

# Monitoring Report SD-15: Enterprise Risk Management Governance Committee

**June 9, 2020**

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# SD-15: Enterprise Risk Management

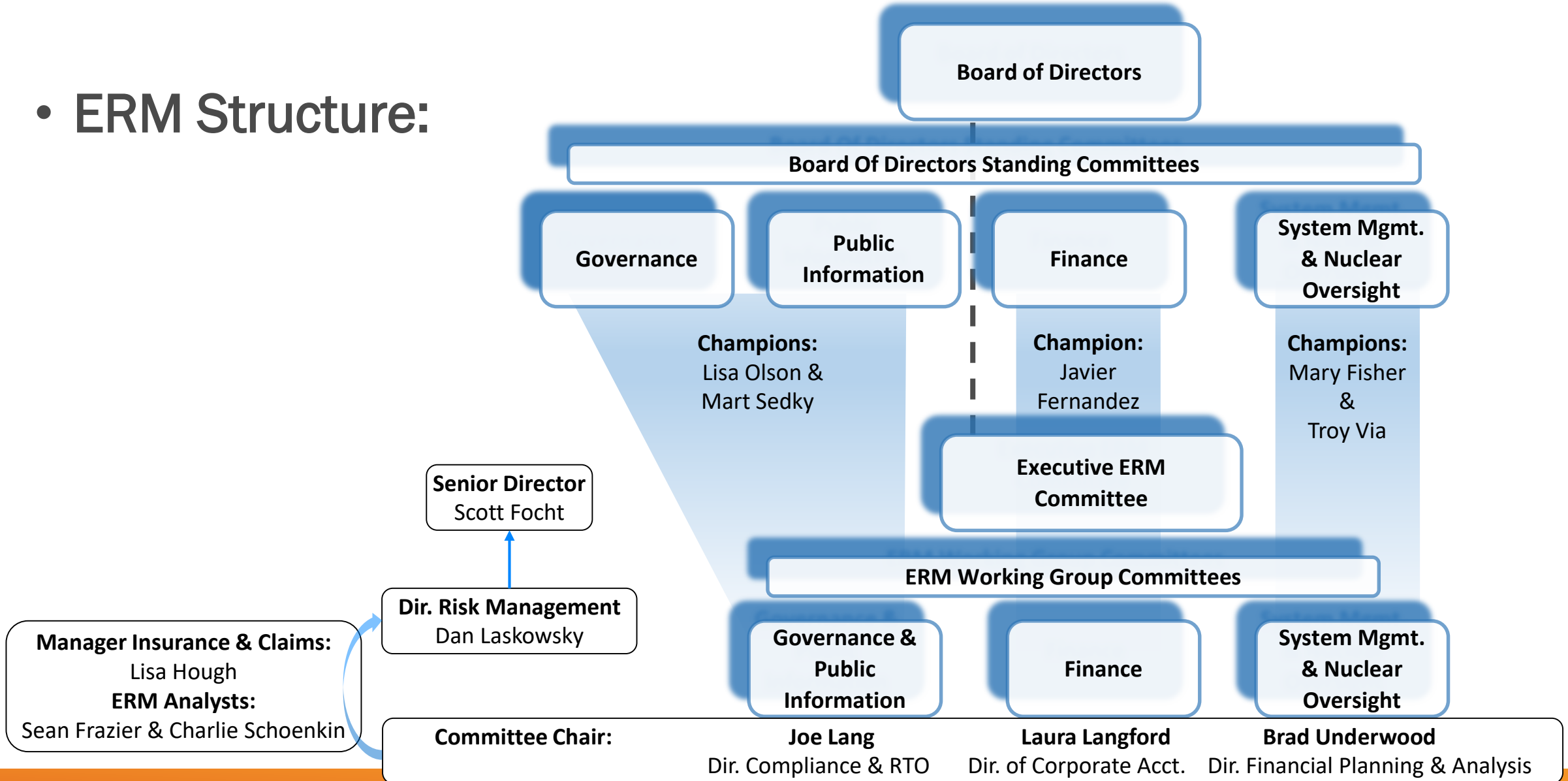
OPPD shall maintain an enterprise risk management (ERM) program to perform an independent oversight function of the District's risk management activities to ensure significant risks are identified, assessed, managed, and reported through organizational policies, procedures, and processes to maintain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

- ERM Structure:



## 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
- 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, to a reasonable extent.
    - Significant enterprise risks are understood.
    - Mitigation strategies are understood, appropriate, and sufficient.

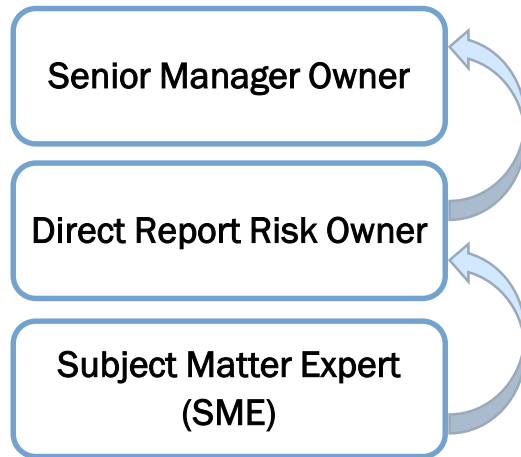
# Review the District's most significant risks on a quarterly basis to validate assumptions and assess the impacts of changes since initial risk review;

- 3rd Quarter 2019 Report (Closed Session) - October 15, 2019
- 4th Quarter 2019 Report (Closed Session) - December 10, 2019
- 1st Quarter 2020 Report (Closed Session) – Postponed to Q2 due to pandemic
- 2nd Quarter 2020 Report (Closed Session) - June 9, 2020

Instructions:						Risk Likelihood (5 Years)				Risk Appetite Guidance	
1 - The severity text for each consequence is a representative, and not an exhaustive, list of the events that would fall under each level, use your best judgement to rank any consequences not explicitly listed. Determine the potential consequences of the risk being considered.						Theoretically Possible, Never Occurred at OPPD or in the Industry, <1%	Has Happened in the Industry, Potential to Occur at OPPD, 1% - 10%	Has Happened at OPPD, Multiple Occurrences in the Industry, Probable, 11% - 25%	Likely to Occur at OPPD, Multiple Occurrences at OPPD, Expected, 26% - 100%		
2 - The Risk Severity is determined by the highest severity level across all the consequences. If stuck between two levels for a specific consequence, choose the higher of the two levels to err on the side of caution. The [1] button above column 1 can hide the consequence section											
3 - Choose the Risk Likelihood that best represents the best representation that the consequences chosen will occur within the coming 5 year period.											
Consequence						Text indicates the Mgmt. Escalation Level and Frequency Required.					
Safety	Financial	Reliability	Regulatory	Reputation	Technology	1	2	3	4		
Risk Severity	Death(s) or Multiple Major Injuries / Multiple SIFs or Nuclear General Emergency Declaration	Greater Than \$15 Million Loss in a Single Year and/or Greater Than \$60 Million Loss in a 5 Year Period	Destruction of Major Facility, Complete Service Territory Blackout, Long-Term Interruption of "Normal" Business	Environmental Major Contaminant or Radioactive Release Resulting in Criminal Fines against OPPD or Prison Time for Employees	Persistent International or National Concerns, Governmental Inquiry, Permanent "Brand" Impact	Compromise of Any Network, Loss/Theft of Data, Primary and Backup Critical Systems Down or Severely Degraded for 2+ Days, or High Impact Bulk Electric System (BES) Cyber Systems and associated communication systems down or severely degraded for 12 hours. Compromise of Any Operational Network /System that materially jeopardizes plant safety or	Executive ERM Committee (Quarterly)	Board of Directors & Executive ERM Committee (Quarterly)	Board of Directors & Executive ERM Committee (Quarterly)	Board of Directors & Executive ERM Committee (Quarterly)	Unacceptable Risk Level Must Avoid or Mitigate to a lower level.
	Single Major Injury (Hospitalization) / SIF Case or Multiple DART Cases or Nuclear Site Area Emergency Declaration	Greater Than \$10 Million Loss in a Single Year and/or Greater Than \$40 Million Loss in a 5 Year Period	Significant Damage to Major Facility, Load Shedding to Maintain Grid, Sustained Nuclear: Site Area Emergency Declaration	Significant Regulatory Violation Resulting in Greater than \$1 Million in Civil Penalties	Persistent National Media Scrutiny, Long Term "Brand" Impact, Negative Viral Social Media Impact	Critical Application, Data Server, Major Network Segment, Infrastructure Component Down or Severely Degraded for 1+ Day, or High Impact Bulk Electric System (BES) Cyber Systems and associated communication systems down or severely degraded for 2 hours. Compromise of Any Operational Network /System that could jeopardize plant safety or causes a forced	ERM WG Committee (Annually)	Executive ERM Committee (Quarterly)	Executive ERM Committee (Quarterly)	Board of Directors & Executive ERM Committee (Quarterly)	Undesirable Risk Level Avoid when possible, mitigate to a lower level if unable to avoid, accept only with 75% approval from Senior Management.
	Injury Requiring Treatment by Medical Practitioner / DART Case or Nuclear: Alert Declaration	Greater Than \$5 Million Loss in a Single Year and/or Greater Than \$20 Million Loss in a 5 Year Period	Damage to an OPPD Facility, Several Circuit Lockouts, Orange Operating Condition - Fossil, Construction & Maintenance Halted	Regulatory Violation Resulting in Greater than \$50k in Civil Penalties	Persistent Local Media Scrutiny, Some Negative National Media Attention, Short Term "Brand" Impact, Negative Social Media Impact	Critical Application, Data Server, Network Segment, Infrastructure Component, or Operational Network/System Down or Severely Degraded for 2+ Hrs	ERM WG Committee (Biennially)	ERM WG Committee (Annually)	ERM WG Committee (Annually)	Executive ERM Committee (Quarterly)	Tolerable Risk Level Avoid when plausible, mitigate if possible, accept only with approval from ERM WG Committee with 75% approval
	First Aid Required or Nuclear: Notice of Unusual Event (NOUE) Declaration	Greater Than \$500k Loss in a Single Year and/or Greater Than \$2 Million Loss in a 5 Year Period	Some Circuit Lockouts, Yellow Operating Condition, Fossil, Significant Impact to Construction and Maintenance	Notice of Non-Compliance, Violation or Potential Violation Resulting in Less than \$50k in Civil Penalties	Negative Short Term Local Media Attention, Scrutiny by Senior Management, Negative Social Media Attention	Any Application, Data Server, Network Segment, Infrastructure Component, or Operational Network/System Down or Severely Degraded for 1+ Hrs	ERM WG Committee (Biennially)	ERM WG Committee (Biennially)	ERM WG Committee (Annually)	ERM WG Committee (Annually)	Acceptable Risk Level Accept, Mitigate only when prudent, Avoid only when risk is unnecessary
	No Injuries and Impact would Not Lead to a Notice of Unusual Event (NOUE) Declaration	Less Than \$500k Loss in a Single Year and/or Less Than \$2 Million Loss in a 5 Year Period	Normal Operating Conditions, Outage Activity is Limited and Isolated, Construction and Maintenance Proceed as Planned	No Regulatory Impact	Limited or No Negative Press or Social Media Attention	Normal Operations, Any Issues can be Resolved in Less Than 1 Hour	Non-ERM Risk	Non-ERM Risk	Non-ERM Risk	Non-ERM Risk	Risk of Doing Business Accept, Maintain awareness and escalate to ERM if risk significantly changes.
						Division / Dept. Risk					

# 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.**

- Leverage ERM during Strategic Planning, Resource Planning, and Capital Project Prioritization
- Business Decision Model includes risk assessment
- Recent Board recommendations have included risk-related information as part of the discussion. Some examples include:
  - Resolution No. 6336 – Replacement of NC1 Turbine Low Pressure Rotors (August 13, 2019)
  - Resolution No. 6351 - Power with Purpose (November 14, 2019 and Ongoing)
  - Resolution No. 6354 – Approval of Corporate Operating Plan (December 12, 2019)

# Recommendation

- The Governance 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.