Monitoring Report
SD-15: Enterprise Risk Management

Scott Focht

Vice President – Corporate Strategy & Governance

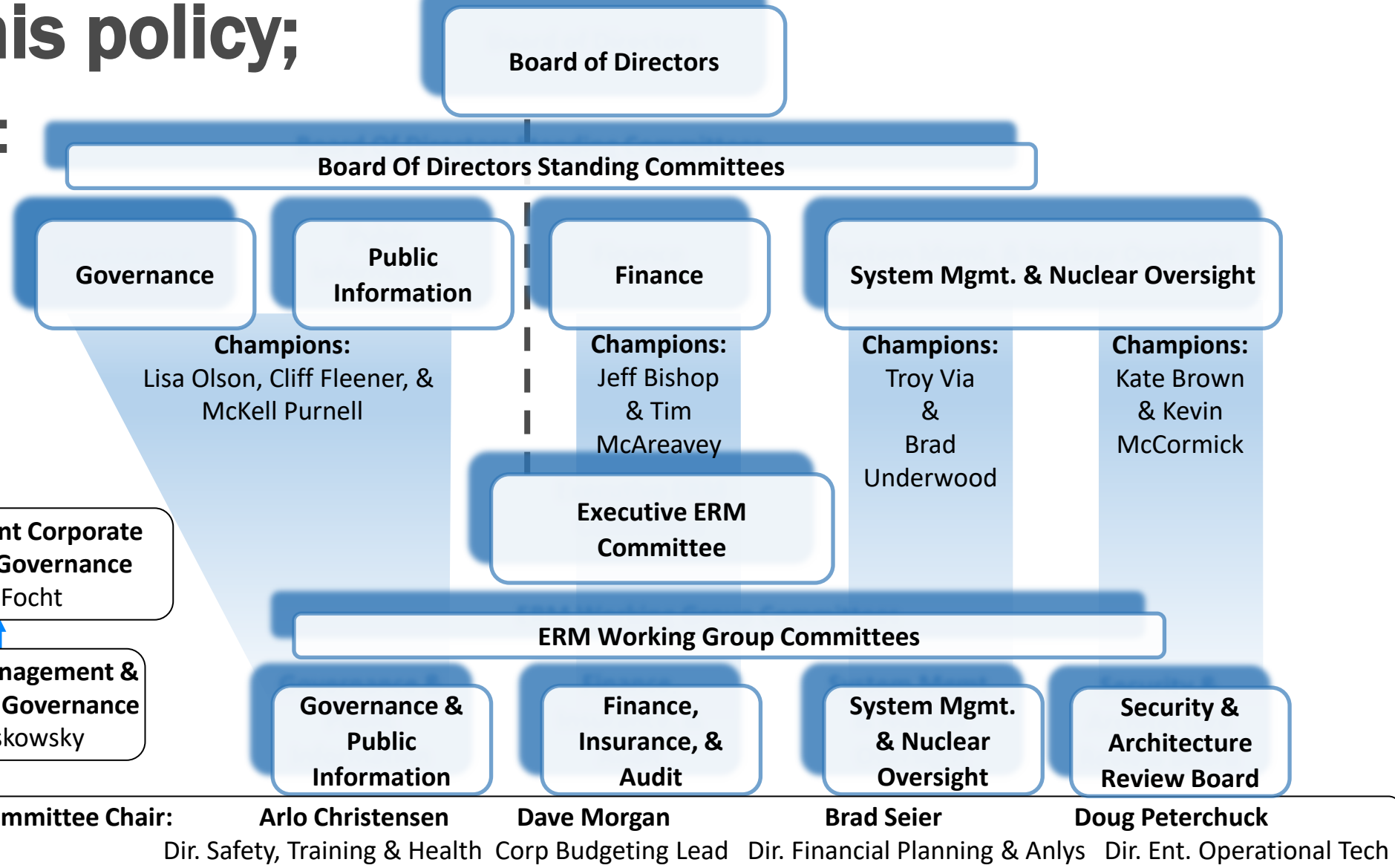June 13, 2023

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 member of OPPD's executive leadership team 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.

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

- ERM Structure:

Board of Directors

Board Of Directors Standing Committees

| Governance | Public Information | Finance | System Mgmt. & Nuclear Oversight |

Champions: Lisa Olson, Cliff Fleener, & McKell Purnell

Champions: Jeff Bishop & Tim McAreavey

Champions: Troy Via & Brad Underwood

Champions: Kate Brown & Kevin McCormick

Executive ERM Committee

Vice President Corporate Strategy & Governance Scott Focht

Dir. Risk Management & Compliance Governance Dan Laskowsky

ERM Analysts: Charlie Schoenkin & Patrick Drahota

ERM Working Group Committees

| Governance & Public Information | Finance, Insurance, & Audit | System Mgmt. & Nuclear Oversight | Security & Architecture Review Board |

Committee Chair:
Arlo Christensen
Dir. Safety, Training & Health

Dave Morgan
Corp Budgeting Lead

Brad Seier
Dir. Financial Planning & Anlys

Doug Peterchuck
Dir. Ent. Operational Tech

OPPD

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. The Security & Architecture Review Board also performs this role in addition to its other responsibilities.
  - Quarterly: Reports on the District's significant risks are provided to Executive ERM Committee and the Board of Directors. Executive Leadership affirms the following items:
    - Enterprise risks are identified, to a reasonable extent.
    - Significant enterprise risks are understood.
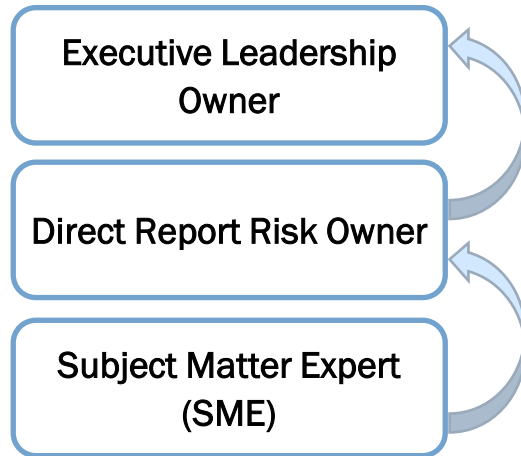   - Mitigation strategies are understood, appropriate, and sufficient.

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 2022 Report (Closed Session) - September 20, 2022

- 4th Quarter 2022 Report (Closed Session) - December 13, 2022

- 1st Quarter 2023 Report (Closed Session) - March 14, 2023

- 2nd Quarter 2023 Report (Closed Session) - June 13, 2023

Instructions:
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.
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 [-] button above column H 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.	Risk Likelihood (5 Years)				Risk Appetite Guidance
								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%	
	Safety	Financial	Reliability	Regulatory	Reputation	Technology		1	2	3	4	
4	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 Concern, 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.
3	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 Customer Outage for Portion of Service Territory	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.
2	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 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.
1	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.
0	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.

(Left column label: Risk Severity; right-middle label: Enterprise Risk / Division / Dept. Risk)

When necessary, request additional explanation of the risk from the corresponding member of OPPD's executive leadership team responsible for the risk or request additional expertise to supplement the review;

- Three levels of risk ownership:

Responsible For:

Executive Leadership Owner	Risk Ownership Setting Risk Strategy
Direct Report Risk Owner	Risk Oversight Designing & Implementing Mitigation Steps
Subject Matter Expert (SME)	Risk Indicator Monitoring Technical Risk Analysis

- Directors are able to request additional information from the corresponding Executive Leadership owner responsible for any significant risk.

- Directors can also request that Executive Leadership arrange for additional expertise to supplement the review of a specific significant risk.

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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

- ERM support of COVID-19 pandemic response

- Business Decision Model includes risk assessment

- Recent Board recommendations have included risk-related information as part of the discussion. Some examples include:
  - Resolution No. 6518 - Power with Purpose: Reliability / North Omaha Station Recommendation (August 16, 2022)
  - Resolution No. 6564 – 2023 Final Corporate Operation Plan (December 13, 2022)
  - Resolution No. 6566 – Decommissioning Trust Funding (April 18, 2023)

OPPD

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.

Any additional reflections on

what has been accomplished … or

challenges or gaps