



RISK MANAGEMENT COMMITTEE UPDATE

PRESENTED BY:

Cory Kuchinsky

Interim VP, Strategic Pricing & Enterprise Risk Management

September 12, 2019

Informational Update

- **PROVIDE RISK PROGRAM UPDATE**
- **REVIEW RISK PROGRAM ENHANCEMENT**
- **EXAMINE ENTERPRISE BRAND MANAGEMENT, REGULATORY CHANGES & NATURAL GAS ACCIDENT (LEAK / EXPLOSION)**
- **DISCUSS RELATED MITIGATION ACTIVITIES**

AGENDA



- **RISK MANAGEMENT COMMITTEE OVERVIEW**
- **ANNUAL RISK PROGRAM UPDATE**
- **LPPC PEER COMPARISON**
- **RISK PROGRAM ENHANCEMENT DISCUSSION OF RISKS & MITIGATIONS**
 - **ENTERPRISE BRAND MANAGEMENT**
 - **REGULATORY CHANGES**
 - **NATURAL GAS ACCIDENT (LEAK / EXPLOSION)**
- **SUMMARY**

RISK MANAGEMENT COMMITTEE OVERVIEW*

- Includes all Board members
- Meets at least twice per year
- Reviews & discusses risk profile, risk management practices & program effectiveness

Provides oversight to ensure internal & external risks that might adversely affect the organization are identified & addressed.

*Summary information from the Risk Management Committee Charter

ENTERPRISE PLANNING PROCESS

The ERMS Program is an important part of the broader integrated Enterprise Planning Process at CPS Energy.

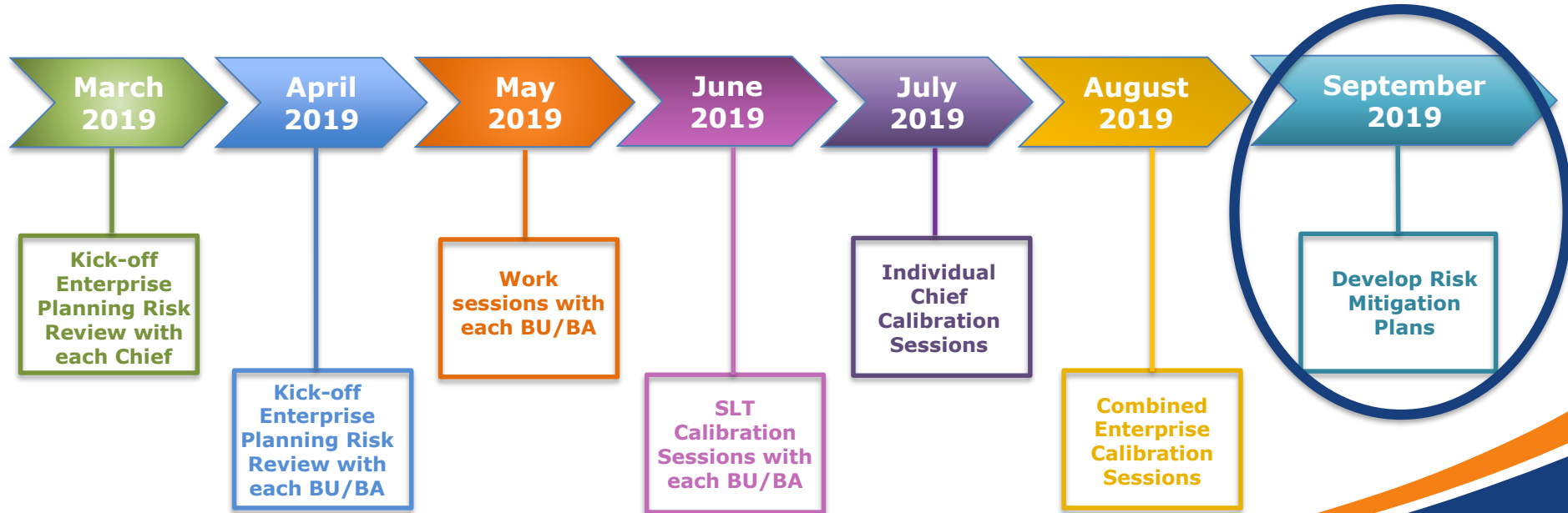


ANNUAL RISK REVIEW



TIMELINE OF FY 2020 ACTIVITIES

Reviewing & assessing our risks is a comprehensive, multi-faceted, process that requires collaboration across all business units.



LPPC PEER COMPARISON



We have strategically developed an ERMS Program that is more robust than many of our peers & fits our culture well.

Topic	CPS Energy	LPPC Peers
Risk Committee Structure	<ul style="list-style-type: none">• Board Members	<ul style="list-style-type: none">• Board Members / Senior Management
Meeting Frequency	<ul style="list-style-type: none">• Semi-annually• Quarterly	<ul style="list-style-type: none">• Annually• Semi-Annually
Board Engagement	<ul style="list-style-type: none">• Board dialogue on strategic risks & mitigating activities	<ul style="list-style-type: none">• Presentation of metrics & program status at a Regular Board Meeting
Risk Program	<ul style="list-style-type: none">• Integrated Planning• Prioritization of project dollars• Annual refresh• Enterprise Risk Management Program Guide• Report to Chief Financial Officer (CFO)	<ul style="list-style-type: none">• Annual refresh• Enterprise Risk Management Program Guide• All reported to CFO except one who reported to Chief Administrative Officer (CAO)

CPS ENERGY RISKS

IDENTIFIED & RANKED



Our enterprise risks are identified during the Enterprise Planning Process.

PRELIMINARY TOP 10 RISKS

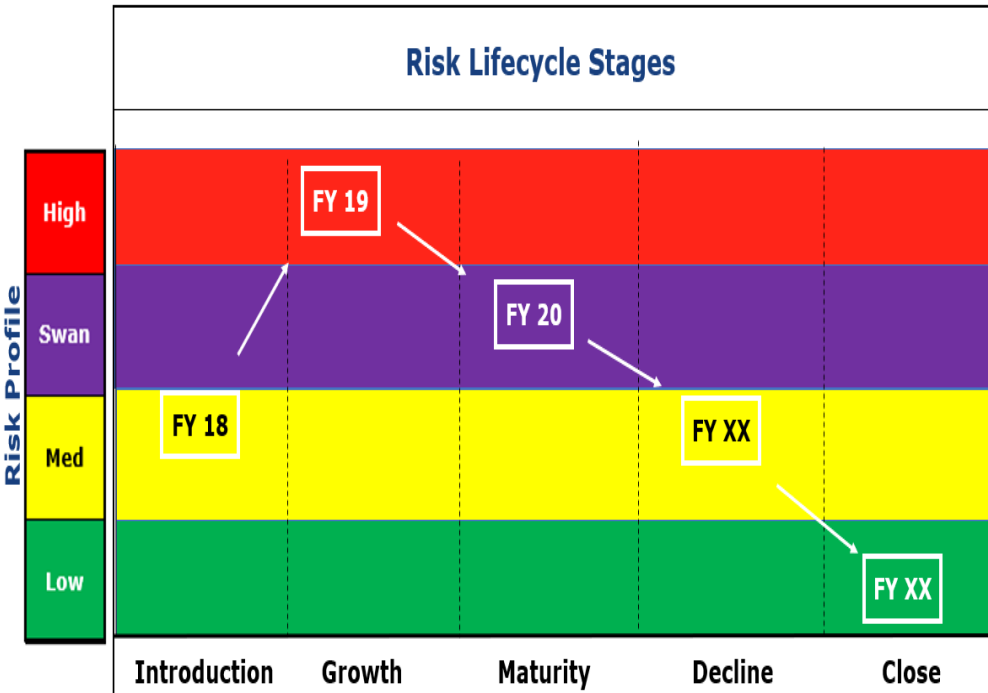
1. Cybersecurity
2. Environmental Regulations
3. Enterprise Brand Management¹
4. Pension / OPEB
5. Regulatory Changes (Financial / Operational Impacts)¹
6. Rate Support
7. Contract & Contractor Management
8. Infrastructure / Equipment Failure
9. Natural Gas Accident (Leak / Explosion)¹
10. Disruptive Technology

¹ These risks will be discussed today.

RISK PROGRAM FRAMEWORK



RISK LIFECYCLE STAGES



Introduction - A risk is identified & assessed at an enterprise level. Example: No program to mitigate the risk is in place nor partnerships developed to assist with mitigating the risk.

Growth - A more thorough understanding of the risk has been attained by Risk Owners & Risk Mitigation Plans have been developed. Example: A program that helps Risk Owners understand & address the risk is in its initial stages.

Maturity - Risk is fully understood by Risk Owners & Risk Mitigation Plans have been successfully implemented. This stage typically spans several fiscal years. Example: Program to understand & address risk has been operational for several years & partnerships have been established.

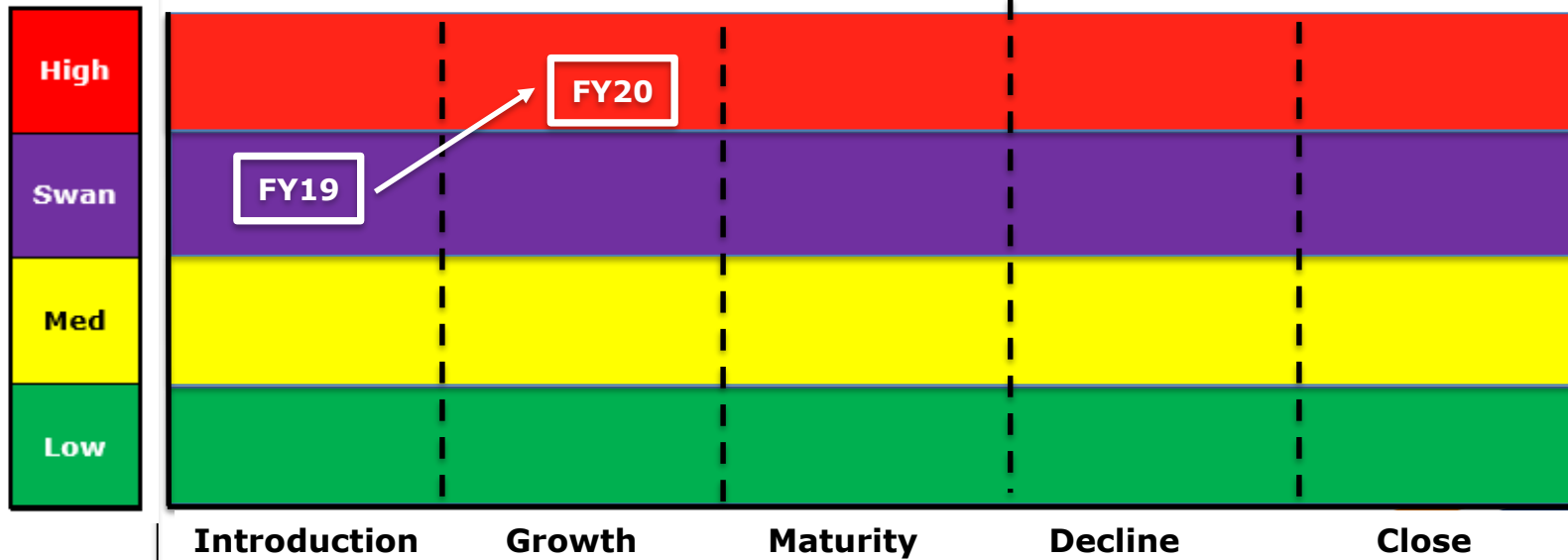
Decline - Risk Mitigation Plans are complete and / or an improved risk environment is achieved. Example: Program has effectively mitigated the risk & it is near the end of life cycle.

Close - The risk has been removed from the enterprise risk portfolio. Example: Program comes to a close & the risk is no longer monitored.

ENTERPRISE BRAND MANAGEMENT RISK

Managing our enterprise brand is key to ensuring customers see & feel the value we provide our community.

Risk Lifecycle Stages



HOW WE MITIGATE ENTERPRISE BRAND MANAGEMENT RISK



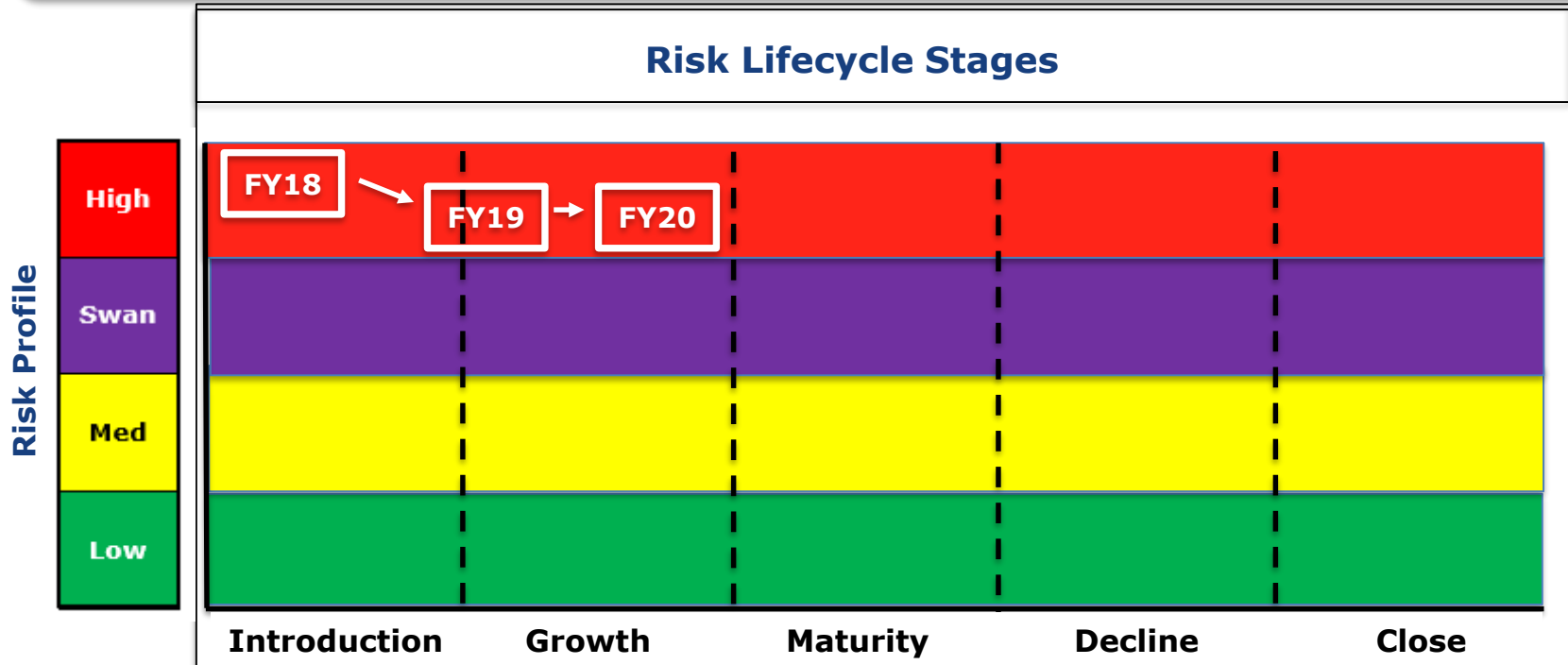
LEADER – JONATHAN TIJERINA

- Mitigation activities related to managing our enterprise brand
 - Ensure all employees are informed on the importance of maintaining & protecting our enterprise brand
 - Build awareness of employee ownership & accountability for the enterprise brand
 - Have policies & procedures in place to proactively identify potential risky behaviors or practices

REGULATORY CHANGES RISK



Risk owners collaborate on legislation that could impact our employees, customers, community & industry.



HOW WE MITIGATE REGULATORY CHANGES RISK



LEADER – LEEROY PEREZ

- Transmission lines outside of City of San Antonio boundaries
 - Beginning September 1, 2021 the Public Utilities Commission (PUC) must approve municipally owned transmission line facilities located outside San Antonio
 - The PUC approves transmission projects by issuing a Certificate of Convenience and Necessity (CCN)
 - As growth continues outside of San Antonio, the PUC will approve these projects
 - Post PUC Ruling, a City of San Antonio ordinance for eminent domain is still required

HOW WE MITIGATE REGULATORY CHANGES RISK

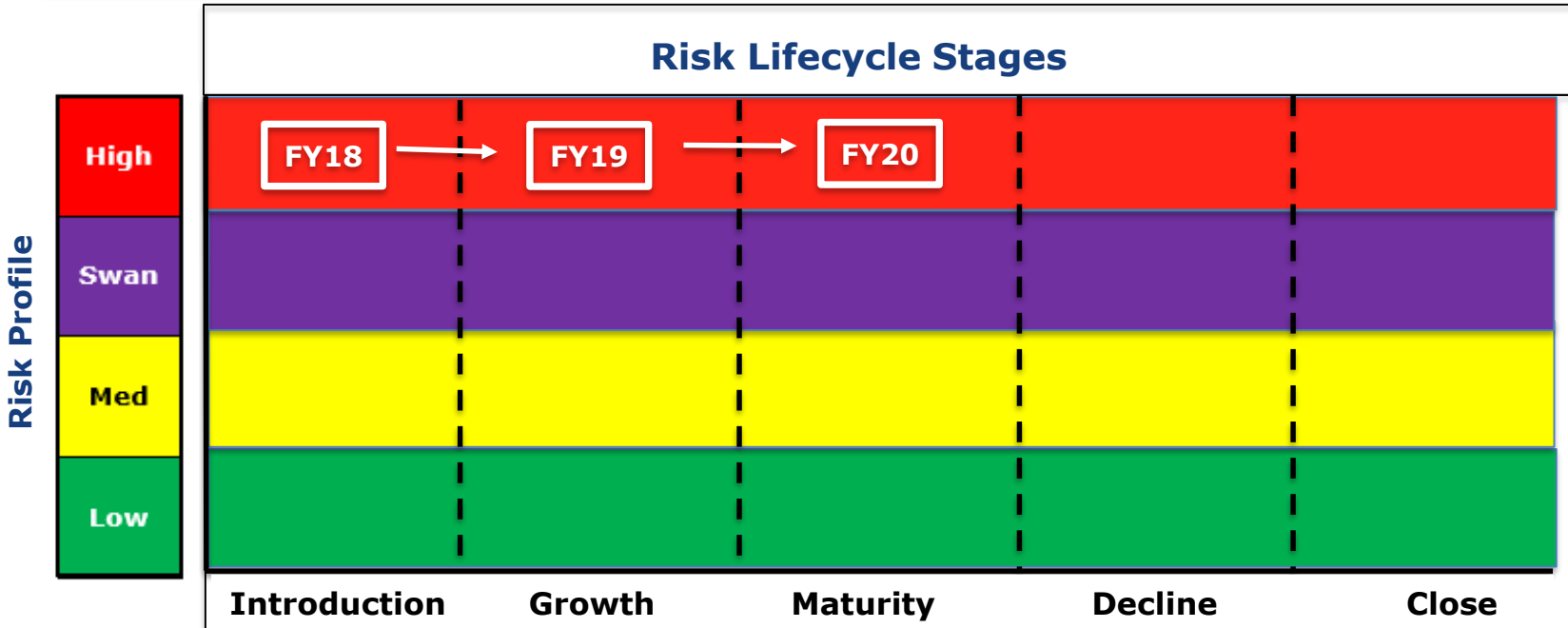


LEADER – LEEROY PEREZ

- Mitigation activities related to the new PUC process
 - Facilitate routing & siting projects to include an environmental study
 - Hold open houses & involve the public
 - Ensure process compliance by having focused team resources
 - Process includes cross functional executive governance & oversight

NATURAL GAS ACCIDENT (LEAK / EXPLOSION) RISK

The safe distribution of natural gas to power our community is an important part of our success.



HOW WE MITIGATE A GAS ACCIDENT (LEAK / EXPLOSION)



LEADER – RICHARD LUJAN

- Mitigation activities related to a Natural Gas Accident
 - Annual assessment of public awareness & damage prevention campaigns for measured effectiveness & program efficiencies
 - Annual review of the Distribution Integrity Management Plan to determine the prioritization of the replacement of mains & steel services
 - Conduct additional leak surveys for identified facilities
 - Review leak response processes for improvement opportunities

SUMMARY



- Our ERMS team continues to serve as a valued partner in the integrated Enterprise Planning Process
- Risk owners continue to actively collaborate & engage to reduce risk for our company & community




Thank You



Appendix

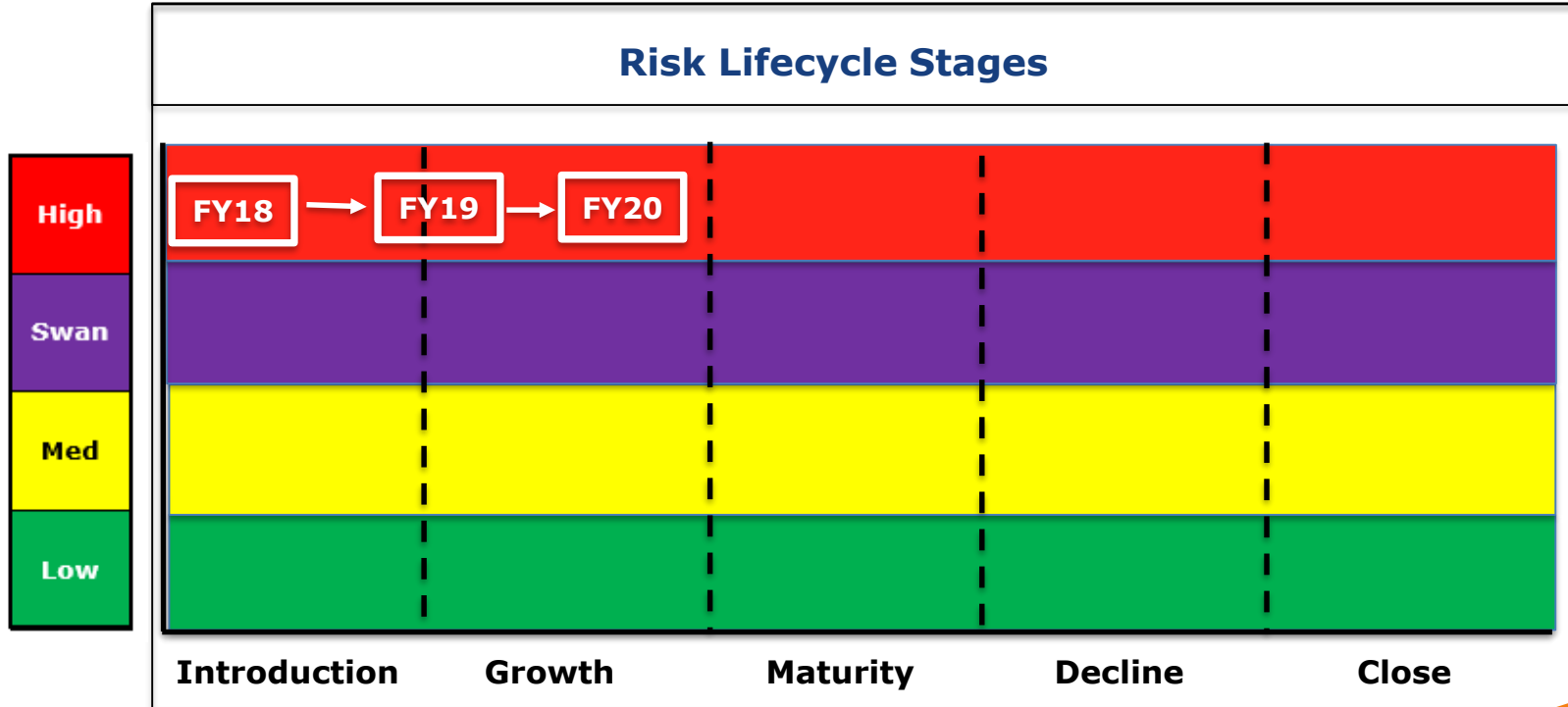
GLOSSARY / DEFINITIONS

Acronym or Word	Definition	Acronym or Word	Definition
 BOT	Represents Board of Trustee feedback that has been implemented into the Risk Program	RMP	Risk Mitigation Plan
CoSA	City of San Antonio		
ERMS	Enterprise Risk Management & Solutions		
LPPC	Large Public Power Council		
OPEB	Other Post-Employment Benefits		
PUC	Public Utilities Commission		

RISK LIFECYCLE

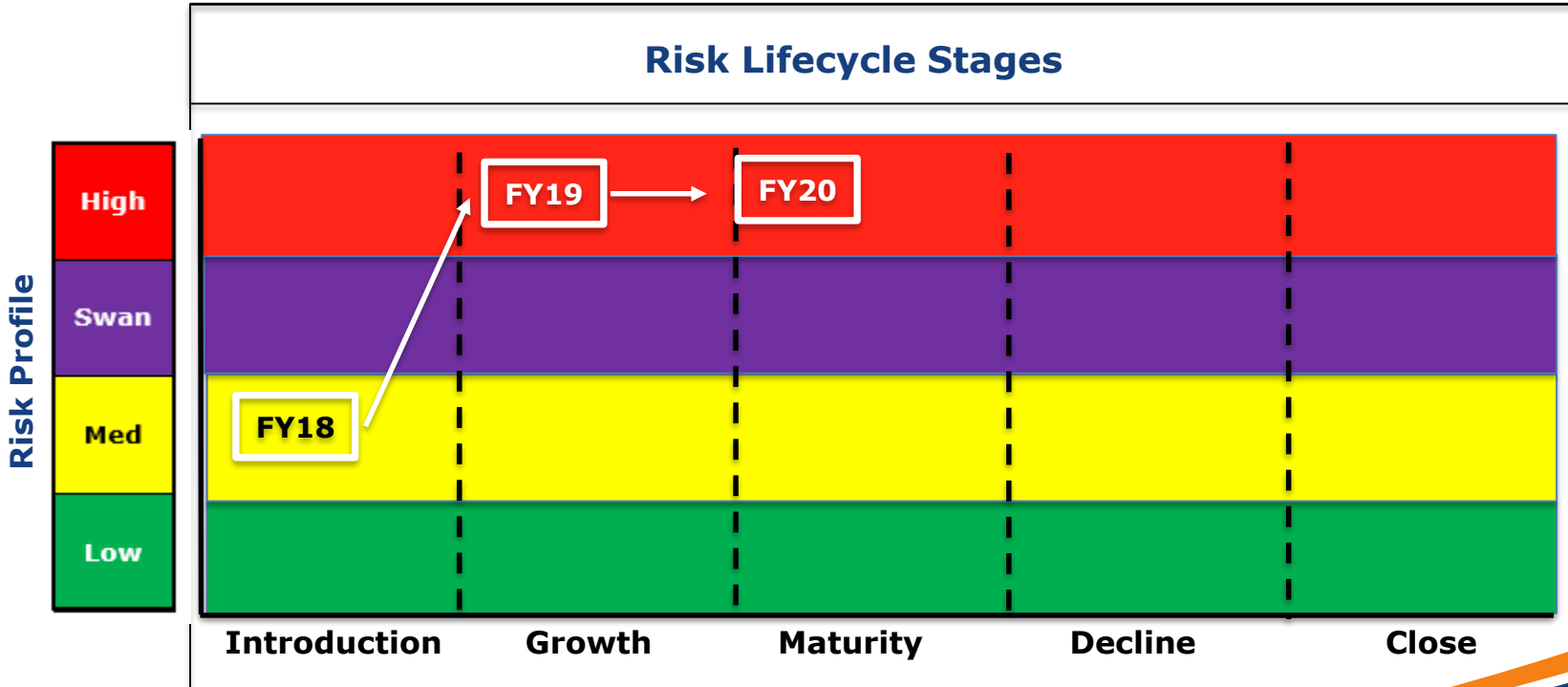
CYBERSECURITY

Risk Profile



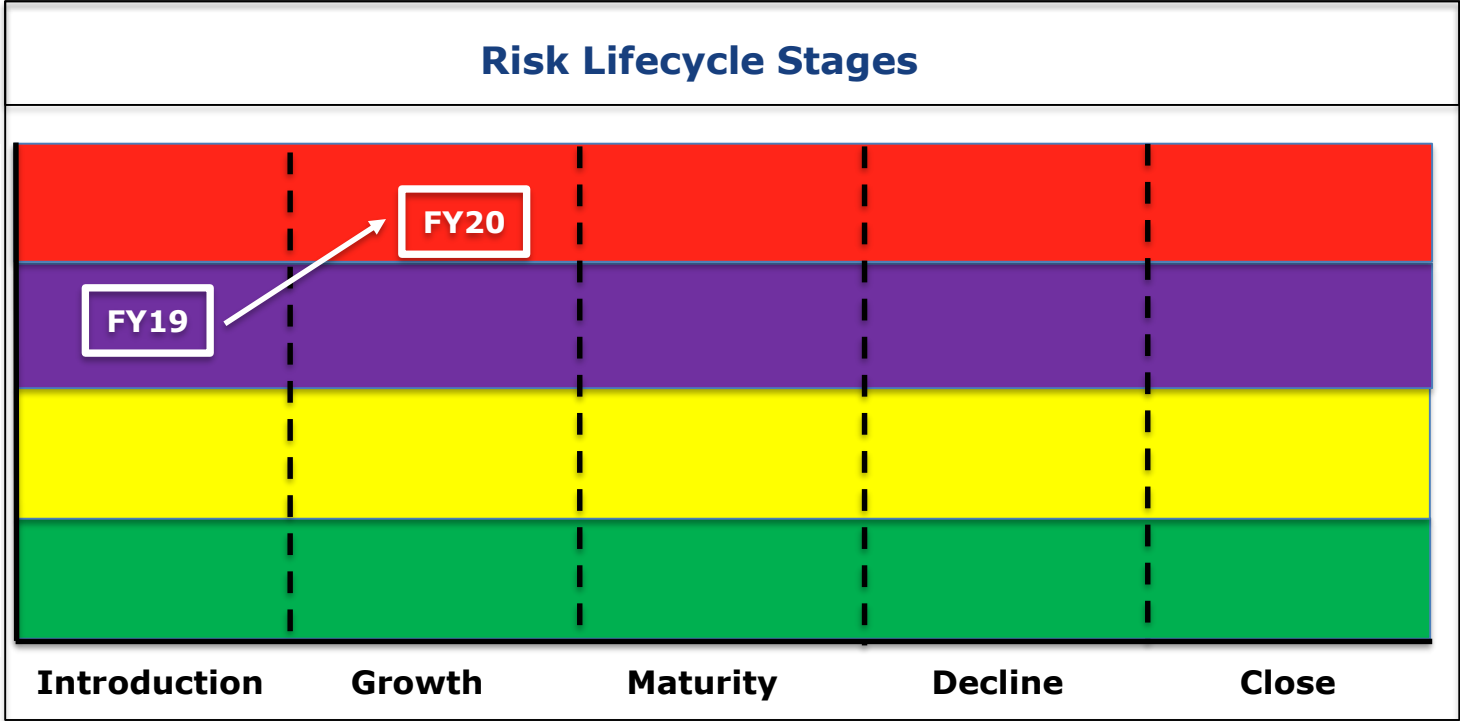
RISK LIFECYCLE

ENVIRONMENTAL REGULATIONS



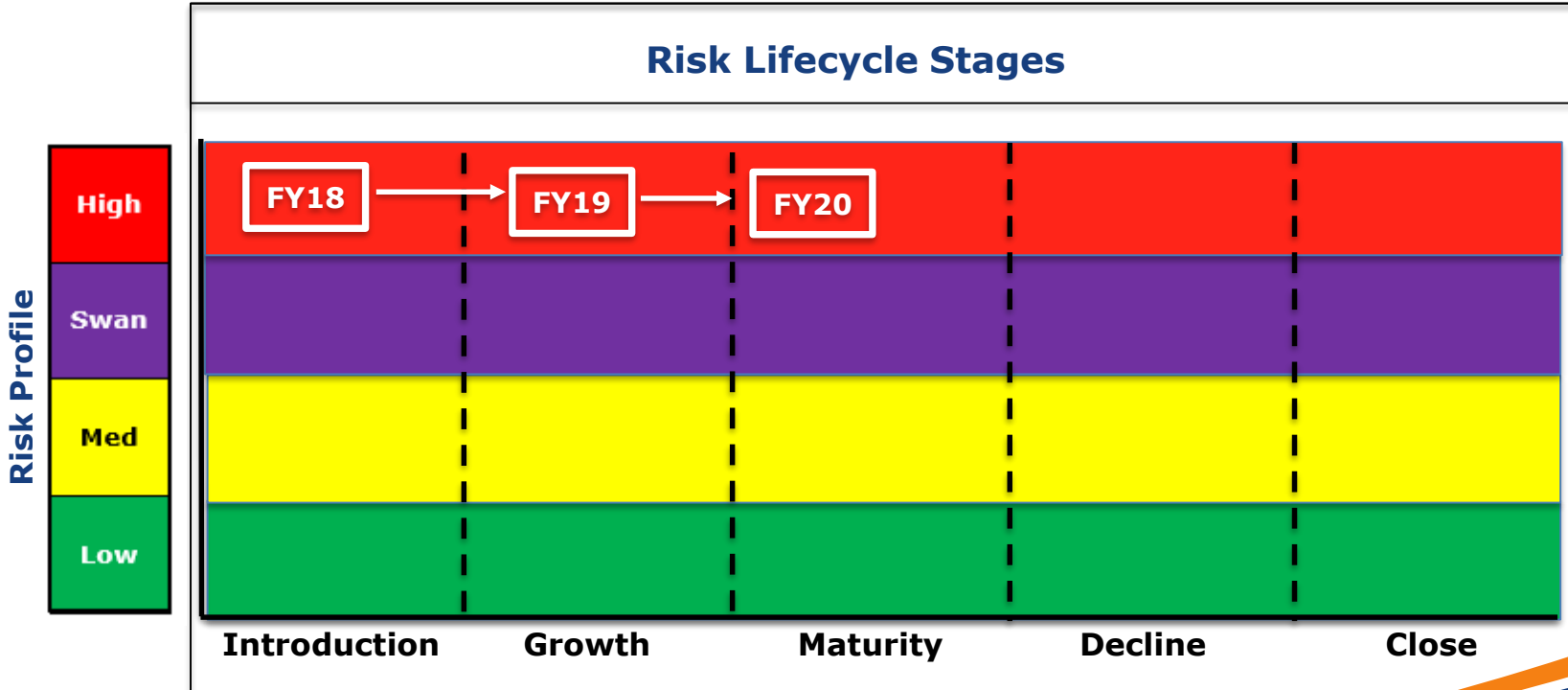
RISK LIFECYCLE

ENTERPRISE BRAND MANAGEMENT



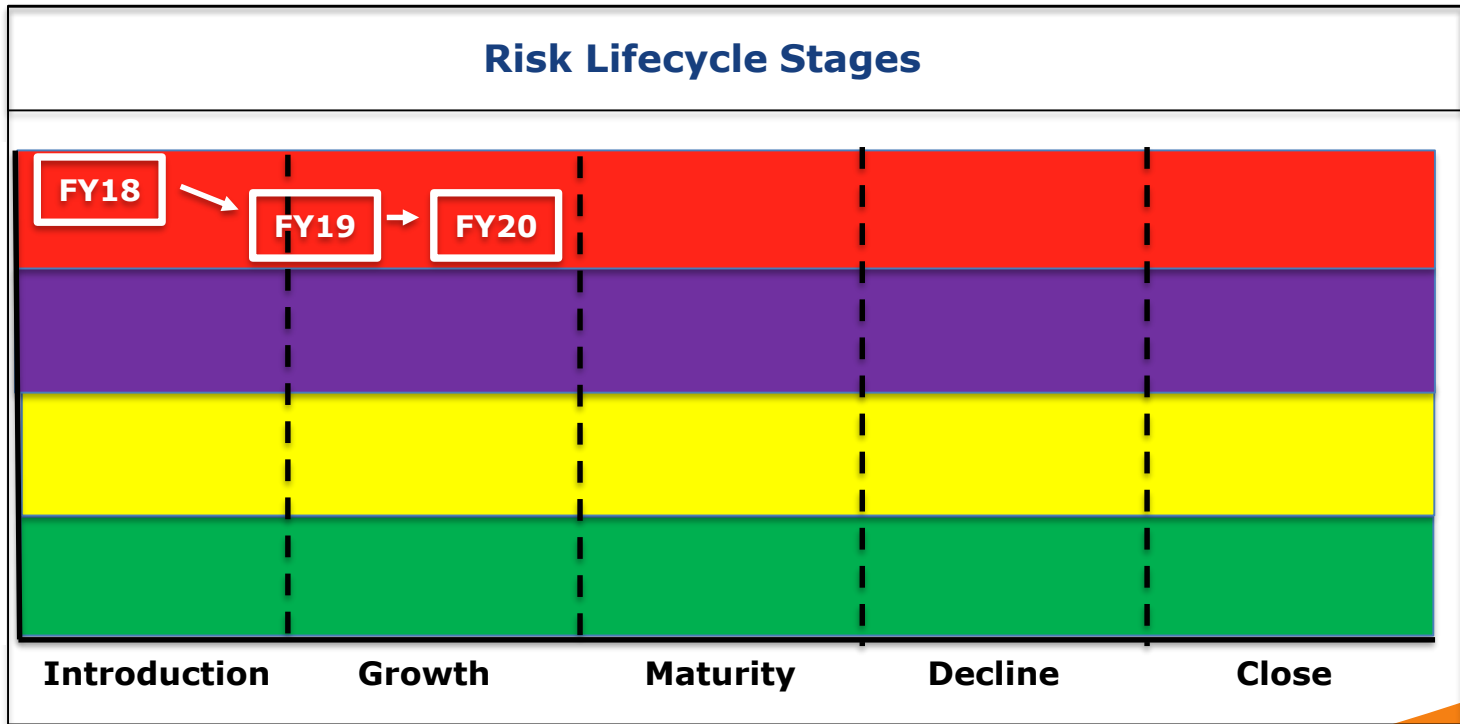
RISK LIFECYCLE

INCREASING PENSION & OPEB LIABILITY & EXPENSE



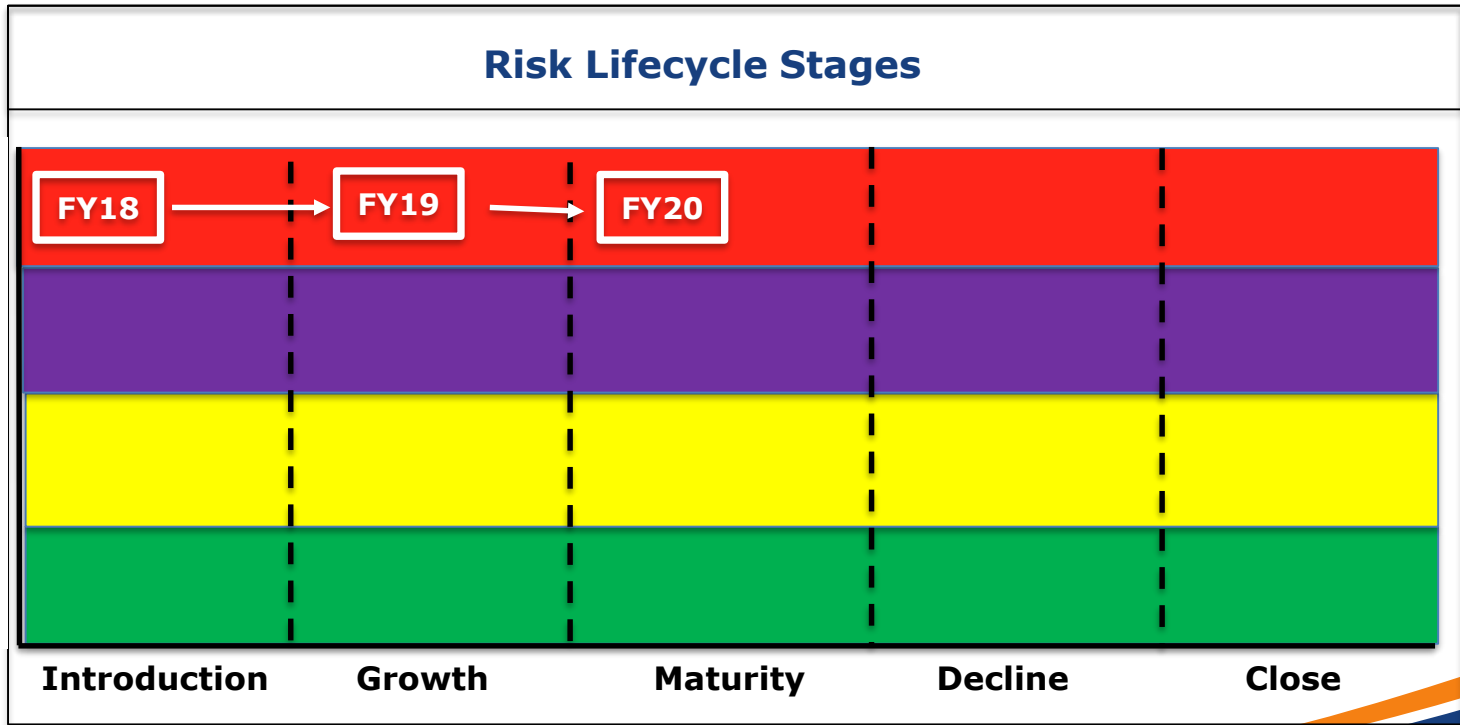
RISK LIFECYCLE

REGULATORY CHANGES



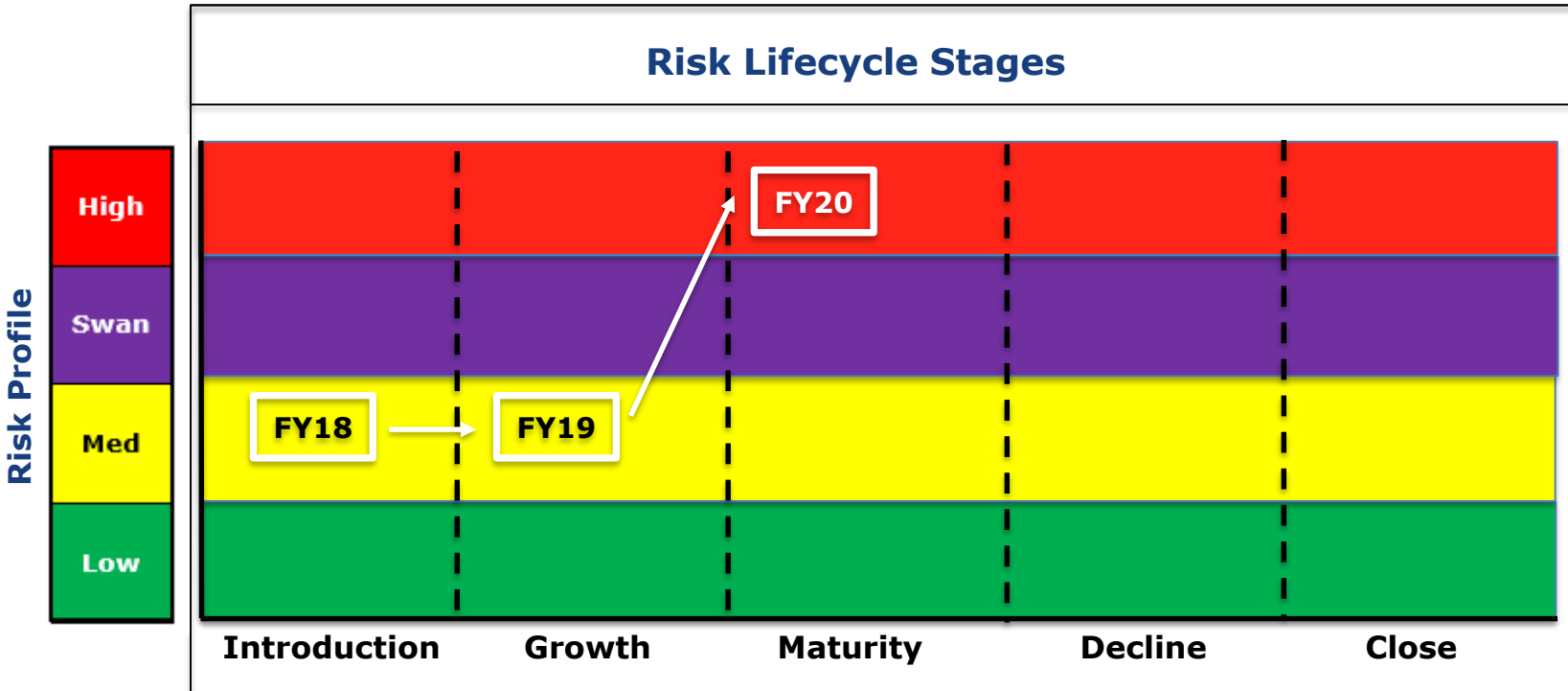
RISK LIFECYCLE

RATE SUPPORT



RISK LIFECYCLE

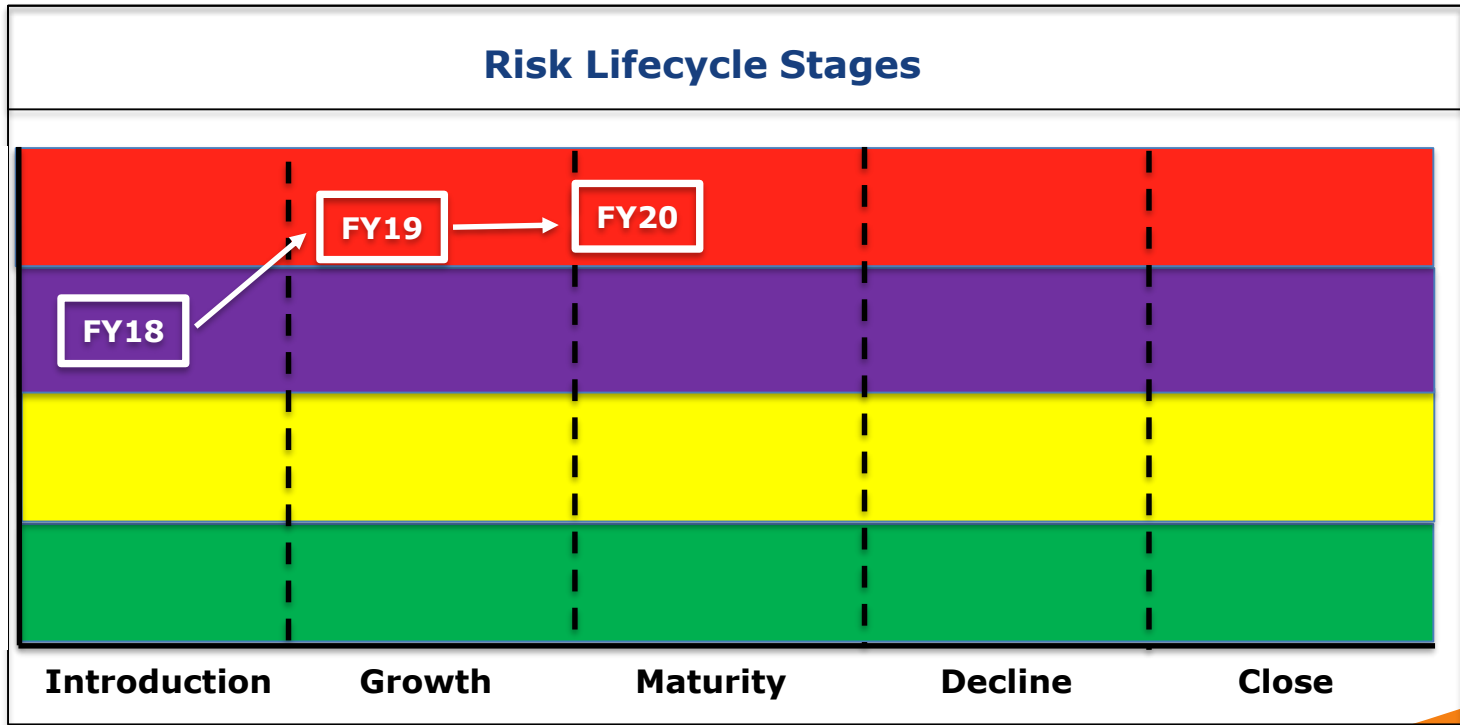
CONTRACT & CONTRACTOR MANAGEMENT



RISK LIFECYCLE



INFRASTRUCTURE / EQUIPMENT FAILURE

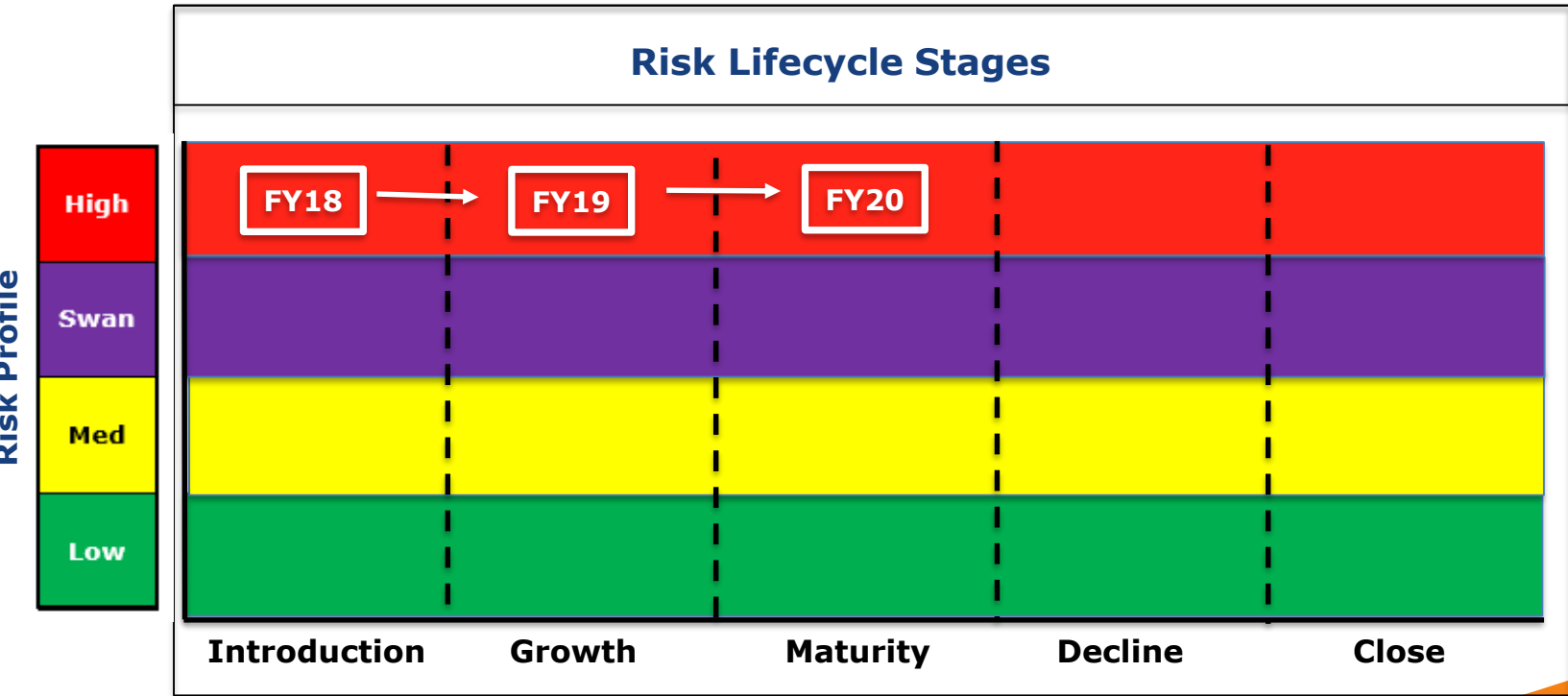


Risk Profile

RISK LIFECYCLE



NATURAL GAS ACCIDENT: LEAK/EXPLOSION



RISK LIFECYCLE

DISRUPTIVE TECHNOLOGY

