

Exhibit to Agenda Item #2

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

Wednesday, January 10, 2018, Immediately following the Energy Resources & Customer Services Committee Meeting

Scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

One Noteworthy Update

- NERC/FERC Reliability Standards

NERC/FERC Reliability Standards

- In November 2017, Staff participated in the North American Electric Reliability Corporation's (NERC's) GRIDEX IV biennial exercise.
 - Designed to assist electric utilities and other critical infrastructure participants in simulating a cyber and/or physical attack on the electric grid and critical infrastructure across North America.
- The exercise strengthened crisis communication internally and externally and
- Identified lessons learned to integrate with disaster recover and business continuity to further strengthen existing processes.

Top Risks

Risk Title	Update	Risk Trend	Current Residual Risk	Target Residual Risk
Cyber Threats & Privacy	Staff continues to monitor and assess cyber and privacy risks.	↑	●	●
Aging Infrastructure	Staff continues to assess SMUD assets to determine other categories of equipment where it makes sense to implement asset health index or asset criticality index methodologies.	↑	●	●
Strategic Workforce Agility	Staff continues to work to build a strategy for workforce recruitment, training and retention.	↑	●	●
Changing Customer Expectation	Staff continually assesses customer expectations via survey and market trends to anticipate customers needs and build strategies to address customer needs.	↑	●	●
Rapid Innovation	Staff continually monitors and analyzes trends in innovation in the current and future electric market and its implications or impact on SMUD's business model and respond accordingly.	↑	●	●

SD-17 ERM Portfolio: Residual Business Critical Risk Exposure: January 9, 2018

Financial Risks	Operational Risks		Strategic Risks
Budget Planning & Rate Setting	OP: People	<i>Underground Cables</i>	Business Model
Financing	Employee Safety	T&D Substation Assets	Technology/Competition Driven
Accounting/Financial Report	Ethics/Integrity	Telecommunications Assets	<i>Demand Response</i>
Capital Availability/Cashflow	Illegal Acts/Fraud	New Services & Local Agency Projects	Distributed Generation
Liquidity	Strategic Workforce Agility	Labor: Business Disruption	<i>Distributed Storage</i>
Load Variation	OP: Systems and IT	Legal Risk	Electrification of Transport Sector
Retail Load	Applications Support	Operational Excellence	Energy Efficiency
Customer owned generation	Cyber Security	Payroll Disruption	<i>Innovation</i>
Price Volatility	Information Management	Pricing & Rate Design Implementation	Changing Customer Expectations
Commodity	Data Governance	EAPR Implementation Process	Competitive Workforce Total Rewards
Hydro Generation	<i>Data Availability</i>	<i>TOD Implementation Process</i>	Corporate Governance
Interest Rate	Enterprise-Wide Documentation	Public Safety	Board Driven
Project Execution	Grid Operational Systems & Support	Regulatory Compliance Practices	GM Driven
Wholesale Credit Default	Systems Infrastructure	CPUC General Orders	Enterprise Grant Integration, Execution and Alignment
	OP: Process	Environmental Protection	Sustainable Energy
	Balancing Authority Operations	Hydro License	Carbon Emission/AB32
	Bulk Power Op & Maintenance	NERC/FERC Standards	Load Serving Capability
	Gas & Gas Pipeline Assets	Nuclear Waste	Renewable Portfolio Standard
	Power Supply Assets	Revenue Collection Ops & Maintenance	External Risks
	Transmission Assets	Meter to Cash	Economy - Business Agility
	Business Continuity	Supply Chain	Legislative & Regulatory
	Communications	Material Lifecycle	Federal
	Internal Communications/Alignment		Dodd-Frank Implementation
	<i>Media & Community Relations</i>		Limits on Muni Bond Tax Exemption
	Customer Serv Operations		FERC Order 1000
	General Facilities Op & Maintenance		Local Gov't
	Customer Service Center		State
	Energy Management Center		Bay Delta Flow Issues
Legend: by Risk Heat Zone	Existing Corporation Yard		<i>CEC: Intergrated Resource Planning</i>
Extremely High Residual Risk	Headquarter Building		Post 2020 Carbon Markets
High Residual Risk	Physical Asset Security		<i>RPS Eligibility Related Issues</i>
Medium Residual Risk	Grid Infrastructure: Reliability		Natural / Other Hazards
Low Residual Risk	T&D Line Assets		Wildfire
Extremely Low Residual Risk	<i>Poles</i>		Climate Change
Recent Changes denoted in Purple	<i>Secondary Network</i>		