OBJECTIVES & TAKEAWAYS

• 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
  o ENTERPRISE BRAND MANAGEMENT
  o REGULATORY CHANGES
  o 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
The ERMS Program is an important part of the broader integrated Enterprise Planning Process at CPS Energy.
ANNUAL RISK REVIEW

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

TIMELINE OF FY 2020 ACTIVITIES

March 2019
Kick-off Enterprise Planning Risk Review with each Chief

April 2019
Kick-off Enterprise Planning Risk Review with each Chief

May 2019
Work sessions with each BU/BA

June 2019
SLT Calibration Sessions with each BU/BA

July 2019
Individual Chief Calibration Sessions

August 2019
Combined Enterprise Calibration Sessions

September 2019
Develop Risk Mitigation Plans
We have strategically developed an ERMS Program that is more robust than many of our peers & fits our culture well.

<table>
<thead>
<tr>
<th>Topic</th>
<th>CPS Energy</th>
<th>LPPC Peers</th>
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<tbody>
<tr>
<td>Risk Committee Structure</td>
<td>• Board Members</td>
<td>• Board Members / Senior Management</td>
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<tr>
<td>Meeting Frequency</td>
<td>• Semi-annually</td>
<td>• Annually</td>
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<td>• Quarterly</td>
<td>• Semi-Annually</td>
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<td>Board Engagement</td>
<td>• Board dialogue on strategic risks &amp; mitigating activities</td>
<td>• Presentation of metrics &amp; program status at a Regular Board Meeting</td>
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<td>Risk Program</td>
<td>• Integrated Planning</td>
<td>• Annual refresh</td>
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<td>• Prioritization of project dollars</td>
<td>• Enterprise Risk Management Program Guide</td>
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<td>• Annual refresh</td>
<td>• All reported to CFO except one who reported to Chief Administrative Officer (CAO)</td>
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<td>• Enterprise Risk Management Program Guide</td>
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<td>• Report to Chief Financial Officer (CFO)</td>
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Our enterprise risks are identified during the Enterprise Planning Process.

<table>
<thead>
<tr>
<th>PRELIMINARY TOP 10 RISKS</th>
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<tr>
<td>1.   Cybersecurity</td>
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<td>2.   Environmental Regulations</td>
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<tr>
<td>3. <strong>Enterprise Brand Management</strong>¹</td>
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<td>4.   Pension / OPEB</td>
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<td>5. **Regulatory Changes (Financial / Operational Impacts)**¹</td>
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<td>6.   Rate Support</td>
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<td>7.   Contract &amp; Contractor Management</td>
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<td>8.   Infrastructure / Equipment Failure</td>
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<td>9. **Natural Gas Accident (Leak / Explosion)**¹</td>
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<td>10.  Disruptive Technology</td>
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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.
Managing our enterprise brand is key to ensuring customers see & feel the value we provide our community.

### Risk Lifecycle Stages

<table>
<thead>
<tr>
<th>Risk Profile</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
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**FY19** and **FY20** indicate specific years within the 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
Risk owners collaborate on legislation that could impact our employees, customers, community & industry.

Risk Lifecycle Stages

- **High**
  - FY18
  - FY19
  - FY20

- **Swan**
- **Med**
- **Low**

**Risk Profile**

<table>
<thead>
<tr>
<th>Introduction</th>
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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
  o Facilitate routing & siting projects to include an environmental study
  o Hold open houses & involve the public
  o Ensure process compliance by having focused team resources
  o Process includes cross functional executive governance & oversight
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
  - Conduction of 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

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<tr>
<td><strong>BOT</strong></td>
<td>Represents Board of Trustee feedback that has been implemented into the Risk Program</td>
<td>RMP</td>
<td>Risk Mitigation Plan</td>
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<td>CoSA</td>
<td>City of San Antonio</td>
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<td>ERMS</td>
<td>Enterprise Risk Management &amp; Solutions</td>
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<td>LPPC</td>
<td>Large Public Power Council</td>
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<td>OPEB</td>
<td>Other Post-Employment Benefits</td>
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<td>PUC</td>
<td>Public Utilities Commission</td>
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**FY18**
- Introduction
- Growth
- Maturity

**FY19**
- Growth
- Maturity

**FY20**
- Maturity
- Decline
- Close
RISK LIFECYCLE
ENVIRONMENTAL REGULATIONS

Risk Lifecycle Stages

High
Swan
Med
Low

Introduction    Growth    Maturity    Decline    Close

FY18
FY19
FY20

Risk Profile
RISK LIFECYCLE
ENTERPRISE BRAND MANAGEMENT

Risk Lifecycle Stages

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RISK LIFECYCLE

INCREASING PENSION & OPEB LIABILITY & EXPENSE

Risk Lifecycle Stages

Introduction        Growth              Maturity             Decline                 Close

FY18 -> FY19 -> FY20

Risk Profile

High
Swan
Med
Low
RISK LIFECYCLE
REGULATORY CHANGES

Risk Lifecycle Stages

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Risk Profile

- High
- Swan
- Med
- Low

FY18 to FY20
RISK LIFECYCLE
RATE SUPPORT

Risk Lifecycle Stages

- **High**
  - FY18
  - FY19
  - FY20

- **Swan**

- **Med**

- **Low**

- **Introduction**
- **Growth**
- **Maturity**
- **Decline**
- **Close**
RISK LIFECYCLE
CONTRACT & CONTRACTOR MANAGEMENT

Risk Profile
- High
- Swan
- Med
- Low

Risk Lifecycle Stages
- Introduction
- Growth
- Maturity
- Decline
- Close

- FY18
- FY19
- FY20
RISK LIFECYCLE
INFRASTRUCTURE / EQUIPMENT FAILURE

Risk Profile
- High
- Swan
- Med
- Low

Risk Lifecycle Stages
- Introduction
- Growth
- Maturity
- Decline
- Close

Risk Lifecycle Overview:
- FY18: Swan
- FY19: FY19
- FY20: FY20
RISK LIFECYCLE
DISRUPTIVE TECHNOLOGY

Risk Lifecycle Stages

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