

Attachment Z
Energy Risk Management Policy

RESOLUTION NO. 03-07-12

WHEREAS, by Resolution No. 99-10-03, adopted October 7, 1999, this Board adopted the District's Power Supply Policy to address changed market conditions, market risks and the need for additional load serving capability to accommodate expected growth in the Sacramento area; and

WHEREAS, by Resolution No. 01-06-02, adopted June 7, 2001, this Board approved a risk management policy that directed the General Manager to develop and implement strategies for the District's power supply; and

WHEREAS, by Resolution No. 97-06-04, adopted June 5, 1997; Resolution No. 00-07-03, adopted July 6, 2000; and Resolution No. 01-02-04, adopted February 1, 2001, this Board established delegations of authority for wholesale electricity and natural gas related agreements, including agreements related to financial hedging instruments; and

WHEREAS, as a result of participation in the wholesale energy markets, the District is exposed to numerous risks, including price risk, supply risk, credit risk and regulatory risk; and

WHEREAS, it is prudent for this Board to establish a risk management policy to provide for prudent risk mitigation and management in order to provide retail rate stability while maintaining load servicing capability to the District's customers; and

WHEREAS, it is also necessary and prudent to revise and clarify the delegations of authority to the General Manager for wholesale energy transactions;

NOW THEREFORE,

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

Section 1. This Board approves the District's Energy Risk Management Policy, substantially in the form of **Attachment C** hereto.

Section 2. This Board approves the Delegation of Authority for Wholesale Electricity and Natural Gas Related Transactions substantially in the form of **Attachment D** hereto.

Section 3. Resolution No. 97-06-04, Resolution No. 00-07-03, and Resolution No. 01-02-04 are superseded.

Adopted: July 17, 2003

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

REVISED by Resolution No. 03-12-06

Attachment C

**ENERGY RISK MANAGEMENT POLICY
SACRAMENTO MUNICIPAL UTILITY DISTRICT**

PURPOSE

The wholesale energy markets are exposed to numerous risks, including but not limited to market price risk, supply risk, credit risk and regulatory risk. The purpose of the energy risk management policy is to establish policies for prudent risk mitigation and management in order to provide retail rate stability while maintaining load-serving capability to District customers.

SCOPE

The Energy Risk Management Policy applies to:

- The operation of District-owned or controlled generation, transmission, natural gas reserves and natural gas pipeline assets;
- Contracts for and related to the purchase and sale of wholesale electricity and natural gas;
- Contracts for and related to electricity transmission, natural gas transportation and natural gas storage; and,
- Contracts for and related to financially hedging or mitigating risks associated with wholesale electricity and natural gas prices, supplies and markets.

PRIORITIES

In implementing this Energy Risk Management Policy, the General Manager or her designees shall devise and implement strategies in accordance with the following priorities, listed in order of importance:

Priority 1. Manage resource mix to maintain load-serving capability to District customers.

Priority 2. Minimize net commodity energy purchase costs while operating within the risk tolerance targets established in Board Resolution No. 01-06-02, adopted June 7, 2001. Resolution No. 01-06-02 directs the General Manager to implement strategies for the District's power supply such that the District's overall net income will meet a debt service coverage ratio (as defined in the District's master bond resolution) of at least 1.50 times with a 95% confidence level.

Priority 3. Optimize District-owned or controlled assets, including but not limited to, generation, transmission, natural gas reserves, natural gas pipeline, natural gas storage and contract resources to create additional value for the District and its ratepayers, while complying with Board established risk tolerance and financial targets and all applicable laws and regulations.

DIVERSIFICATION AND PORTFOLIO MIX

The District will maintain a diverse portfolio of generation, transmission, natural gas related assets and contracts to reasonably mitigate risk and market volatility and uncertainty. Risks associated with wholesale electricity and natural gas contracts will be mitigated through diversified terms and conditions, contract periods and durations, delivery points, counter-parties, and product types.

PORTFOLIO RISK MANAGEMENT PROCEDURES

The General Manager or her designees will develop and maintain written procedures to implement the Energy Risk Management Policy and will ensure that appropriate internal controls and limits are in place to ensure compliance with this Policy and applicable laws and regulations. Consistent with this Policy, the General Manager or her designees will analyze and implement risk mitigation measures and tools, as appropriate. For illustrative purposes, examples of identified risks and risk mitigation tools are as follows:

<u>Risks</u>	<u>Risk Description</u>	<u>Risk Identification/Mitigation Tools</u>
Market Price Risk	The risk that the absolute price of a given commodity (power, gas) will fluctuate, thereby exposing the District to potential financial losses.	<ul style="list-style-type: none"> • Market and volatility Analysis • Forward price curve development • Net position and financial exposure analysis • Mark-to-market analysis • Net income-at-risk analysis • Diversification of product purchases • Dollar-average over time by programmatic purchases
Weather/Volumetric Risk	The potential adverse economic impact of anticipated changes in supply and/or demand. For example, the risk of having less than average generation from the	<ul style="list-style-type: none"> • Frequent snow surveys • Runoff forecast update • Diversification of volumetric hedging programs • Temperature vs. load analysis • Frequent hydro spill risk assessment

Credit/Counter-party Risk	<p>District's hydro project due to a drier than normal year. Another example is having less than anticipated retail sales due to a cooler than normal summer.</p> <p>The potential financial loss resulting from a counter-party's failure to honor its obligations, including the obligation to settle on a timely basis. For example, a bankrupt counter-party may force the District to cover the contracted obligation from the market at a higher price than originally contracted.</p>	<ul style="list-style-type: none"> • Diversification of product purchases • Credit Analysis • Credit Limits • Minimum rating levels • Diversification of counter-parties • Guarantees and financial assurances • Netting Agreements
Delivery Risk	<p>The risk of loss due to non-delivery of power and/or natural gas; which could increase the District's system reliability and/or financial exposure.</p>	<ul style="list-style-type: none"> • Diversification of delivery points • Retain delivery point flexibility/optionality when practicable • Transmission and pipeline capacity outage duration risk analysis • Natural gas storage
Unplanned Outage Risk	<p>The risk of under-supply due to unexpected plant outages, which may increase the District's system reliability and/or financial exposure.</p>	<ul style="list-style-type: none"> • Historical plant performance risk analysis • Plant Outage Insurance • Planning and Operating Reserve Analysis • 24 hour trading desk to balance system needs on real-time basis
Operational/Human Risk	<p>The risk of human error or fraud, or the risk that the system of controls will fail to adequately record, monitor, and account for transactions or positions.</p>	<ul style="list-style-type: none"> • Develop written trading rules and limits • Establish procedures and standards • Establish system of controls for transaction approval, scheduling and payment • Minimize manual hand-off and

		multiple input of transaction information
		<ul style="list-style-type: none"> • Standardize software applications as appropriate • Implement cross-functional training • Implement structured area expertise training • Conduct periodic audits
Regulatory Risk	Market structure and operational risks associated with shifting state and federal regulatory policies, rules and regulations.	<ul style="list-style-type: none"> • Analysis of regulatory, regional and industry trends • Participation in regulatory forums
Extreme Event Risk	The potential financial risk and or reliability risk creating by extreme events such as the 2000-2001 energy crisis.	<ul style="list-style-type: none"> • Portfolio stress testing • Scenario/sensitivity analysis • Maintain Rate Stabilization Fund
Legislative Risk	Risks associated with actions by international, federal and state legislative bodies.	<ul style="list-style-type: none"> • Legislative analysis and monitor industry wide initiatives • Advocacy of issues consistent with Board established policies.

REPORTING

The General Manager will periodically report to the Board of Directors as follows:

Annually - The General Manager will submit a five (5) year commodity budget forecast report to the Board.

Monthly - The General Manager will submit a report to the Board, which will include (i) a current year commodity budget update, and (ii) a current and next year commodity financial exposure update.

Monthly – The General Manager will report to the Board on any new multi-year contracts entered into under the Delegation of Authority for Wholesale Electricity and Natural Gas Related Transactions and Contracts.

PROHIBITED TRANSACTIONS

The District will not engage in the following prohibited transactions:

- Any transaction that is not related to serving load and/or reducing financial exposure;
- Sale of any **uncovered** financial “Put” and/or “Call” options on electric energy, gas, electric transmission or gas pipeline capacity;
- Sale of any other **uncovered** Financial Options;
- Unless adequate credit support is provided, transactions with any counter-party of (i) one year or less in duration, with a credit rating less than the Standard and Poors equivalent of BB, and (ii) longer than one year in duration, with a credit rating less than investment grade;
- Any deceptive transactions, including but not limited to transactions that (i) are intended to manipulate the market, (ii) circumvent market rules, (iii) manipulate market prices, or (iv) inflate volumes traded or available in any region or market; or
- Any transactions prohibited by federal and/or state laws and regulations.

DELEGATION OF AUTHORITY

Consistent with this Energy Risk Management Policy, the Board of Directors will establish delegations of authority to the General Manager that under specified conditions will authorize the General Manager or her designees to enter into wholesale electricity and natural gas related transactions.

AUTHORIZED TRANSACTIONS

Any transaction or contract entered into by the General Manager that is consistent with this Energy Risk Management Policy and the Delegation of Authority will be deemed authorized and approved by the Board at the time of execution by the General Manager or her designee.

DELEGATION OF AUTHORITY TO THE GENERAL MANAGER FOR WHOLESALE ELECTRICITY AND NATURAL GAS RELATED TRANSACTIONS AND CONTRACTS

All transactions entered into under this Delegation of Authority shall be consistent with and limited by the Energy Risk Management Policy.

Section 1. Transactional Authority. The General Manager or her designee is authorized to negotiate, enter into and execute on behalf of the District the types of contracts and transactions listed below, provided that: (i) such agreement(s) do not have a term greater than three (3) years, as measured from the commencement of performance by either party (e.g., the first date of delivery of electricity, transmission capacity, natural gas or natural gas pipeline capacity); (ii) the termination date of the agreement(s) is no longer than five (5) years from the date of execution; and (iii) the prices paid under such agreements are at or below prevailing market rates for similar products at the time the contract is made.

- Purchases, sales and exchanges of electricity and natural gas commodity.
- Purchases and sales of transmission capacity.
- Purchase and sales of ancillary services, including but not limited to, spinning reserve, non-spinning reserve, and regulation.
- Purchase of put and/or call options for electricity and natural gas commodity.
- Purchase and sale of natural gas pipeline capacity.
- Purchase and sale of natural gas storage capacity.
- Sales of covered call and put options.
- Purchase and sale of Green Tickets evidencing the renewable attribute associated with Green Energy.
- Contracts for financial fixed-for-floating or floating-for-fixed price swaps, options and other financially settled energy derivative transactions for purposes of hedging and/or mitigating the price risk of (i) an underlying physical position in electricity, natural gas or other energy used for the production of District electricity matching a retail load obligation, or (ii) embedded in the pricing formula of a Power Purchase and Sale Agreement, or (iii) for purposes of hedging against the potential financial impact of unpredictable weather conditions, such as heat storms in the District's service territory and/or below average precipitation in the District's Upper American River Project.

Section 2. Enabling Agreements. The General Manager or her designee is further authorized to negotiate, enter into and execute on behalf of the District enabling agreements, irrespective of term, including but not limited to the agreements sponsored by the Western Systems Power Pool ("WSPP"), Edison Electric Institute ("EII"), North America Energy Standards Board ("NAESB"), Gas Industry Standards Board ("GISB"), International Swap Dealers Association ("ISDA") and other prevailing industry form agreements for purposes of facilitating the negotiation of future transactions specified in

Section 1, above. An Enabling Agreement does not commit the District to any specific transaction; rather it is an agreement setting forth standard terms and conditions (other than terms and conditions for transaction specific agreements, such as, price, quantity, term and delivery point), which will apply to future transactions entered into under the respective Enabling Agreement. All transactions entered into under any Enabling Agreement will be subject to the limits set forth in Section 1, above.

Appendix B. Delegations of Authority

FRONT OFFICE DELEGATIONS OF AUTHORITY.....B-2

BACK OFFICE DELEGATIONS OF AUTHORITY.....B-8

SACRAMENTO MUNICIPAL UTILITY DISTRICT

OFFICE MEMORANDUM

TO: Distribution
FROM: Jan Schori
SUBJECT: DELEGATION OF AUTHORITY
DATE: December 16, 2003
ET&C 03-367

In accordance with the process outlined in SDP 3-3, and in accordance with Attachment D to Board Resolution 03-07-12, effective January 1, 2004 through December 31, 2005, James R. Shetler has Delegation of Authority and is authorized to negotiate, enter into and execute the types of contracts and transactions listed below:

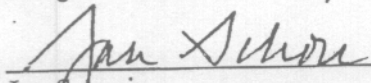
- Purchases, sales and exchanges of electricity and natural gas commodity.
- Purchases and sales of transmission capacity.
- Purchase and sales of ancillary services, including but not limited to, spinning reserve, non-spinning reserve, and regulation.
- Purchase of put and/or call options for electricity and natural gas commodity.
- Purchase and sale of natural gas pipeline capacity.
- Purchase and sale of natural gas storage capacity.
- Sales of covered call and put options.
- Purchase and sale of Green Tickets evidencing the renewable attribute associated with Green Energy.
- Contracts for financial fixed-for-floating or floating-for-fixed price swaps, options and other financially settled energy derivative transactions for purposes of hedging and/or mitigating the price risk of (i) an underlying physical position in electricity, natural gas or other energy used for the production of District electricity matching a retail load obligation, or (ii) embedded in the pricing formula of a Power Purchase and Sale Agreement, or (iii) for purposes of hedging against the potential financial impact of unpredictable weather conditions, such as heat storms in the District's service territory and/or below average precipitation in the District's Upper American River Project.

provided that: (i) such agreement(s) do not have a term greater than three (3) years, as measured from the commencement of performance by either party (e.g., the first date of delivery of electricity, transmission capacity, natural gas or natural gas pipeline capacity); (ii) the termination date of the agreement(s) is no longer than five (5) years from the date of execution; and (iii) the prices paid under such agreements are at or below prevailing market rates for similar products at the time the contract is made.

James R. Shetler is further authorized to execute Enabling Agreements irrespective of Term and Authorization of Expenditures for wells and related facilities on District owned gas reserves and Pooling Declarations and Participating Area Designations and similar agreements for District gas reserves.


To ensure appropriate review, initials of concurrence will be obtained from the SMUD personnel filling the following positions, or their delegates, prior to executing the agreements discussed above: Director, Energy Trading and Contracts, General Counsel and Chief Risk Officer.

Delegation Holder



Jan Schori
General Manager

Delegate



James R. Shetler
Assistant General Manager

Distribution:

General Manager	B408
AGM's	B408
Legal	B406
Accounting	B304
Audit Services	B256
Human Resources	B351
Treasury	B405
Corp Files	B255

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM**

To: Distribution
 From: James R. Shetler
 Subject: DELEGATION OF AUTHORITY
 Date: December 16, 2003
 ET&C 03-364

In accordance with the process outlined in SDP 3-3, the following delegation or redelegation of authority is requested:

- Delegating Authority to an Area Head
(List any exceptions below)
- Temporary Delegation.....From _____ to _____
(List any exceptions below)
- Redelegation..... From 01/01/04 to 12/31/05
(List documents below)

Thomas W. Ingwers	Director, Energy Trading & Contracts
Name	Position Title
Energy Trading & Contracts	Cost Center 736

TRANSACTIONAL AUTHORITY

(Ability to commit SMUD to transactions)

- Execute MMC Power, Gas & Financial Trading Directives
- Buy and Sell Power and Gas, physical or financial
- Purchase or Sell Transmission Capacity
- Purchase or Sell Pipeline or Storage Capacity
- Financial Hedging Arrangements for Power and Gas
- Purchase and Sale of Green Tickets

EXPENDITURE LIMITATIONS

- Greater than 2 years as specified by MMC order
- 2 year maximum term
- 2 year maximum term
- 2 year maximum term
- 2 year maximum term
- 2 year maximum term

SIGNATURE AUTHORITY

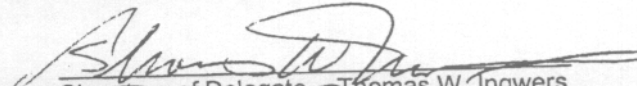
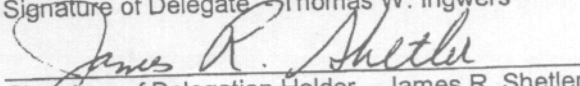
(Authorization to sign confirms and agreements)

- Power and Gas Purchase and Sale Agreements
- Financial Hedging Agreements
- Transmission, Pipeline and Gas Storage, Capacity Agreements
- Gas, Power and Financial Purchase and Sale Enabling Agreements
- AFE's for wells and facilities related to District gas reserves
- Pooling Agreements, Participating Area Designations and related agreements for District gas reserves

EXPENDITURE LIMITATIONS

- 2 year maximum term *
- 2 year maximum term *
- 2 year maximum term *
- No Limit*
- No Limit
- No Limit

* After being initialed by the Supervisor, Energy Settlements, Supervisor, Energy Risk Management, and General Counsel, or Delegate


 Signature of Delegate - Thomas W. Ingwers

 Signature of Delegation Holder - James R. Shetler


 Initials

Distribution:

AGM's	B408
Legal	B406
Accounting	B304
Audit Services	B256
Human Resources	B351
Treasury	B405

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM**

To: Distribution
From: Tom Ingwers
Subject: DELEGATION OF AUTHORITY
Date: December 16, 2003
ET&C 03-365

In accordance with the process outlined in SDP 3-3, the following delegation or redelegation of authority is requested:

- [] Delegating Authority to an Area Head
(List any exceptions below)
- [] Temporary Delegation.....From _____ to _____
(List any exceptions below)
- [X] Redelegation..... From 01/01/04 to 12/31/05
(List documents below)

<u>Barry Brunelle</u> Name	<u>Supervisor, Fuels</u> Position Title
<u>Energy Trading & Contracts</u>	<u>Cost Center 736</u>

TRANSACTIONAL AUTHORITY
Execute MMC Gas Trading Directives

Buy and Sell Gas, physical or financial
Buy and Sell Pipeline Capacity
Procure Gas Storage Capacity and/or
Gas Parking/Lending Service

EXPENDITURE LIMITATIONS
Greater than 6 months as
specified by MMC Order
6 month maximum term
6 month maximum term
6 month maximum term

SIGNATURE AUTHORITY
Pipeline & Storage Capacity and Service Agreements 6 month maximum term*

* After being initialed by the Supervisor, Energy Settlements and Supervisor, Energy Risk Management, or Delegate

<u>Barry Brunelle</u> Signature of Delegate - Barry Brunelle	<u>BKB</u> Initials
<u>Thomas Ingwers</u> Signature of Delegation Holder - Thomas Ingwers	

Distribution:
AGM's B408
Legal B406
Accounting B304
Audit Services B256
Human Resources B351
Treasury B405

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM**

To: Distribution
 From: Tom Ingwers
 Subject: DELEGATION OF AUTHORITY
 Date: December 16, 2003
 ET&C 03-362

In accordance with the process outlined in SDP 3-3, the following delegation or redelegation of authority is requested:

- [] Delegating Authority to an Area Head
(List any exceptions below)
- [] Temporary Delegation.....From _____ to _____
(List any exceptions below)
- [X] Redelegation..... From 01/01/04 to 12/31/05
(List documents below)

Steven K. Sorey Supervisor, Energy Trading
 Name Position Title
Energy Trading & Contracts Cost Center 736

TRANSACTIONAL AUTHORITY

(Ability to commit SMUD to transactions)

- Execute MMC Power & Financial Trading Directives
- Buy and Sell Power, physical or financial
- Buy or Sell Transmission Capacity
- Buy or Sell Green Tickets
- Financial Hedging Arrangements for Power and Gas

EXPENDITURE LIMITATIONS

- Greater than 6 months as specified by MMC order
- 6 month maximum term
- 6 month maximum term
- 6 month maximum term
- 6 month maximum term

SIGNATURE AUTHORITY

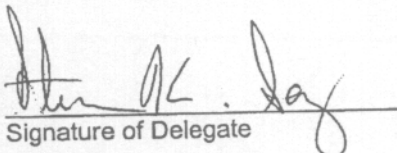
(Authorization to sign confirms and agreements)

- Transmission Purchase and Sale Agreements

EXPENDITURE LIMITATIONS

- 6 month maximum term*

* After being initialed by the Supervisor, Energy Settlements and Supervisor, Energy Risk Management, or Delegate


 Signature of Delegate


 Initials


 Signature of Delegation Holder - Thomas Ingwers

Distribution:
 AGM's B408
 Legal B406
 Accounting B304
 Audit Services B256
 Human Resources B351
 Treasury B405

SACRAMENTO MUNICIPAL UTILITY DISTRICT

OFFICE MEMORANDUM

TO: Distribution
FROM: Jan Schori
SUBJECT: DELEGATION OF AUTHORITY
DATE: July 29, 2004
ET&C 04-219

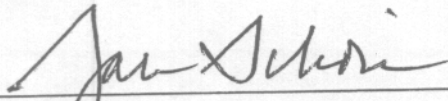
In accordance with the process outlined in SDP 3-3, effective August 1, 2004 through December 31, 2005, and in accordance with Attachment D to Board Resolution 03-07-12, Jim Tracy has Delegation of Authority for and is authorized to approve and execute:

- Invoices related to wholesale electricity and natural gas related transactions and contracts, and
- Confirms of Power and Gas Commodity Transactions, and Confirms of Financial Hedging Transactions, provided (i) such Confirm(s) do not have a term greater than three (3) years, as measured from the commencement of performance by either party (e.g., the first date of delivery of electricity, transmission capacity, natural gas or natural gas pipeline capacity); (ii) the termination date of the Confirm(s) is no longer than five (5) years from the date of execution. For purposes of this delegation, Confirms are the documents used to specify the delivery term, location and price for a given gas, power or financial transaction pursuant to a District Enabling Agreement.


To ensure appropriate review, initials of concurrence will be obtained from the SMUD personnel filling the following positions, or their delegates, prior to executing the Confirms discussed above: Director, Energy Trading and Contracts, and Supervisor, Energy Risk Management.

Delegation Holder

Delegate



Jan Schori
General Manager



James A. Tracy
Chief Financial Officer

Distribution:

General Manager	B408
AGM's	B408
Legal	B406
Accounting	B304
Audit Services	B256
Human Resources	B351
Treasury	B405
Corp Files	B255

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM**

To: Distribution
 From: James A. Tracy
 Subject: DELEGATION OF AUTHORITY
 Date: July 29, 2004
 ET&C 04-220

In accordance with the process outlined in SDP 3-3, the following delegation or redelegation of authority is requested:

- Delegating Authority to an Area Head
(List any exceptions below)
- Temporary Delegation.....From _____ to _____
(List any exceptions below)
- Redelegation..... From 08/01/04 to 12/31/05
(List documents below)

Cary Nethaway
 Name

Accounting

Manager Accounting & Controller
 Position Title

Cost Center 644

TRANSACTIONAL AUTHORITY

To resolve discrepancies in invoices and electric energy volumes related to historic transactions

EXPENDITURE LIMITATIONS

One Month Maximum Term

SIGNATURE AUTHORITY

Invoice Approval, power and gas commodity, financial commodity hedges, pipeline, storage and transmission capacity, gas reserve operations and well expenditures

EXPENDITURE LIMITATIONS

No limit

- | | |
|--|-------------------------------|
| Confirms of Power and Gas Commodity Transactions | up to 1 Month Maximum Term * |
| Confirms of Financial Hedging Transactions | up to 1 month Maximum Term * |
| Confirms of Power and Gas Commodity Transactions | up to 6 Month Maximum Term ** |
| Confirms of Financial Hedging Transactions | up to 6 month Maximum Term ** |
| Confirms of Power and Gas Purchase and Sale Transactions | up to 2 Year Maximum Term *** |
| Confirms of Financial Hedging Transactions | up to 2 Year Maximum Term *** |

- * After being initialed by the Supervisor, Energy Trading or Fuels, or Delegate
- ** After being initialed by the Supervisor, Energy Trading or Fuels, and Supervisor, Energy Risk Management, or Delegate
- *** After being initialed by the Director, Energy Trading and Supervisor, Energy Risk Management, or Delegate

Cary Nethaway
 Signature of Delegate - Cary Nethaway

CN
 Initials

James A. Tracy
 Signature of Delegation Holder - James A. Tracy

Distribution:

AGM's	B408
Legal	B406
Accounting	B304
Audit Services	B256
Human Resources	B351
Treasury	B405

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM**

To: Distribution
 From: Cary Nethaway
 Subject: DELEGATION OF AUTHORITY
 Date: December 16, 2003
 ET&C 03-363

In accordance with the process outlined in SDP 3-3, the following delegation or redelegation of authority is requested:

- Delegating Authority to an Area Head
(List any exceptions below)
- Temporary Delegation.....From _____ to _____
(List any exceptions below)
- Redelegation..... From 01/01/04 to 12/31/05
(List documents below)

Julie A. Hall	Supervisor, Energy Settlements
Name	Position Title
Accounting	Cost Center 644

TRANSACTIONAL AUTHORITY

To resolve discrepancies in invoices and electric energy volumes related to historic transactions

EXPENDITURE LIMITATIONS

One Month Maximum Term

SIGNATURE AUTHORITY

Invoice Approval, power and gas commodity, financial commodity hedges, pipeline, storage and transmission capacity, gas reserve operations and well expenditures

EXPENDITURE LIMITATIONS

No limit

Confirms of Power and Gas Commodity Transactions
 Confirms of Financial Hedging Transactions
 Confirms of Power and Gas Commodity Transactions
 Confirms of Financial Hedging Transactions

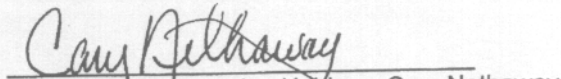
up to 1 Month Maximum Term *
 up to 1 month Maximum Term *
 up to 6 Month Maximum Term **
 up to 6 month Maximum Term **

* After being initialed by the Supervisor, Energy Trading or Fuels, or Delegate

** After being initialed by the Supervisor, Energy Trading or Fuels, and Supervisor, Energy Risk Management, or Delegate


 Signature of Delegate - Julie A. Hall


 Initials


 Signature of Delegation Holder - Cary Nethaway

Distribution:

AGM's	B408
Legal	B406
Accounting	B304
Audit Services	B256
Human Resources	B351
Treasury	B405

RESOLUTION NO. 04-02-05

WHEREAS, by Resolution No. 03-05-08, adopted May 1, 2003, as revised by Resolution No. 03-10-14, adopted October 16, 2003, this Board approved Policy No. SD-2 – Competitive Rates; and

WHEREAS, by Resolution No. 03-07-12, adopted July 17, 2003, this Board, adopted the District's Energy Risk Management Policy and the Delegation of Authority for Wholesale Electricity and Natural Gas Related Transactions, among other things, authorized the General Manager to enter into power transactions for terms not greater than three years, not to exceed five years, subject to specific conditions; and

WHEREAS, given the growing challenges of meeting natural gas demand for the District's natural gas generation units at prices that meet the District's financial targets; and

WHEREAS, natural gas markets continue to be volatile and longer term physical fixed price supply contracts or financial swaps will help mitigate the District's exposure to the volatile gas market; and

WHEREAS, once the Cosumnes Power Plant becomes operational in 2005, the District's gas load will increase to approximately 125,000 dth/day; and

WHEREAS, supplementing current delegated authority for gas-related transactions by authorizing the General Manager to enter into gas purchase agreements for periods greater than three years will provide the District more certainty about gas purchase budget requirements, thereby mitigating short-term gas price volatility impact on retail rates; **NOW THEREFORE**,

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

Section 1. That the General Manager, or her designee, is hereby authorized, on behalf of the District, to fix a portion of natural gas prices through 2010 by entering into fixed price supply contracts or financial swaps for up to 20,000 dth/day of supply.

Section 2. The limited delegation of authority set forth in Section 1 supplements the delegation of authority in Resolution No. 03-07-12.

Adopted: February 5, 2004

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

RESOLUTION NO. 04-04-02

WHEREAS, by Resolution No. 03-07-12, adopted July 17, 2003, this Board established the District's **Energy Risk Management Policy (ERMP)**; and

WHEREAS, among other things, the **ERMP** establishes minimum credit requirements for wholesale energy transactions which prohibit the District from selling ancillary services to the California Independent System Operator (Cal ISO); and

WHEREAS, allowing the District to sell ancillary services to Cal ISO would provide economic and other benefits to the District without any material increase of financial risk; and

WHEREAS, this Board now wishes to allow an exception to the fourth bullet item under the paragraph entitled "Prohibited Transactions" of the **ERMP**; **NOW, THEREFORE,**

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

Notwithstanding the District's **Energy Risk Management Policy** generally prohibiting transactions with counter-parties with below BB or investment grade credit ratings in the fourth bullet point in the paragraph entitled "Prohibited Transactions," this

Board authorizes the General Manager or her designee to sell ancillary services to the Cal ISO.

Adopted: April 1, 2004

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