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SECRETARY  
04 AUG -5**LOBBYING REPORT**

Lobbying Disclosure Act of 1995 (Section 5) - All Filers Are Required To Complete This Page

|  |                             |                                      |                |
|--|-----------------------------|--------------------------------------|----------------|
| 1. Registrant Name<br>Sacramento Municipal Utility District  |                             |                                      |                |
| 2. Address <input type="checkbox"/> Check if different than previously reported<br>6201 S Street, Sacramento, CA 95817 |                             |                                      |                |
| 3. Principal Place of Business (if different from line 2)<br>City: _____ State/Zip (or Country) _____                  |                             |                                      |                |
| 4. Contact Name<br>Brenda Fotos  | Telephone<br>(916) 732-6860 | E-mail (optional)<br>bfotos@smud.org | 5. Senate ID # |
| 7. Client Name <input checked="" type="checkbox"/> Self  | 6. House ID #               |                                      |                |

**TYPE OF REPORT** 8. Year 2004 Midyear (January 1-June 30)  OR Year End (July 1-Dec)9. Check if this filing amends a previously filed version of this report 10. Check if this is a Termination Report  ⇒ Termination Date \_\_\_\_\_

11. No Lobbying

**INCOME OR EXPENSES - Complete Either Line 12 OR Line 13**

|   |   |
|---|---|
| <p align="center"><b>12. Lobbying Firms</b></p> <p>INCOME relating to lobbying activities for this reporting period was:</p> <p>Less than \$10,000 <input type="checkbox"/></p> <p>\$10,000 or more <input type="checkbox"/> ⇒ \$ _____<br/>Income (nearest \$20,000)</p> <p>Provide a good faith estimate, rounded to the nearest \$20,000, of all lobbying related income from the client (including all payments to the registrant by any other entity for lobbying activities on behalf of the client).</p> | <p align="center"><b>13. Organizations</b></p> <p>EXPENSES relating to lobbying activities for this reporting period were:</p> <p>Less than \$10,000 <input type="checkbox"/></p> <p>\$10,000 or more <input checked="" type="checkbox"/> ⇒ \$ <u>200,000.00</u><br/>Expenses (nearest \$20,000)</p> <p><b>14. REPORTING METHOD.</b> Check box to indicate accounting method. See instructions for description of</p> <p><input type="checkbox"/> Method A. Reporting amounts using LDA definition</p> <p><input type="checkbox"/> Method B. Reporting amounts under section 603 Internal Revenue Code</p> <p><input type="checkbox"/> Method C. Reporting amounts under section 16 Internal Revenue Code</p> |
|---|---|

Signature  \_\_\_\_\_

Printed Name and Title Ralph C. Carmona, Director Government and Community Affairs

LD-2 (REV. 6/98)

Registrant Name Sacramento Municipal Utility District Client Name \_\_\_\_\_

**LOBBYING ACTIVITY.** Select as many codes as necessary to reflect the general issue areas in which the registrant engaged in lobbying on behalf of the client during the reporting period. Using a separate page for each code, information as requested. Attach additional page(s) as needed.

15. General issue area code ENG (one per page)

16. Specific lobbying issues

See attachment, page 5

17. House(s) of Congress and Federal agencies contacted  Check if None

Department of Energy  
House of Representatives  
Senate

18. Name of each individual who acted as a lobbyist in this issue area

| Name          | Covered Official Position (if applicable) |
|---------------|---|
| Ralph Carmona | Director Government and Community Affairs |
| Brenda Fotos  | Government Affairs Representative         |
|               |   |
|               |   |
|               |   |
|               |   |
|               |   |
|               |   |

19. Interest of each foreign entity in the specific issues listed on line 16 above  Check if None

Signature \_\_\_\_\_ Date 7/26/04

Printed Name and Title Ralph C. Carmona

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Form LD-2 (Rev. 6/98)

Page

Registrant Name Sacramento Municipal Utility District Client Name \_\_\_\_\_

**Information Update Page - Complete ONLY where registration information has changed.**

20. Client new address

21. Client new principal place of business (if different from line 20)

City

State/Zip (or Country)

22. New general description of client's business or activities

**LOBBYIST UPDATE**

23. Name of each previously reported individual who is no longer expected to act as a lobbyist for the client

**ISSUE UPDATE**

24. General lobbying issues previously reported that no longer pertain

**AFFILIATED ORGANIZATIONS**

25. Add the following affiliated organization(s)

| Name | Address | Principal Place of Bus<br>(city and state or cou |
|------|---------|--|
|      |         |  |

26. Name of each previously reported organization that is no longer affiliated with the registrant or client

**FOREIGN ENTITIES**

27. Add the following foreign entities

| Name | Address | Principal place of business<br>(city and state or country) | Amount of contribution<br>for lobbying activities |
|------|---------|--|---|
|      |         |  |   |

28. Name of each previously reported foreign entity that no longer owns, or controls, or is affiliated with the registra affiliated organization

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name and Title \_\_\_\_\_

Form LD-2 (Rev. 6/98)

Page .

1. Renewable Energy Investment Act of 2003. (Introduced in Senate)[[S.944.IS](#)]
2. To amend title VI of the Public Utility Regulatory Policies Act of 1978 to establish a Federal renewable energy portfolio standard for certain retail electric utilities, and for other... (Introduced in House)[[H.R.1294.IH](#)]
3. Efficient Energy through Certified Technologies (EFFECT) Act of 2003 (Introduced in House)[[H.R.1271.IH](#)]
4. Efficient Energy through Certified Technologies (EFFECT) Act of 2003 (Introduced in Senate)[[S.507.IS](#)]
5. Efficient Energy Through Certified Technologies and Electricity Reliability (EFFECTER) Act of 2004 (Introduced in House)[[H.R.4206.IH](#)]
6. Efficient Energy Through Certified Technologies and Electricity Reliability (EFFECTER) Act of 2004 (Introduced in Senate)[[S.2311.IS](#)]
7. Energy Savings Performance Contracts Amendments Act of 2003 (Introduced in Senate)[[S.658.IS](#)]
8. Renewable Energy and Energy Efficiency Act of 2003 (Introduced in House)[[H.R.1343.IH](#)]
9. Federal Government Energy Management Improvement Act (Reported in House)[[H.R.1346.RH](#)]
10. Consumer and Small Business Energy Commission Act of 2003 (Introduced in Senate)[[S.1192.IS](#)]
11. Save America's Valuable Energy Resources Act of 2003 (Introduced in House)[[H.R.1459.IH](#)]
12. National Defense Energy Savings Act of 2003 (Introduced in House)[[H.R.3339.IH](#)]
13. To provide for the external regulation of nuclear safety and occupational safety and health at the Department of Energy. (Introduced in House)[[H.R.1961.IH](#)]
14. National Defense Energy Savings Act of 2004 (Introduced in Senate)[[S.2318.IS](#)]
15. Tribal Energy Self-Sufficiency Act (Introduced in Senate)[[S.424.IS](#)]
16. Coastal Zone Renewable Energy Promotion Act of 2003 (Introduced in House)[[H.R.1183.IH](#)]
17. Native American Energy Development and Self-Determination Act of 2003 (Introduced in Senate)[[S.522.IS](#)]
18. Geothermal Energy Initiative Act of 2004 (Introduced in House)[[H.R.4094.IH](#)]
19. Fusion Development Act of 2003 (Introduced in Senate)[[S.600.IS](#)]
20. The Energy Policy Act of 2003 (Placed on Calendar in Senate)[[S.1005.PCS](#)]
21. The Energy Policy Act of 2003 (Placed on Calendar in Senate)[[S.14.PCS](#)]
22. Fueling the U.S.A. Through Unlimited Reliable Energy (FUTURE) Act of 2003 (Introduced in House)[[H.R.1282.IH](#)]
23. Small Wind Energy Systems Act of 2003 (Introduced in Senate)[[S.759.IS](#)]
24. Energy Policy Act of 2003 (Introduced in House)[[H.R.1644.IH](#)]





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- 25 . Expressing the sense of the House of Representatives that the President should immediately communicate to the members of the Organization of Petroleum Exporting Countries (OPEC) cartel... (Introduced in House)[[H.RES.611.IH](#)]
- 26 . Energy Policy Act of 2003 (Reported in House)[[H.R.1644.RH](#)]
- 27 . Reform of Energy Workers Compensation Act (Introduced in House)[[H.R.1758.IH](#)]
- 28 . Distributed Power Hybrid Energy Act (Introduced in House)[[H.R.1041.IH](#)]
- 29 . Energy Efficiency Investment Act of 2003 (Introduced in House)[[H.R.2113.IH](#)]
- 30 . Water and Energy Efficient Appliances Act of 2004 (Introduced in Senate)[[S.2655.IS](#)]
- 31 . Recognizing the loyal service and outstanding contributions of J. Robert Oppenheimer to the United States and calling on the Secretary of Energy to observe the 100th anniversary of... (Reported in Senate)[[S.RES.321.RS](#)]
- 32 . Energy Policy Act of 2003 (Public Print)[[H.R.6.PP](#)]
- 33 . Energy Policy Act of 2003 (Engrossed Amendment as Agreed to by Senate)[[H.R.6.EAS](#)]
- 34 . To amend the Internal Revenue Code of 1986 to allow a credit against income tax for certain energy-efficient property. (Introduced in Senate)[[S.758.IS](#)]
- 35 . To enhance energy conservation and research and development, to provide for security and diversity in the energy supply for the American people, and for other purposes. (Engrossed as Agreed to or Passed by House)[[H.R.6.EH](#)]
- 36 . To enhance energy conservation and research and development, to provide for security and diversity in the energy supply for the American people, and for other purposes. (Placed on Calendar in Senate)[[H.R.6.PCS](#)]
- 37 . Energy Science Act of 2004 (Introduced in House)[[H.R.4500.IH](#)]
- 38 . To enhance energy conservation and research and development, to provide for security and diversity in the energy supply for the American people, and for other purposes. (Introduced in House)[[H.R.6.IH](#)]
- 39 . Recognizing the loyal service and outstanding contributions of J. Robert Oppenheimer to the United States and calling on the Secretary of Energy to observe the 100th anniversary of.. (Introduced in Senate)[[S.RES.321.IS](#)]
- 40 . Energy Research, Development, Demonstration, and Commercial Application Act of 2003 (Reported in House)[[H.R.238.RH](#)]
- 41 . Recognizing the loyal service and outstanding contributions of J. Robert Oppenheimer to the United States and calling on the Secretary of Energy to observe the 100th anniversary of.. (Agreed to by Senate)[[S.RES.321.ATS](#)]
- 42 . Residential Solar Energy Act of 2003 (Introduced in House)[[H.R.694.IH](#)]
- 43 . FHA Energy Efficiency Act (Introduced in House)[[H.R.3163.IH](#)]
- 44 . Price-Anderson Amendments Act of 2003 (Introduced in House)[[H.R.330.IH](#)]
- 45 . Home Energy Generation Act (Introduced in House)[[H.R.3509.IH](#)]
- 46 . Preserving Our World's Energy and Resources Act of 2003 (Introduced in House)[[H.R.1423.IH](#)]
- 47 . Energy Policy Act of 2004 (Introduced in House)[[H.R.4503.IH](#)]
- 48 . Energy Policy Act of 2004 (Engrossed as Agreed to or Passed by House)[[H.R.4503.EH](#)]
- 49 . To amend the Internal Revenue Code of 1986 to allow for an energy efficient appliance credit. (Introduced in House)[[H.R.1332.IH](#)]
- 50 . Renewable Energy Production Incentive Reform Act (Introduced in House)[[H.R.671.IH](#)]



# How SMUD Got Serious About Governance

By Eric

**W**hile the passage of the Sarbanes-Oxley Act of 2002 did not apply directly to public power utilities, the legislation has had a ripple effect throughout the United States. Boards of directors began taking a hard look at their systems of governance and asking: What are our responsibilities? How are we monitoring performance?

Do we truly own the direction of this company?

In the fall of 2002, the board of directors of the Sacramento Municipal Utility District in California decided to develop written governance policies that clearly identified what is required of the board.

"We wanted to explicitly and delib-

erately determine the direction," said SMUD President Peter Keat. "Today, I clearly doing so."

As a first step, the SMUD hired a consulting firm—turned out—to assist it in interviewing the seven board members and the entire senior team, including General Schori. My analysis resulted in the following:

First, the board members felt they needed to take more responsibility for setting the district's direction. They also wanted a single, integrated set of written policies that spelled out its responsibilities—and those of staff.

Second, the board felt that some of the things at SMUD were going wrong. The district had a strong team. "Nothing was broken, but we allowed us the time to re-examine our governance," said the district's General Genevieve Shiroma.

Third, staff felt there were major issues that needed attention. One was SMUD's dependence on renewable energy. Another was management—particularly the volatility of natural gas prices. A third was the potential in restructuring.

The situation analysis showed that the board was divided on how to approach the governance problem. One board member wanted to adopt a policy governance model. The other members did not.

"John Carver came and shared his ideas to us," said Susan H. Keat, SMUD's immediate past president. "We did not want to adopt his model."

"Most of us preferred that was couched in positive terms. We wanted to

## Inside The Carver Model

John Carver is the author of the well-known book *Boards That Make a Difference*. In it, he argues that boards should focus on defining policies to the level they are comfortable with, and then let staff interpret how to carry out those policies.

This approach has many strengths. For example, policies are developed in a "nested" way, starting with the most global policies and working down to additional layers of detail as needed. Carver also organizes board policies into four interlocking categories that, on the whole, work well. The four categories are:

- **Board process policies:** These include defining the purpose of the board, a job description for board members, the responsibilities of the board, a code of ethics for board members, and the role of the president, vice president and committee chairs.

- **Staff-linkage policies:** These include defining the board's responsibilities vis-a-vis the chief executive officer. It includes the "unity of control" policy, stating that the board, acting as a body, can instruct staff only through the CEO. It also includes the delegation of authority to the CEO.

- **Ends policies:** These define what results the organization is supposed to achieve, starting with the overall purpose and goals of the organization and other strategic objectives.

- **Executive limitations:** These define the results that are "unacceptable," such as mistreating staff, mismanaging funds, acts of dishonesty and so forth.

One major weakness of the Carver model relates to his notion of executive limitations and CEO accountability. He suggests a policy, for example, saying: "The CEO shall not cause or allow any practice, activity, decision, or organizational circumstance which is either unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices."

Not only is this framed negatively—which rubs many executives and board members wrong—but it also holds the CEO up to a standard that is nearly impossible to achieve. There are better ways to foster accountability, for example, through policies that communicate to all employees what is and is not acceptable.

through policies that communicate to an employee what is and is not acceptable.

said Keat. We wanted cla  
prehensiveness, not rigidi

As it happened, I had experience working with Carver's governance model in other organizations and understood its attractions—and its limitations. (See sidebar titled "Inside the Carver Model.") I felt the SMUD board could make progress developing its own policy governance model.

So the board set about developing an initial set of written policies. As a first step, we defined the purpose of the board, board members' roles and responsibilities, and a new code of ethics (see sidebar titled "SMUD's Governance Policies"). We then looked at board-staff linkage, and affirmed through policy the delegation to the general manager. These policies took several meetings to evolve and refine. Ultimately, the board adopted 20 policies related to governance process and to board-staff linkage.

"I was pleasantly surprised that the process yielded substantive policy, rather than vague, feel-good statements

of no practical use or impact," said board member Howard Posner.

One of the new policies stated that the board has responsibility for defining the purpose, core values and vision of the district. The next logical step was to carry out this responsibility—while staying at a policy level. The board began with the purpose of the district. After exploring the possibility of expanding into telecommunications and other services, the board adopted a policy saying the district's purpose was "to provide solutions for meeting our customers' electrical energy needs."

"It was important for us to get our arms wrapped around this question of the nature and scope of our business," said board Vice President Bill Slaton. "We didn't want to go any further until we had this nailed down."

The board next turned to developing the district's core values. Months of work resulted in six core values addressing:



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## How SMUD Got Serious

### SMUD's Governance Policies

#### The SMUD board developed three sets of governance policies:

1. **Governance process.** These policies define the expectations of the board, its officers and committee chairs. They stress that the board sets the overall direction of the organization and contain a code of ethics for the board. The policies spell out the board's purpose, governance focus, job description, agenda planning, election of officers, role of the president, code of conduct and committee principles.

For example, the policy on governance focus specifies that the board "shall govern with an emphasis on vision, diversity in viewpoints, strategic leadership, clear distinction of board and executive roles, and collaborative rather than individual decisions."

2. **Board-staff linkage.** These policies define the relationship between the board and staff. Among other things, they state that only the board as a group, not individual members, can direct staff. These policies require the board to instruct the general manager through written policies that define results and to evaluate the general manager's job performance by comparing the utility's results to board-established policies.

3. **Strategic directives.** These policies define the strategic foundation of the utility. SMUD's purpose is "to provide solutions for meeting our customers' electrical energy needs." The policies give precise definitions of the utility's core values for rates, access to credit, reliability, customer service, safety and environmental protection. For example, system average rates must be at least 10 percent below those charged by neighboring Pacific Gas & Electric. No more than 80 percent of the utility's assets may be debt-financed. Reliability directives call for an overall distribution system reliability index of 1, with 80 percent of its circuits meeting or exceeding the index annually. For customer service, the utility has a customer satisfaction target of 95 percent. For safety, the district is working to reduce reportable incidents by 50 percent between 2002 and 2008. For environmental protection, the utility is directed to be in full compliance with all federal, state and local laws and regulations.

- competitive rates,
- access to credit,
- system reliability,
- customer service,
- safety, and
- environmental protection.

Each core value is tied to performance metrics and to monitoring schedules. These form the utility's bedrock.

The policies are evolving. This writing, the board wrapped up working with a member community advisor, representing various groups to help it examine its resource policy. After developing its final resource work on risk management and economic development.

One of SMUD's new policies states that the board govern with "an emphasis on leadership more than at the detail." As a result of this policy by the SMUD board, the utility is now becoming a part of a new culture. ●

**Eric Douglas is president at Leading Resources Inc.**

**(www.leadingresources.com)**  
**consulting company specializing in strategic change management, governance, and leadership.**  
**He is the author of the book**  
**Talk: Turning Communication Down for Strategic Results.**

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