
- In anticipation of additional hydro risk exposure due to changing of the Long-Term Western contractual relationship, SMUD purchased a 3 year (2005-2007) precipitation collar.

## **Alignment with Strategic Directives (cont.)**

### **SD-3 Access to Credit Markets (cont.) (Risk Management)**

#### **2004 Accomplishments (cont.)**

- In anticipation of CPP coming on line, SMUD entered into a 3-year (2005-2007) 200 MW energy exchange with California Department of Water Resources (the State Water Project). This exchange enables SMUD to take summer peaking capacity and energy in exchange for providing CDWR with non-summer off-peak energy.
- Procured deal capture system to automate transaction tracking for power transactions and reduce multiple entry of data.

## **Alignment with Strategic Directives (cont.)**

### **SD-4 Reliability**

#### **2005 Initiatives**

- Completion of the Cosumnes Power Plant.
- Initiate environmental studies for new transmission.
- Operate SMUD Control Area and maintain sufficient reliability services. Inclusion of COTP to SMUD's Control Area.
- Optimize availability of generation, transmission and gas pipeline assets.

#### **2004 Accomplishments**

- Gas was available at Cosumnes Power Plant on 10/12/04.
- All major foundations at Cosumnes Power Plant were completed by 9/1/04.
- Incorporation of WAPA 230kV system into SMUD Control Area.

## **Alignment with Strategic Directives (cont.)**

### **SD-5 Customer Relations**

#### **2005 Initiatives**

- Conduct public outreach programs: Cosumnes, Relicensing, Decommissioning.
- PV1 Pioneer Decommissioning.

#### **2004 Accomplishments**

##### **Hydro Relicensing -**

- Hydro Relicensing conducted two public meetings on the proposed Iowa Hill Pumped Storage Development held on October 20<sup>th</sup> and 21<sup>st</sup> in El Dorado County.

##### **CPP -**

- Posted notices in community papers and notified residents and business owners adjacent to the pipeline by mail.
- Met with several groups to update them on status of power plant & pipeline.

## **Alignment with Strategic Directives (cont.)**

### **SD-6 Safety**

#### **2005 Initiatives**

- Identify work areas for safety improvements at transmission and gas pipeline facilities.
- Complete a benefit/cost analysis for developing a Behavior – Based Safety Program.
- Participation in safety training to promote a safe work environment.



## **Alignment with Strategic Directives (cont.)**

### **SD-6 Safety (cont.)**

#### **2004 Accomplishments**

- Work areas for safety improvement have been identified in 80% of the power plants, this program is on schedule to be completed in Q1 2005.
- All high-risk work assignments have been identified and job safety analysis have been scheduled during the 4th quarter. On target to complete by 12/31/04.
- Implemented pilot training program with Sacramento Sheriff's driving school in September. Evaluation of program & recommendation for 2005 program will be completed by 12/31/04.

## **Alignment with Strategic Directives (cont.)**

### **SD-7 Environmental Protection**

#### **2005 Initiatives**

- Complete implementation of Environmental Management System (EMS).
- Develop an air emission licensing strategy for local thermal generation & complete implementation.

#### **2004 Accomplishments**

- 100% of Phase 3 and 50% of Phase 4 - (the final phase of the EMS program), has been completed. EMS program development is on schedule to be completed by Q1 2005.
- SMUD became the first large organization to have certified Green House Gas Emissions through the California Climate Action Registry.

## **Alignment with Strategic Directives (cont.)**

### **SD-8 Employee Relations**

#### **2005 Initiatives**

- Recruit and retain employees – ensure diversity of skills.

#### **2004 Accomplishments**

- ET&C implemented a new 3-step slant-line position for the Energy Trading Specialist series in 2004. This slant-line creates more entry level positions - to attract new talent, and also adds more promotional opportunities - to help keep existing employees. It also creates incentives for employees to cross-train which should create a more versatile team.
- UARP completed filling vacant apprentice positions in order to transition project knowledge.

## **Alignment with Strategic Directives *(cont.)***

### **SD-9 Resource Planning**

#### **2005 Initiatives**

- Approval of Renewable Portfolio Standard (RPS) solicitation and purchase power agreements.
- Dairy Digester Projects.
- Zero Energy Home Projects (Premier Gardens & Beazer Homes).
- Begin construction on Solano Wind Phase 2 (additional 85 MW).

## **Alignment with Strategic Directives *(cont.)***

### **SD-9 Resource Planning *(cont.)***

#### **2004 Accomplishments**

- Solano Wind Project Phase 1A was completed 2 months ahead of schedule and at a \$250k savings.
- EIR for site build-out for Phase 2 of the Solano Wind project has been approved.
- Russell Substation upgrade is on schedule to be completed by 12/31/04.
- Developed solicitations for renewable energy, received 46 proposals for meeting SMUD's RPS goals and developed a short list of 24 projects for power purchase agreement negotiations.

## **Alignment with Strategic Directives (cont.)**

### **SD-10 Research & Development**

#### **2005 Initiatives**

- Demonstration project of a low-cost / modular 5kW shade structure.
- Wind tunnel testing of bonded concrete tile mounting bracket.
- Proposal for a Community Dairy Digester System in Elk Grove.
- USDA proposals for Dairy Digester Demonstrations in Sacramento County.
- Design studies for an Anaerobic Digester System.
- Preliminary designs of high efficiency / low emission Distributed Generation (DG) / Cooling, Heating and Power (CHP) system.

## **Alignment with Strategic Directives (cont.)**

### **SD-10 Research & Development (cont.)**

#### **2004 Accomplishments**

- Completed operational plan for AR&DGT work group to layout future directions.
- Continued implementation of CEC Regen Program tasks.
- USDA funding procured for 25% of costs for 3 Dairy Digester Systems in Elk Grove.
- Revision of Regen programs for conformance of approved AR&DGT plan.
- Developed advanced photovoltaic technology that has expanded markets in Sacramento and reduced installation costs through the Regen R&D activities.

## Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-2 Competitive Rates SD-4 Reliability	<b>Energy Requirements, MWh</b>	10,685,000	10,741,000	11,006,660
SD-2 Competitive Rates	<i>Business Unit:</i> <b>Base-Load O&amp;M cost, \$/MWh</b> (excluding commodities, decommissioning and public good)	\$5.68	\$5.72	\$5.92
SD-2 Competitive Rates	<i>Business Unit:</i> <b>Non-Baseload O&amp;M cost</b> (excluding commodities, decommissioning and public good)	\$2.5M	\$2.7M	\$1.7M
SD-2 Competitive Rates SD-4 Reliability	<i>Energy Production:</i> <b>Maintain high level of availability of generation assets (adjusted IEEE availability for peak load season Jun - Sep)</b>	96%	99%	96%
SD-2 Competitive Rates SD-4 Reliability	<i>Energy Production:</i> <b>Wind Turbine Generator (WTG) Availability</b>	N/A	N/A	96%
SD-2 Competitive Rates	<i>Energy Production:</i> <b>Solano Wind Project O&amp;M Costs</b>	N/A	N/A	\$8.65 / MWh
SD-2 Competitive Rates	<i>Energy Production:</i> <b>PV O&amp;M Costs</b>	N/A	N/A	Complete activities to identify O&M costs for the future by 12/31/05
SD-2 Competitive Rates	<i>Rancho Seco Decommissioning:</i> <b>Trust fund contribution</b>	\$27M	\$27M	\$27M
SD-2 Competitive Rates	<i>Commodity Procurement &amp; Sales:</i> <b>Total Energy Requirements, cents/kwh</b>	3.985 cents / kwh	4.196 cents / kwh	4.665 cents / kwh
SD-2 Competitive Rates SD-4 Reliability	<i>Cosumnes Power Plant:</i> <b>Commercial Operation</b>	N/A	N/A	Nov-05



## Business Unit Metrics (cont.)

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-4 Reliability	<b>System Operations:</b> Overall availability of transmission assets.	>99%	100%	>99%
SD-9 Resource Planning	<b>Energy Production:</b> Solano Wind Project Phase 2 Operation Milestone	N/A	N/A	Begin Construction by Sep 2005
SD-2 Competitive Rates	<b>Energy Production:</b> Hydro re-licensing milestones	(1) Relicensing studies for submittal with license application completed by 7/31/04 (2) Protection, mitigation and enhancement (PM&E) measures approved by Plenary Group 9/30/04	(1) Fall 04' (2) 04/30/05	Submittal of Application by 7/31/05
SD-2 Competitive Rates	<b>Commodity Procurement &amp; Sales:</b> Long-term natural gas pipeline infrastructure / natural gas reserves secured	Procure additional intrastate pipeline capacity from PG&E to support the Cosumnes project and / or develop additional pipeline interconnect / supply points with the SMUD pipeline by 12/31/04.	Intrastate capacity to be purchased on the open market in 2005. Procure additional intrastate capacity from PG&E by Jan 2006.	Procure additional interstate pipeline capacity to key supply basins to support Cosumnes by 12/31/05. Continue to look for and purchase gas reserve opportunities meeting SMUD criteria and financial portfolio needs.
SD-4 Reliability	<b>System Operations:</b> Reduce frequency and duration of outages experienced by our customers by Generation, Transmission, or Gas Pipeline system operating errors.	<50 Sec. / customer / year	0	<45 Sec. / customer / year

**Business Unit Metrics (cont.)**

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-5 Customer Relations SD-6 Safety	<b>ES Safety:</b> Complete development of an Environmental Management System for future implementation in the Energy Supply BU by 12/31/04.	12/31/04	Development by Q1 2005	Implementation by Q1 2005
SD-6 Safety	<b>ES Safety:</b> Reduce the District's number and severity of OSHA recordable incident rate, lost time incident rate, and preventable vehicle incident rate. *	OSHA < or = 2.9 (9) LTA < or = 1.2 (4) PVA < or = 1.6 (0)	OSHA < or = 5.6 (17) LTA < or = 1.0 (3) PVA < or = 6.4 (9)	OSHA < or = 2.6 (8) LTA < or = 1.1 (3) PVA < or = 1.3 (1)
SD-6 Safety	<b>ES Safety:</b> Complete job safety analysis for high-risk job classifications in Energy Supply.	Complete by 12/31/04	Q1 2005	Q1 2005
SD-7 Environmental Protection	RPS - Renewable energy to meet SMUD's load **	7%	7.5%	8%
SD-8 Employee Relations	% of performance evaluations and development plans completed annually	100%	100%	100%
SD-8 Employee Relations	% of employee ratings on survey items related to communications	>73.56%	Outside agency administers survey, data available at year-end.	Improvement based on 2004 results
SD-8 Employee Relations	% of employee ratings on survey items related to employee satisfaction	>87.70%	Outside agency administers survey, data available at year-end.	Improvement based on 2004 results

*\*2005 is the third year of the five-year overall safety goal to reduce 2002 District safety incident rates by 50%*

*\*\*Overall target 10% by 2006 and 20% by 2011*

## Business Unit Summary (\$000's)

Summary	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
O&M - Commodities (net)	*\$426,093	* \$448,833	\$513,494	\$87,401	21%
O&M - Other	\$64,230	\$64,612	\$70,897	\$6,667	10%
Revenue	(\$740)	(\$810)	(\$953)	(\$213)	29%
O&M - Decommissioning	\$9,934	\$10,377	\$11,006	\$1,072	11%
<b>O&amp;M (Net)</b>	<b>\$499,518</b>	<b>\$523,012</b>	<b>\$594,444</b>	<b>\$94,926</b>	<b>19%</b>
Public Good	\$2,248	\$2,181	\$3,217	\$969	43%
JPA Interest Expense	\$17,416	\$17,216	\$16,509	(\$907)	-5%
Capital	\$225,009	\$229,289	\$165,257	(\$59,753)	-27%
<b>Energy Supply Business Unit Total</b>	<b>\$741,943</b>	<b>\$769,517</b>	<b>\$776,210</b>	<b>\$34,267</b>	<b>5%</b>

\* 2004 Budget/Forecast excludes one-time adjustment of \$19.2M for Administrative Law Judge decision at FERC on PG&E scheduling.

### Overview

**O&M - Commodities:** Increase in natural gas & electricity prices in 2005 & lower energy deliveries from WAPA contracts.

**O&M - Other:** Emphasis on meeting generation availability, forced outage & reliability targets, operating SMUD / WAPA Control Area and operation of CPP in the 4th quarter.

**O&M - Decommissioning:** Emphasis on maintaining systems that support dismantlement and maintaining existing infrastructure.

**Public Good:** Emphasis will be Dairy Digester, Zero Energy Home (ZEH) and Combined Heating & Cooling System (CHP) projects.

**Capital:** Emphasis on completion of CPP, continue Decommissioning dismantlement, Solano Wind Project Phase 2, Hydro Relicensing, Rosa Gas Reserve Development and completion of the Jaybird Generator Refurbishment.

**O&M - Cost Element Summary - Energy Supply Business Unit (\$000's)**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$24,918	\$25,752	\$28,562	\$3,643	15%
Cost Center Surcharge	\$13,941	\$13,765	\$15,176	\$1,235	9%
Material & Equipment	\$1,689	\$1,578	\$1,859	\$170	10%
Mat'l & Whse Surcharge	\$140	\$130	\$128	(\$12)	-9%
Other Expenses	\$7,595	\$7,420	\$8,576	\$981	13%
Utilities & Postage	\$1,255	\$1,233	\$1,252	(\$3)	0%
Rebates & Incentives	\$120	\$120	\$120	\$0	0%
Commodities	*\$521,845	*\$496,286	\$561,638	\$39,793	8%
Surplus/Whsl Pwr Sales	(\$95,752)	(\$47,453)	(\$48,144)	\$47,608	-50%
Outside Services	\$30,529	\$29,978	\$32,207	\$1,678	5%
Contract Svcs Surcharge	\$131	\$122	\$169	\$38	29%
Cost Reduc/Reimb	(\$6,154)	(\$5,109)	(\$6,146)	\$8	0%
Corporate Allocation	\$0	\$0	\$0	\$0	0%
<b>O&amp;M Total</b>	<b>\$500,258</b>	<b>\$523,822</b>	<b>\$595,397</b>	<b>\$95,139</b>	<b>19%</b>
<b>Revenue</b>	<b>(\$740)</b>	<b>(\$810)</b>	<b>(\$953)</b>	<b>(\$213)</b>	<b>29%</b>
<b>O&amp;M (Net)</b>	<b>\$499,518</b>	<b>\$523,012</b>	<b>\$594,444</b>	<b>\$94,926</b>	<b>19%</b>

\* 2004 Budget/Forecast excludes one-time adjustment of \$19.2M for Administrative Law Judge decision at FERC on PG&E scheduling.



## Cost Element Summary - Energy Supply Business Unit Commodities (\$000's)

O&M	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget	% Change Proposed to Budget
Purchased Power	\$313,163	\$328,822	\$367,771	\$54,608	17%
Fuel for Generation	\$97,736	\$104,817	\$130,110	\$32,374	33%
Transmission	\$15,194	\$15,194	\$15,613	\$419	3%
<b>O&amp;M Commodities</b>	<b>* \$426,093</b>	<b>* \$448,833</b>	<b>\$513,494</b>	<b>\$87,401</b>	<b>21%</b>

\* 2004 Budget/Forecast excludes one-time adjustment of \$19.2M for Administrative Law Judge decision at FERC on PG&E scheduling.

### 2005 Proposed vs. 2004 Budget:

- **Purchase Power:** Higher short-term contract & market energy prices
- **Fuel:** Higher natural gas prices & higher generation due to CPP being operational in the 4<sup>th</sup> quarter of 2005
- **Transmission:** Higher costs from WAPA due to an increase in contractual rate.

**Public Good - Cost Element Summary (\$000's)**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$521	\$514	\$565	\$45	9%
Cost Center Surcharge	\$384	\$380	\$349	(\$35)	-9%
Material & Equipment	\$839	\$246	\$276	(\$563)	-67%
Mat'l & Whse Surcharge	\$30	\$5	\$0	(\$30)	-99%
Other Expenses	\$45	\$49	\$558	\$513	1133%
Utilities & Postage	\$1	\$2	\$0	(\$1)	-61%
Rebates & Incentives	\$0	\$640	\$824	\$824	100%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$600	\$448	\$767	\$168	28%
Contract Svcs Surcharge	\$14	\$11	\$18	\$4	28%
Cost Reduc/Reimb	(\$217)	(\$145)	(\$176)	\$41	-19%
LI/MED Rate Discount	\$0	\$0	\$0	\$0	0%
Corporate Allocation	\$31	\$31	\$34	\$3	9%
<b>Public Good Total</b>	<b>\$2,248</b>	<b>\$2,181</b>	<b>\$3,217</b>	<b>\$969</b>	<b>43%</b>

<b>2005 Public Good</b>			
<b>Business Unit Summary</b>	<b>Customer Business Unit * (\$000)</b>	<b>Energy Supply Business Unit (\$000)</b>	<b>Total (\$000)</b>
Energy Efficiency	\$15,747	\$0	\$15,747
Residential Assistance	\$11,712	\$0	\$11,712
Solar Program	\$1,622	\$1,112	\$2,733
Research & Development	\$1,746	\$2,105	\$3,851
<b>Total</b>	<b>\$30,826</b>	<b>\$3,217</b>	<b>\$34,042</b>

*\* Additional Public Good information is provided within the Customer Business Unit.*

***Solar Program –***

- Zero Energy Home (ZEH) projects (Beazer & Premier Homes).

***Research & Development –***

- Demonstration project of a low-cost / modular 5kW shade structure.
- Wind tunnel testing of bonded concrete tile mounting bracket.
- Proposal for a Community Dairy Digester System in Elk Grove.
- USDA proposals for Dairy Digester Demonstrations in Sacramento County.
- Design studies for an Anaerobic Digester System.
- Preliminary designs of high efficiency / low emission DG/CHP system.

**Capital - Cost Element Summary (\$000's)**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$12,514	\$12,751	\$12,246	(\$268)	-2%
Cost Center Surcharge	\$5,632	\$5,867	\$6,059	\$426	8%
Material & Equipment	\$6,519	\$11,314	\$42,405	\$35,886	551%
Mat'l & Whse Surcharge	\$352	\$581	\$585	\$232	66%
Other Expenses	\$14,690	\$13,404	\$13,233	(\$1,457)	-10%
Utilities & Postage	\$19	\$3	\$17	(\$2)	-10%
Rebates & Incentives	\$0	\$0	\$0	\$0	0%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$183,558	\$183,218	\$91,785	(\$91,773)	-50%
Contract Svcs Surcharge	\$1,196	\$2,007	\$1,208	\$12	1%
Cost Reduc/Reimb	\$0	(\$396)	(\$2,799)	(\$2,799)	100%
Corporate Allocation	\$529	\$540	\$519	(\$11)	-2%
<b>Capital Total</b>	<b>\$225,009</b>	<b>\$229,289</b>	<b>\$165,257</b>	<b>(\$59,753)</b>	<b>-27%</b>
<b>Net Loans</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>
<b>Capital (Net)</b>	<b>\$225,009</b>	<b>\$229,289</b>	<b>\$165,257</b>	<b>(\$59,753)</b>	<b>-27%</b>





Primary Staffing	2004 Budget	2005 Proposed	Net Increase (Decrease)
Permanent Full-Time	310	314	4
Other	68	60	(8)
<b>Business Unit Total</b>	<b>378</b>	<b>374</b>	<b>(4)</b>

**2005 Proposed vs. 2004 Budget:**

Energy Supply Business Unit has a net decrease of 4 positions due to a reduction of 15 positions (8 Rancho Seco, 3 Energy Production, 2 CP&S, 1 AR&DGT, 1 CPP). This is off-set by 1 position transferred from another Business Unit and 10 new positions (6 SOAR – WAPA Control Area, 2 CP&S – Gas Trading & Gas Reserve purchase efforts, 2 AR&DGT – Students).



Primary Cost Centers Salaries & Wages	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget (\$000)
Regular	\$28,663	\$28,905	\$29,003	\$340	1%
Overtime	\$1,486	\$2,145	\$1,541	\$55	4%
Total Salaries & Wages	<b>\$30,149</b>	<b>\$31,049</b>	<b>\$30,544</b>	<b>\$394</b>	<b>1%</b>
Employee Benefits	\$8,503	\$8,158	\$10,582	\$2,080	24%
<b>Total</b>	<b>\$38,652</b>	<b>\$39,208</b>	<b>\$41,126</b>	<b>\$2,868</b>	<b>6%</b>

**2005 Proposed vs. 2004 Budget**

**Regular / Benefits** - Increase due to contractual cost of living and merit increases combined with associated benefits.

**Overtime** - Slightly higher due to more overtime associated with WAPA Control Area efforts (6 additional positions).

## **Energy Production Segment Description**

Energy Production segment consists of the SMUD-owned physical assets which generate electrical power from hydraulic, thermal, and renewable generation power sources and the employees who design, construct, operate and maintain those physical assets. Energy Production segment, through the Advanced, Renewable & Distributed Technology Group, is also responsible for the Research and Development activities related to Distributed Generation applications and New and Renewable technologies.



## Energy Production – O&M

Energy Production O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Hydro Generation	\$12,326	\$12,804	\$14,233	\$1,907	15%
Thermal Generation	\$24,129	\$23,362	\$26,451	\$2,322	10%
Renewable Generation	\$2,669	\$1,767	\$2,561	(\$108)	-4%
Gas Pipeline (includes credit for allocation to cogen plants)	\$344	\$199	\$36	(\$308)	-90%
<b>TOTAL O&amp;M</b>	<b>\$39,468</b>	<b>\$38,132</b>	<b>\$43,280</b>	<b>\$3,813</b>	<b>10%</b>

## **Energy Production – O&M (cont.)**

### **2005 Proposed vs. 2004 Budget:**

**Hydro** – Higher due to repainting of the Camino penstock and completion of the installation of HVAC units at the Slab Creek, White Rock and Loon Lake powerhouses.

**Thermal** – Higher due to O&M cost associated with CPP being operational in the 4<sup>th</sup> quarter of 2005.

**Renewable** – Lower due to CEC Regen Project implementation fee credit that was not planned in 2004 and slightly lower PV O&M costs.

**Gas Pipeline** – Lower due to increased cogen allocation applied to reduce pipeline operational costs.

## Energy Production – Public Good

Energy Production Public Good Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Customer Advanced Technology	\$0	(\$20)	\$0	\$0	0%
Distributed Technology	\$616	\$616	\$855	\$239	39%
Research & Development PV	\$760	\$541	\$412	(\$348)	-46%
New Residential Construction PV	\$699	\$817	\$1,112	\$413	59%
Photovoltaic Programs - Utility Scale PV	\$173	\$227	\$0	(\$173)	-100%
Renewable Initiatives	\$0	\$0	\$838	\$838	100%
<b>TOTAL Public Good</b>	<b>\$2,248</b>	<b>\$2,181</b>	<b>\$3,217</b>	<b>\$969</b>	<b>43%</b>

## **Energy Production – Public Good (cont.)**

### **2005 Proposed vs. 2004 Budget:**

**Renewable Initiatives** - Higher due to Community Dairy Digester projects.

**New Residential Construction** - Increase due to Zero Energy Home projects (Beazer, Premier Gardens).

**Distributed Technology** - Higher due to Dairy Digester demonstration projects and High Efficiency / Low Emission Combined Heating & Cooling projects.

\*Additional Public Good Information is provided within the Customer Business Unit.

## Energy Production – Capital

Energy Production Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Emission Credits	\$0	\$1,057	\$0	\$0	0%
Hydro Generation (includes Relicensing)	\$15,970	\$16,311	\$9,695	(\$6,274)	-39%
Thermal Generation	\$2,912	\$2,962	\$1,015	(\$1,896)	-65%
Renewable Generation	\$9,191	\$6,411	\$53,116	\$43,926	478%
Gas Pipeline	\$2,044	\$874	\$1,090	(\$955)	-47%
<b>TOTAL Capital</b>	<b>\$30,116</b>	<b>\$27,615</b>	<b>\$64,917</b>	<b>\$34,800</b>	<b>116%</b>



## **Energy Production – Capital (*cont.*)**

### **2005 Proposed vs. 2004 Budget:**

**Hydro** – Decrease in 2005 due to Jaybird Generator Refurbishment project being mostly completed in 2004 and overall less capital improvement requirements.

**Thermal** – Decrease in 2005 due to Mc Clellan Retrofit Project being completed in 2004.

**Renewable** – Increase due to start of Phase 2 of the Solano Wind Project (85MW).

**Gas Pipeline** – Decrease due to deferment of the Alternative Fuel Supply project.



## Energy Production – Capital

<b>MAJOR CAPITAL PROJECTS - Energy Production</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (\$000)</b>
<b>Solano Wind Project:</b> Start construction on Phase 2 of 85 MW of wind build out.	SD-2 Competitive Rates SD-4 Reliability SD-9 Resource Plan/Renewable	<b>\$52,053</b>
<b>Hydro Relicensing of UARP (FERC License 2101):</b> Multi-year project to obtain renewal of FERC license, to include pumped storage, by 2007.	SD-2 Competitive Rates SD-4 Reliability	<b>\$4,579</b>
<b>Jaybird Generator Refurbishment:</b> Install new stators, evaluate rotors, install machine monitoring system (including generator monitoring).	SD-2 Competitive Rates SD-4 Reliability	<b>\$3,124</b>
<b>Miscellaneous Hydro Projects:</b> Projects to improve reliability and efficiency to ensure availability of units and reduce the frequency and duration of outages.	SD-2 Competitive Rates SD-4 Reliability	<b>\$1,993</b>
<b>Miscellaneous Gas Pipeline Projects:</b> Projects include: Carson Station Improvement, Morrison Creek Station Improvement, Winters Interconnection Improvement.	SD-2 Competitive Rates SD-4 Reliability	<b>\$1,090</b>
<b>Decommissioning of PV1 Systems:</b> Removal of PV Pioneer 1 systems.	SD-5 Customer Relations SD-7 Environmental Protection	<b>\$1,063</b>
<b>Miscellaneous Co-Gen Improvements:</b> 2005 CVFA, SCA & SPA improvements include implementation of OEM advisories, installation of a chemical free cooling system, an intake structure access platform, and PVC piping replacement in the demineralization building.	SD-2 Competitive Rates SD-4 Reliability	<b>\$973</b>
<b>Miscellaneous McClellan Improvements:</b> Installation of fiber to improve Telecommunications at the facility.	SD-2 Competitive Rates SD-4 Reliability	<b>\$42</b>



## Energy Production – Capital Multi Year

Energy Production Capital Multi-Year Projects	Inception to 12/31/2004 (\$000)	2005 Budget (\$000)	2006 & Later Estimate (\$000)	Estimated Total Cost (\$000)
Solano Wind Project (Phase 2)	\$4,235	\$52,053	\$52,210	\$108,497
Hydro Relicensing	\$19,632	\$4,579	\$5,149	\$29,360
Jaybird Generator Refurbishment	\$6,962	\$3,124	\$0	\$10,086
PV Pioneer 1 Decommissioning	\$530	\$1,063	\$1,700	\$3,293
UARP Governor Upgrades	\$393	\$483	\$4,500	\$5,376
Generator Relay Upgrades	\$0	\$408	\$1,279	\$1,687

## Thermal O&M by Plant (\$000's)

GENERATION PLANT	2004 BUDGET	2005 PROPOSED	CHANGE	
			\$	%
Carson Cogeneration (CVFA)	\$6,037	\$5,373	(\$664)	-11%
Procter & Gamble (SCA)	\$6,939	\$6,946	\$7	0%
Campbell Soup (SPA)	\$9,996	\$9,950	(\$46)	0%
<b>Total Cogeneration</b>	<b>\$22,972</b>	<b>\$22,269</b>	<b>(\$702)</b>	<b>-3%</b>
McClellan	\$1,157	\$1,230	\$73	6%
CPP	\$0	\$2,951	\$2,951	100%
<b>TOTAL THERMAL</b>	<b>\$24,129</b>	<b>\$26,451</b>	<b>\$2,322</b>	<b>10%</b>

### 2005 Proposed vs. 2004 Budget:

- Increase due to expenses for CPP operations in the 4<sup>th</sup> quarter of 2005. This is off-set by less overhaul costs.

**JPA 2005 Proposed Budget (\$000's)**

	GENERATION PLANT			TOTAL
	CVFA	SCA	SPA	
<b>COMMODITY SEGMENT</b>				
Variable Fuel	\$13,830	\$26,878	\$32,054	\$72,762
Fixed Fuel	\$6,073	\$10,535	\$13,174	\$29,783
<b>TOTAL FUEL</b>	<b>\$19,903</b>	<b>\$37,413</b>	<b>\$45,228</b>	<b>\$102,545</b>
<b>ENERGY PRODUCTION SEGMENT</b>				
Plant O&M (A&G)	\$5,373	\$6,946	\$9,950	\$22,269
<b>TOTAL O&amp;M BUDGET</b>	<b>\$25,276</b>	<b>\$44,359</b>	<b>\$55,179</b>	<b>\$124,814</b>
INTEREST EXPENSE	\$3,506	\$5,138	\$7,865	\$16,509
<b>TOTAL O&amp;M and INTEREST</b>	<b>\$28,782</b>	<b>\$49,497</b>	<b>\$63,044</b>	<b>\$141,323</b>

## **Cosumnes Power Plant Segment Description**

CPP phase I is a gas fired combined cycle 500Mwe power project with power Island, Wet Cooling and a 24-mile cross country gas pipeline.

The power island equipment, which is already committed, comprises the following:

- Two GE 7FA natural gas fired combustion turbine generators (CTGs) with inlet evaporative coolers.
- Two unfired, Nooter Erikson heat recovery steam generators (HRSGs) with reheat sections.
- One steam turbine generator (STG) manufactured by MHI Power Generation.
- November 2005 is the forecast completion date.

## Cosumnes Power Plant – Capital

Cosumnes Power Plant Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
CPP	\$138,493	\$153,805	\$45,946	(\$92,547)	-67%
<b>TOTAL Capital</b>	\$138,493	\$153,805	\$45,946	(\$92,547)	-67%

### 2005 Proposed vs. 2004 Budget:

- Projected expenditures are \$46M dollars for direct & indirect costs.
- 95% Startup & commissioning costs falls in FY 2005.
- 21% of overall Construction cost is scheduled in FY 2005, which includes construction site support contracts. Construction cost does not include any potential claims.
- Overall SMUD CPP labor hours for FY 2005 are 48,940.
- CPP forecast commercial operation - November 2005.



## Cosumnes Power Plant – Capital Multi Year

<b>Cosumnes Power Plant Capital Multi Year Projects</b>	<b>Inception to 12/31/2004 (\$000)</b>	<b>2005 Budget (\$000)</b>	<b>2006 &amp; Later Estimate (\$000)</b>	<b>Estimated Total Cost (\$000)</b>
CPP Project - Phase I	\$342,114	\$45,946	\$0	\$388,060





## **Commodity Procurement & Sales Segment Description**

Commodity Procurement and Sales segment is responsible for the development, procurement and administration of long, medium and short-term power, electric transmission and natural gas contracts. In addition, this segment conducts the associated day-to-day dispatch of generation resources and market trading activities required to maintain adequate, cost effective supplies of natural gas to thermal generation units as well as electrical energy to SMUD customers.



## Energy Requirements

	GWh			
	2004 BUDGET	2004 FORECAST	2005 PROPOSED	DIFFERENCE
<b>GENERATION:</b>				
HYDROELECTRIC	1,967	1,313	1,704	(263)
COGENERATION (JPA's)	2,420	2,425	2,342	(78)
CPP	0	0	602	602
McCLELLAN & OTHER	53	47	54	1
<b>TOTAL - GENERATION</b>	<b>4,440</b>	<b>3,786</b>	<b>4,703</b>	<b>263</b>
<b>PURCHASED ENERGY:</b>				
UNCOMMITTED TRANSACTIONS	693	505	707	14
SHORT-TERM CONTRACTS	674	1,114	1,527	853
LONG-TERM CONTRACTS	4,951	5,522	4,175	(776)
<b>TOTAL - PURCHASED ENERGY</b>	<b>6,318</b>	<b>7,140</b>	<b>6,409</b>	<b>90</b>
<b>TRANSMISSION LOSSES:</b>	<b>(74)</b>	<b>(83)</b>	<b>(105)</b>	<b>(31)</b>
<b>TOTAL ENERGY</b>	<b>10,684</b>	<b>10,843</b>	<b>11,007</b>	<b>322</b>

## Purchased Power Budget

	\$000			\$ Change	%
	2004 BUDGET	2004 FORECAST	2005 PROPOSED		
UNCOMMITTED TRANSACTIONS	\$20,937	\$23,013	\$35,169	\$14,231	68%
SHORT-TERM CONTRACTS	\$35,967	\$38,403	\$74,948	\$38,980	108%
LONG-TERM CONTRACTS	\$229,076	\$242,475	\$230,270	\$1,194	1%
<b>TOTAL CONTRACTS</b>	<b>\$285,981</b>	<b>\$303,891</b>	<b>\$340,386</b>	<b>\$54,405</b>	<b>19%</b>
CAPACITY OPTIONS	\$8,550	\$6,000	\$6,303	(\$2,247)	-26%
TRANSMISSION FEES	\$12,632	\$12,955	\$14,532	\$1,900	15%
FINANCIAL CONTRACTS	\$6,000	\$5,976	\$6,550	\$550	9%
<b>TOTAL PURCHASED POWER</b>	<b>\$313,163</b>	<b>\$328,822</b>	<b>\$367,771</b>	<b>\$54,608</b>	<b>17%</b>

\* 2004 Budget/Forecast excludes one-time adjustment of \$19.2M for Administrative Law Judge decision at FERC on PG&E scheduling.

### 2005 Proposed vs. 2004 Budget:

Variance due to hydro generation only 66% of budget and subsequent unbudgeted purchases for replacement energy due to the low hydro year.



## Transmission Wheeling

	\$000				% CHANGE
	2004 BUDGET	2004 FORECAST	2005 PROPOSED	\$ CHANGE	
CALIFORNIA-OREGON TRANSMISSION PROJECT (COTP)	\$11,679	\$11,679	\$11,554	(\$125)	-1%
WAPA (341MW)	\$2,332	\$2,332	\$3,806	\$1,474	63%
NORTHWEST EHV (200MW)	\$670	\$670	\$0	(\$670)	-100%
OTHER	\$513	\$513	\$253	(\$260)	-51%
<b>Total</b>	<b>\$15,194</b>	<b>\$15,194</b>	<b>\$15,613</b>	<b>\$419</b>	<b>2.75%</b>



## Fuel for Generation

	2004 BUDGET		2005 PROPOSED		CHANGE	
	GWh	\$000	GWh	\$000	\$000	%
<b>VARIABLE FUEL COST:</b>						
CARSON COGENERATION / CVFA	412	\$11,545	416	\$13,830	\$2,285	20%
PROCTER & GAMBLE / SCA	872	\$23,648	849	\$26,878	\$3,230	14%
CAMPBELL SOUP / SPA	1,136	\$28,150	1,061	\$32,054	\$3,904	14%
<b>TOTAL COGENERATION</b>	<b>2,420</b>	<b>\$63,342</b>	<b>2,326</b>	<b>\$72,761</b>	<b>\$9,419</b>	<b>15%</b>
McCLELLAN	8	\$312	16	\$825	\$513	165%
CPP	0	\$0	602	\$21,481	\$21,481	100%
<b>TOTAL VARIABLE</b>	<b>2,428</b>	<b>\$63,654</b>	<b>2,342</b>	<b>\$95,067</b>	<b>\$9,932</b>	<b>16%</b>
<b>FIXED FUEL COST:</b>						
CAPACITY, STORAGE & PROCUREMENT		\$15,088		\$15,824	\$737	5%
LOCAL GAS PIPELINE		\$3,290		\$2,869	(\$421)	-13%
LINE 300 & 401, NET OF SALES		\$4,695		\$5,258	\$563	12%
ROSA, INTEREST & DEPLETION		\$11,010		\$11,093	\$83	1%
<b>TOTAL FIXED</b>		<b>\$34,082</b>		<b>\$35,044</b>	<b>\$879</b>	<b>3%</b>
<b>TOTAL FUEL</b>	<b>2,428</b>	<b>\$97,736</b>	<b>2,342</b>	<b>\$130,110</b>	<b>\$10,811</b>	<b>11%</b>



## Commodity Procurement & Sales - O&M

Commodity Procurement & Sales O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Administer Energy Contracts	\$1,073	\$1,213	\$1,608	\$534	50%
ISO-FERC Regulatory Affairs	\$2,070	\$2,070	\$2,377	\$308	15%
Development of RPS	\$64	\$171	\$492	\$428	666%
Settlements Electric Power	\$1,227	\$1,161	\$1,355	\$128	10%
Market Trading Support Activities	\$123	\$123	\$257	\$134	109%
Trade Power	\$2,956	\$2,956	\$3,086	\$130	4%
Manage Commodity Risk	\$1,088	\$762	\$1,176	\$88	8%
Credit & Performance Monitoring	\$230	\$217	\$274	\$44	19%
Procure/Sell Natural Gas Commodity	\$1,456	\$1,396	\$1,449	(\$8)	-1%
Sales to Cogen Plants	(\$1,454)	(\$1,454)	(\$1,449)	\$6	0%
SMUD Labor & Expenses - (Purchase/Sales/Admin of Electric Transmission Contracts)	\$62	\$62	\$36	(\$27)	-43%
<b>TOTAL O&amp;M</b>	<b>\$8,897</b>	<b>\$8,678</b>	<b>\$10,661</b>	<b>\$1,765</b>	<b>20%</b>

## **Commodity Procurement & Sales - O&M (cont.)**

### **2005 Proposed vs. 2004 Budget:**

**ISO – FERC Regulatory Affairs** - Increase due to higher Outside Legal contracts in support of ISO – FERC issues.

**Administer Energy Contracts** - Higher water rights costs and less water revenue from Arden / Cordova Water District.

**Renewable Portfolio Standard (RPS)** - Increase as this program was being partially funded within the Cost Center in 2004.

**Market Trading Support Activities** - Increase due to additional membership, publication and licensing costs (Energy Market Price Forecasting, WAPA users membership, QuickTrade License fee, Web Trader).



## Commodity Procurement & Sales - Capital

Commodity Procurement & Sales Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Gas Storage Development	\$11,535	\$7,766	\$9,296	(\$2,239)	-19%
Fuel Supply Improvements	\$559	\$753	\$641	\$82	15%
Energy Transaction Model Development	\$680	\$377	\$200	(\$480)	-71%
<b>TOTAL Capital</b>	<b>\$12,774</b>	<b>\$8,896</b>	<b>\$10,137</b>	<b>(\$2,637)</b>	<b>-21%</b>

### 2005 Proposed vs. 2004 Budget:

**Gas Storage Development** - The 2005 budget assumes less expenditures associated with well drilling at Rosa Gas Reserve site.

**Fuel Supply Improvements** - SMUD increased its undivided interest in PG&E Line 401 thus incurring a greater share of capital expenses.

**Energy Transaction Model Development** – Project completion has moved into 2005 for the implementation of the OATI deal capture system.





## Commodity Procurement & Sales - Capital

<b>MAJOR CAPITAL PROJECTS - Commodity Procurement &amp; Sales</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (\$000)</b>
<b>Gas Storage Development:</b> Compression Projects, Fruitland Coal Pumping Unit Projects, Fruitland Coal D&C Project, Conventional D&C Project.	<b>SD-2 Competitive Rates SD-4 Reliability</b>	<b>\$9,296</b>
<b>Fuel Supply Improvements:</b> Capital improvements & modifications to SMUD's portion of PG&E lines (300/401).	<b>SD-2 Competitive Rates SD-4 Reliability</b>	<b>\$641</b>
<b>Wholesale Energy Procurement Enterprise System:</b> To tightly integrate the assorted systems utilized by the various procurement functions to improve efficiency.	<b>SD-2 Competitive Rates</b>	<b>\$200</b>

## Commodity Procurement & Sales – Capital Multi Year

Commodity Procurement & Sales Capital Multi-Year Projects	Inception to 12/31/2004 (\$000)	2005 Budget (\$000)	2006 & Later Estimate (\$000)	Estimated Total Cost (\$000)
Gas Reserve Development	\$146,127	\$9,296	Ongoing	\$155,423
Fuel Supply Improvements	\$5,571	\$641	Ongoing	\$6,212

## **System Operations & Reliability Segment Description**

System Operations and Reliability segment consists of the SMUD-owned physical assets which remotely control/monitor fuel to generation sources, operate and deliver generated electrical energy to the Distribution System and other entities in the western United States. In addition, the segment includes employees who design, plan, operate and control those physical assets.



## System Operations & Reliability - O&M

System Operations & Reliability O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Operations - Transmission	\$971	\$837	\$948	(\$23)	-2%
Control System & Dispatch Load	\$6,371	\$8,080	\$5,902	(\$469)	-7%
WAPA Control Area Operations	\$0	\$0	\$483	\$483	100%
Plan Transmission Operations	\$1,068	\$1,233	\$1,545	\$476	45%
Commercial & Industrial Load Management	\$630	\$730	\$558	(\$72)	-11%
Residential Load Management	\$3,460	\$3,460	\$3,733	\$272	8%
Emergency Curtailment	\$100	\$100	\$114	\$13	13%
Trim Trees	\$326	\$316	\$347	\$21	7%
Preventive Maintenance Trans Substation	\$1,170	\$926	\$934	(\$236)	-20%
Preventive Maintenance Transmission Line	\$312	\$270	\$513	\$201	64%
Corrective Maintenance Trans Substation	\$582	\$902	\$788	\$206	35%
Corrective Maintenance Transmission Line	\$134	\$139	\$137	\$3	2%
<b>TOTAL O&amp;M</b>	<b>\$15,126</b>	<b>\$16,993</b>	<b>\$16,002</b>	<b>\$876</b>	<b>6%</b>

## **System Operations & Reliability - O&M (cont.)**

### **2005 Proposed vs. 2004 Budget:**

2005 proposed budget has increased over the 2004 budget due to the following items / issues:

- Additional positions to support WAPA Control Area.
- Maintenance on the Substation & Transmission lines.
- Increase in Residential Load Management program.

## System Operations & Reliability - Capital

Segment Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Energy Control System Improvements	\$10,026	\$9,880	\$3,911	(\$6,115)	-61%
Back Up Control Center	\$228	\$22	\$1,576	\$1,348	592%
New/Upgrade Trans- mission Substations	\$4,715	\$5,613	\$7,850	\$3,135	66%
Build New Transmission Lines	\$175	\$175	\$0	(\$175)	-100%
Preliminary Transmission Studies	\$0	\$154	\$503	\$503	100%
<b>TOTAL Capital</b>	<b>\$15,144</b>	<b>\$15,844</b>	<b>\$13,841</b>	<b>(\$1,304)</b>	<b>-9%</b>



## **System Operations & Reliability – Capital *(cont.)***

### **2005 Proposed vs. 2004 Budget:**

- Decrease due to completion of the Carson to Cosumnes fiber project.
- Deferral of the Operator Simulator project.
- Off-set by increase for Back-Up Control Center and purchase of critical spare transformer.



## System Operations & Reliability – Capital

MAJOR CAPITAL PROJECTS - System Operations & Reliability		
Project	Alignment with Strategic Directive	2005 Budget (\$000)
<b>Line Relay Replacements:</b> These projects are required to meet the WECC minimum operating reliability criteria by providing fully redundant line protection and breaker failure protection.	SD-4 Reliability	\$4,293
<b>Miscellaneous System Improvement Projects:</b> To provide additions/modifications of the hardware used to monitor and control the transmission system and dispatch-able generation assets.	SD-4 Reliability	\$3,279
<b>Miscellaneous Transmission System Improvements:</b> To provide additions/modifications of the transmission system.	SD-4 Reliability	\$1,870
<b>Spare Transformers:</b> Critical infrastructure spare transformer.	SD-4 Reliability	\$1,687
<b>Back-up Control Center:</b> To provide additions/modifications to the District's Back-up Control Center to be utilized during emergencies.	SD-4 Reliability	\$1,576
<b>Network Hardware:</b> Install 20 new network hubs in the fiber optic communication system to provide automatic switching in the event a fiber pathway is no longer functional.	SD-4 Reliability	\$633
<b>Sutter to Elverta Transmission Line Study:</b> This project removes a transmission bottleneck allowing the District to meet future load growth. The funds will cover the final plan of service for detailed design and begin the detailed biological survey along the preferred route.	SD-2 Competitive Rates SD-4 Reliability	\$503





## System Operations & Reliability – Capital Multi Year

System Operations & Reliability Capital Multi-Year Projects	Inception to 12/31/2004 (\$000)	2005 Budget (\$000)	2006 & Later Estimate (\$000)	Estimated Total Cost (\$000)
Back Up Control Center	\$21	\$1,576	\$2,500	\$4,097
Fiber Network Hardware Hubs	\$1,760	\$633	\$0	\$2,393
EMS Upgrade	\$564	\$565	\$1,500	\$2,629
Sutter to Elverta Transmission Line	\$0	\$503	\$30,000	\$30,503
RTU Retrofits - Generation	\$364	\$480	\$750	\$1,594
RTU Retrofits - Transmission Substations	\$0	\$439	\$280	\$719
Douglas Substation	\$0	\$393	\$4,000	\$4,393
Russell Substation Upgrade	\$0	\$309	\$5,000	\$5,309

## **Decommissioning Segment Description**

Decommissioning segment is responsible for the monitoring of long-term fuel storage facilities and dismantlement activities associated with the Rancho Seco Nuclear Power Plant.

<b>DECOMMISSIONING</b>	<b><u>2005</u></b>	<b><u>2006</u></b>
<b>TRUST FUND \$/YEAR:</b>	<b>\$27.0M</b>	<b>\$27.0M</b>



## Decommissioning - O&M

Rancho Seco Ongoing O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
RS Operations & Maintenance	\$6,558	\$6,631	\$6,824	\$266	4%
Old Fuel Storage	\$3,376	\$3,745	\$4,182	\$806	24%
<b>TOTAL O&amp;M</b>	<b>\$9,934</b>	<b>\$10,377</b>	<b>\$11,006</b>	<b>\$1,072</b>	<b>11%</b>

### 2005 Proposed vs. 2004 Budget:

**Rancho Seco Operations:** Increases for road and parking lot repairs, building upgrades and new state taxes for water supply.

**Old Fuel Storage:** Increase \$487k in labor to reflect actuals based on first full year of experience with the new shift organization. Material increase of \$13k for ammunition and weapons cards for Security. Additional \$325k for DOE lawsuit.



## Decommissioning - Capital

Rancho Seco Projects Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Dismantle & Disposal	\$26,359	\$21,159	\$28,477	\$2,118	8%
Engineering	\$353	\$353	\$187	(\$166)	-47%
Quality Assurance	\$1,125	\$971	\$1,151	\$26	2%
Radiation Protection	\$646	\$646	\$602	(\$44)	-7%
Fuel Storage System	\$0	\$0	\$0	\$0	0%
<b>TOTAL Capital</b>	<b>\$28,482</b>	<b>\$23,129</b>	<b>\$30,417</b>	<b>\$1,934</b>	<b>7%</b>

## **Decommissioning – Capital (cont.)**

### **2005 Proposed vs. 2004 Budget:**

***Dismantle:*** Increase due to the one time Reactor Vessel Internals Removal Project.

***Engineering:*** Less training & Reactor Vessel Internals project cost transferred to Dismantle & Disposal.

***Quality Assurance:*** Increased insurance costs.

***Radiation Protection:*** Less hazmat costs and MSDS Services covered by Headquarters.



**SMUD**

SACRAMENTO MUNICIPAL UTILITY DISTRICT

The Power To Do More.<sup>SM</sup>

## ENERGY SUPPLY BUSINESS UNIT

### Decommissioning - Capital

MAJOR CAPITAL PROJECTS - Decommissioning		
Project	Alignment with Strategic Directive	2005 Budget (\$000)
<b>Rancho Seco Dismantle &amp; Disposal:</b> Ship and bury the steam generator and remove and package the reactor vessel internals.	<b>SD-2 Competitive Rates</b> <b>SD-7 Environmental Protection</b>	<b>\$30,417</b>



## Decommissioning – Capital Multi Year

<b>Decommissioning Capital Multi-Year Projects</b>	<b>Inception to 12/31/2004 (\$000)</b>	<b>2005 Budget (\$000)</b>	<b>2006 &amp; Later Estimate (\$000)</b>	<b>Estimated Total Cost (\$000)</b>
<b>Dismantle and Disposal</b>	<b>\$93,146</b>	<b>\$30,417</b>	<b>\$90,000</b>	<b>\$213,563</b>



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**DISTRIBUTION BUSINESS UNIT**

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# 2005 Approved Budget

## Business Unit

### Distribution

**Business Unit Leader: John DiStasio**  
**AGM, Energy Delivery & Customer Services**





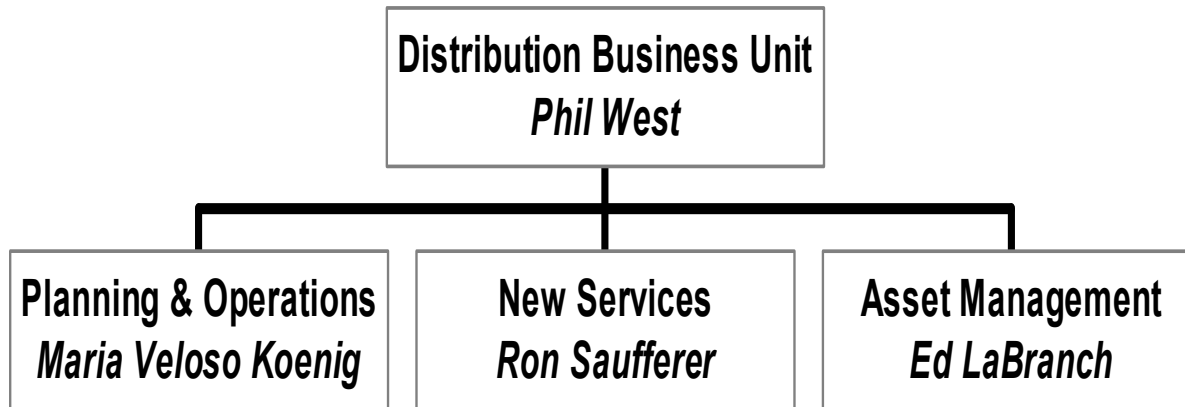
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## DISTRIBUTION BUSINESS UNIT

# Business Unit and Segments





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**DISTRIBUTION BUSINESS UNIT**

## Alignment with Strategic Directives

### SD-2 Competitive Rates

#### 2005 Initiatives

- **Meet unit cost targets for O&M activities and Capital improvement projects to stay within current cost structure**

#### 2004 Accomplishments

- **Cable replacement unit cost is lower as a result of efficiencies**
- **New Service subdivision unit cost projecting to be 5% lower than 2003**
- **Pole replacement unit cost to date is lower than planned due to better access to equipment and pole reimbursements**



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## Alignment with Strategic Directives

### SD-3 Access to Credit Markets

#### 2005 Initiatives

- **Manage capital expenditures to ensure investment as close to need as possible to avoid unnecessary borrowing**
- **Employ technologies which accomplish goals without excess infrastructure**

#### 2004 Accomplishments

- **Employed underground cable life extension process on 100k feet of cable through silicon injection vs full cable replacement**
- **Added 40 MVA of capacity to the distribution system**



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**DISTRIBUTION BUSINESS UNIT**

## Alignment with Strategic Directives

### SD-4 Reliability

#### 2005 Initiatives

- **Maintain 3 year tree trimming cycle**
- **Replace/inject 200,000 ft of underground cable**
- **Manage the backlog of underground cable fault repairs to 40 locations**
- **Complete inspection and preventive maintenance work plans**
- **Timely completion of corrective maintenance work**
- **Manage factors which influence SAIDI/SAIFI**

#### 2004 Accomplishments

- **Completed cable replacement/injection target (100,351 ft/ 103,000 ft)**
- **On track to maintain tree trimming cycle (66,871 trimmed & 5,792 removed)**
- **OMS system in use for 21kV area**
- **GIS system placed into production**



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## Alignment with Strategic Directives

### SD-5 Customer Relations

#### 2005 Initiatives

- Meet residential and commercial connection time-frames
- Implement SDIT production milestones
- Implement web-based customer inquiry for the new services process

#### 2004 Accomplishments

- Customer satisfaction through 3<sup>rd</sup> quarter is at 93% for customer satisfaction surveys
- Initiated a commercial advisory group to define service levels and identify process improvements
- Implemented design scheduling for improved job tracking and customer communication
- Commercial commitment at 70 days (reduced from 120 days) and construction is meeting the standard of 60 days
- Subdivision design at 90 days and construction at 6 weeks

## Alignment with Strategic Directives

### SD-6 Safety

#### 2005 Initiatives

- **Implement Behavior-Based safety process throughout business unit**
- **Continue field force ergonomics review of key processes and tools**
- **Meet or exceed statistical targets for lost time, OSHA recordable and preventable vehicle accidents**
- **Segregate causal factors of driving incidents and seek specific training to reduce incidents**

#### 2004 Accomplishments

- **Three additional safety-based committees formed in Distribution Services: Electrical Trade, Line workers, and Office/Professional**
- **Developed employee-based observation strategies according to job types**



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**DISTRIBUTION BUSINESS UNIT**

## Alignment with Strategic Directives

### SD-6 Safety

#### 2004 Accomplishments (cont'd)

- **Train 202 employees to perform observations to increase awareness of safe behavior**
- **Investigation team of frontline employees, supervision, and management established to complete root cause analysis of significant safety incidents**
- **Revised/distributed comprehensive set of Line Worker work procedures**
- **Battery-powered tools purchased to alleviate field ergonomic risks**
- **Initial installation of vehicle back-up warning devices and cameras**

## Alignment with Strategic Directives

### SD-7 Environmental Protection

#### 2005 Initiatives

- **Continue to utilize environmental alternatives in system design and construction**
- **Meet all laws and regulations regarding the clean-up, transport and storage of all hazardous materials**
- **Complete secondary oil containment on all distribution substations**
- **Evaluate siting process to look for ways to identify and site facilities along least-impacting routes**

#### 2004 Accomplishments

- **Reduce chemically treated inventory by standardizing on butt-treated cedar poles**
- **Move from mineral oil to Ester-based oils for distribution line transformers**





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## Alignment with Strategic Directives

### SD-8 Employee Relations

#### 2005 Initiatives

- **Manage retirement attrition through timely recruitment and development of apprentices in key skill areas. Manage plan to minimize experience loss.**

#### 2004 Accomplishments

- **Recruited/hired for 7 engineer positions**
- **Enhancement of Designer training program**
- **Apprentice training programs (to date added 10 App Line Workers, 2 App Meter Techs, and 1 App Elec Tech)**
- **Creation of employee process teams**
- **Employee communication improvement from Employee survey**
- **Employee satisfaction improvement from Employee survey**



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## Other Major Initiatives

### Economic Development<sup>1</sup>

#### 2005 Initiatives

- **Participate in planning & design of major regional development scheduled to occur beginning in 2005**

<sup>1</sup> The Board of Directors is currently reviewing where to focus economic development efforts.



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**DISTRIBUTION BUSINESS UNIT**

## Major Assumptions

- Capital expenditures for increased load in Natomas, Folsom, Rancho Cordova and Elk Grove
- Build three Distribution Substations
- Pole replacement of 1,320 poles (includes 120 car pole replacements)
- Cable replacement of 100,000 feet and cable injection of 100,000
- Light Rail Extension and Relocation
- Residential subdivision lots of 10,000
- Maintain current level of reliability

## Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-2 Competitive Rates	O & M Actual vs Budget	100%	98%	100%
SD-2 Competitive Rates	Cable Replacement unit cost <sup>(a)</sup>	\$62/ft	\$54	\$51
SD-2 Competitive Rates	New Service subdivision unit cost	\$1,032/lot	\$1,075	\$1,088
SD-2 Competitive Rates	Planned Tree Trimming \$/tree <i>(excludes emergency work)</i>	\$126	\$126	\$141
SD-2 Competitive Rates	Avg Pole Replacement unit cost	\$6,032/pole	\$6,100	\$6,111
(a) Blended rate of mainline/lightwire - yrly work plan mix changes				

## Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
<b>SD-4 Reliability</b>	<b>Distribution System Reliability</b> (b)	SAIDI = 80.4 min SAIFI = 1.16	SAIDI = 83.2 min SAIFI = 1.10	SAIDI = 80.4 min SAIFI = 1.16
<b>SD-5 Customer Relations</b>	<b>Customer satisfaction survey</b> (c) <i>(Very Satisfied/Satisfied- New Service Design &amp; Construction, Tree Trimming, Meter Services)</i>	85%	94%	90%
<b>SD-5 Customer Relations</b>	<b>New Service Cycle Time</b> (c)	Subdivision: Design: 70 days Construction: 6 weeks  Commercial: Design: 60 days Construction: 60 days	Subdivision: Design: 80 days Construction: 6 weeks  Commercial: Commitment: 60 days Construction: 60 days	Subdivision: Design: 80 days Construction: 6 weeks  Commercial: Commitment: 60 days Construction: 60 days
<p>(b) Reliability index combines frequency and duration of outage measures (District level metric) - 2004 SAIDI forecast higher than plan due to January and February storms.</p> <p>(c) District level metric. New Service Cycle time: BIA/SMUD negotiated residential design lead time change from 70 to 80 days</p>				

## Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
<b>SD-5 Customer Relations</b>	<b>SDIT Milestones: Implement GIS design Mobile dispatch in production Outage management installation</b>	December 2004 December 2004	GIS/Design in production OMS/MDD "Go-Live" in Nov for 21kV system Complete 74 mobile data terminal (MDT) installations by November of 2004	1Q '05 - Cutover and manage entire distribution system within OMS/MDD 3Q '05 - Implement OMS/MDD upgrade featuring auto-switch plan functionality and "planned" work activities
<b>SD-6 Safety</b>	<b>Reduce the District's number and severity of OSHA recordable incident rate, lost time incident rate, and preventable vehicle incident rate (d)</b>	OSHA: < or =13.5 (72) LTA: < or =4.7 (25) PVA: < or =5.8 (19)	OSHA: < or =15.1 (84) LTA: < or = 3.2 (18) PVA: < or = 8.2 (31)	OSHA: < or = 11.5 (61) LTA: < or = 4.0 (21) PVA: < or = 4.9 (16)
<b>SD-6 Safety</b>	<b>% implementation of Behavior Based Safety (BST) observations completed</b>	80%	Change metric to process index score	Change metric to process index score  Establish baseline
<b>SD-7 Environmental Protection</b>	<b>Ensure compliance with regulatory standards regarding idling of diesel vehicles</b>	--	--	Establish baseline

(d) 2005 is the 3rd yr of the 5-yr overall safety goal to reduce 2002 District safety incident rates by 50%



## Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-8 Employee Relations	% of performance evaluations and development plans completed annually	100%	95%	95%
SD-8 Employee Relations	% of employee ratings on survey items related to communications	> 56.54%	Data available at year-end	Improvement based on 2004 results
SD-8 Employee Relations	% of employee ratings on survey items related to employee satisfaction	> 75.00%	Data available at year-end	Improvement based on 2004 results



Summary	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
O&M	\$50,781	\$49,420	\$53,886	\$3,105	6%
Revenue	\$0	(\$16)	\$0	\$0	0%
O&M (Net)	\$50,781	\$49,405	\$53,886	\$3,105	6%
Public Good	\$0	\$0	\$0	\$0	0%
Capital	\$68,303	\$68,302	\$66,778	(\$1,525)	-2%
Net Loans	\$0	\$0	\$0	\$0	0%
Capital Net	\$68,303	\$68,302	\$66,778	(\$1,525)	-2%
<b>Business Unit Total</b>	<b>\$119,084</b>	<b>\$117,707</b>	<b>\$120,664</b>	<b>\$1,580</b>	<b>1%</b>

**Overview**

**O&M** - Refined planning of the work and budgeting of corrective and preventive maintenance, and increased unit cost for vegetation management due to contractor's increased worker's compensation costs.

**Public Good** - N/A

**Capital** - Refined planning of the work, residential and commercial/industrial work remained at high levels, and decrease in work planned for substations.



**O&M - Cost Element Summary**

Description	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$24,020	\$22,122	\$24,695	\$675	3%
Cost Center Surcharge	\$16,661	\$15,418	\$17,020	\$359	2%
Material & Equipment	\$1,742	\$1,764	\$1,466	(\$276)	-16%
Mat'l & Whse Surcharge	\$220	\$332	\$151	(\$69)	-31%
Other Expenses	\$77	\$81	\$98	\$21	27%
Utilities & Postage	\$191	\$266	\$260	\$69	36%
Rebates & Incentives		\$0	\$0	\$0	0%
Commodities		\$0	\$0	\$0	0%
Outside Services	\$8,020	\$9,220	\$10,491	\$2,471	31%
Contract Svcs Surcharge	\$192	\$256	\$252	\$60	31%
Cost Reduc/Reimb	(\$343)	(\$38)	(\$547)	(\$204)	59%
Corporate Allocation		\$0	\$0	\$0	0%
<b>O&amp;M Total</b>	<b>\$50,781</b>	<b>\$49,420</b>	<b>\$53,886</b>	<b>\$3,105</b>	<b>6%</b>
<b>Revenue</b>		<b>(\$16)</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>
<b>O&amp;M (Net)</b>	<b>\$50,781</b>	<b>\$49,405</b>	<b>\$53,886</b>	<b>\$3,105</b>	<b>6%</b>

**Capital - Cost Element Summary**

Description	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$19,386	\$20,494	\$24,218	\$4,832	25%
Cost Center Surcharge	\$12,972	\$14,483	\$16,488	\$3,516	27%
Material & Equipment	\$32,515	\$23,540	\$23,668	(\$8,847)	-27%
Mat'l & Whse Surcharge	\$4,251	\$3,495	\$3,302	(\$949)	-22%
Other Expenses	\$1,656	\$776	\$2,287	\$631	38%
Utilities & Postage	\$2	\$14	\$3	\$1	50%
Rebates & Incentives	\$0	\$0	\$0	\$0	0%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$27,668	\$22,362	\$23,430	(\$4,238)	-15%
Contract Svcs Surcharge	\$664	\$564	\$562	(\$102)	-15%
Cost Reduc/Reimb	(\$31,974)	(\$18,670)	(\$28,633)	\$3,341	-10%
Corporate Allocation	\$1,163	\$1,242	\$1,453	\$290	25%
<b>Capital Total</b>	<b>\$68,303</b>	<b>\$68,302</b>	<b>\$66,778</b>	<b>(\$1,525)</b>	<b>-2%</b>
<b>Net Loans</b>				<b>\$0</b>	<b>0%</b>
<b>Capital (Net)</b>	<b>\$68,303</b>	<b>\$68,302</b>	<b>\$66,778</b>	<b>(\$1,525)</b>	<b>-2%</b>



<b>Primary Staffing</b>	<b>2004 Budget</b>	<b>2005 Proposed</b>	<b>Net Increase (Decrease)</b>
Permanent Full-Time	632	659	27
Other	37	33	(4)
<b>Business Unit Total</b>	<b>669</b>	<b>692</b>	<b>23</b>

**2005 Proposed vs. 2004 Budget**

**Permanent Full-time** - additional field force positions to support work force planning, technical training coordination, construction inspection and land activity coordination; business unit transfer of positions for SDIT implementation and maintenance, and Behavior-based safety program coordination for the Customer and Distribution business units.

**Other** - additional positions for GIS maintenance and Student engineering assistance; delimit of Mapper and Tree Trimmer positions.



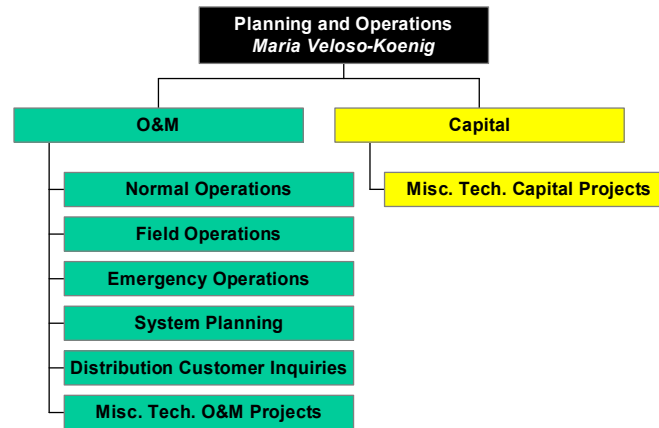
Primary Cost Centers Salaries & Wages	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget (\$000)
Regular	\$42,801	\$40,571	\$45,608	\$2,807	7%
Overtime	\$5,016	\$7,822	\$5,661	\$645	13%
<b>Total Salaries &amp; Wages</b>	<b>\$47,817</b>	<b>\$48,393</b>	<b>\$51,269</b>	<b>\$3,452</b>	<b>7%</b>
Employee Benefits	\$14,533	\$13,992	\$18,873	\$4,340	30%
<b>Total</b>	<b>\$62,349</b>	<b>\$62,385</b>	<b>\$70,142</b>	<b>\$11,244</b>	<b>12%</b>

**2005 Proposed vs. 2004 Budget**

**Regular** - additional positions and contractual cost of living and merit increases combined with associated benefits.

**Overtime** - increase to correspond to work plan.

**Benefits** - increase in District-wide medical premium costs and funding for PERS.



## Planning and Operations Description:

This process segment provides for the governing process to develop prioritized plans for maintenance and system improvement. The outputs of the process are effective System, Area, and Maintenance plans as well as the Distribution Services Business Plan. The segment:

- studies, monitors, and analyzes impacts to the distribution system and recommends appropriate responses
- operates and trouble shoots problems on the distribution system to maintain service to District customers
- supports District efforts to attract new customers and retain existing customers
- coordinates emergency preparedness District-wide
- provides a multi-year business plan to achieve District strategies and financial objectives
- configures the distribution system to minimize losses and enhance reliability

# Planning & Operations Segment – O&M

Planning & Operations O&M Process (\$000's)	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Normal Operations	\$5,494	\$5,876	\$5,950	\$456	8%
Field Operations	\$4,945	\$5,330	\$5,422	\$477	10%
Emergency Operations	\$685	\$1,754	\$649	(\$36)	-5%
System Planning	\$2,013	\$2,042	\$2,039	\$26	1%
Distribution Cust. Inq.	\$256	\$194	\$273	\$17	7%
Misc. Tech Projects	\$253	\$100	\$793	\$540	213%
<b>TOTAL O&amp;M</b>	<b>\$13,647</b>	<b>\$15,295</b>	<b>\$15,126</b>	<b>\$1,479</b>	<b>11%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

**Normal Operations** - increase in utility costs for substations (sewer/water/telecom) and in hours for work force planning (Dist System Operators), all for operations of the distribution system for outage restoration, clearances, and switching.

**Field Operations** - increase due to change in planning for shutdown billings to New Services' capital Commercial/Industrial instead of Field Operations, as well as refined planning of materials for troubleshooting.

**Emergency Operations** - refinement of work plan based on historical data for system restoration activities when 10% of customers are affected.

**System Planning** - slight increase in work plan hours to develop Distribution Services strategic, tactical, and operational plans.

**Distribution Cust Inq** - same # of hours dedicated to activities associated with responding to customer inquiries for system disturbances, voltage complaints, and outage information.

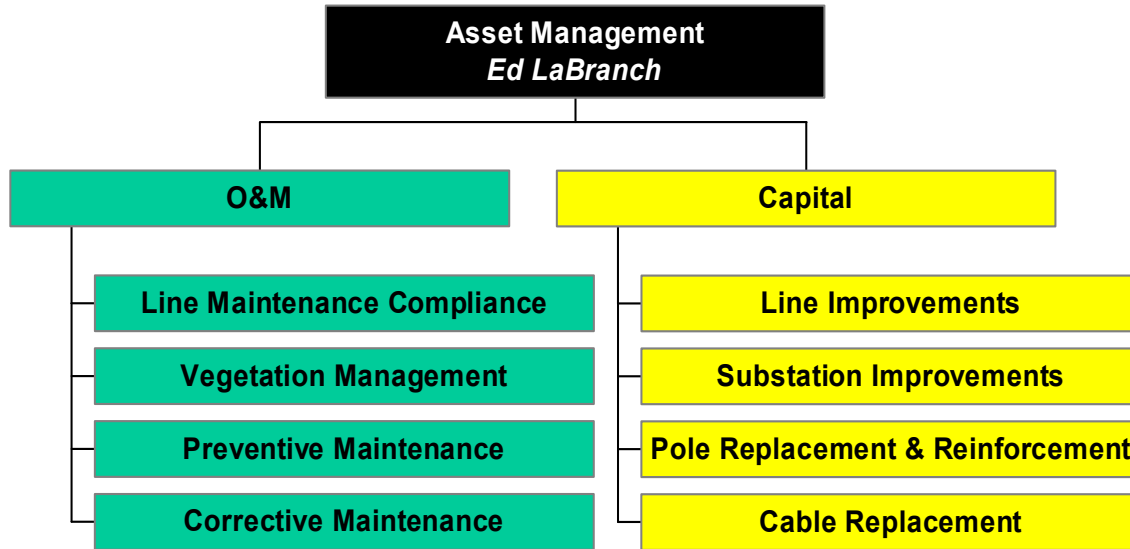
**Misc Tech Projects** - web-based customer inquiry for the New Service process and upgrade of OMS and GDE.

# Planning & Operations Segment – Capital

Planning & Operations Capital Process (\$000's)	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Misc. Tech. Projects	\$333	\$299	\$567	\$234	70%
<b>TOTAL Capital</b>	<b>\$333</b>	<b>\$299</b>	<b>\$567</b>	<b>\$234</b>	<b>70%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Two technology projects to improve the District's ability to manage and schedule labor and material requirements; and Mobile Data optimization.



## Segment Description:

This process segment includes all activities associated with:

- design, modification, and installation of transmission and distribution lines and substations
- network underground installation and maintenance
- distribution system inspection
- system maintenance and improvement of prioritized work



# Asset Management Segment – O&M

Asset Management O&M Process (\$000's)	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Line Maint. Compliance	\$2,326	\$2,187	\$3,206	\$880	38%
Vegetation Mgt.	\$14,935	\$14,493	\$16,503	\$1,568	10%
Preventive Maint.	\$5,501	\$4,071	\$5,810	\$309	6%
Corrective Maint.	\$14,216	\$13,189	\$13,075	(\$1,141)	-8%
<b>TOTAL O&amp;M</b>	<b>\$36,979</b>	<b>\$33,940</b>	<b>\$38,594</b>	<b>\$1,615</b>	<b>4%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

**Line Maintenance Compliance** - refinement of unit cost and increased inventory of equipment inspections (34k to 45k locations). Includes patrol of primary distribution facilities, inspection of individual pieces of equipment, and pole test & treat program.

**Vegetation Management** - increase in unit costs primarily due to increase in contractor worker's compensation costs.

**Preventive Maintenance** - increase in labor due to the number of routine maintenance items in substations (includes transformer, switchgear, relay, and capacitor maintenance). Activities also included are preventive equipment maintenance of overhead/underground distribution line and the network.

**Corrective Maintenance** - less volume of work planned for 2004 in overhead corrective maintenance.



# Asset Management Segment – Capital

Asset Management Capital Process (\$000's)	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Line Improvements	\$9,660	\$7,788	\$9,615	(\$45)	0%
Substation Improvements	\$20,526	\$19,129	\$16,011	(\$4,515)	-22%
Pole Replacement & Reinforcement	\$9,553	\$8,769	\$6,204	(\$3,349)	-35%
Cable Replacement	\$8,686	\$6,890	\$8,175	(\$511)	-6%
<b>TOTAL Capital</b>	<b>\$48,426</b>	<b>\$42,576</b>	<b>\$40,005</b>	<b>(\$8,421)</b>	<b>-17%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

**Line Improvements** - design & construction of 4 69kV projects to support growth.

**Substation Improvements** - decrease in work planned for substations.

**Pole Replacement & Reinforcement** - refinement of unit cost. Pole replacement reimbursements included in 2005 work plan.

**Cable Replacement** - Maintain work plan for replacement/silicon injection of 200,000 feet of underground cable. Unit cost refinement due to cable replacement efficiencies.

**MAJOR CAPITAL PROJECTS - Asset Management - \$000 Dollars**

Project	Alignment with Strategic Directive	2005 Budget
<b>Wood Pole Replacement</b> - Annual program to replace defective wooden poles in the field (includes car-pole replacement due to car accidents).	<b>Reliability</b>	\$ 5,879
<b>Underground Cable Replacement</b> - Annual program to reduce the yearly number of primary underground cable failures and to remove cable of inferior design from the system.	<b>Reliability</b>	\$ 5,098
<b>Overhead and Underground Transformer Replacement</b> - Annual program for the replacement of failed or defective overhead and underground distribution transformers.	<b>Reliability</b>	\$ 3,728
<b>Oil Containment</b> - Program for the installation of oil spill containment structures to meet the requirements of federal regulations for spill prevention, control, and countermeasures at the District's substations.	<b>Environmental Protection</b>	\$ 3,387
<b>Cable Rehabilitation (Silicone Injection)</b> - Annual program that will extend the life of the underground cable by silicone injection.	<b>Reliability</b>	\$ 3,086
<b>Douglas Bulk Substation</b> - Acquire and design a 230/69 kV bulk substation in the Sunrise-Douglas Community plan area.	<b>Reliability</b>	\$ 1,713
<b>East Natoma - Golf Links Substation</b> - Construction of a new 20 MVA 69/12 kV substation for substation capacity for the Empire Ranch area of Folsom.	<b>Reliability</b>	\$ 1,514
<b>69 kV Overhead Sub-Transmission Lines</b> - Construct 69kV overhead sub-transmission lines to serve the North Natomas growth.	<b>Reliability</b>	\$ 1,450
<b>Franklin Elk Grove Substation</b> - Construction of a new 69/12 kV MVA substation for the continued growth of the Franklin/Elk Grove area.	<b>Reliability</b>	\$ 1,175
<b>Distribution SCADA Automation</b> - Automate substation operations.	<b>Reliability</b>	\$ 976
<b>4 kV to 21 kV</b> - Convert the 4 kV system to a 21 KV system in the downtown area.	<b>Reliability</b>	\$ 921



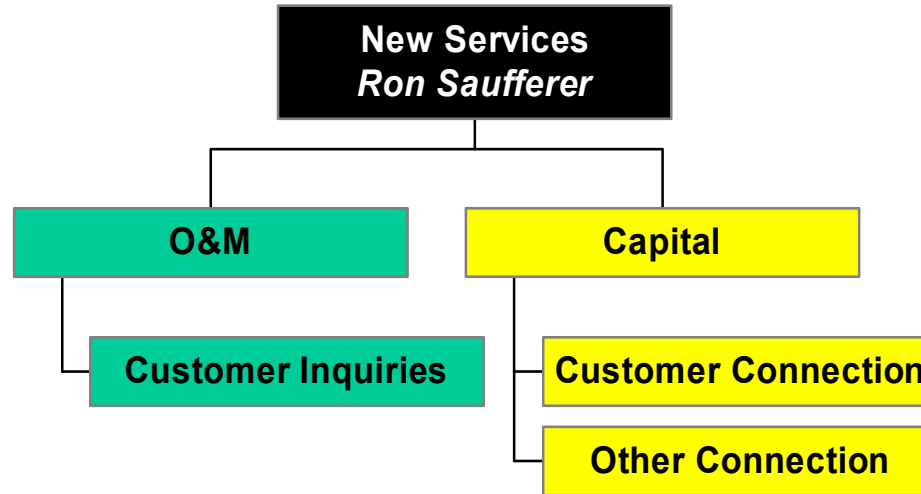
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## DISTRIBUTION BUSINESS UNIT

<b>Distribution Services Capital Multi-Year Projects</b>	<b>Inception to 12/31/2004 (\$000)</b>	<b>2005 Budget (\$000)</b>	<b>2006 &amp; Later Estimate (\$000)</b>	<b>Estimated Total Cost (\$000)</b>
Douglas Bulk Substation	\$100	\$2,529	\$10,161	\$12,790



## **New Services Segment Description:**

This process segment includes all Distribution Services work associated with the design and installation of:

meters, service conductors, subdivision facilities, commercial/industrial developments, overhead and underground line extensions, outdoor lighting, traffic signals, the downtown network system, government projects and special facilities for the delivery of electric service to customers.



# New Services Segment – O&M

<b>New Services O&amp;M Process (\$000's)</b>	<b>2004 Budget</b>	<b>2004 Forecast</b>	<b>2005 Proposed</b>	<b>\$ Change Proposed to Budget (\$000)</b>	<b>% Change Proposed to Budget</b>
Customer Inquiries	\$155	\$170	\$165	\$10	6%
<b>TOTAL O&amp;M</b>	<b>\$155</b>	<b>\$170</b>	<b>\$165</b>	<b>\$10</b>	<b>6%</b>

**Significant Changes 2005 Proposed vs. 2004 Budget**

Responding to customer requests for information on non-specific jobs.



# New Services Segment – Capital

New Services Capital Process (\$000's)	2004 Budget	2004 Forecast	2005 Proposed	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Customer Connections	\$15,982	\$21,185	\$20,838	\$4,856	30%
Other Connections	\$3,561	\$4,243	\$5,368	\$1,807	51%
<b>TOTAL Capital</b>	<b>\$19,543</b>	<b>\$25,427</b>	<b>\$26,206</b>	<b>\$6,663</b>	<b>34%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

**Customer Connections** - Residential subdivision lots planned at the same 10,000 lots. More accurate planning for both residential and commercial reimbursements and subdivision hookup fee refunds.

**Other Connections** - Increased planning for ADA projects. More accurate planning for reimbursements.



**SMUD**

SACRAMENTO MUNICIPAL UTILITY DISTRICT  
The Power To Do More.™

**INTERNAL SERVICES BUSINESS UNIT**

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# 2005 Approved Budget

## Business Unit

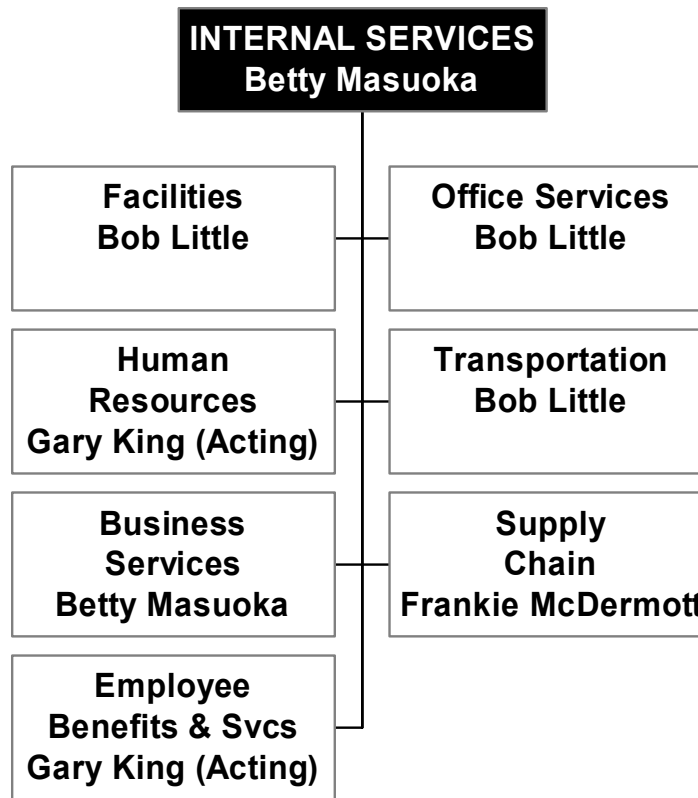
### Internal Services

**Business Unit Leader: Betty Masuoka**  
**AGM, Administrative Services**





# Business Unit and Segments





# Alignment with Strategic Directives

## SD-2 Competitive Rates

### 2005 Initiatives

- Continue to improve Internal Services processes to reduce costs and improve service level.
  - On-line Facility Notification process
  - On-line Employee/Position process
- Evaluate alternative funding strategies for Other Post-Employment Benefits.

### 2004 Accomplishments

- Implemented Hire Employee Project.
- Expanded Employee Self-Service.
  - New Employee On-line Enrolment
  - On-Line Leave Request/Approval
- 100% of 2004 Employee Benefit Open Enrollment will be On-line.
- 100% of Job Postings & Applications are now On-line.
- Completed 2 actuarial studies. Funding of Post-Employment Benefits to commence in 2006.



# Alignment with Strategic Directives

## SD-3 Access to Credit Markets

### 2005 Initiatives

- Insurance/Risk Management programs to limit risk exposure.
- Plan and implement process to insure adequate funding is provided for District capital projects, in a timely manner, at the least possible cost.
- Implement prudent investment practices to insure safety and liquidity of District cash resources, while maximizing returns.

### 2004 Accomplishments

- Achieved upgrade from Moody's (A2 to A1)
- Achieved positive outlook from Fitch
- Completed financing of approximately 30% of Cosumnes Power Plant, at competitive rates.
- Renewed commercial paper letter of credit, reducing fees by up to \$600K annually.
- Reviewed Sarbanes-Oxley Act of 2002, and identified components that the District can voluntarily adhere to.



# Alignment with Strategic Directives

## SD-4 Reliability

### 2005 Initiatives

- Establish a District-wide approach to address emergency planning and business disaster recovery.
- Maintain District Facilities in good operating condition.
- Maintain 98.5% availability for District vehicles and equipment to support user's business processes.

### 2004 Accomplishments

- Implement corrective action/measures on items identified in Risk Assessment Survey. (Shrub abatement, perimeter signage, expansion of lock and key controls, etc.)
- Participated with various law enforcement agencies in drills and exercises.
- Developed a program for providing employees with specific emergency information through a computer Emergency Notification Program.



# Alignment with Strategic Directives

## SD-6 Safety

### 2005 Initiatives

- Continue to implement Safety Action Plans and perform Job Hazard Analyses to reduce risks and/or exposures that cause Musculoskeletal Disorders type injuries and vehicular incidents.

### 2004 Accomplishments

- Completed DuPont STOP (Safety Training Observation Program™) for Each Other training for 350+ Employees. (General Services & Supply Chain Services)
- Implemented Behavior-Based Observation Program for Internal Services Business Unit.
- Conducted 13 Job Hazard Analyses which led to safety improvements.



# Alignment with Strategic Directives

## SD-7 Environmental Protection

### 2005 Initiatives

- Continue to reduce Non-Hazardous Waste Stream going to Landfills.
- Implement the Environmental Procurement Policy.
- Reduce impact on environment from District fleet through strategies involving catalyst emission traps, use of clean vehicle technology, and motor oil testing/reduction.
- Continue to procure building materials that comply with LEED, U.S. Building Council and Green Energy Standards.

### 2004 Accomplishments

- Continued to divert 50% of non-hazardous waste from landfills.
- Developed Environmental Procurement Policy, and added Environmental Procurement language to solicitations.
- 6 Neighborhood Electric Vehicles (NEV) and 6 Honda Civic Hybrid Vehicles added to the Fleet.
- Model shop certification by the California Department of Toxic Substance Control re: Transportation's use of clean technologies and environmentally-friendly practices.



# Alignment with Strategic Directives

## SD-8 Employee Relations

### 2005 Initiatives

- Develop and implement strategies to attract and retain well-qualified employees.
- Develop and initiate a comprehensive Diversity Action Plan that includes both long-term and short-term diversity initiatives.
- Develop and implement strategies to minimize healthcare costs and maximize wellness efforts.
- Conduct Labor negotiations with OSE.

### 2004 Accomplishments

- 2 year Contract Extension with IBEW.
- All Managers/Supervisors will participate in Diversity Training Program.



# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-2 Competitive Rates	<b>Internal Services O&amp;M Costs (excluding Benefits) as % of District O&amp;M Budget (excluding</b>	20%	19%	21%
SD-2 Competitive Rates	<b>Internal Services Capital Project Budget vs. Actual Variance</b>	100%	101%	100%
SD-2 Competitive Rates	<b>Internal Services O&amp;M Budget vs. Actual (excluding Benefits) Cost Variance</b>	100%	95%	100%
SD-2 Competitive Rates	<b>% of Milestones Completed for Facilities Capital Projects</b>	100%	140%*	100%
SD-2 Competitive Rates	<b>% of Milestones Completed for Transportation Capital Projects</b>	100%	94%	100%
SD-2 Competitive Rates	<b>Human Resources Reengineering Technology Milestones:</b>  <b>Hire Employee Project</b> - Process Improvement  <b>Position Maintenance Project</b> - On-Line Employee Position Maintenance  <b>Employee Self-Service Expansion</b> - Life Event On-line Changes - On-Line Leave Request/Approval - Integration with Time Cards	N/A	N/A	3rd Qtr 2005  3rd Qtr 2005  3rd Qtr 2005  2nd Qtr 2005

\* Multiple small projects are being worked on, not part of 2004 Budget.





# Business Unit Metrics *(Continued)*

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-2 Competitive Rates	<b>Human Resources Technology Enablers:</b> <b>Knowledge-based Software for HR Service Center</b> <b>Call Tracking System for HR Service Center</b> <b>Employee Benefit Plan/Rate Modification</b>	4th Qtr 2004	Completed	----- 2nd Qtr 2005 3rd Qtr 2005
SD-6 Safety	<b>Reduce the District's number and severity of OSHA recordable incident rate, lost time incident rate, and preventable vehicle incident rate*</b>	OSHA <or= 6.5 (22) LTA <or=2.0 (7) PVA <or=10.8 (5)	OSHA <or= 5.8 (20) LTA <or= 0.9 (3) PVA <or= 8.7 (5)	OSHA <or= 5.5 (19) LTA <or= 1.7 (6) PVA <or= 9.2 (4)
SD-6 Safety	<b>% of S.T.O.P. Observations performed without an unsafe act reported</b>	Establish Baseline	Establish Baseline	70%
SD-7 Environmental Protection	<b>% of Non-Hazardous Waste Stream diverted from Landfill, annually</b>	50%	53%	50%
SD-7 Environmental Protection	<b>% of Purchased Replacement Light Duty Vehicles with Ultra Low or Alternative Fuel (Emission Reductions)</b>	60%	86%	70%



## Business Unit Metrics *(Continued)*

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-8 Employee Relations	% of performance evaluations and development plans completed annually	100%	100%	100%
SD-8 Employee Relations	% of employee ratings on survey items related to communications	>80.7%	Outside agency administrators survey, data available at year-end	Improvement based on 2004 results

**INTERNAL SERVICES BUSINESS UNIT**

Summary	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
O&M Total	\$51,040	\$48,191	\$52,752	\$1,712	3%
Revenue	(\$200)	(\$225)	(\$215)	(\$15)	8%
<b>O&amp;M (Net)</b>	<b>\$50,840</b>	<b>\$47,967</b>	<b>\$52,537</b>	<b>\$1,697</b>	<b>3%</b>
Allocated to Business Units	(38,201)	(36,693)	(41,208)	(3,007)	8%
O&M (Net) (Unallocated)	12,639	11,273	11,329	(1,310)	-10%
Capital	\$11,908	\$11,873	\$15,714	\$3,806	32%
<b>Business Unit Total</b>	<b>\$24,547</b>	<b>\$23,146</b>	<b>\$27,043</b>	<b>\$2,497</b>	<b>10%</b>

**Overview**

O&M (*allocated*) - Increased \$3.0M (8%), due to contractual cost of living and merit increases combined with associated benefits, +4 additional employees (Power Systems, Fire Protection, Asset Protection & Facilities Mgmt), and higher fuel & replacement parts costs.

O&M (*Net-unallocated*) - Decreased \$1.3M (-10%), due to lower property insurance premiums.

Capital - Increased \$3.8M (32%), due to higher building material costs, and, higher number of scheduled vehicle replacements, in adherence to the Vehicle/Equipment Capital Replacement Policy.

**O&M - Cost Element Summary**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change	% Change
Activity Type Labor	\$19,521	\$18,514	\$21,462	\$1,941	10%
Cost Center Surcharge	\$13,306	\$12,559	\$13,964	\$658	5%
Material & Equipment	\$2,785	\$3,082	\$3,070	\$285	10%
Mat'l & Whse Surcharge	\$101	\$103	\$111	\$10	10%
Other Expenses	\$10,842	\$9,715	\$9,568	(\$1,275)	-12%
Utilities & Postage	\$497	\$515	\$520	\$23	5%
Rebates & Incentives	\$0		\$0	\$0	0%
Commodities	\$0		\$0	\$0	0%
Outside Services	\$3,913	\$3,645	\$3,979	\$65	2%
Contract Svcs Surcharge	\$90	\$85	\$92	\$1	2%
Cost Reduc/Reimb	(\$16)	(\$27)	(\$13)	\$3	-19%
Corporate Allocation				\$0	0%
<b>O&amp;M Total</b>	<b>\$51,040</b>	<b>\$48,191</b>	<b>\$52,752</b>	<b>\$1,712</b>	<b>3%</b>
<b>Revenue</b>	<b>(\$200)</b>	<b>(\$225)</b>	<b>(\$215)</b>	<b>(\$15)</b>	<b>8%</b>
<b>O&amp;M (Net)</b>	<b>\$50,840</b>	<b>\$47,967</b>	<b>\$52,537</b>	<b>\$1,697</b>	<b>3%</b>
<b>Allocated to Business Units</b>	<b>\$ (38,201)</b>	<b>\$ (36,693)</b>	<b>\$ (41,208)</b>	<b>\$ (3,007)</b>	<b>8%</b>
<b>O&amp;M (Net) Unallocated</b>	<b>\$ 12,639</b>	<b>\$ 11,273</b>	<b>\$ 11,329</b>	<b>\$ (1,310)</b>	<b>-10%</b>

**O&M - Business Segment Summary**

Summary- Internal Services (excl. Benefits)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget (\$000)
<b>O&amp;M</b>					
Facilities	\$ 10,475	\$ 9,969	\$ 11,421	946	9%
Transportation	5,823	5,814	6,172	349	6%
Supply Chain	8,695	8,772	9,545	851	10%
Human Resources	6,990	5,914	7,467	477	7%
Business Svcs (allocated)	2,680	2,607	2,861	181	7%
Office Services	3,539	3,617	3,742	203	6%
<b>TOTAL O&amp;M (allocated)</b>	<b>\$ 38,201</b>	<b>\$ 36,693</b>	<b>\$ 41,208</b>	<b>\$3,007</b>	<b>8%</b>
Project-Related O&M	1,055	549	918	(137)	-13%
Business Svcs (unallocated)	9,472	8,372	8,278	(1,194)	-13%
Rancho Seco Park	679	609	633	(46)	-7%
Performance Plan Program	1,431	1,730	1,500	69	5%
<b>TOTAL O&amp;M (unallocated)</b>	<b>\$12,637</b>	<b>\$11,261</b>	<b>\$11,329</b>	<b>(\$1,308)</b>	<b>-10%</b>



<b>INTERNAL SERVICES O&amp;M NET (unallocated)</b>					
<b>Project Related O&amp;M Process (\$000's)</b>	<b>2004 Budget (\$000)</b>	<b>2004 Forecast (\$000)</b>	<b>2005 Proposed (\$000)</b>	<b>\$ Change Proposed to Budget (\$000)</b>	<b>% Change Proposed to Budget</b>
Misc. Facilities Technology Projects	\$66	\$66	\$451	\$385	584%
Misc. Human Resources Technology Projects	\$71	\$16	\$0	(\$71)	-100%
Misc. Supply Chain Technology Projects	\$92	\$0	\$170	\$78	85%
Misc. Business Services Technology Projects	\$533	\$362	\$0	(\$533)	-100%
Misc. Office Services Technology Projects	\$293	\$105	\$297	\$4	2%
<b>TOTAL O&amp;M Projects (unallocated)</b>	<b>\$1,055</b>	<b>\$549</b>	<b>\$918</b>	<b>(\$137)</b>	<b>-13%</b>
Business Services (unallocated)	\$9,472	\$8,372	\$8,278	(\$1,194)	-13%
Rancho Seco Park Operations	\$679	\$609	\$633	(\$46)	-7%
Performance Plan Program	\$1,431	\$1,730	\$1,500	\$69	5%
<b>O&amp;M (Net) Unallocated</b>	<b>\$12,637</b>	<b>\$11,261</b>	<b>\$11,329</b>	<b>(\$1,308)</b>	<b>-10%</b>

**Significant Changes 2005 Proposed vs. 2004 Budget**

In 2005, several Facilities Tech Projects are planned which will enhance Space Planning Tools, provide Scheduling/Event Coordination Tools, and web-enable support services. No Business Services Technology projects planned in 2005. Lower costs for Business Services due to lower Insurance premiums.

**Capital - Cost Element Summary**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change	% Change
Activity Type Labor	\$1,637	\$1,544	\$1,894	\$257	16%
Cost Center Surcharge	\$1,014	\$957	\$1,249	\$235	23%
Material & Equipment	\$3,577	\$4,579	\$5,843	\$2,266	63%
Mat'l & Whse Surcharge	\$97	\$133	\$157	\$60	61%
Other Expenses	\$51	\$22	\$103	\$52	102%
Utilities & Postage	\$0	\$0	\$0	\$0	0%
Rebates & Incentives	\$0	\$0	\$0	\$0	0%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$5,307	\$4,589	\$6,206	\$900	17%
Contract Svcs Surcharge	\$127	\$110	\$149	\$22	17%
Cost Reduc/Reimb	\$0	\$0	\$0	\$0	0%
Corporate Allocation	\$98	\$96	\$114	\$15	16%
<b>Capital Total</b>	<b>\$11,908</b>	<b>\$12,030</b>	<b>\$15,714</b>	<b>\$3,806</b>	<b>32%</b>
<b>Net Loans</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>
<b>Capital (Net)</b>	<b>\$11,908</b>	<b>\$12,030</b>	<b>\$15,714</b>	<b>\$3,806</b>	<b>32%</b>

**Capital - Business Segment Summary**

Summary- Internal Services (excl. Benefits)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget (\$000)
<b>Capital</b>					
Facilities	\$ 8,406	\$ 8,776	\$ 10,504	2,097	25%
Transportation	3,290	3,033	4,253	963	29%
Supply Chain	55	64	55	0	0%
Human Resources	0	0	733	733	-100%
Rancho Seco Park	157	157	169	12	8%
<b>Capital Total</b>	<b>\$ 11,908</b>	<b>\$ 12,030</b>	<b>\$ 15,714</b>	<b>3,806</b>	<b>32%</b>





<b>Primary Staffing</b>	<b>2004 Budget</b>	<b>2005 Proposed</b>	<b>Net Increase (Decrease)</b>
Permanent Full-Time	390	391	1
Other	19	22	3
<b>Business Unit Total</b>	<b>409</b>	<b>413</b>	<b>4</b>

**2005 Proposed vs. 2004 Budget**

Internal Services BU has a net increase of 4 positions: (+1) Power Systems Analyst for WAPA support, (+1) Fire Protection Specialist, (+1) Asset Protection Admin Officer for CIPA support, and (+1) College Engineering Student.



Primary Cost Centers Salaries & Wages	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget (\$000)
Regular	\$23,461	\$23,325	\$24,798	\$1,337	6%
Overtime	\$726	\$923	\$544	(\$182)	-25%
<b>Total Salaries &amp; Wages</b>	<b>\$24,187</b>	<b>\$24,248</b>	<b>\$25,343</b>	<b>\$1,156</b>	<b>5%</b>
Employee Benefits	\$8,606	\$8,485	\$10,800	\$2,194	25%
<b>Total</b>	<b>\$32,793</b>	<b>\$32,733</b>	<b>\$36,142</b>	<b>\$4,505</b>	<b>10%</b>

**2005 Proposed vs. 2004 Budget**

Increased due to +4 additional employees (Power Systems, Fire Protection, Asset Protection & Facilities Mgmt), and contractual cost of living and merit increases combined with associated benefits. Benefits increased across the District, due to higher Health Insurance Costs.



# Facilities Segment

## Segment Description:

Provide facility maintenance, management and asset and employee protection for the downtown campus. Provide facility maintenance and management for Fresh Pond. Manage the facilities development of the downtown campus and evaluate Rancho Seco facilities for future development.



# Facilities Segment – O&M

Facilities O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Maintain Facilities	\$6,450	\$5,954	\$6,895	\$444	7%
Manage Facilities	\$666	\$532	\$801	\$135	20%
Protect Assets	\$2,764	\$2,926	\$3,082	\$318	12%
Hydro (Fresh Pond) Maintenance, Mgmt & Security Operations	\$594	\$556	\$643	\$49	8%
<b>TOTAL O&amp;M (allocated)</b>	<b>\$10,475</b>	<b>\$9,969</b>	<b>\$11,421</b>	<b>\$946</b>	<b>9%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

**Maintain Facilities:** Increase is the result of more labor hours available for planning due to retirements/new employees; material funding increased to meet historical baseline usage.

**Manage Facilities:** Cost increase is the result of additional labor hours planned to meet internal customer needs and the addition of a casual position to support facility documentation functions. **Protect Assets:** No vacancy factor planned for 2005, with less overtime and contract security planned. **Hydro (Fresh Pond):** Increase is the result of the addition of utility bill paying from this process for Slate Mountain and Big Hill facilities.



# Facilities Segment – Capital

Facilities Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Facilities Improvements	\$8,054	\$8,430	\$8,667	\$613	8%
Miscellaneous Technology Projects	\$121	\$121	\$405	\$283	233%
Office Furniture & Equipment	\$231	\$225	\$1,432	\$1,201	520%
<b>TOTAL Capital</b>	<b>\$8,406</b>	<b>\$8,776</b>	<b>\$10,504</b>	<b>\$2,097</b>	<b>25%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

**Facilities Improvements:** Cost increase is the result of a 30% rise in construction costs in the building industry. **Miscellaneous Technology Projects:** Increased to provide technology support for General Services' space planning, production and scheduling processes. **Office Furniture & Equipment:** Increased to provide funding for the purchase of a new printing press.



# Facilities Segment – Capital

2005 Capital Facility Improvement Projects		
Project Description	Strategic Directive	Cost
<b>FRF South Wing Completion Year 3 of 3:</b> This project will convert the south half of the FRF facility from Warehouse space to office and shop space. The project will provide much needed room for the District's postal, reproduction, telecommunication and meter reader services.	SD-6 Safety	\$ 4,697,366
<b>Tool Issue Building Renovation Construction , Year 3 of 4:</b> Project design began in 2003 and will be completed in 2004. Permit and bids will be obtained in 2005 and construction will begin in 2005 with completion in 2006.	SD-4 Reliability & SD-6 Safety	\$ 1,176,995
<b>HQ Life/Safety Improvement:</b> This multi-year project will revise the Headquarters building to include the installation of smoke detection devices, a fire suppression system, the removal of asbestos, and the installation of new, accessible ceilings. The design began in 2004 and will be completed in 2005, with construction beginning in 2006. The construction portion of the project is expected to take five years and conclude in 2011.	SD-6 Safety, SD-7 Environmental Protection, SD-8 Employee Relations	\$ 447,229
<b>Replace Five Hoists in the 59th Street Garage Building:</b> This is the first of a three year project to replace the existing hoists within the garage. The current hoists are outdated and parts no longer exist for maintenance.	SD-4 Reliability & SD-6 Safety	\$ 383,813
<b>ARCO Site Parking:</b> With the Arco lease expiring in 2004, this project will provide additional customer parking at the corner of 65th & S Streets. A parking design was completed in 2004 with construction scheduled to take place in 2005.	SD-5 Customer Relations	\$ 327,929
<b>Capital Reserve Replacements:</b> This funding enables the implementation of a multitude of minor projects that replace or improve conditions that meet code and/or signage change-outs, sidewalk and fencing issues, security features, and other small capital projects not forecast during the budget process.	SD-4 Reliability, SD-6 Safety, SD-8 Employee Relations	\$ 426,285

*Continued on next page*

# Facilities Segment – Capital

2005 Capital Facility Improvement Projects		
Project Description	Strategic Directive	Cost
<b>EMC Security Control One Upgrade:</b> This project was programmed and designed in 2004 to reconfigure the District's security control operation room and provide improved support for the multitude of functions monitored by Asset Protection.	SD-4 Reliability	\$ 296,790
<b>HQ Lighting/HVAC/Ceiling Retrofit:</b> This multi-year project will revise the HQ ceiling system to include new lighting, HVAC, installation of a fire suppression system, removal of asbestos, and installation of a new accessible ceiling. Design began in 2004 with Design completion scheduled in 2005.	SD-6 Safety, SD-7 Environmental Protection, SD-8 Employee Relations	\$ 237,069
<b>Remodel CSC SE Wing:</b> This will carpet all public meeting rooms, increase closet space and change out light fixtures on the first floor to improve SMUD's public image.	SD-5 Customer Relations	\$ 190,443
<b>EMC - Distribution Services Operation Rework:</b> This is an ongoing evolution of the DSO area. The area has been modified the past three years as the organization continues to improve. This project will locate the new operator workstations in one area.	SD-4 Reliability	\$ 112,370
<b>Capital Furniture Purchase:</b> This provides for the purchase of new and the refurbishment of existing open plan components, partitions, work surfaces, accessories for workstation additions and changes requested throughout the 2005 budget year.	SD-6 Safety & SD-8 Employee Relations	\$ 112,171

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# Facilities Segment – Capital

2005 Capital Facility Improvement Projects		
Project Description	Strategic Directive	Cost
<b>Extend HazMat Bldg to Support Transformer Storage:</b> This project will add about 300 SF to the HazMat building to allow transformers to be stored out of the weather.	SD-6 Safety & SD-7 Environmental Protection	\$ 90,831
<b>Modify Rollup Doors to 59th Street Garage:</b> This project will modify the existing doors into the garage to allow for much needed additional clearance room for the newer vehicles.	SD-6 Safety	\$ 84,560
<b>Calibration Lab Relocation Study:</b> This project will study various potential alternative locations for the move of the District's Calibration Lab from Ranch Seco.	SD-4 Reliability	\$ 83,560
<b>Total</b>		<b>\$ 8,667,411</b>

2005 Office Furniture & Equipment		
<b>Capital Equipment Purchases:</b> Purchase of medium to large scale office equipment and furniture.	SD-5 Customer Relations SD-6 Safety SD-8 Employee Relations	\$ 1,432,032
<b>Total</b>		<b>\$ 1,432,032</b>

*Continued on next page*





# Facilities Segment – Capital

<b>Capital Multi-Year Projects</b>	<b>Inception to 12/31/2004 (\$000)</b>	<b>2005 Estimate (\$000)</b>	<b>2006 &amp; Later Estimate (\$000)</b>	<b>Estimated Total Cost (\$000)</b>
Garage Remodel (4 years)	\$ 122	\$ 468	\$ 432	\$ 1,022
HQ Life/Safety Improvements (6 years)	\$ 463	\$ 684	\$ 16,316	\$ 17,463
<b>Total</b>	<b>\$ 585</b>	<b>\$ 1,153</b>	<b>\$ 16,748</b>	<b>\$ 18,485</b>



# Transportation Segment

## Segment Description:

Provide District vehicles including maintenance, repairs, inspections, fueling, and off-site support. Purchase standard and non-standard vehicles and equipment that support the District's environmental goals and business objectives.



# Transportation Segment – O&M

Transportation O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Operate and Maintain Vehicles and Equipment (Main)	\$3,769	\$3,713	\$3,870	\$101	3%
Operate and Maintain Vehicles and Equipment (Hydro)	\$794	\$826	\$969	\$175	22%
Fuel	\$1,260	\$1,275	\$1,333	\$73	6%
<b>TOTAL O&amp;M (allocated)</b>	<b>\$5,823</b>	<b>\$5,814</b>	<b>\$6,172</b>	<b>\$349</b>	<b>6%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Increased materials planned in the Main and Hydro processes for 2005 arise from higher fuel and replacement parts costs for advanced technology vehicle systems (computerized and electronic). Higher auto liability insurance also impacts the Main and Hydro processes.



# Transportation Segment – Capital

Transportation Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Purchase Vehicles and Equipment	\$3,290	\$3,033	\$4,253	\$963	29%
<b>TOTAL Capital</b>	<b>\$3,290</b>	<b>\$3,033</b>	<b>\$4,253</b>	<b>\$963</b>	<b>29%</b>

**Significant Changes 2005 Proposed vs. 2004 Budget**

Higher number of approved 2005 Vehicle and Equipment Requests than in 2004, based on Vehicle/Equipment Capital Replacement Policy. Average vehicle acquisition cost is \$31.3K in 2005 vs. \$30.5K in 2004. The 2005 list includes 6 hybrid vehicles, vs. 11 in 2004.



## Summary of Transportation Capital Requests (2005 vs. 2004)

	2005 Request	2004 Request
Scheduled Replacements	107	75
Requested Replacements	3	3
Additions	2	13
Shop Equipment	6	5
Leases (expensed to O&M)	2	1
Total	<u>120</u>	<u>97</u>



# Supply Chain Segment

## Segment Description:

Provide all aspects of procurement support including contracting, purchasing and maintaining the warehouse. Provide a web enablement program for the District. Purchase District office furniture and equipment and warehouse equipment.

- *Supply Chain – Frankie McDermott*
- *Supplier Diversity – Frank Martinez*



# Supply Chain Segment – O&M

Supply Chain Segment O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Purchase Non-Inventory Materials	\$1,328	\$1,447	\$1,509	\$181	14%
Material Planning & Coordination	\$3,595	\$3,541	\$4,023	\$428	12%
Procure Contract Services	\$2,583	\$2,620	\$2,703	\$120	5%
Vendor Direct Materials	\$261	\$243	\$313	\$51	20%
Supplier Diversity	\$927	\$921	\$998	\$71	8%
<b>TOTAL O&amp;M (allocated)</b>	<b>\$8,695</b>	<b>\$8,772</b>	<b>\$9,545</b>	<b>\$851</b>	<b>10%</b>

**Significant Changes 2005 Proposed vs. 2004 Budget**

Increased Supply Chain labor costs and increased level of support by Accounting on Supply Chain payables.



# Supply Chain Segment – Capital

Supply Chain Segment Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Warehouse Equipment	\$55	\$64	\$55	\$0	0%
<b>TOTAL Capital</b>	<b>\$55</b>	<b>\$64</b>	<b>\$55</b>	<b>\$0</b>	<b>0%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Warehouse Equipment (racking, and ergo equipment) will be purchased in 2005.





# Human Resources Segment

## Segment Description:

Provide a full range of employment services including Training, Labor Relations and Fair Employment, Payroll Services, Employee Communications, Medical Services, Recruitment and Selection, and Diversity Management.

- *Human Resource Services – Gary King (Acting)*
- *Labor Relations – Mike Wirsch*
- *Employee Communications – Monica Siewert*
- *Diversity Management – Shirley Lewis*



# Human Resources Segment – O&M

Human Resources O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Provide Corporate Training	\$649	\$446	\$677	\$28	4%
Salary Administration	\$932	\$848	\$1,169	\$237	25%
Labor Relations	\$1,403	\$983	\$1,319	(\$84)	-6%
Employment Services	\$1,448	\$1,292	\$1,327	(\$121)	-8%
Fair Employment	\$540	\$457	\$569	\$29	5%
Payroll Services	\$576	\$557	\$640	\$64	11%
Medical Services	\$335	\$267	\$319	(\$16)	-5%
Personnel Records	\$257	\$266	\$272	\$15	6%
Communicate with Employees	\$849	\$799	\$944	\$95	11%
Diversity Management	\$0	\$0	\$231	\$231	100%
<b>TOTAL O&amp;M (allocated)</b>	<b>\$6,990</b>	<b>\$5,914</b>	<b>\$7,467</b>	<b>\$477</b>	<b>7%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Increase in Salary Administration due to labor shift from Employment Services. In 2005, Diversity Management is a new process, focused on developing Diversity Action Plans which assist the District in building a workplace that is reflective of the community we serve.



# Human Resources Segment – Capital

Human Resources Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
HR Reengineering Technology Enablers	\$0	\$0	\$733	\$733	100%
<b>TOTAL Capital</b>	<b>\$0</b>	<b>\$0</b>	<b>\$733</b>	<b>\$733</b>	<b>100%</b>

**Significant Changes 2005 Proposed vs. 2004 Budget**

In 2005, HR Self-Service Enhancement project planned for \$733K. Project will implement recommendations to enhance/optimize OASIS and OpenHR Self-Service Tools.



# Office Services Segment

## Segment Description:

Provide graphic, postal, printing press, copy and microfilm services to the District. Provide District-wide Corporate Files services and files. Records and mail service for Executives, Board of Directors, Legal and Government Affairs. Provide offsite records storage.



# Office Services Segment – O&M

Office Services O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Graphic Design Services	\$754	\$752	\$807	\$53	7%
Postal Services	\$741	\$762	\$796	\$54	7%
Reproduction Services	\$1,821	\$1,828	\$1,933	\$112	6%
Corporate File Services	\$223	\$276	\$206	(\$16)	-7%
<b>TOTAL O&amp;M</b>	<b>\$3,539</b>	<b>\$3,617</b>	<b>\$3,742</b>	<b>\$203</b>	<b>6%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Added Reproduction Services outside printing contingency for planned 2005 site move, and increased color copier maintenance/usage planned.



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# Office Services Segment – Capital

*No Capital processes in the Office Services Segment*



# Business Services Segment

## Segment Description:

Provide Risk Management support (Insurance), Treasury Management support, Non-Supply Chain Accounts Payable support and Emergency Preparedness services District-wide. Provide all aspects of Safety, Health, Environmental and Hazardous Materials services for Internal Services Business Unit.

- *Treasury – Noreen Roche-Carter*
- *Risk Management – TBD*
- *Non-Supply Chain Accounting – Cary Nethaway*
- *Safety, Health & Environmental (Corporate) – TBD*
- *Emergency Preparedness - Maria Veloso-Koenig*



# Business Services Segment – O&M

<b>Business Services O&amp;M Process (\$000's)</b>	<b>2004 Budget (\$000)</b>	<b>2004 Forecast (\$000)</b>	<b>2005 Proposed (\$000)</b>	<b>\$ Change Proposed to Budget (\$000)</b>	<b>% Change Proposed to Budget</b>
<b>Risk Management</b>	<b>\$9,219</b>	<b>\$8,228</b>	<b>\$8,077</b>	<b>(\$1,142)</b>	<b>-12%</b>
<b>Treasury Management</b>	<b>\$1,586</b>	<b>\$1,467</b>	<b>\$1,616</b>	<b>\$30</b>	<b>2%</b>
<b>Accounting Services</b>	<b>\$717</b>	<b>\$635</b>	<b>\$740</b>	<b>\$23</b>	<b>3%</b>
<b>Safety, Health &amp; Environmental</b>	<b>\$408</b>	<b>\$379</b>	<b>\$455</b>	<b>\$47</b>	<b>12%</b>
<b>Emergency Preparedness</b>	<b>\$223</b>	<b>\$269</b>	<b>\$252</b>	<b>\$29</b>	<b>13%</b>
<b>TOTAL O&amp;M</b>	<b>\$12,152</b>	<b>\$10,979</b>	<b>\$11,139</b>	<b>(\$1,013)</b>	<b>-8%</b>
<b>Allocated to Business Units</b>	<b>(\$2,680)</b>	<b>(\$2,607)</b>	<b>(\$2,861)</b>	<b>(\$181)</b>	<b>7%</b>
<b>Total O&amp;M (Unallocated)</b>	<b>\$9,472</b>	<b>\$8,372</b>	<b>\$8,278</b>	<b>(\$1,194)</b>	<b>-13%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

2005 reduction for Risk Management costs due to lower property insurance premiums.





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# Business Services Segment – Capital

*No Capital processes in the Business Services Segment*



# Rancho Seco Park Summary

Rancho Seco Park O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Rancho Seco Park Operations	\$679	\$609	\$633	(\$46)	-7%

**Significant Changes 2005 Proposed vs. 2004 Budget**

Lower costs in 2005, reflecting increased offset from park utilization fees.

Rancho Seco Park Capital Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Rancho Seco Park Improvements	\$157	\$157	\$169	\$12	8%

**Significant Changes 2005 Proposed vs. 2004 Budget**

Increased costs in 2005 to cover new projects: re-stripping of road & parking areas, new floor in the recreation room and new controls for the irrigation system.



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# Employee Benefits & Services Segment

## Segment Description:

Provide employee benefits including Medical, Dental and Vision, Worker's Compensation, Integrated Disability Management, Retirement Contributions, Social Security Contributions and other District Benefits.



# Employee Benefits & Services Segment – O&M

Employee Benefits & Svcs O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Health & Welfare	\$35,777	\$36,069	\$39,227	\$3,450	10%
FICA Contribution	\$12,102	\$12,102	\$12,465	\$363	3%
Retirement Contribution	\$0	\$0	\$9,300	\$9,300	100%
<b>TOTAL O&amp;M *</b>	<b>\$47,879</b>	<b>\$48,171</b>	<b>\$60,992</b>	<b>\$13,113</b>	<b>27%</b>

\* The Employee Benefits & Services Budget is included in all District Business Unit's Labor Costs. Therefore, it is not included in the Internal Services Budget summary pages.

## Significant Changes 2005 Proposed vs. 2004 Budget

Medical and dental insurance increased \$2.6M. Administer Benefits increased \$308K (16%) due enhance consulting for ADA/IDM support. Worker's Comp & Unemployment Insurance increased \$437K (13%) due to increased claims payments, resulting from statutory benefit rate increases. Vision/Life/Disability decreased \$124K (-10%) due to lower life insurance rates, which reflect longer life spans. \$9.3M planned for PERS Contribution, as mandated, to cover Employee's and Employer's contribution.



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# Employee Benefits & Services Segment – Capital

*No Capital processes in the Employee Benefits Segment*



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**BUSINESS TECHNOLOGY BUSINESS UNIT**

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# **2005 Approved Budget**

## **Business Unit**

### **Business Technology**

**Business Unit Leader: Linda Johnson  
Chief Information Officer**



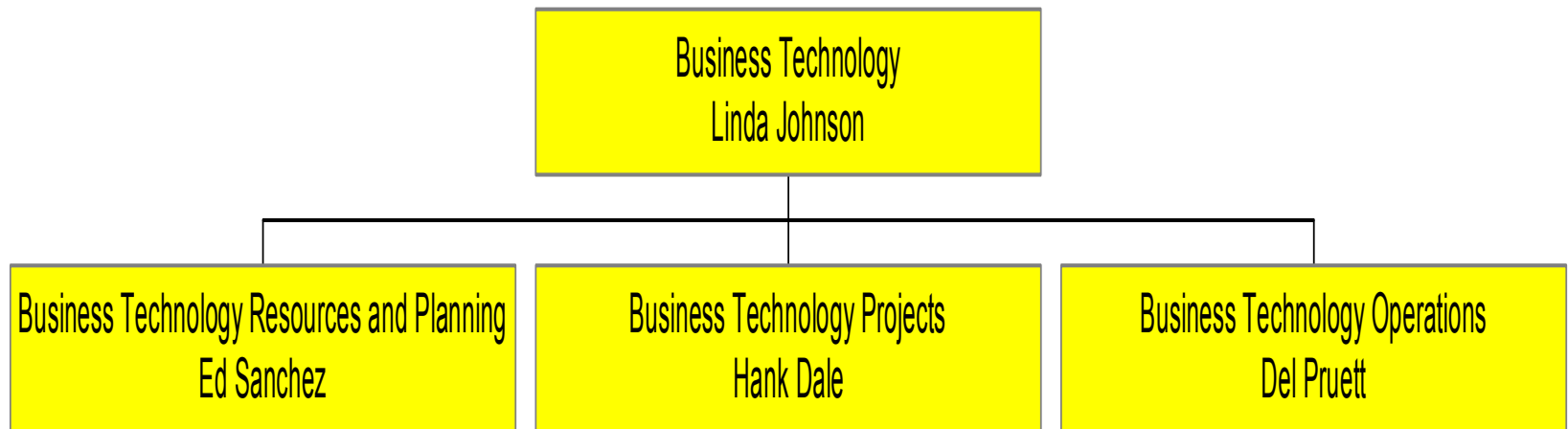
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## BUSINESS TECHNOLOGY BUSINESS UNIT

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# Business Unit and Segments



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# Alignment with Strategic Directives

## SD-2: Competitive Rates

### 2005 Initiatives

- Meet Business Technology O&M and Prioritized Technology Plan metrics within established operational plan targets
- Lead effort in the continuing implementation of the Enterprise Document Management System
- Apply SAP, Service Delivery Information Technology, and Human Resources applications to automate and improve business processes
- Implement an integrated planning and budgeting toolset that supports identification, tracking, and reporting of Board Level and Management Level strategic directives, goals, and metrics





# Alignment with Strategic Directives

## SD-2: Competitive Rates

### 2004 Accomplishments

- Completion of SAP Upgrade on schedule and under budget
- Design and installation of software and infrastructure and completion of foundation for District Electronic Document Management System
- Met Business Technology O&M and Prioritized Technology Project metrics within operational plan targets, including reduced staffing consistent with reduced capital project requirements
- Completed first phases of re-engineering of Business Technology Business Unit



# Alignment with Strategic Directives

## SD-4: Reliability

### 2005 Initiatives

- Extend use of Mobile Data Dispatch functionality, and upgrade Outage Management and GIS Design Engineering systems to increase available functionality
- Lead effort in the replacement of the District's existing Two-Way Radio Communications System
- Replace ACLM controller system software to reliably integrate new load management strategies
- Upgrade aging microwave link to Fresh Pond Headquarters, supporting increased data speeds, requirements, and functionality



# Alignment with Strategic Directives

## SD-4: Reliability (cont.)

### 2004 Accomplishments

- Continued deployment of new functionality in District's new GIS and Outage Management system, including Mobile Data Dispatch to support troubleshooters' field operations



# Alignment with Strategic Directives

## SD-5: Customer Relations

### 2005 Initiatives

- Implement IVR enhancements including Spanish menu options, spoken word recognition, and credit card payment functionality
- Implement web-based customer inquiry functionality in support of Distribution Services “New Service” processes
- Implement technology solutions that support continued automation of customer-facing processes including Interim Service Agreement Processing and Automated Move-In Analysis



# Alignment with Strategic Directives

## SD-5: Customer Relations (cont.)

### 2004 Accomplishments

- Substantial completion of IVR Upgrade
- Completion of first phases of Credit and Collection Management system modifications to improve revenue collection
- Continued development of new customer web-based transactions



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**BUSINESS TECHNOLOGY BUSINESS UNIT**

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# Alignment with Strategic Directives

## SD-6: Safety

### 2005 Initiatives

- Work with District Safety to review and develop Business Unit action plan utilizing best practice from Behavior Based Safety Process and Safety Training Observation Program (STOP)



# Alignment with Strategic Directives

## SD-8: Employee Relations

### 2005 Initiatives

- Design and implement improved tools and processes for hiring and employee development through utilization of electronic hiring and HR Express (OPEN-HR) functionalities
- Implement employee provisioning processes which support new employees with the tools necessary to perform their job duties



# Alignment with Strategic Directives

## SD-8: Employee Relations (cont.)

### 2004 Accomplishments

- Initial deployment of electronic hiring system
- Piloted automated employee transaction system
- Implemented system for employee electronic access to District applications





# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-2 Competitive Rates	<b>Technology costs per employee (a)</b>	\$11,204	\$10,737	\$11,793
SD-2 Competitive Rates	<b>O&amp;M Actuals vs. Approved Budget (b)</b>	100%	95%	100%
SD-2 Competitive Rates	<b>Prioritized Technology Plan Capital projects meeting District fiscal goals (Determined through "Project Scorecard" review criteria) (c)</b>	100%	82%	100%
SD-2 Competitive Rates	<b>Automate District processes (5-year target from 2002 to 2006 = 500)</b>	100	75	100

(a) Allocated Technology O&M costs , divided by District Total approved positions. 2004 forecast reflects reductions in Materials and Outside Services.

(b) Total O&M (Allocated and Unallocated) compared to approved budget

(c) Prioritized Tech Plan forecast based on 3rd Quarter project scorecard review completed Sept 2004



# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-5 Customer Relations	<b>Web-enabled contacts</b> (a)	150,000	150,000	300,000
SD-5 Customer Relations	<b>System availability during prime business hours</b> (b)	Reliability Index score of 1 to 4	Index score = 1	Reliability Index score of 1 to 4
SD-5 Customer Relations	<b>Overall system reliability</b> (b)	Reliability Index score of 1 to 4	Index score = 1.1	Reliability Index score of 1 to 4
SD-5 Customer Relations	<b># of unscheduled events per month (annual average)</b>	Fewer than 1.0 p/mo	Forecasted to meet target	Fewer than 1.0 p/mo (Pass/Fail)
SD-5 Customer Relations	<b>Duration of unscheduled events during business hours</b>	No more than 1 event > 2.0 hours	Not forecasted to meet target	No more than 1 event > 2.0 hours (Pass/Fail)

(a) Web-enabled contacts metric shared with Customer Business Unit . Metric data tracked and reported by Customer Business Unit.

(b) System availability and overall reliability metrics are based on a Reliability Index Score calculated within a percentage range which is set annually and measured quarterly.



# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-6 Safety	<b>Reduce the District's number and severity of OSHA recordable incident rate, lost time incident rate, and preventable vehicle incident rate</b> (a)	OSHA < or = 1.7 (2) LTA < or = 0 PVA < or = 0	OSHA < or = (4) LTA < or = 0 PVA < or = 0	OSHA < or = 1.4 (2) LTA < or = 0 PVA < or = 0
SD-8 Employee Relations	<b>% of performance evaluations and development plans completed annually</b>	100%	95%	100%
SD-8 Employee Relations	<b>% of employee ratings on survey items related to communications</b>	>68.85%	Outside agency administers survey, data available at year-end.	Improvement based on 2004 results
SD-8 Employee Relations	<b>% of employee ratings on survey items related to employee satisfaction</b>	>88.36%	Outside agency administers survey, data available at year-end.	Improvement based on 2004 results

(a) 2005 is the third year of the five-year overall safety goal to reduce 2002 District safety incident rates by 50%



Summary	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
O&M Total	29,181	27,657	31,461	2,280	8%
Allocated to Business Units	(26,755)	(25,806)	(28,195)	(1,440)	5%
O&M Net (Unallocated)	<b>2,426</b>	<b>1,851</b>	<b>3,267</b>	<b>840</b>	<b>35%</b>
Capital	37,478	23,495	21,647	(15,831)	-42%
<b>Business Unit Total</b>	<b>39,904</b>	<b>25,346</b>	<b>24,913</b>	<b>(14,990)</b>	<b>-38%</b>

**Overview**

**Allocated O&M** - Emphasizes responsive service to District Technology needs, meeting or exceeding agreed upon service levels, and minimizing cost and performance impacts to our customers. Increase in proposed 2005 Allocated O&M related to contractual cost of living and merit increases combined with associated benefits.

**Unallocated O&M** - Focuses on work related to contract renewals for Internet Service and Telephone Service providers, as well as infrastructure and security improvements and enhancements.

**Capital** - Major emphasis on continuation of Enterprise Document Management System implementation, Two-Way Radio Replacement, enterprise-wide projects that will move us toward centralized management of the network, inventory and training, as well as on-going life-cycle and replacement projects. 2004 included completion of the SAP Upgrade and SDIT Projects.

**SMUD**SACRAMENTO MUNICIPAL UTILITY DISTRICT  
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Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$10,492	\$10,837	\$12,478	\$1,986	19%
Cost Center Surcharge	\$7,402	\$7,608	\$8,726	\$1,324	18%
Material & Equipment	\$1,166	\$773	\$1,044	(\$122)	-10%
Mat'l & Whse Surcharge	\$62	\$43	\$57	(\$5)	-8%
Other Expenses	\$119	\$82	\$101	(\$18)	-15%
Utilities & Postage	\$495	\$478	\$477	(\$17)	-4%
Rebates & Incentives	\$0	\$0	\$0	\$0	0%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$9,225	\$7,649	\$8,378	(\$847)	-9%
Contract Svcs Surcharge	\$221	\$187	\$201	(\$20)	-9%
Cost Reduc/Reimb	\$0	\$0	\$0	\$0	0%
Corporate Allocation	\$0	\$0	\$0	\$0	0%
<b>O&amp;M Total</b>	<b>\$29,181</b>	<b>\$27,657</b>	<b>\$31,461</b>	<b>\$2,280</b>	<b>8%</b>
<b>Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>
<b>O&amp;M (Net)</b>	<b>\$29,181</b>	<b>\$27,657</b>	<b>\$31,461</b>	<b>\$2,280</b>	<b>8%</b>
<b>Allocated to Business Units</b>	<b>(\$26,755)</b>	<b>(\$25,806)</b>	<b>(\$28,195)</b>	<b>(\$1,440)</b>	<b>5%</b>
<b>O&amp;M (Net Unallocated)</b>	<b>\$2,426</b>	<b>\$1,851</b>	<b>\$3,267</b>	<b>\$840</b>	<b>35%</b>

**Business Technology O&M - Business Segment Summary**

<b>Allocated O&amp;M Segment Totals (\$000's)</b>	<b>2004 Budget (\$000)</b>	<b>2004 Forecast (\$000)</b>	<b>2005 Proposed (\$000)</b>	<b>\$ Change Proposed to Budget (\$000)</b>	<b>% Change Proposed to Budget</b>
<b>Business Technology Resources &amp; Planning</b>	\$0	\$0	\$1,213	\$1,213	100%
<b>Business Technology Projects</b>	\$11,837	\$10,376	\$13,616	\$1,779	15%
<b>Business Technology Operations</b>	\$14,918	\$15,430	\$13,365	(\$1,552)	-10%
<b>TOTAL ALLOCATED O&amp;M</b>	<b>\$26,755</b>	<b>\$25,806</b>	<b>\$28,195</b>	<b>\$1,440</b>	<b>5%</b>
<b>Project Related O&amp;M (Unallocated)</b>	\$2,427	\$1,851	\$3,267	\$840	35%
<b>TOTAL O&amp;M</b>	<b>\$29,182</b>	<b>\$27,657</b>	<b>\$31,461</b>	<b>\$2,280</b>	<b>8%</b>

**Business Technology Capital - Cost Element Summary**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$6,610	\$5,494	\$3,847	(\$2,762)	-42%
Cost Center Surcharge	\$4,362	\$3,522	\$2,510	(\$1,853)	-42%
Material & Equipment	\$7,573	\$5,940	\$5,771	(\$1,802)	-24%
Mat'l & Whse Surcharge	\$394	\$319	\$313	(\$80)	-20%
Other Expenses	\$12	\$22	\$264	\$252	2133%
Utilities & Postage	\$0	\$5	\$0	(\$0)	-100%
Rebates & Incentives	\$0	\$0	\$0	\$0	0%
Commodities	\$0	\$0	\$0	\$0	0%
Outside Services	\$17,748	\$7,710	\$8,507	(\$9,241)	-52%
Contract Svcs Surcharge	\$424	\$177	\$204	(\$220)	-52%
Cost Reduc/Reimb	\$0	\$0	\$0	\$0	0%
Corporate Allocation	\$355	\$306	\$231	(\$125)	-35%
<b>Capital Total</b>	<b>\$37,478</b>	<b>\$23,495</b>	<b>\$21,647</b>	<b>(\$15,831)</b>	<b>-42%</b>
<b>Net Loans</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>
<b>Capital (Net)</b>	<b>\$37,478</b>	<b>\$23,495</b>	<b>\$21,647</b>	<b>(\$15,831)</b>	<b>-42%</b>

**Business Technology Capital - Business Segment Summary**

<b>Business Technology Capital Segment Totals (\$000's)</b>	<b>2004 Budget (\$000)</b>	<b>2004 Forecast (\$000)</b>	<b>2005 Proposed (\$000)</b>	<b>\$ Change Proposed to Budget (\$000)</b>	<b>% Change Proposed to Budget</b>
<b>Business Technology Projects (a)</b>	<b>\$37,478</b>	<b>\$23,495</b>	<b>\$21,647</b>	<b>(\$15,831)</b>	<b>-42%</b>
<b>TOTAL Capital</b>	<b>\$37,478</b>	<b>\$23,495</b>	<b>\$21,647</b>	<b>(\$15,831)</b>	<b>-42%</b>

*(a) For 2005 planning, all Capital Technology Projects were moved under the Business Technology Projects segment. A breakdown of projects by category is available in the Business Technology Projects Segment section of this document.*





<b>Primary Staffing</b>	<b>2004 Budget</b>	<b>2005 Proposed</b>	<b>Net Increase (Decrease)</b>
Permanent Full-Time	201	193	(8)
Other	12	12	0
<b>Business Unit Total</b>	<b>213</b>	<b>205</b>	<b>(8)</b>

### **2005 Proposed vs. 2004 Budget**

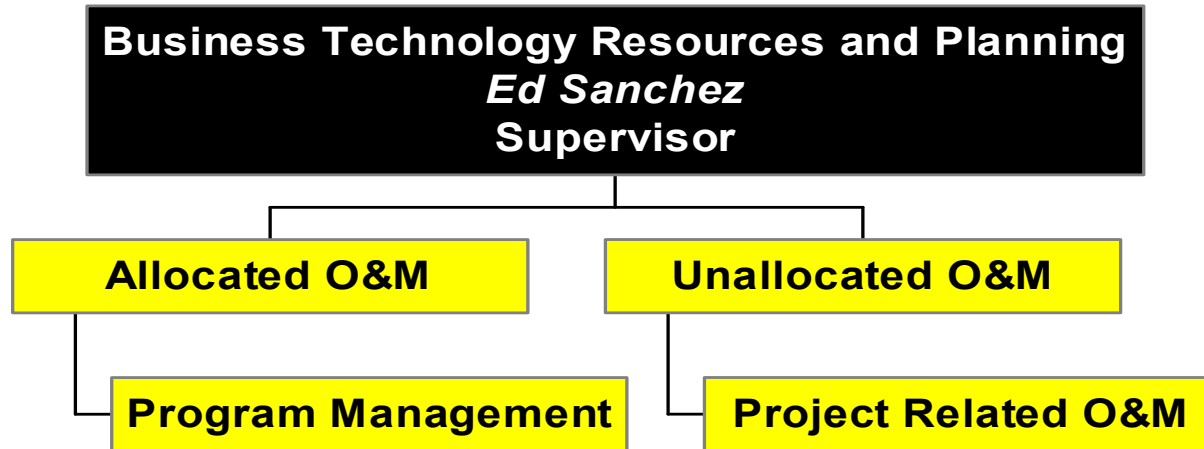
2005 proposed budget reflects a net reduction of eight budgeted full-time positions. This net reduction was achieved through a combination of position movements both internal and external to the Business Technology Business Unit, and elimination of positions based on changing Business Unit needs.



Primary Cost Centers Salaries & Wages	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Regular	\$16,961	\$16,357	\$16,262	(\$699)	-4%
Overtime	\$328	\$315	\$152	(\$176)	-54%
<b>Total Salaries &amp; Wages</b>	<b>\$17,289</b>	<b>\$16,673</b>	<b>\$16,415</b>	<b>(\$874)</b>	<b>-5%</b>
Employee Benefits	\$4,849	\$4,740	\$5,791	\$942	19%
<b>Total</b>	<b>\$22,138</b>	<b>\$21,413</b>	<b>\$22,206</b>	<b>\$68</b>	<b>0%</b>

### 2005 Proposed vs. 2004 Budget

Total costs reflect a slight increase over 2004 amounts. This is primarily due to contractual cost of living and merit increases combined with associated benefits. Although benefit costs reflect a 19% increase, overall costs remained close to 2004 levels through reductions in staffing levels while continuing to maintain essential services.



## Segment Description:

Point of contact for District Business Units as they relate to Business Technology initiatives, requests, or services. Work with Business Units to assess, plan, design, review, resolve, and facilitate technology solutions that meet the needs of our internal customers while ensuring alignment with the District's strategic goals and directives.

The Resources and Planning segment also incorporates responsibility for the Planning and Budgeting, Employee Development, Workforce Planning, and Enterprise Architecture Processes for the Business Technology Business Unit.



## Business Technology Planning and Resources Segment Allocated O&M

Business Technology Resources and Planning O&M Processes (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Program Management	\$0	\$0	\$1,213	\$1,213	100%
<b>TOTAL ALLOCATED O&amp;M</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,213</b>	<b>\$1,213</b>	<b>100%</b>

### Significant Changes 2005 Proposed vs. 2004 Budget

Program Management is a newly defined process resulting from Business Technology's re-engineering efforts. The major purpose of Program Management is to act as the primary advocate and point of contact for business technology solutions, including broad responsibility in assisting Business Units and District Departments in planning and implementing information technology solutions. Program Management serves both internal clients as well as Business Technology through ownership of the Enterprise Architecture processes.

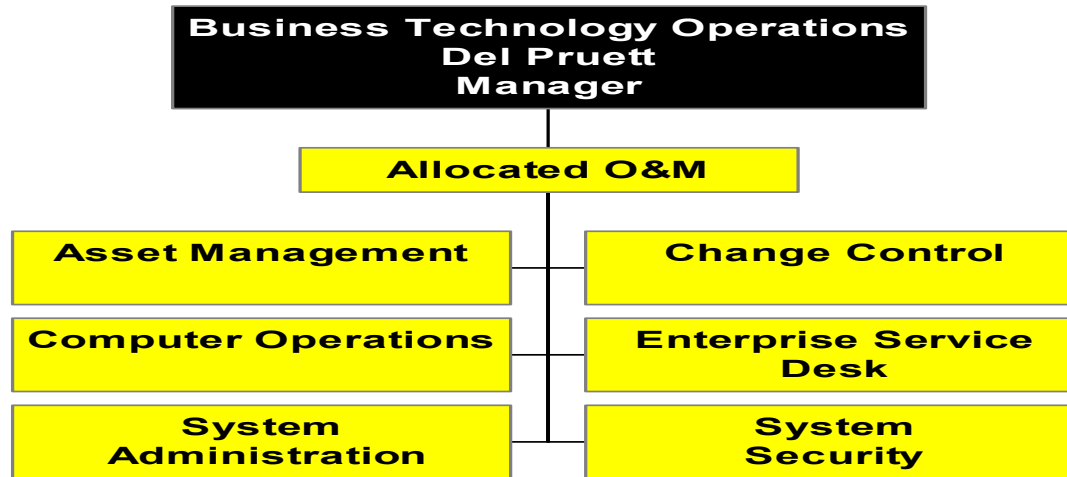


## Business Technology Planning and Resources Segment Unallocated O&M

Business Technology Resources and Planning O&M Processes (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Project Related O&M	\$0	\$0	\$841	\$841	100%
<b>TOTAL UNALLOCATED O&amp;M</b>	<b>\$0</b>	<b>\$0</b>	<b>\$841</b>	<b>\$841</b>	<b>100%</b>

### Significant Changes 2005 Proposed vs. 2004 Budget

Project related O&M in the Resources and Planning Segment is internal labor hours from across the Business Technology Business Unit that was utilized in support of Capital Projects in 2004, that will now shift to O&M project related efforts and our on-going re-engineering efforts during 2005.



## Segment Description:

Provides corporate data network and server infrastructure and security, corporate email, and network and application administration services; Enterprise Service Desk and training services for desktop computing; support for District PCs and peripheral devices; batch job scheduling, IT infrastructure change management, and asset management.

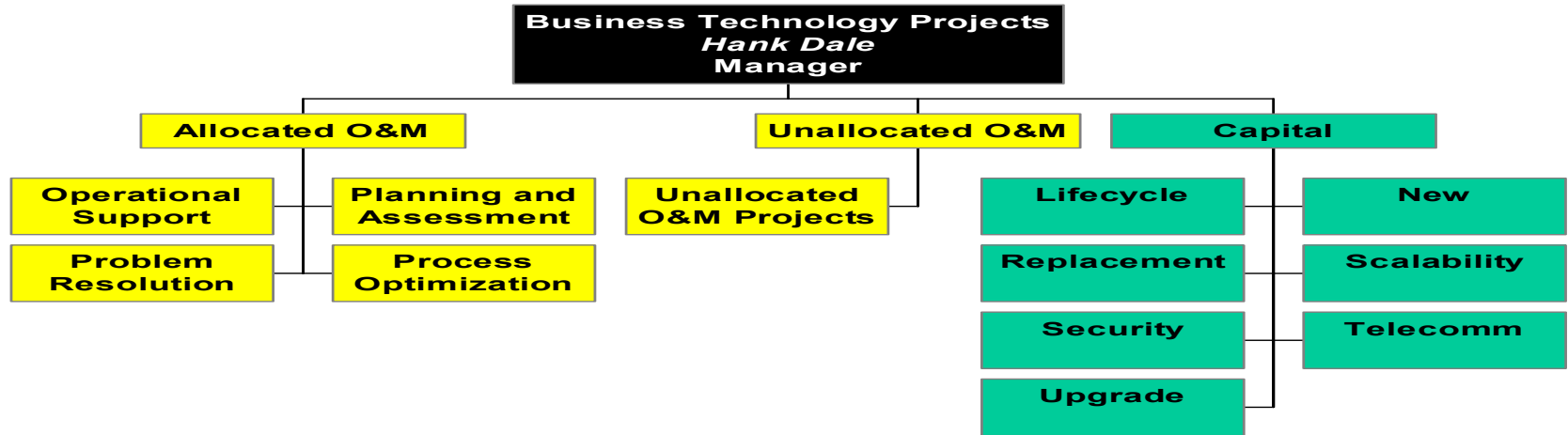


## Business Technology Operations Segment – Allocated O&M

Business Technology Operations O&M Processes (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Asset Management	\$0	\$0	\$133	\$133	100%
Change Control	\$0	\$0	\$206	\$206	100%
Computer Operations	\$0	\$0	\$2,689	\$2,689	100%
Enterprise Service Desk	\$0	\$0	\$1,249	\$1,249	100%
System Administration	\$0	\$0	\$7,509	\$7,509	100%
System Security	\$0	\$0	\$1,579	\$1,579	100%
Re-Engineered 2004 Processes	\$14,918	\$15,430	\$0	(\$14,918)	-100%
<b>TOTAL ALLOCATED O&amp;M</b>	<b>\$14,918</b>	<b>\$15,430</b>	<b>\$13,365</b>	<b>(\$1,552)</b>	<b>-10%</b>

### Significant Changes 2005 Proposed vs. 2004 Budget

Business Technology Operations incorporates the redefined processes previously planned and budgeted under Computer Services, as well as portions of Telephone Services and Telecommunications. These re-engineered processes are listed above as a single line item for comparison purposes only and do not match specifically to the newly defined processes under Business Technology Operations.



Segment Description:

Responsible for management and delivery of Business Technology projects. Provides application and infrastructure support for all deployed systems including SAP, GIS, OMS/MDD, Web (Intranet, Internet), Telephony (IVR, CTI, PBX), voice and data networks.





## Business Technology Projects Segment – Allocated O&M

Business Technology Projects O&M Processes (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Operational Support	\$0	\$0	\$7,724	\$7,724	100%
Planning and Assessment	\$0	\$0	\$1,175	\$1,175	100%
Problem Resolution	\$0	\$0	\$1,848	\$1,848	100%
Process Optimization	\$0	\$0	\$2,869	\$2,869	100%
Re-Engineered 2004 Processes	\$11,837	\$10,376	\$0	(\$11,837)	-100%
<b>TOTAL ALLOCATED O&amp;M</b>	<b>\$11,837</b>	<b>\$10,376</b>	<b>\$13,616</b>	<b>\$1,779</b>	<b>15%</b>

### Significant Changes 2005 Proposed vs. 2004 Budget

Business Technology Projects incorporates the redefined processes previously planned and budgeted under Business Applications Support, Enterprise Systems Support, and portions of the Telephone and Telecommunications segments. These re-engineered processes are listed above as a single line item for comparison purposes only and do not match specifically to the newly defined processes under Business Technology Projects.



## Business Technology Projects Segment – Unallocated O&M

Business Technology Projects O&M Processes (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Project Related O&M	\$2,427	\$1,851	\$2,425	(\$1)	0%
<b>TOTAL UNALLOCATED O&amp;M</b>	<b>\$2,427</b>	<b>\$1,851</b>	<b>\$2,425</b>	<b>(\$1)</b>	<b>0%</b>

### Significant Changes 2005 Proposed vs. 2004 Budget

In 2004, project related O&M was comprised primarily of SDIT Data Conversion work. In 2005, project related O&M in the Business Technology Projects segment, includes work related to contract renewals for Internet Service and Telephone Service providers, as well as infrastructure and security improvements and enhancements.



## Business Technology Projects Segment – Capital

Business Technology Solutions Capital Processes (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Lifecycle Projects	\$4,310	\$4,040	\$3,083	(\$1,227)	-28%
New Projects	\$11,549	\$5,570	\$6,210	(\$5,338)	-46%
Replacement Projects	\$569	\$569	\$2,497	\$1,927	339%
Scalability Projects	\$273	\$273	\$273	\$0	0%
Security Projects	\$1,194	\$1,194	\$604	(\$590)	-49%
Telecomm Projects	\$9,432	\$3,228	\$8,979	(\$452)	-5%
Upgrade Projects	\$10,151	\$8,622	\$0	(\$10,151)	-100%
<b>TOTAL CAPITAL</b>	<b>\$37,478</b>	<b>\$23,495</b>	<b>\$21,647</b>	<b>(\$15,831)</b>	<b>-42%</b>

### Significant Changes 2005 Proposed vs. 2004 Budget

Business Technology Projects Capital consolidates all Technology-related Capital project work into a single segment within Business Technology to enable a more clearly defined and managed Project Management process.

2005 planned amounts include \$5.8M related to the Two-Way Radio Replacement Project that was originally planned and budgeted in 2004 under the Telephone and Telecomm segment.

<b>2005 CAPITAL PROJECTS - Business Technology Projects Segment</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (000's)</b>
<p><b>Two-Way Radio Replacement -</b> Continuing multi-year project to replace the District's aging trunked-radio system. The 2005 phase of the project will provide for the actual purchase and installation. The District will provide and construct the power and communications for each facility and the vendor will construct the shelters and towers for eleven sites in preparation for equipment delivery.</p>	Reliability	5,786
<p><b>Enterprise Document Management Capital -</b> Provide an enterprise-wide electronic document management system (EDMS) that permits the District to effectively capture, utilize, and retain documents and records electronically to meet our legal, business, and technical requirements. Following on 2004's enterprise design and initial departmental rollout, during 2005 additional Business Units will be rolled out as well as opportunities for optimizations.</p>	Competitive Rates Customer Relations	3,572
<p><b>Storage Devices Life Cycle Replacements -</b> Implement life cycle replacement schedule of storage devices that are no longer adequate and/or have reached the end of their useful life; also plan for continued projected growth.</p>	Customer Relations	1,020
<p><b>District Computing Environment -</b> Minimize the District's total cost of ownership for business computer hardware and software by evaluating "best practices" for determining life-cycle limits for PCs, laptops, and printers. There may be a minimal roll-out effort in 2005 to identify and accommodate groups whose computing needs now exceed the capabilities of their existing desktop computers. In this interim year, we will purchase and rollout MAC workstations and monitors as life cycle replacements for Graphics as well as extending the warranty on 500 HP VL computers.</p>	Competitive Rates Customer Relations	898
<p><b>Tape BackUp Environment Refresh -</b> Conduct a study to explore alternatives and implement recommendations that address space, location, response time and reliability issues with our existing tape backup systems and storage at the EMC. The SUN L3500 and STK 9730 tape libraries have passed their useful life expectancy and need to be replaced.</p>	Competitive Rates Customer Relations	820

<b>2005 CAPITAL PROJECTS - Business Technology Projects Segment</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (000's)</b>
<b>Planning, Simulation, and Performance Monitoring</b> - Implement an integrated solution to provide flexible Business Planning/Simulation and Performance Measurement functionality. The solution should leverage existing data in SAP and/or Business Warehouse (BW) and deliver a robust planning and simulation capability.	Competitive Rates Customer Relations	794
<b>Rehosting Employee Self Service</b> - Employee Self Service (ESS) has been configured to run with SAP 4.7 as part of the recent SAP upgrade. It is currently hosted on a platform that is not supported by SAP. This project will ensure that the functionality is migrated to use the infrastructure with SAP's Web Dynpro and will be SAP-supported.	Customer Relations	710
<b>Microsoft Server Life Cycle Replacements</b> - Implement life cycle replacement schedule of Microsoft servers that are no longer adequate and/or have reached the end of their useful life.	Customer Relations	684
<b>Second Data Center</b> - Completion of the 2004 project to build the Second Data Center at Rancho Seco. Included is hardware for long distance storage connectivity and network appliance redundancy in support of SDIT, and SMUD labor to complete the hardware installation and wrap-up of construction details.	Reliability Customer Relations	604
<b>Slate Mountain Microwave Tower Replacement</b> - Expand or replace the 4-legged tower at Slate Mountain for space diversity for microwave radio antennas and move the microwave antennas from the monopole tower to the 4-legged tower, thereby consolidating to one tower. This will mitigate spacing requirement issues for microwave antennas located there.	Reliability Customer Relations	566
<b>Fresh Pond Microwave Replacement</b> - Replace the aging microwave radio link between Fresh Pond and Big Hill, and increase its capacity to that of the SONET system. This link provides communications between Headquarters and Fresh Pond.	Reliability Customer Relations	563
<b>Support Center Application Software</b> - Conduct a study to determine if Remedy software still meets the requirements of the Support Center or if another software product would will better meet those requirements. Implement the solution.	Competitive Rates Customer Relations	526



<b>2005 CAPITAL PROJECTS - Business Technology Projects Segment</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (000's)</b>
<b>Microsoft Project Central/SAP Interface -</b> Following implementation of the Microsoft Project Server project which is a tool for project portfolio management, build the corresponding interface to SAP.	Competitive Rates Customer Relations	485
<b>SUN Server Life Cycle Replacements -</b> Implement life cycle replacement schedule of UNIX servers that are no longer adequate and/or have reached the end of their useful life. This includes upgrades of Server OS software to the latest recommended version or level.	Customer Relations	481
<b>Microsoft Project Central -</b> Implement Microsoft Project Server to manage and report on the District project portfolio. The purpose of this Web-based Project Management solution is to help prioritize, monitor and control large projects.	Competitive Rates Customer Relations	383
<b>Training Management -</b> This project involves standardizing the administration and reporting of training activities of District personnel. Administration will entail the creation, scheduling and documenting of training activities within the District and the documenting of external training attended by District personnel using a commons tool(s).	Competitive Rates Customer Relations	375
<b>Telecomm Timing Replacement -</b> Replace and upgrade the telecommunications timing system. Currently, the microwave radio, SONET and digital multiplex systems are accurately timed and clocked with equipment that has reached the end of it's life cycle. The timing source is no longer manufactured and spares and repairs are no longer available.	Reliability Customer Relations	350
<b>Headquarters Cable Plant Improvements -</b> In response to the projection that shows that the Headquarters cable and vault system will reach it's installed capacity with the next two years, perform various maintenance to include replacement of aging copper, cabling and conduit involving the Emergency Operations Facility, Field Reporting Facility, Customer Service Center, Headquarters and Energy Management Center.	Reliability Customer Relations	346
<b>Centralized Enterprise Management -</b> Move toward a 24/7 Central Enterprise Management (CEM) model of our network through consolidation and centralized management of our enterprise network and monitoring, and event management across our environment. Research, analyze, and recommend appropriate processes, investigate existing District software suitable for a CEM, and recommend, procure, and implement solutions identified.	Competitive Rates Customer Relations	319



<b>2005 CAPITAL PROJECTS - Business Technology Projects Segment</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (000's)</b>
<b>Microwave Fiber Transport -</b> Provide SONET terminal equipment to multiplex channels and "light" the fiber optic cables installed in previous years. Provide a fully redundant communications system for critical circuits that include SCADA, protective relaying, LAN and security circuits.	Competitive Rates Customer Relations	294
<b>Telecomm Battery Power Replacement -</b> Remove the CSC battery bank from the CSC switch room and dispose of the batteries. Install a replacement battery bank downstairs in a newly constructed room that will meet standards for ventilation and fire safety.	Reliability Customer Relations	288
<b>Enterprise Bar Code -</b> Implement the hardware and software necessary for a Warehouse Operations Barcode system that interfaces with SAP and would enable electronic capture of inventory status at various stages of the inventory cycle through use of label-scanning technology and data transfer to SAP. Would increase timeliness and accuracy of inventory records, lead to procurement and supply decisions based on increasingly reliable data, and improved inventory management.	Competitive Rates	282
<b>Scalability Capital -</b> Provide for funding of requests for additional equipment, upgrades, etc., due to unplanned requests, heightened functionality needs and general growth; includes disk growth, tape utilization, increased CPU and memory needs, and any other unforeseen hardware, software, and service requirements.	Reliability Customer Relations	273
<b>EMC Control 1 Upgrade -</b> As part of the new Control 1 consoles installation at the Energy Management Center, install updated, higher resolution security equipment that will provide for increased security.	Reliability Customer Relations	270
<b>Telecomm Test Equipment -</b> Purchase new or refurbished telecommunications test equipment. Aging telecommunications test equipment needs replacing and upgrading to support the microwave/fiber and new two-way radio system.	Reliability Customer Relations	187



<b>2005 CAPITAL PROJECTS - Business Technology Projects Segment</b>		
<b>Project</b>	<b>Alignment with Strategic Directive</b>	<b>2005 Budget (000's)</b>
<b>EMC Battery Replacement -</b> Replace aging telecommunications and telephone batteries at the Energy Management Center. These batteries provide operational and emergency back-up power for critical systems, and replacement will provide adequate backup power in the future.	Reliability	173
<b>Power House Radio System -</b> Install a two-way radio control station, antenna and remotes at the UARP powerhouses to provide back-up communications in the event of loss of SCADA and voice communications.	Reliability Customer Relations	170
<b>ACLM System Software Replacement -</b> Replace the SMUD developed Air Conditioner Load Management (ACLM) system software with standard industry software. Replace the SMUD built tone encoder with off the shelf hardware. Integrate the new Load Management System (LMS) software into the ACLM system.	Competitive Rates Customer Relations	161
<b>Fresh Pond PBX Phone mail Replacement -</b> Replace the aging Fresh Pond Siemens Model 10 PBX with a used Siemens Model 30 PBX. This will allow for elimination of the Fresh Pond Rolm phone mail system and the seamless integration of Fresh Pond users into the new Xpressions voice mail platform in Sacramento.	Reliability Customer Relations	115
<b>Remove Old EMC Tower -</b> A new EMC Communications Tower was constructed in 2004. By Q3 of 2005, the old tower will no longer be needed and will require removal.	Competitive Rates	114
<b>Fresh Pond APC Battery Replacement -</b> Replace the Fresh pond APC UPS battery banks which are nearing the end of their useful life. The Fresh Pond UPS batteries are often under load during the Winter months, and replacement will increase reliability and their backup time to meet this load.	Reliability Customer Relations	37
<b>Totals</b>		<b>21,647</b>



**SMUD**SACRAMENTO MUNICIPAL UTILITY DISTRICT  
The Power To Do More.<sup>SM</sup>**BUSINESS TECHNOLOGY BUSINESS UNIT**

<b>Capital Multi Year Projects Business Technology Projects</b>	<b>Inception to 12/31/2004 (\$000)</b>	<b>2005 Budget (\$000)</b>	<b>2006 and Later Estimate (\$000)</b>	<b>Estimated Total Cost (\$000)</b>
<b>Enterprise Document Management Systems</b>	\$5,178	\$3,572	\$350	\$9,100
<b>Microwave Fiber Transport</b>	\$3,512	\$294	\$0	\$3,806
<b>Two-Way Radio System Replacement</b>	\$2,037	\$5,785	\$4,894	\$12,716
<b>Enterprise Bar Coding</b>	\$375	\$303	\$0	\$678



**SMUD**

SACRAMENTO MUNICIPAL UTILITY DISTRICT  
The Power To Do More.™

**CORPORATE SERVICES BUSINESS UNIT**

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# 2005 Approved Budget

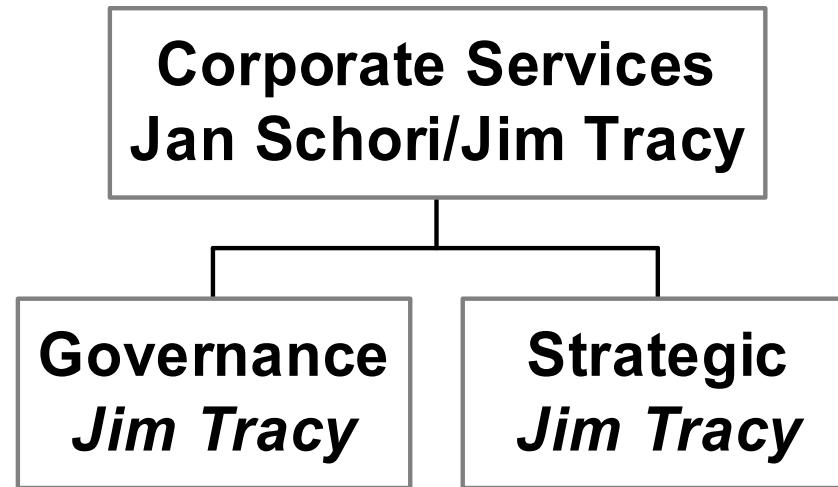
## Business Unit

### Corporate Services

**Business Unit Leader: Jim Tracy**  
**Chief Financial Officer**



# Business Unit and Segments



- *Executive Management*
- *Board Coordination*
- *Legal Services*
- *Audit & Quality Services*
- *Government & Community Affairs*
- *Financial Reporting*

- *Change Management*
- *Budget & Business Planning*
- *Strategic Planning*



# Alignment with Strategic Directives

## SD-2 Competitive Rates

### 2005 Initiatives

- Develop multi-year operational plans that promote SMUD's values and meet critical customer and financial goals
- Advocate the District's position on Energy Market structure
- Set work performance goals and hold the Business Units and Segments accountable for reaching those goals

### 2004 Accomplishments

- Agreement by Business Units to meet three-year financial targets
- Receipt of \$6.1 million payment in the El Paso Gas Antitrust Case Settlement with additional annual payments of between \$500k-\$600k for 20 years



# Alignment with Strategic Directives *(continued)*

## **SD-3 Access to Credit Markets**

### **2005 Initiatives**

- Develop revenue requirement targets consistent with equity goals
- Ensure that internal processes for managing risk are updated and adhered to

### **2004 Accomplishments**

- Translated the Board Strategic Directives into a three-year Implementation Plan



# Alignment with Strategic Directives *(continued)*

## SD-4 Reliability

### 2005 Initiatives

- Advocate positions that retain local flexibility to meet customer requirements

### 2004 Accomplishments

- Updated long term reliability project requirements

# **Alignment with Strategic Directives** *(continued)*

## **SD-5 Customer Relations**

### **2005 Initiatives**

- Strengthen community ties and communication channels

### **2004 Accomplishments**

- Strengthened communications and relations with residential and small business customers through Board Member roundtables

## **SD-6 Safety**

### **2005 Initiatives**

- Ensure District Business Units tailor safety strategies that will best meet their needs to provide a safe work environment



# Alignment with Strategic Directives *(continued)*

## SD-7 Environmental Protection

### 2005 Initiatives

- Ensure that the Strategic Plan has adequate programs to meet the Board of Directors established environmental goals

### 2004 Accomplishments

- Successfully lobbied Legislation to improve air quality by providing financial incentives for programs that reduce tail pipe emissions (e.g. acquisition of electric vehicles, truck-stop electrification projects, and lawnmower replacement programs.)
- Encouraged and worked with local planning agencies to incorporate energy efficiency and solar generation into General Plan documents.



# Alignment with Strategic Directives *(continued)*

## SD-8 Employee Relations

### 2004 Accomplishments

- Initiated and achieved significant progress toward development and communication of a District employee diversity program improving employee's understanding of different cultures. Created a permanent diversity program office
- Roll-out of a fully electronic hiring system and design of an electronic transaction processing system



# Alignment with Strategic Directives *(continued)*

## SD-9 Resource Planning

### 2005 Initiatives

- Develop Resource Plans that meet long term load serving capability
- Establish processes and systems to rank capital investment priorities and long-term measures gauging success of investments in meeting or exceeding Board goals and policies



# Alignment with Strategic Directives *(continued)*

## SD-11 Local Control

### 2004 Accomplishments

- Successfully assisted with amendments to critical state legislation that could have imposed various new accountability standards on special districts.
- Retained local control in legislation regarding federal energy policy, newly formed municipals, the State Renewable Portfolio Standard, and solar energy.



# Business Unit Metrics

Strategic Directive	Metric	2004 Budget	2004 Forecast	2005 Target
SD-2 Competitive Rates	<b>Business Unit Cost (budget \$/kWh retail sales)</b>	1.549 mil/kWh	1.491 mil/kWh	1.509 mil/kWh
SD-2 Competitive Rates	<b>Percent of Corporate Business Unit Budget Costs to non-commodity Budget</b>	4.80%	4.55%	4.50%
SD-2 Competitive Rates	<b>Ratio of non-commodity District Budget to Business Plan</b>	<1.0	0.98%	<1.0
SD-2 Competitive Rates	<b>Ratio of actual non-commodity District spending to Budget</b>	<1.0	0.97%	<1.0
SD-6 Safety	<b>Reduce the District's number and severity of OSHA recordable incident rate, lost time incident rate, and preventable vehicle incident rate (a)</b>	OSHA < or = 00.00 (0) LTA < or = 00.00 (0) PVA < or = 00.00 (0)	OSHA < or = 00.00 (0) LTA < or = 00.00 (0) PVA < or = 00.00 (0)	OSHA < or = 00.00 (0) LTA < or = 00.00 (0) PVA < or = 00.00 (0)
SD-8 Employee Relations	<b>% of performance evaluations and development plans completed annually</b>	100%	100%	100%
SD-8 Employee Relations	<b>% of employee ratings on survey items related to communications</b>	>77.49%	Outside agency administers survey, data available at year-end.	Improvement based on 2004 results
SD-8 Employee Relations	<b>% of employee ratings on survey items related to employee satisfaction</b>	>97.53%	Outside agency administers survey, data available at year-end.	Improvement based on 2004 results
SD-9 Resource Planning	<b>Accuracy of Load Forecast</b> Peak Load (MW), Billed Energy Sales (GWh) (b)	2,864 MW 10,025 GWh	2,672 MW 10,178 GWh	2,953 MW 10,325 GWh

(a) 2005 is the third year of the five-year overall safety goal to reduce 2002 District safety incident rates by 50%

(b) 2004 actual weather cooler than normal at time of peak



Summary	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change	% Change
O&M	\$13,687	\$12,965	\$13,410	(\$277)	-2%
Revenue	0	0	0	0	0%
O&M (Net)	\$13,687	\$12,965	\$13,410	(\$277)	-2%
Public Good	\$0	\$0	\$0	\$0	0%
Capital	0	0	0	0	0%
Net Loans	0	0	0	0	0%
Capital Net	\$0	\$0	\$0	\$0	0%
<b>Business Unit Total</b>	<b>\$13,687</b>	<b>\$12,965</b>	<b>\$13,410</b>	<b>(\$277)</b>	<b>-2%</b>

**Overview**

O&M - The net decrease in 2005 compared to 2004 Budget is -2%. The proposed budget includes increases due to a software license for financial forecasting, potential upgrades to regional energy pricing models, and outside services for improving the planning process with capital project prioritization, and Enterprise Document Management System (EDMS) quality reviews, and contractual cost of living and merit increases combined with associated benefits. The Business Unit offset the increase by less overhead expenses, reduced outside legal services and environmental litigation, and less outside services in Change Management due to the completion of the SAP Upgrade project in 2004, and less outside service requirements for the 2005 projects compared to the 2004 projects.

**O&M - Cost Element Summary**

Description	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Activity Type Labor	\$5,835	\$5,588	\$6,256	\$421	7%
Cost Center Surcharge	4,283	4,100	4,007	(276)	-6%
Material & Equipment	17	13	5	(12)	-70%
Mat'l & Whse Surcharge	1	1	0	(1)	-68%
Other Expenses	1,069	1,079	1,040	(29)	-3%
Utilities & Postage	3	3	2	(1)	-21%
Rebates & Incentives	0	0	0	0	0%
Commodities	0	0	0	0	0%
Outside Services	2,436	2,139	2,062	(373)	-15%
Contract Svcs Surcharge	43	41	36	(7)	-16%
Cost Reduc/Reimb	0	0	0	0	0%
Corporate Allocation	0	0	0	0	0%
<b>O&amp;M Total</b>	<b>\$13,687</b>	<b>\$12,965</b>	<b>\$13,410</b>	<b>(\$277)</b>	<b>-2%</b>
<b>Revenue</b>				<b>\$0</b>	<b>0%</b>
<b>O&amp;M (Net)</b>	<b>\$13,687</b>	<b>\$12,965</b>	<b>\$13,410</b>	<b>(\$277)</b>	<b>-2%</b>



Primary Staffing	2004 Budget	2005 Proposed	Net Increase (Decrease)
Permanent Full-Time	56	58	2
Other	10	9	(1)
<b>Business Unit Total</b>	<b>66</b>	<b>67</b>	<b>1</b>

**2005 Proposed vs. 2004 Budget**

Two full-time trainers were moved to Change Management from Technology and one part-time position moved from Change Management to Technology (no net change to the District), decreased by one limited term position no longer required for the EDMS project and one part-time assistant position (*120 budgeted hours*) added for periodic clerical support for vacation coverage.



Primary Cost Centers Salaries & Wages	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget (\$000)
Regular	\$5,898	\$5,610	\$6,120	\$223	4%
Overtime	\$12	\$11	\$13	\$1	5%
<b>Total Salaries &amp; Wages</b>	<b>\$5,910</b>	<b>\$5,621</b>	<b>\$6,133</b>	<b>\$223</b>	<b>4%</b>
Employee Benefits	\$1,582	\$1,481	\$2,025	\$443	28%
<b>Total</b>	<b>\$7,492</b>	<b>\$7,102</b>	<b>\$8,158</b>	<b>\$890</b>	<b>9%</b>

**2005 Proposed vs. 2004 Budget**

Salaries & wages reflect increase from 2004 to 2005 due to contractual cost of living and merit increases combined with associated benefits.





# Governance Segment

## Segment Description:

The Governance Segment provides overall management and direction to the District as a whole. It oversees safeguarding the District's assets by monitoring legislative and regulatory issues, maintaining compliance with governmental laws, and assuring adequacy of controls for the efficient use of resources. The segment also maintains the District's commitment to the community through its policies, procedures, partnerships and lobbying efforts.

- *Audit & Quality - John Rusteika*
- *Board of Directors – Betty Lowry*
- *Executive Management – Jan Schori*
- *Financial Reporting – Cary Nethaway*
- *Government & Community Affairs – Ralph Carmona*
- *Legal Services – Arlen Orchard*



# Governance Segment – O&M

Segment O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Audit & Quality Svcs	\$1,495	\$1,130	\$1,533	\$38	3%
Board of Directors	574	572	589	15	3%
Government & Community Affairs	2,215	2,162	2,287	72	3%
Executive Management	1,861	1,850	1,904	43	2%
Legal Services	1,234	943	1,019	(215)	-17%
Financial Reporting	1,713	1,785	1,838	125	7%
<b>TOTAL O&amp;M</b>	<b>\$9,091</b>	<b>\$8,443</b>	<b>\$9,170</b>	<b>\$79</b>	<b>1%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

O&M - The net increase in 2005 compared to 2004 Budget is 1% in the Governance Segment. The majority of the increase is due to contractual cost of living and merit increases combined with associated benefits. The remainder of the increase is for Enterprise Document Management System (EDMS) quality reviews and realignment of staff duties to provide financial reporting in compliance with FASB and GASB. The Business Segment offset a portion of the increase by less overhead expenses, and reduced outside legal services and environmental litigation.



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# Governance Segment – Capital

*No Capital processes in the Governance Segment*



# Strategic Segment

## Segment Description:

The Strategic Segment coordinates the development and reporting of strategic and operational plans, budgets, and performance metrics for the District and JPAs. Manages business process improvements and provides measurement of District processes. Monitors industry and market power issues. Performs demand analysis and develops market power pricing models. Monitors and updates business and economic forecasts and related studies.

- *Business Planning & Budget – Neal Vandendriesche*
- *Corporate Strategic Planning – Jim Tracy*
- *Change Management – Linda Johnson*



# Strategic Segment – O&M

Segment O&M Process (\$000's)	2004 Budget (\$000)	2004 Forecast (\$000)	2005 Proposed (\$000)	\$ Change Proposed to Budget (\$000)	% Change Proposed to Budget
Business Planning & Budget	\$484	\$483	\$504	\$20	4%
Corporate Strategic Planning	1,584	1,490	1,777	193	12%
Change Management	2,527	2,399	1,960	(567)	-22%
<b>TOTAL O&amp;M</b>	<b>\$4,595</b>	<b>\$4,372</b>	<b>\$4,241</b>	<b>(\$354)</b>	<b>-8%</b>

## Significant Changes 2005 Proposed vs. 2004 Budget

Overall net decrease of -8%. The Strategic Segment includes increases for a software license for financial forecasting, potential upgrades to regional energy pricing models, outside services for improving the planning process with capital project prioritization, and contractual cost of living and merit increases combined with associated benefits. However, increases were offset by a reduction of hours planned to Change Management Projects, less overhead expenses, and reduced outside services in Change Management due to the completion of the SAP Upgrade project in 2004, and less outside service requirements for the 2005 projects compared to the 2004 projects.



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# Strategic Segment – Capital

*No Capital processes in the Strategic Segment*



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