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)



Powering forward. Together.

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

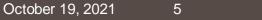
- Disabled automatic reclosing on circuits within the pole clearing area prior to the start of fire season;
- Updated operating procedures for de-energization;
- Completed annual vegetation management work;
- Begun installation of non-expulsion equipment within high-risk areas



Helping customers prepare

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

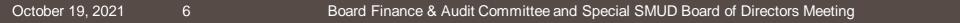
- Sent letters and emails to those on MED Rate and Senior ID ahead of wildfire season;
- Opt in program for any customer to self identify for additional notifications;
- Additional language support;
- New materials and resources available at smud.org/wildfiresafety;
- An awareness campaign for customers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



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