



Hurley/Focht

RESOLUTION NO. 6186

WHEREAS, the Board of the Directors has determined it is in the best interest of the District, its employees, and its customer-owners to establish written policies that describe and document OPPD's corporate governance principles and procedures, and

WHEREAS, each policy was evaluated and assigned to the appropriate Board Committee for oversight of the monitoring process, and

WHEREAS, the Board's Finance, Insurance, & Audit Committee (the "Committee") is responsible for evaluating Board Policy SD-15: Enterprise Risk Management on an annual basis. The Committee has reviewed the SD-15: Enterprise Risk Management and finds OPPD to be sufficiently in compliance with the policy as stated.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors:

1. Accepts the monitoring report for SD-15: Enterprise Risk Management, in the form as set forth on Exhibit A attached hereto and made a part hereof, and finds OPPD to be sufficiently in compliance with the policy as stated, and
2. Approves the recommended revisions to Board Policy SD-15: Enterprise Risk Management, in the form as set forth on Exhibit B attached hereto, effective June 15, 2017.



Board Action

BOARD OF DIRECTORS

June 15, 2017

ITEM

SD-15: Enterprise Risk Management – Monitoring Report

PURPOSE

To ensure full Board review, discussion and acceptance of SD-15: Enterprise Risk Management – Monitoring Report


FACTS

- a. The Board confirmed the Corporate Governance Initiative Charter in December 2014, in order to assess and refine OPPD's corporate governance infrastructure.
- b. The first set of Board policies was approved by the Board on July 16, 2015. A second set of Board policies was approved by the Board on October 15, 2015.
- c. Each policy was evaluated and assigned to the appropriate Board Committee for oversight of the monitoring process.
- d. The Finance, Audit and Insurance Committee is responsible for evaluating Board Policy SD-15: Enterprise Risk Management – Monitoring Report on an annual basis.
- e. The Finance, Audit and Insurance Committee has reviewed SD-15: Enterprise Risk Management – Monitoring Report and is recommending that OPPD be found to be sufficiently in compliance with the policy as stated.
- f. As part of the annual review, management has recommended to the Finance, Audit and Insurance Committee that Board Policy SD-15: Enterprise Risk Management be revised as outlined on Exhibit B attached hereto. The Finance, Audit and Insurance Committee has reviewed and accepted the revisions.

ACTION

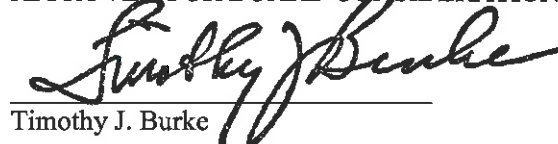
The Finance, Audit and Insurance Committee recommends Board approval of SD-15: Enterprise Risk Management – Monitoring Report.

RECOMMENDED:



Scott M. Focht

APPROVED FOR BOARD CONSIDERATION:



Timothy J. Burke

SMF:dnl

Attachment: Exhibit A – Monitoring Report
Exhibit B – Revisions
Resolution

Monitoring Report SD-15: Enterprise Risk Management

Finance, Insurance and Audit Committee Report
June 15, 2017



SD-15: Enterprise Risk Management

OPPD shall maintain an enterprise risk management (ERM) program to perform an independent oversight function of the District's risk management activities to ensure significant risks are identified, assessed, managed, and reported through organizational policies, procedures, and processes to maintain risk exposures within agreed upon risk tolerance levels.

The Board of Directors shall:

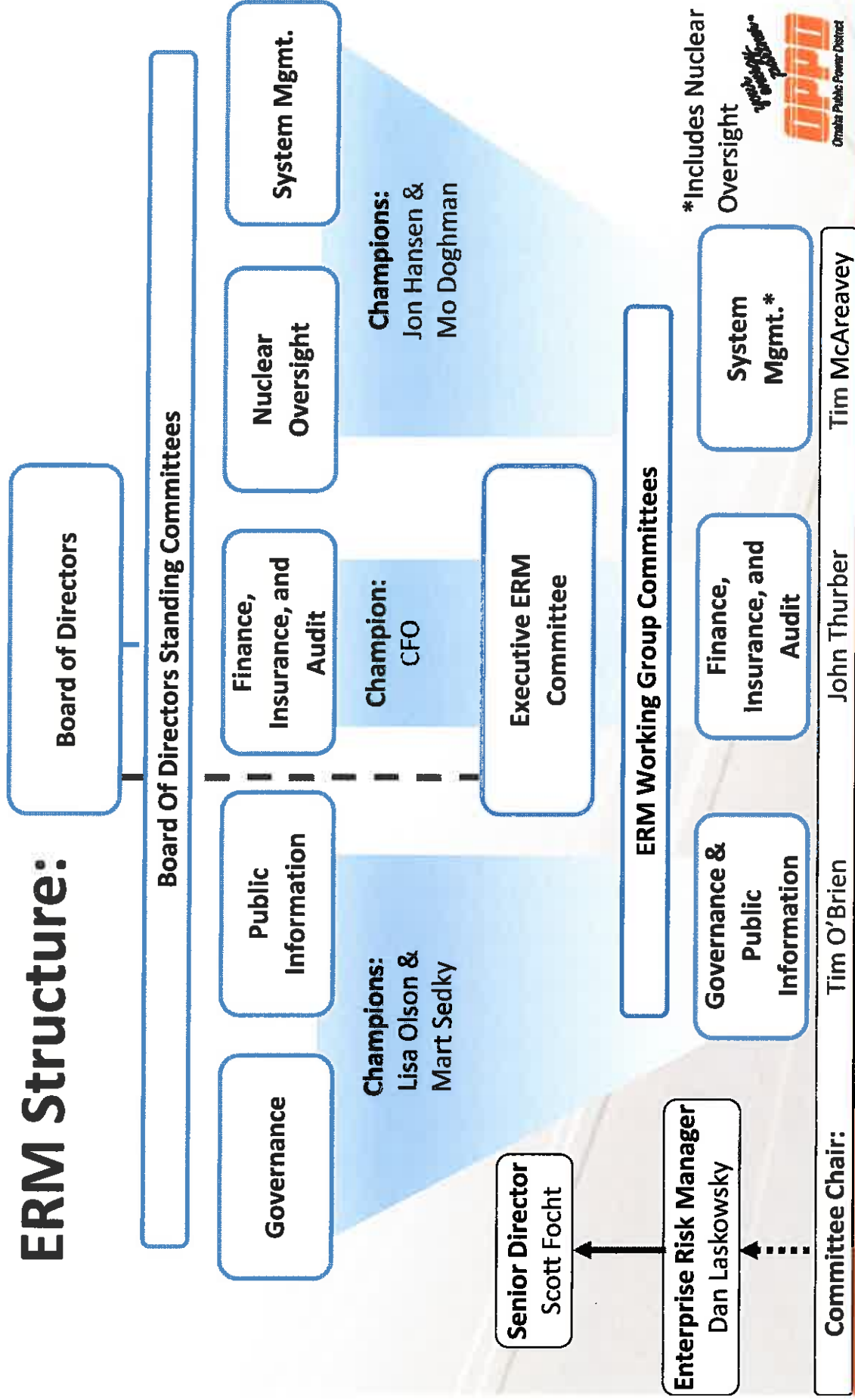
- Ensure the District is maintaining an ERM program that fulfills this policy;
- Review the District's most significant risks on a quarterly basis to validate assumptions and assess the impacts of changes since initial risk review;
- When necessary, request additional explanation of the risk from the corresponding Vice President responsible for the risk or request additional expertise to supplement the review; and
- Review additional ERM information, related risk activities, and strategies on an as-needed basis.

Ensure the District is maintaining an ERM program that fulfills this policy;

- Board Policy SD-15 & ERM Policy guide responsibilities and procedures for managing risks
- Alignment of Committees with corporate governance
- Risk Identification & Oversight:
 - Monthly: All three ERM Working Group Committees meet to identify and assess risks and have at least one member from each Business Unit.
 - Quarterly: Reports on the District's significant risks are provided to Executive ERM Committee and the Board of Directors. Senior Management affirms the following items:
 - Enterprise risks are identified.
 - Significant enterprise risks are understood.
 - Mitigation strategies are understood, appropriate, and sufficient.

Ensure the District is maintaining an ERM program that fulfills this policy;

ERM Structure:



Review the District's most significant risks on a quarterly basis to validate assumptions and assess the impacts of changes since initial risk review;

- SMT revised ERM Risk Matrix & Risk Appetite – Oct. 4, 2016
 - Expanded consequences considered beyond just financial
 - Safety, Reliability, Regulatory, Reputation, and Technology
 - Provides more descriptive and when possible quantitative language to allow for more intentional and consistent risk ranking
 - Formally declares a risk appetite and which risks are and are not acceptable to the District
 - Establishes a risk severity floor, which a particular risk must exceed to be considered an enterprise risk

Risk Severity	Consequence				Enterprise Risk	Risk Likelihood (5 Years)		Risk Appetite Guidance
	Safety	Financial	Reliability	Regulatory		Probability	Frequency	
Very High	Loss of life or limb	Loss of more than \$100 million	Loss of more than 100 days of service	Loss of more than 100 days of service	Loss of more than \$100 million	Loss of more than 100 days of service	Loss of more than 100 days of service	Not acceptable
High	Loss of life or limb	Loss of more than \$50 million	Loss of more than 50 days of service	Loss of more than 50 days of service	Loss of more than \$50 million	Loss of more than 50 days of service	Loss of more than 50 days of service	Not acceptable
Medium	Loss of life or limb	Loss of more than \$25 million	Loss of more than 25 days of service	Loss of more than 25 days of service	Loss of more than \$25 million	Loss of more than 25 days of service	Loss of more than 25 days of service	Not acceptable
Low	Loss of life or limb	Loss of more than \$10 million	Loss of more than 10 days of service	Loss of more than 10 days of service	Loss of more than \$10 million	Loss of more than 10 days of service	Loss of more than 10 days of service	Not acceptable
Very Low	Loss of life or limb	Loss of more than \$5 million	Loss of more than 5 days of service	Loss of more than 5 days of service	Loss of more than \$5 million	Loss of more than 5 days of service	Loss of more than 5 days of service	Not acceptable

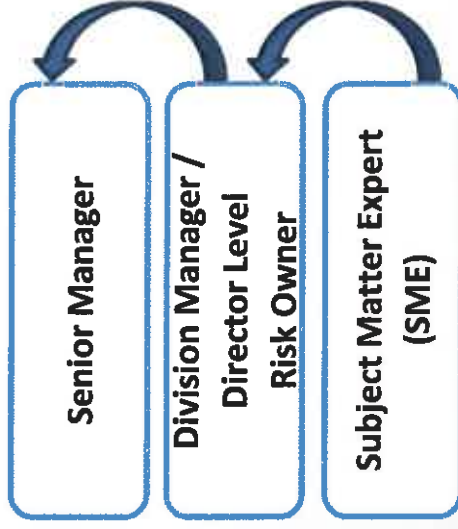


Review the District's most significant risks on a quarterly basis to validate assumptions and assess the impacts of changes since initial risk review;

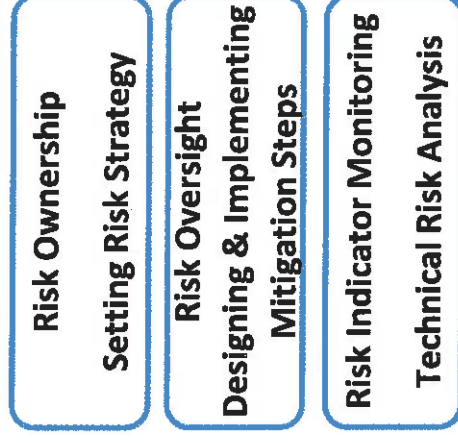
- 3rd Quarter 2016 Report - Sept. 13, 2016
- 4th Quarter 2016 Report - Dec. 15, 2016
- 1st Quarter 2017 Report - Mar. 16, 2017
- 2nd Quarter 2017 Report - Jun. 15, 2017

When necessary, request additional explanation of the risk from the corresponding Senior Manager responsible for the risk or request additional expertise to supplement the review;

- Three levels of risk ownership:



Responsible For:



- Directors are able to request additional information from the corresponding Senior Management owner responsible for any significant risk.
- Directors can also request that Senior Management arrange for additional expertise to supplement the review of a specific significant risk.

Review additional ERM information, related risk activities, and strategies on an as-needed basis.

- Business Decision Model includes risk assessment
- Leverage ERM during Strategic Planning, Business Unit Planning, and Capital Project Prioritization
- Recent Board recommendations have included risk-related information as part of the discussion. Some examples and the risks they help mitigate include:
 - Resolution No. 6179 – SD-11 Economic Development Monitoring Report - Facebook Project (Apr. 13, 2017)
 - Resolution No. 6177 – Appointment of New Retirement Plan Investment Managers (Mar. 16, 2017)
 - Resolution No. 6151 – Approval of Corporate Operating Plan (Dec. 15, 2016)


Recommendation

- The Finance, Audit, and Insurance Committee has reviewed and accepted this Monitoring Report for SD-15 and recommends that the Board find OPPD to be sufficiently in compliance with Board Policy SD-15.

Revisions?

- Make policy consistent with style and formatting of other policies
- Change “Vice President” to “Senior Manager” as the responsible leader
- The Board of Directors shall:
 - Ensure the District is maintaining an ERM program that fulfills this policy.
 - Review the District’s most significant risks on a quarterly basis to validate assumptions and assess the impacts of changes since initial risk review.
 - When necessary, request additional explanation of the risk from the corresponding **Senior Manager** responsible for the risk or request additional expertise to supplement the review.
 - Review additional ERM information, related risk activities, and strategies on an as-needed basis.

EXHIBIT B

	OMAHA PUBLIC POWER DISTRICT Board Policy	Category:	Strategic Direction
	Policy Name:	Policy No.:	SD-15
	Enterprise Risk Management	Monitoring Method:	Finance, Audit and Insurance <u>Insurance</u> Committee Board Report
		Frequency:	Annually
Date of Approval:	July 16, 2015 <u>June 15, 2017</u>	Resolution No:	6070 <u>6186</u>

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- Review additional ERM information, related risk activities, and strategies on an as-needed basis.