

Exhibit to Agenda Item #4

Provide the Board the Enterprise Risk Management Quarterly Update.

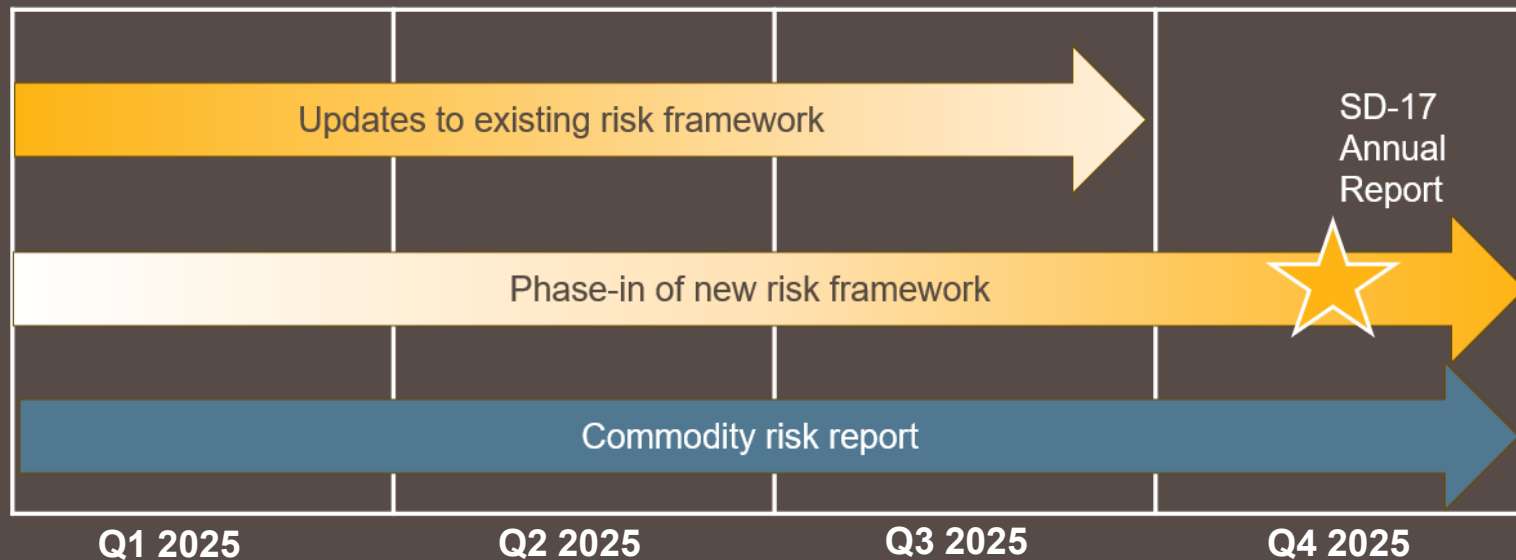
Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, February 18, 2025, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Background

Recap of 2024 Enterprise Risk Management (ERM) commitments:

- Consolidate commodity reporting and overall risk reporting into one quarterly report
- Refresh of SMUD's enterprise risk management structure in response to a third-party maturity assessment

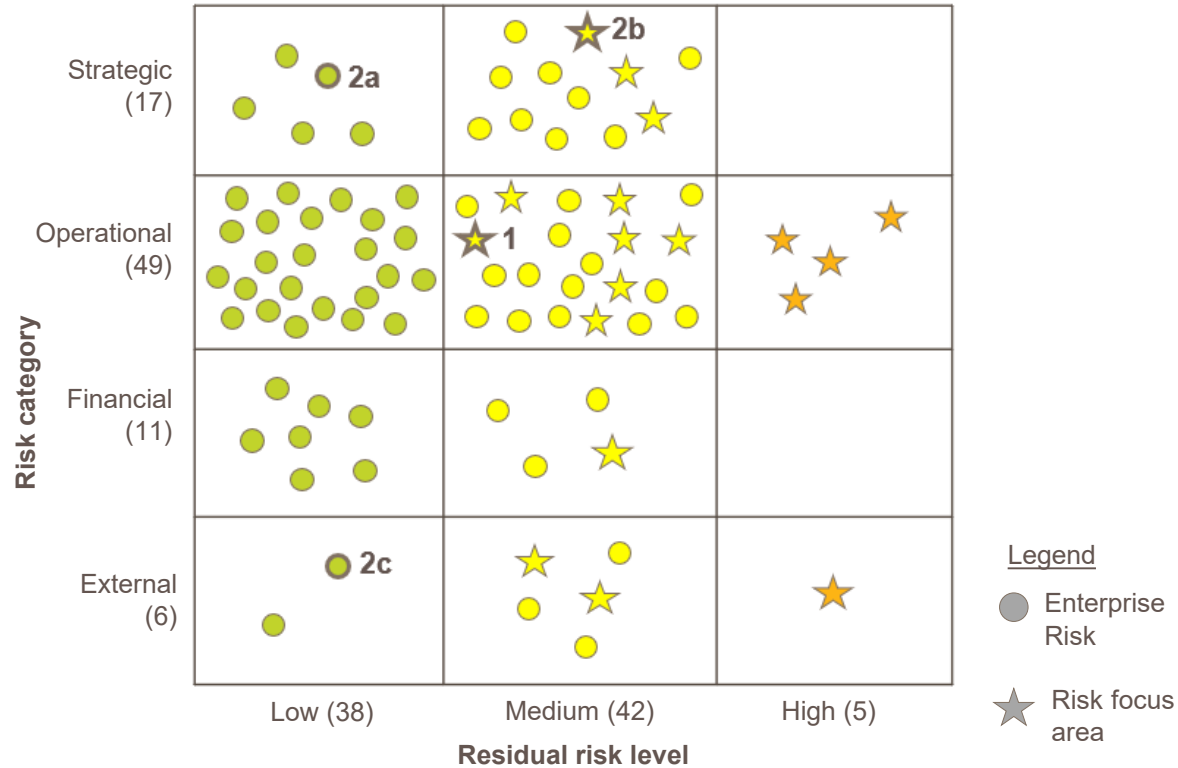




Risk Dashboard

Purpose: Effectively balance and manage risk to further SMUD's policies and business goals (SD-17)

Summary of all risks by category and residual risk level



Risk focus areas (2023-2024)


	Risk focus areas (2023-2024)	Residual risk
Strategic	Changing customer expectations	med.
	Renewable projects	med.
	Unmanaged electrification	med.
Operational	Cybersecurity	high
	Data privacy	high
	Grid infrastructure & operational adequacy	high
	Grid infrastructure transmission & distribution	high
	Control center	med.
	Business continuity and disaster recovery	med.
	Physical asset security	med.
	Strategic workforce planning: Critical positions	med.
	Supply chain	med.
	Employee Safety	med.
	Power generation asset reliability ^(edited)	Low -> med.
Financial	Price volatility: Commodity	med.
External	Wildfire	high
	Regulatory/legislative mandates	med.
	Severe weather	med.

Recent Changes

#	Month	Category	Risk Name(s)	Change
1	December	Operational	Power generation asset reliability	Low to Med risk
2	January	Strategic	a. Grants; b. Renewable projects; c. Economy; Business agility	Under assessment

Risk changes since Nov 2024 SD-17 report

Category	Risk name	Residual risk level	Trend	Description of change	Action
External	Economy: Business Agility	Low	↑	<ul style="list-style-type: none"> Uncertainty regarding new tariffs and potential reciprocal tariffs 	<ul style="list-style-type: none"> Risk trends changed to escalating Residual risk levels under re-assessment Staff is closely monitoring the situation and updating the Board on action items
Strategic	Grants	Low	↑	<ul style="list-style-type: none"> White House Office of Management and Budget (OMB) review of federal assistance, which could impact some grants and tax credits that are currently benefiting SMUD 	
	Renewable projects	Medium	↑		
Operational	Power generation asset reliability	Low -> Medium	→	<ul style="list-style-type: none"> The original risk rating of “low” focused on reliability impacts in isolation In response to Board input, staff reassessed the risk to include financial impacts 	<ul style="list-style-type: none"> Risk is now rated “medium” Staff took into consideration the Consumnes Power Plant (CPP) 2022 outage and its financial impacts, as well as mitigation measures introduced since then to protect SMUD financially

 Risk trend changed since last update

Commodity risk update – 2024 fourth quarter

Driver of Risk	Description of status and any change	Further action needed
Market conditions	Power and fuel prices are down compared to assumptions	No action needed - This is a typical price variation.
Precipitation and Reservoir Levels (as of Feb 2025)	Our hydroelectric asset reservoir levels are strong. Forecast data shows additional precipitation by the end of February, which could return precipitation levels to normal or near-normal for this time of year.	No action needed – Continue to monitor closely and rely on the Hydro Rate Stabilization Fund, which is nearly fully funded, as-needed
Commodity Reserve	New commodity reserve fund is fully funded at \$60 million	No action needed
Gas storage	Regional West Coast storage is at the highest levels seen in 5 years.	No action needed
Power and Gas Hedging	We have hedges in place for fuel purchases and power sales for 2025	No action needed
Resource Adequacy	We are not forecasting a need to purchase additional Resource Adequacy Capacity until July 2025	No action needed – We are well within commodity exposure limits

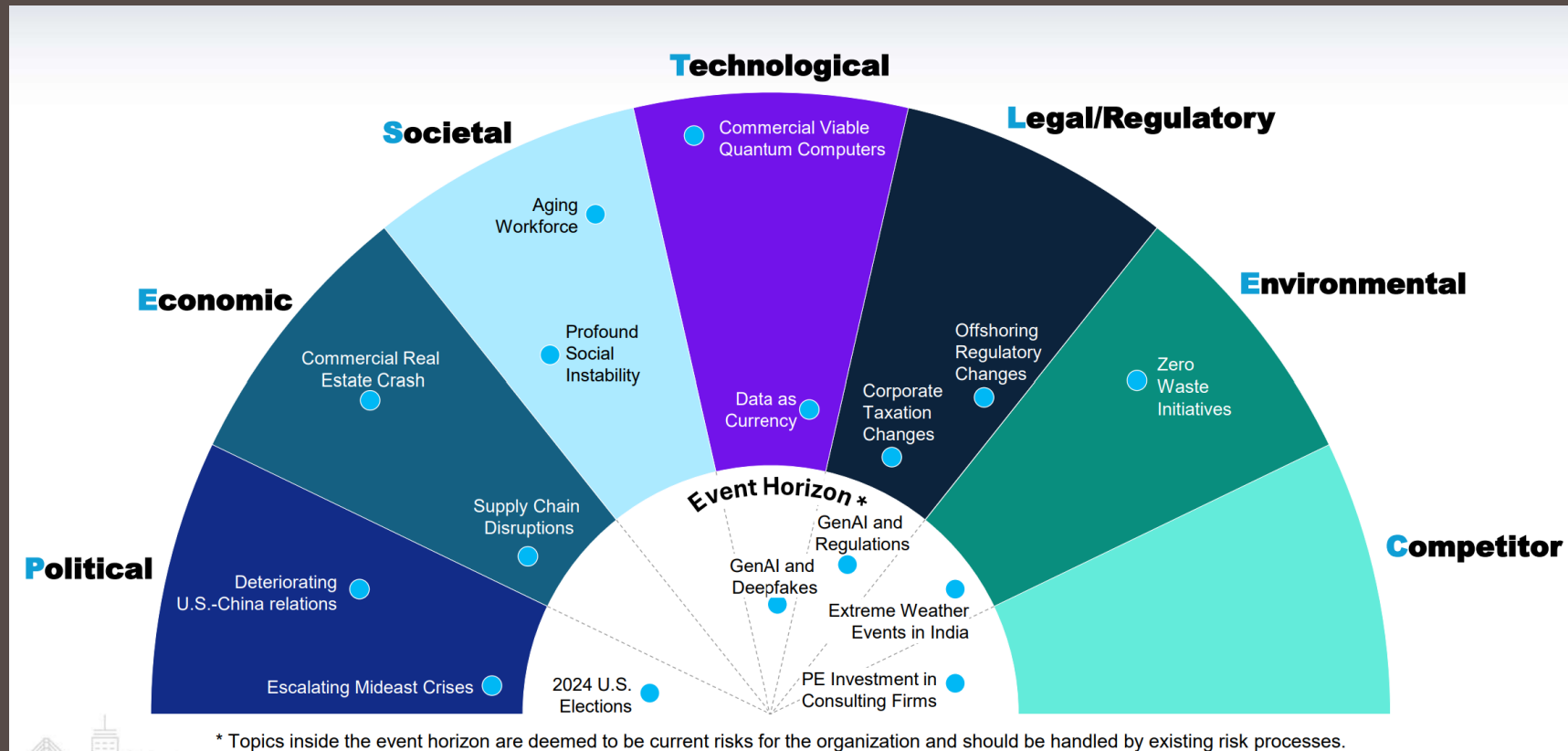
Strategic Risk Management Framework



Emerging Risks

Our new framework will consider emerging risks, which are specific threats or opportunities that are newly developing, not yet fully understood, and/or continuously evolving.

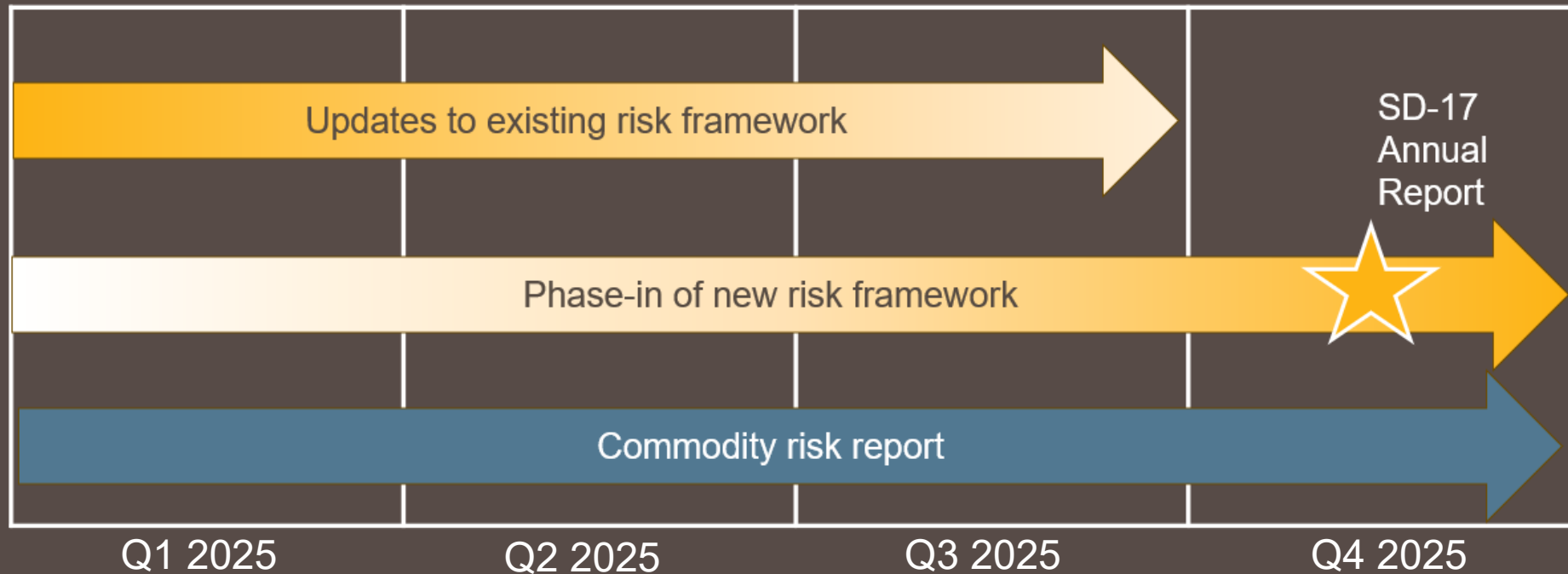
Example emerging risk landscape from KPMG, 2024:



Next steps

Second quarter update (Currently scheduled in May)

- Updates to existing risks
- Draft profiles for a subset of Strategic Risks



SD-17
Annual
Report