

Attachment S
SMUD Board of Directors' Strategic Directives

SMUD BOARD POLICY

Category: **Strategic Direction**

Title: **Vision Statement**

Policy Number: **SD-1A**

Date of Adoption: **December 2, 2004**

Resolution No. **04-12-12**

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

Monitoring Method:
Frequency:

SMUD BOARD POLICY

Category: Strategic Direction	Title: PURPOSE STATEMENT
Date of Adoption: May 1, 2003	Policy Number: SD-1B
Revision Date: October 16, 2003	Resolution No. 03-05-09
	Resolution No. 03-10-14

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

Monitoring Method: GM Report
Frequency: Annual

SMUD BOARD POLICY

Category: **Strategic Direction**

Title: **COMPETITIVE RATES**

Policy Number: **SD-2**

Date of Adoption: **May 1, 2003**

Resolution No. **03-05-08**

Revision Date: **October 16, 2003**

Resolution No. **03-10-14**

Maintaining competitive rates is a core value of the District. Therefore, the Board establishes a competitive system average rate target of at least 10 percent below Pacific Gas & Electric Company's system average rates. The Board reaffirms its commitment to maintaining competitive rates for each of its customer classes, while continuing to equitably allocate costs across and within customer classes.

Monitoring Method: GM Report
Frequency: Semi-Annual

SMUD BOARD POLICY

Category: Strategic Direction	Title: ACCESS TO CREDIT MARKETS
Adoption Date: May 1, 2003	Policy Number: SD-3
Revision 1: October 16, 2003	Resolution No. 03-05-07
Revision 2: May 6, 2004	Resolution No. 03-10-14
Revision 3: February 3, 2005	Resolution No. 04-05-06
	Resolution No. 05-02-04

Maintaining access to credit is a core value of the District. Therefore, the District shall comply with all bond indenture requirements and develop budgets in a fiscally sound manner.

Therefore:

- a) The Board establishes a target of an equity contribution to total District capitalization of at least 20 percent by the end of 2007, which means that no more than 80 percent of the District's assets are financed using debt. Starting in 2008, the District will develop annual budgets using a target cash coverage of all debt service payments (fixed charge ratio) of 1.3 to 1.5 times.
- b) The District's electric system, employees and board members shall be reasonably insured against risks and claims of liability.
- c) Intellectual property, information, and files shall be reasonably protected against loss, damage or theft.

Monitoring Method: GM report
Frequency: Annual

SMUD BOARD POLICY

Category: Strategic Direction	Title: RELIABILITY
	Policy Number: SD-4
Date of Adoption: August 21, 2003	Resolution No. 03-08-10
Revision 1: October 16, 2003	Resolution No. 03-10-14
Revision 2: May 6, 2004	Resolution No. 04-05-07
Revision 3: September 2, 2004	Resolution No. 04-09-08

Meeting customer energy requirements is a core value of the District.

Therefore:

- a) The District will assure all customer energy requirements are met. This will be accomplished through the use of: (i) its generation resources and purchase power portfolio 100 percent of the time; and (ii) its transmission assets to assure an overall availability of at least 99 percent.
- b) The District will achieve distribution system reliability by limiting the average frequency of outages to 1.16 or less per customer per year and by limiting the average duration of outages to less than 80.4 minutes per customer per year with no individual circuits exceeding these targets for more than two consecutive years.
- c) The District will maintain the electric system in good repair.

Monitoring Method: GM Report
Frequency: Semi-Annual

SMUD BOARD POLICY

Category: Strategic Direction	Title: CUSTOMER RELATIONS
	Policy Number: SD-5
Date of Adoption: August 21, 2003	Resolution No. 03-08-11
Revision 1: October 16, 2003	Resolution No. 03-10-14
Revision 2: May 6, 2004	Resolution No. 04-05-08
Revision 3: February 3, 2005	Resolution No. 05-02-05

Maintaining a high level of customer relations is a core value of the District. Therefore, the Board establishes an overall customer satisfaction target of 95 percent with no individual component measured falling below 85 percent.

As part of this policy:

- a) District customers shall be treated in a respectful, dignified and civil manner.
- b) Only information necessary for the District's operations shall be collected from customers.
- c) Customer billing records and customer information collected or maintained by the District may contain information that is proprietary or relates to customer privacy interests. Consequently, reasonable precautions shall be taken to protect customer information against improper access. In addition, customer information shall not be disclosed to a third party unless: (i) the customer consents to the disclosure; (ii) disclosure is otherwise required by law; or (iii) disclosure furthers the District's business interests (e.g., collection of unpaid bills or debts, reporting to credit agencies, exchange of customer information with other utilities for collection purposes or determining customer creditworthiness, or cooperation with law enforcement). The non-disclosure requirements of this policy shall not apply to information in the public domain or aggregated customer information.
- d) The District shall communicate a procedure for customers who believe they have not received fair treatment from the District to be heard.

Monitoring Method: GM report
Frequency: Annual

SMUD BOARD POLICY

Category: Strategic Direction	Title: SAFETY
	Policy Number: SD-6
Date of Adoption: August 21, 2003	Resolution No. 03-08-12
Revision Date: October 16, 2003	Resolution No. 03-10-14
Revision Date: February 3, 2005	Resolution No. 05-02-06

Creating a safe environment for workers and customers is a core value of the District. Therefore, the Board is committed to meeting all applicable laws and regulations, continuous safety improvement, and establishes a target to reduce 2002 District safety incident rates by 50 percent by 2008 and maintaining those rates thereafter.

Monitoring Method: GM Report
Frequency: Annual

SMUD BOARD POLICY

Category: Strategic Direction	Title: ENVIRONMENTAL PROTECTION
	Policy Number: SD-7
Date of Adoption: August 21, 2003	Resolution No. 03-08-13
Revision Date: October 16, 2003	Resolution No. 03-10-14
Revision Date: July 21, 2005	Resolution No. 05-07-10

Environmental protection is a core value of the District. The Board is committed to pollution prevention, continuous environmental improvement, and compliance with all applicable environmental protection laws and regulations.

Therefore:

- (a) The District will conduct its business affairs and operations in a manner that reduces adverse environmental impacts, reduces pollution, and enhances resource conservation and stewardship.
- (b) The District will reduce its projected impact on climate change and participate in appropriate State, regional and national climate change initiatives.
- (c) The District will increase the environmental efficiency of its use of materials and supplies and natural resources.
- (d) The District will promote the efficient use of energy by ratepayers through the programs it offers.
- (e) The District will proactively engage with regulatory agencies, stakeholders, and the public in promoting environmental protection.

Monitoring Method: GM Report
Frequency: Annual

SMUD BOARD POLICY	
Category: Strategic Direction	Title: EMPLOYEE RELATIONS
Date of Adoption: May 6, 2004	Policy Number: SD-8
	Resolution No. 04-05-09

Maintaining a high quality, diverse workplace in which employees treat one another with dignity and respect is a core value of the District.

Therefore:

- a) The District shall build, foster and sustain a workplace that supports diversity and is reflective of the community we serve.
- b) The District shall maintain and communicate written policies that define procedures and expectations for staff and provide for effective handling of grievances.

Monitoring Method: GM report
Frequency: Annual

SMUD BOARD POLICY

Category: Strategic Direction	Title: RESOURCE PLANNING
Adoption Date: May 6, 2004	Policy Number: SD-9
Revision 1: May 6, 2004	Resolution No. 04-05-11
Revision 2: September 15, 2004	Resolution No. 04-05-12
	Resolution No. 04-09-11

In its resource planning, the District will first achieve its core values, including reliability, rate competitiveness, access to credit, customer service, safety, and environmental protection.

In keeping with these core values, the District seeks to achieve rate stability, improvements in local air quality, and the conservation of fossil fuels through an integrated resource planning and evaluation process. Accordingly, the Board establishes the following key values to guide the District in its resource evaluation and investment:

- a) Emphasize local and regional environmental benefits over global benefits.
- b) Lower the cost to serve our customers by reducing per customer peak usage.
- c) Set a goal of meeting 10% of the District's load with renewables by 2006 and 20% of its load with renewables by 2011, and thus meet or exceed the statewide RPS standard.
- d) Develop and deploy cost effective, clean distributed generation. As part of this policy, the District shall continue to be a leader in solar power.
- e) In addition to Public Goods energy efficiency programs, invest in energy efficiency that is cost effective and verifiable when compared with other energy supply alternatives.

Monitoring Method:
Frequency:

SMUD BOARD POLICY

Category: **Strategic Direction**

Title: **Research and Development**

Policy Number: **SD-10**

Date of Adoption: **September 2, 2004**

Resolution No. **04-09-07**

To assure SMUD's long-term competitiveness and its ability to deliver innovative products and services, SMUD shall invest in research and development projects that support its core and key values, based on an analysis of the projects' relative risks and their potential benefits to SMUD customers.

Monitoring Method:

Frequency:

SMUD BOARD POLICY

Category: **Strategic Direction**

Title: **Local Control**

Policy Number: **SD-11**

Date of Adoption: **September 15, 2004**

Resolution No. **04-09-12**

Support for public power and preservation of local decision-making and control are core values of the District. Community-owned utilities are primarily accountable to customers-owners, not stockholders. Community citizens have a direct voice in utility decisions.

Preservation of local decision-making and control are vital to ensure public power systems can provide solutions that best meet the needs of their customers.

Monitoring Method: GM Report

Frequency: Semi-Annual

SMUD BOARD POLICY

Category: **Strategic Direction**

Title: **Ethics**

Policy Number: **SD-12**

Date of Adoption: **November 18, 2004**

Resolution No. **04-11-06**

Maintaining the public trust and confidence in the integrity and ethical conduct of the Board and District employees is a core value of the District. Therefore, to ensure the public interest is paramount in all official conduct, the Board shall adopt and update, as necessary: (i) a Code of Ethics applicable to the Board and all District employees; and (ii) a Conflict of Interest Code as required by State law.

Among other things the Code of Ethics shall:

- Encourage high ethical standards in all aspects of official conduct;
- Establish clear guidelines for ethical standards by setting forth those acts that may be incompatible with the best interest of the District and the public;
and
- Require disclosure and reporting of potential conflicts of interest.

Monitoring: GM Report: Conflict of Interest Statement Filings

Frequency: Annually

SMUD BOARD POLICY

Category: Strategic Directive	Title: Economic Development Policy
Date of Adoption: September 1, 2005	Policy Number: SD-13
Revision:	Resolution No. 05-09-09
	Resolution No.

Promoting local and regional economic benefits is a key value of the District. Therefore, the District shall assist in retaining, recruiting and growing rate-paying businesses in order to build and maintain a healthy and inclusive commercial and industrial customer base that benefits all customer classes. The District shall emphasize assistance to businesses that promote energy efficiency, advanced renewable technologies, and environmental protection.

Therefore, the District shall:

- a. Promote the development and growth of small and emerging businesses.
- b. Partner with local and regional organizations in collaborative efforts.
- c. Develop enhanced rates and new service incentives.
- d. Support the Sacramento Region Blueprint Transportation and Land Use Study planning principles and preferred growth scenario.

Monitoring Method:
Frequency:

SMUD BOARD POLICY

Category: **Strategic Directive**

Title: **System Enhancement Policy**

Policy Number: **SD-14**

Date of Adoption: **November 3, 2005**

Resolution No. **05-11-06**

As a community-owned utility, SMUD recognizes that the relocation or underground placement of primary voltage power lines located along commercial corridors may be desirable to local jurisdictions to improve aesthetics, economic vitality, safety and disabled access.

Therefore, it is a key value of the District to make selected distribution system enhancements, such as relocation or underground placement of primary power lines below 69 kV. Such enhancements will be beyond those necessary for operational requirements, ADA compliance, or to meet safety or reliability standards.

After achievement of core financial and reliability targets, the District will annually commit up to one-half of one percent of the District's annual gross electric sales revenue to system enhancements. Funding will be assigned to projects brought forward by local cities or counties based on applying the following criteria (not in order of preference):

- Project scale and/or cost when measured against available District resources.
- Requesting entity has developed full scope, obtained all necessary easements, and development plan for customer service conversion from overhead to underground, as required.
- Extent to which the costs are borne by others.

Commercial corridors are defined as major thoroughfares that are gateways to retail and commercial establishments or civic centers, and sources of economic development and community revitalization. Voltages of 69kV or above require SMUD approval and will be fully funded by the customer. Facility modifications on customer property will be the responsibility of the customer. Implementation of this policy shall be compatible with CPUC Rule 20.

Monitoring Method:

Frequency:

