

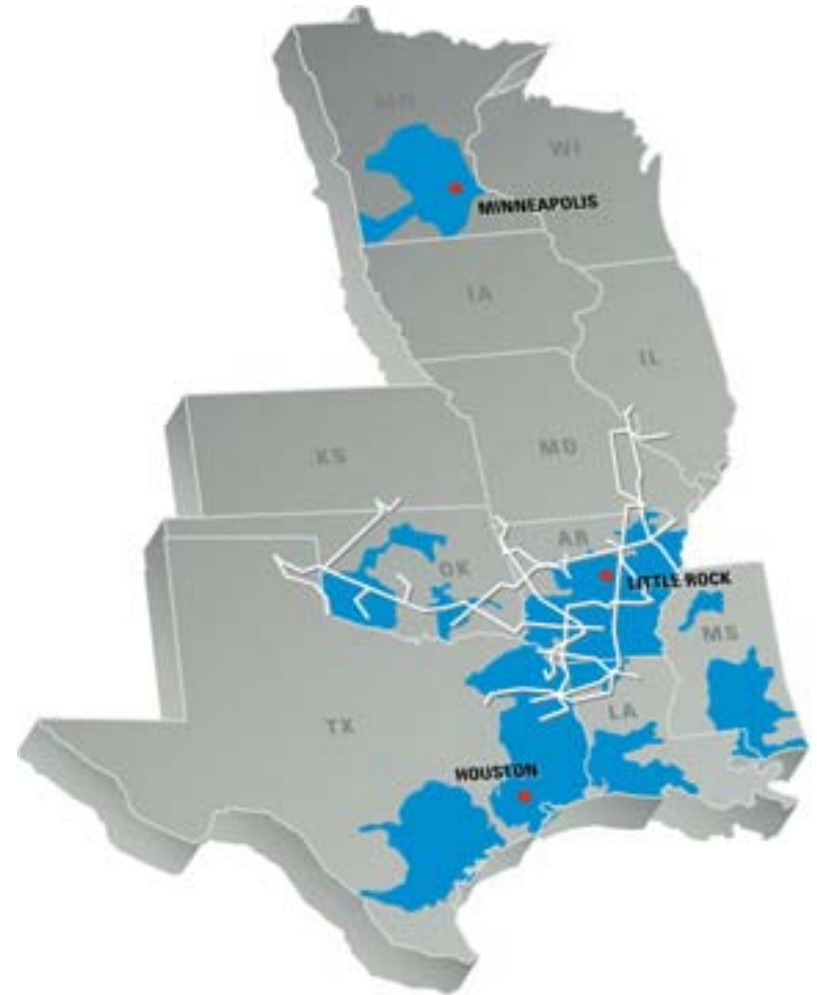
CenterPoint Energy's Enterprise Risk Management and Preparation for Hurricane Response Overview

What Will Be Covered

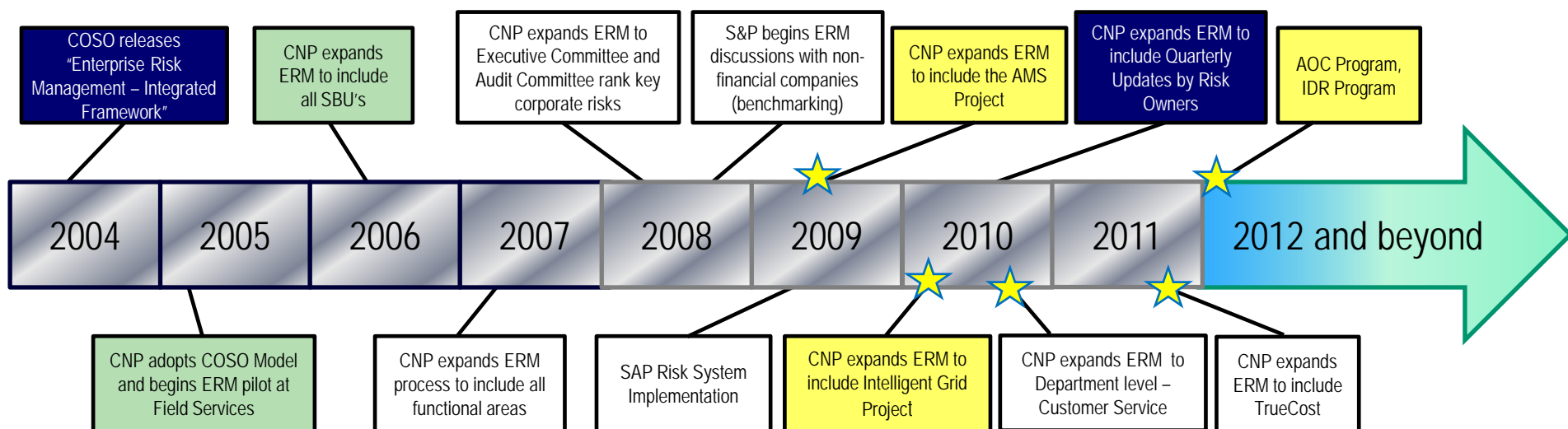
- Who is CenterPoint Energy?
- CNP ERM process
- Electric EOP

Quick Facts

- Third largest combined electricity and natural gas delivery company in the U.S.
- 5.2 million metered customers
- \$19.6 billion total assets
- \$11.3 billion total revenue
- 8,800 + employees



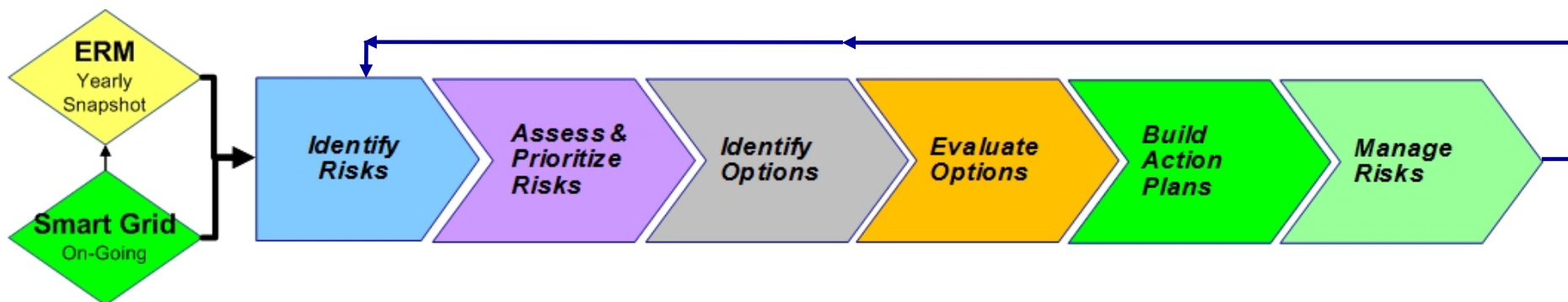
CenterPoint Energy ERM Evolution



Establish Common Model	Link ERM to Strategic Plan	Dynamic Risk Management
<ul style="list-style-type: none"> Common Risk Language 	<ul style="list-style-type: none"> Embedded Risk Assessments into Strategic Planning Process 	<ul style="list-style-type: none"> Integrated System (SAP) Risk Modeling
<ul style="list-style-type: none"> Common Ranking Scale 	<ul style="list-style-type: none"> Static Process (once per year) 	<ul style="list-style-type: none"> Dynamic – More Frequent Updates
<ul style="list-style-type: none"> Common Methodology 	<ul style="list-style-type: none"> Trend Recognition 	<ul style="list-style-type: none"> Assign Risk Ownership and Accountability
<ul style="list-style-type: none"> Developed Consensus Understanding of Risk 	<ul style="list-style-type: none"> Portfolio Effect 	<ul style="list-style-type: none"> Include Project Management
<ul style="list-style-type: none"> Alignment with COSO 		<ul style="list-style-type: none"> Risk Transparency

➤ Risk Process Approach

- Implement the Smart Grid Program Risk Management (PRM) Plan

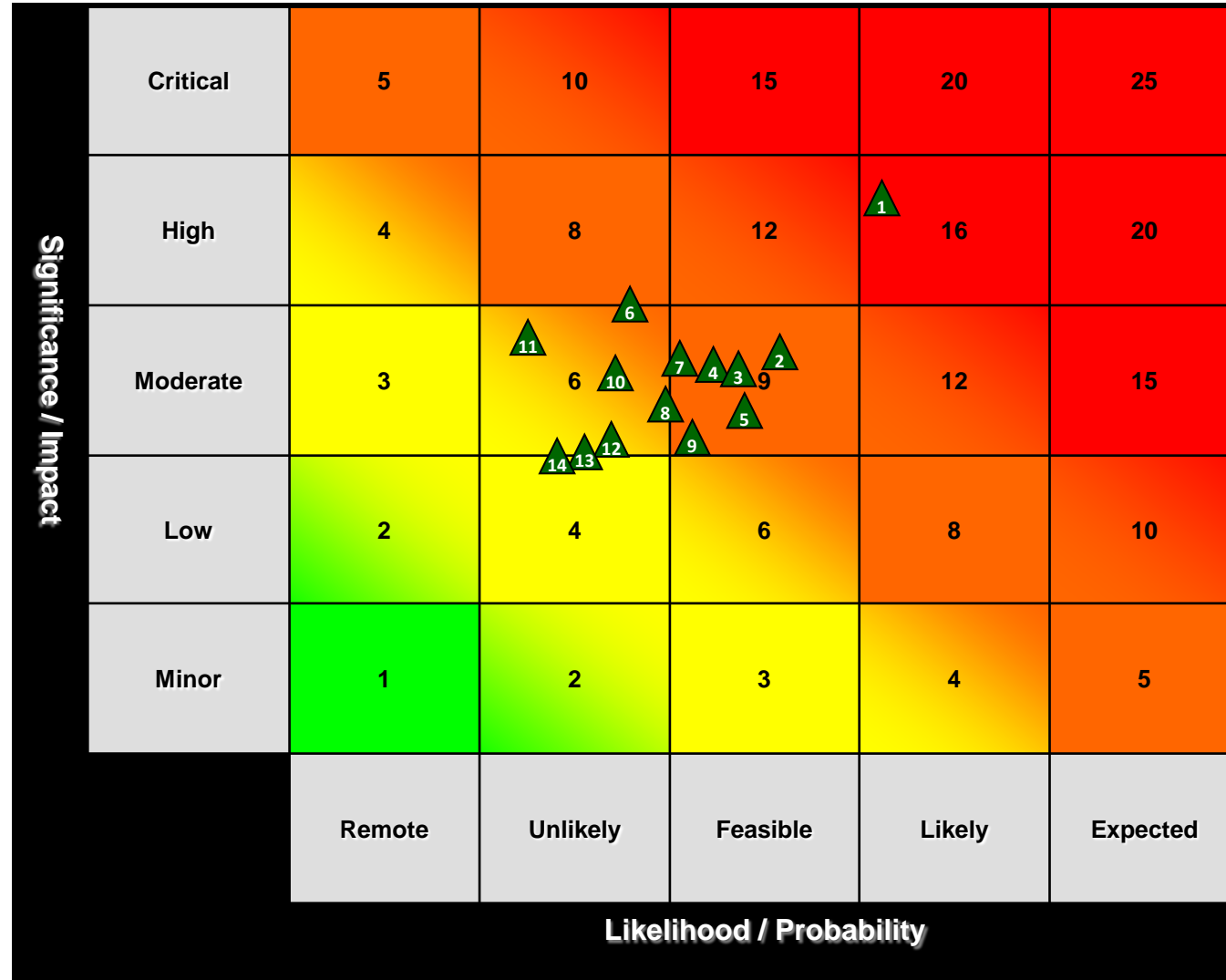


- Conduct Risk Assessment electronic surveys monthly, or as necessary
- Conduct Facilitated Risk Workshops quarterly
- Risk Owner interviews quarterly prior to Risk Workshops
- Red Zone Risk meetings quarterly – further deep dive into top 6 risks
- Participants of Risk Assessments
 - ❖ Team Leads
 - ❖ Leaders of PMO
 - ❖ Key Support Areas: Legal, Procurement, IT, Regulatory, Safety, Corporate Communications, Customer Service, Human Resources
 - ❖ Vendors and trusted Partners: Itron, IBM, GE, eMeter
 - ❖ Risk Owners

Sample-Key Risks Assessment Heat Map











































XXX Business Unit – 2010 ERM Workshop Risk Assessment

Key	Residual Risk
1	Risk 1
2	Risk 2
3	Risk 3
4	Risk 4
5	Risk 5
6	Risk 6
7	Risk 7
8	Risk 8
9	Risk 9
10	Risk 10
11	Risk 11
12	Risk 12
13	Risk 13
14	Risk 14



Risk Analysis

Bus Unit xx – 2010 ERM Workshop Residual Risk Comparison

2010 Final Residual Rank	Rank Change 2009-2010 WS	2009 Final Residual Rank	2008 Final Residual Rank	Risk	Owner	2007 Risk Value (L)* X (S)*	2008 Risk Value (L)* X (S)*	2009 Risk Value (L)* X (S)*	2010 Risk Value (L)* X (S)*
	Na			Risk 1	Owner 1	Na	Na	Na	15.79
	5			Risk 2	Owner 2	9.82	12.32	7.86	10.22
	(1)			Risk 3	Owner 3	4.88	10.50	12.67	9.21
	9			Risk 4	Owner 4	11.05	7.47	6.04	9.09
	(4)			Risk 5	Owner 5	2.92	11.24	14.78	8.46
	5			Risk 6	Owner 6	Na	Na	6.24	8.46
	(3)			Risk 7	Owner 7	7.32	9.71	9.90	8.40
	0			Risk 8	Owner 8	3.92	7.14	7.05	7.35
	(4)			Risk 9	Owner 9	4.51	7.93	9.90	7.27
	(4)			Risk 10	Owner 10	10.50	12.83	8.39	7.13
	1			Risk 11	Owner 11	7.55	7.65	6.16	6.17
	(2)			Risk 12	Owner 12	8.23	9.34	6.45	5.95
	(10)			Risk 13	Owner 13	6.42	8.20	10.69	5.68
	(5)			Risk 14	Owner 14	Na	Na	6.95	5.59

*Note: Positive change in Rank represents the risk has moved **UP** on the risk spectrum.
Negative change in Rank represents the risk has moved **DOWN** on the risk spectrum.

Sample Risk Mitigation Plan (RMP)



Smart Grid Program Program Risk Management (PRM) Plan

Draft

Risk Mitigation Plan

Field	Directions		
Risk Name *	Sample Risk 1		
Related/Dependent Work Stream	Related Departments		
Org Unit/SBU *	Org Unit 1		
Risk Category	Category 1		
Risk Description *	Description of Sample Risk 1		
Risk Owner	Owner 1		
Trigger Date:	Expire Date: xx/xx/xxxx	Review Period: ie Weekly, Monthly	Last Review Date: xx/xx/xxxx
Risk Drivers *	<ul style="list-style-type: none">• Driver 1• Driver 2• Driver 3• Driver 4		
Triggering Event	<ul style="list-style-type: none">• Trigger Event 1• Trigger Event 2		
Likelihood / Probability Rating *	Rating b/t 1-5		
Significance / Impact Rating *	Rating b/t 1-5		

Generic RMP (continued)



Smart Grid Program Program Risk Management (PRM) Plan

Draft

Mitigation *	Mitigation Owner	Mitigation
	Mitigation Owner1	<ul style="list-style-type: none"> Mitigation 1
	Mitigation Owner2/ Mitigation Owner3	<ul style="list-style-type: none"> Mitigation 2 Mitigation 3
	Mitigation Owner4/ Mitigation Owner 5/ Mitigation Owner 6	<ul style="list-style-type: none"> Mitigation 4 Mitigation 5
	Mitigation Owner7	<ul style="list-style-type: none"> Mitigation 6 Mitigation 7
Contingency *	<ul style="list-style-type: none"> Contingency 1 Contingency 2 	
Opportunities for Improvement	<ul style="list-style-type: none"> Opportunity 1 Opportunity 2 Opportunity 3 	

Notes	
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Vote Results: DATE	Vote Results: RANKING	Vote Results: Risk Rating	Vote Results: Likelihood	Vote Results: Significance
11/11/2010	8	12.00	3.00	4.00
10/11/2010	3	10	2.00	5.00

Dynamic Emergency Operating Plan

Designed to efficiently restore electric service in orderly and timely manner

- First – restore service to key facilities vital to public safety, health and welfare
- Next – repair major lines that restore power to greatest number of customers in least amount of time

Pre-Seasonal EOP Preparations

- Finalize Storm Duty Assignments
- Provide EOP Related Job Training
- Operation Centers prioritize Distribution Circuits
- Hold EOP Plan Review Meetings with Operations Organization
- Finalize agreements with Material Vendors and Contractors
- Finalize Staging Site agreements
- Update all EOP Contact Information
- Conduct annual Drill Exercise prior to Hurricane Season
- Participate in Mutual Assistance organizations

Regional Mutual Assistance Groups

Over the past 70 years electric utilities have formed various Regional Mutual Assistance Groups (RMAGs). These groups have provided a cooperative, regional approach to identify and mobilize resources in an entire geographical region allowing for the safe and efficient release of resources in a timely manner.

Members of the following RMAGS:

- 1) Texas Mutual Assistance Group
- 2) Southeastern Electric Exchange Mutual Assistance Group
- 3) Midwest Mutual Assistance Group