

Exhibit to Agenda Item # 3

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

Tuesday, January 14, 2020 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

Powering forward. Together.



Enterprise Risk Management (ERM) is a

- **Strategic** approach to risk management that
 - Supports the achievement of organizational objectives through an enterprise-wide management of identified risks to SMUD within an integrated risk portfolio.
 - Focus is impact to SMUD's business and operations.

Evaluation Framework

- Programmatically identifies and scores risks using a defined rubric, thus providing a common scale to measure risks across the enterprise
- Provides foundation to monitor status and mitigation efforts for changes to residual risk to SMUD
- Measures a risk's:
 - Impact
 - Likelihood and
 - Velocity

ERM Evaluation Scoring Methodology

$$\text{Risk: Impact} + (\text{Likelihood} + \text{Velocity}) / 2$$



What can happen?

- *Financial
- *Reputational
- *Legal/Compliance
- *Workforce
- *Strategic
- *Operational



What are we doing to prevent it?

What plans do we have in place to minimize the damage?



How prepared are we to react?

- *Mitigation Plans
- *People
- *Process
- *Technology



How quickly could it happen?

		Risk Matrix				
Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5

(Likelihood + Velocity)/2

SMUD's Risk from Climate Change

- Staff recognizes the long-term impacts that climate change could have on SMUD's business operations and finances.
- Some of these risks include increasing peak demand leading to resource constraints plus new Integrated Resource Plan requires significant investments to achieve.
- **Climate Change - Increased from low “green” to medium “yellow”**