

Exhibit to Agenda Item # 7

Enterprise risk management update including a high-level summary of risk management and wildfire mitigation and response activities.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, October 19, 2021, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

Noteworthy Update

External Risk: Wildfire Preparation and Response

Wildfire Preparation and Response

Staff continues to be vigilant in the assessment and monitoring of wildfire risks. SMUD utilizes an enterprise approach to identifying risk drivers, risk impacts and gaps to improve upon wildfire mitigation activities/programs where appropriate. Initiatives to prevent wildfires include:

- Continue routine inspections of its electrical infrastructure in high fire threat areas,
- Adopting new technologies to aid vegetation management programs,
- Established protocols for de-energizing high voltage lines when necessary,
- Undergrounding of certain distribution lines, and
- Suspending some automatic outage restoration technology,
- High resolution imagery of SMUD's transmission assets located in HFTD Tiers 2 and 3 were collected via drones and are being analyzed to identify deficiencies with these assets.

Wildfire mitigation activities within SMUD's service area

- Disabled automatic reclosing on circuits within the pole clearing area prior to the start of fire season;
- Updated operating procedures for de-energization;
- Completed annual vegetation management work;
- Begun installation of non-expulsion equipment within high-risk areas

Helping customers prepare

SMUD has identified additional steps to help customers prepare for wildfire season:

- Sent letters and emails to those on MED Rate and Senior ID ahead of wildfire season;
- Opt in program for any customer to self identify for additional notifications;
- Additional language support;
- New materials and resources available at smud.org/wildfiresafety;
- An awareness campaign for customers not already participating in the MED Rate Program; and
- Wildfire Safety marketing campaign designed to advise customers of our safety efforts this summer and fall.

Recent Wildfire Response

- Emergency Operations Center
 - Ensures uniform response across the organization
 - Relevant information was conveyed timely and appropriately
- Moved 50-60 vehicles and equipment from Fresh Pond and Riverton Yard to White Rock Powerhouse
- Secure potential resources for restoration, clean-up, vegetation management and surveying work
- EOC worked as designed, post event evaluation showed that SMUD's presence at the Incident Command (IC) Center was key to the success of keeping fire away from SMUD assets
 - SMUD daily presence at Caldor Fire Incident Command (IC) was noted and appreciated. Much of the IC was from extreme Northern CA or Southern CA
 - SMUD presence was "key" for communication and providing "value for assets at risk" to Caldor IC Team

SD-17 ERM Portfolio: Residual Business Critical Risk Exposure: October 19, 2021

Financial Risks	Operational Risks	Strategic Risks
Budget Planning and Rate Setting	OP: People	Business Model
Financing	Employee Safety	Technology/Competition Driven
Accounting/Financial Report	Ethics/Integrity	<i>Demand Response</i>
Capital Availability/Cashflow	Illegal Acts/Fraud	Distributed Generation
Liquidity	Strategic Workforce Agility	<i>Distributed Storage</i>
Load Variation	OP: Systems and IT	Electrification of Transport Sector
Retail Load	Applications Support	<i>Energy Efficiency</i>
Customer owned generation	Cyber Security	<i>Innovation</i>
Price Volatility	Privacy	Changing Customer Expectations
Commodity	Information Management	Competitive Workforce Total Rewards
Hydro Generation	<i>Data Governance</i>	Corporate Governance
Interest Rate	<i>Data Availability</i>	<i>Board Driven</i>
Project Execution	<i>Enterprise-Wide Documentation</i>	<i>GM Driven</i>
Wholesale Credit Default	Grid Operational Systems & Support	Enterprise Grant Integration, Execution and Alignment
	<i>Technology Systems Infrastructure</i>	Sustainable Energy
	OP: Process	<i>Carbon Emission/AB32</i>
	Balancing Authority Operations	<i>Load Serving Capability</i>
	Bulk Power Op & Maintenance	<i>Renewable Portfolio Standard</i>
	<i>Gas & Gas Pipeline Assets</i>	<i>CEC: Integrated Resource Planning</i>
	<i>Power Supply Assets</i>	External Risks
	<i>Transmission Assets</i>	Economy - Business Agility
	Enterprise Continuity Management	Legislative & Regulatory
	Communications	Federal
	<i>Internal Communications/Alignment</i>	<i>Dodd-Frank Implementation</i>
	<i>Media & Community Relations</i>	<i>Limits on Muni Bond Tax Exemption</i>
	Customer Serv Operations: Business Disruption	Local Gov't
	General Facilities Op & Maintenance	State
	<i>Customer Service Center</i>	<i>Bay Delta Flow Issues</i>
	Energy Management Center	<i>Post 2020 Carbon Markets</i>
	<i>Existing Corporation Yard</i>	Natural / Other Hazards
	<i>Headquarter Building</i>	<i>Pandemic</i>
	Physical Asset Security	<i>Wildfire</i>
	<i>Backup Control Center</i>	<i>Climate Change</i>
	<i>Facilities Workplace Strategy</i>	
	<i>Rancho Seco Park Facilities</i>	
Legend: by Risk Heat Zone		
Extremely High Residual Risk		
High Residual Risk		
Medium Residual Risk		
Low Residual Risk		
Extremely Low Residual Risk		
<i>Recent Changes denoted in Purple</i>		