Risk Management Update

July 29, 2014

Audit Committee Meeting

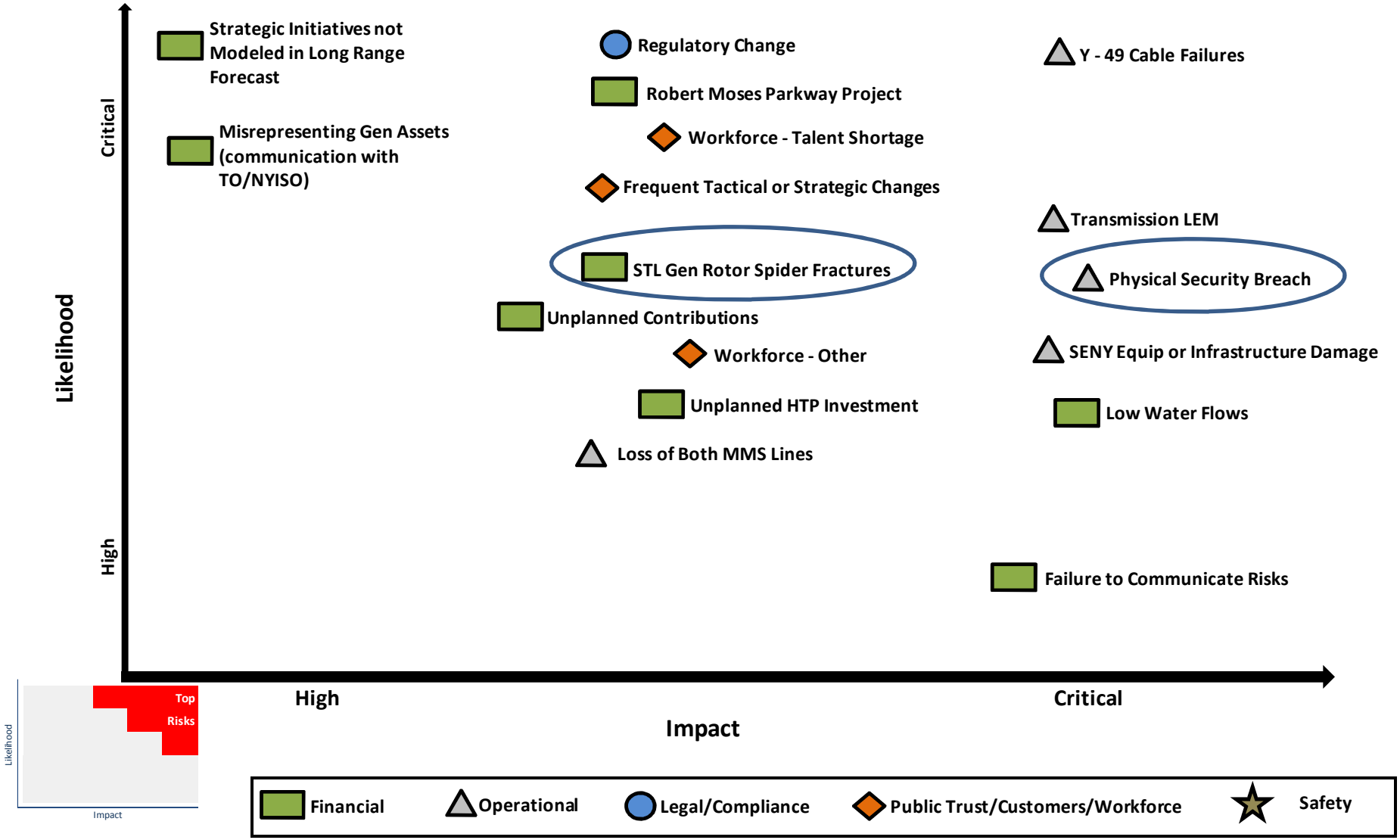
Frank Deaton, Director Enterprise Risk Management

New York Power Authority

Executive Summary

- **2014 Risk Inventory Refresh**
  - **Top Risk Updates**
- **Risk Response**
  - **Response Strategy and Activities (all risks)**
  - **Deep Dives and Dashboards**
- **Upcoming**
  - **Cyber Briefings**
  - **Internal Audit**

Top Risks (updated 6/30/14)



New York Power Authority

Risk Dashboards

Significant Increases in Non-Recurring O&M Expenditures
Risk Response Dashboard - June 2014

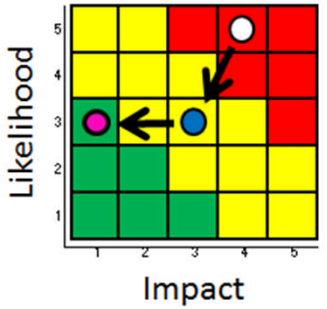
Risk Number	374-2013

Risk Owner	Tom Davis, VP Fin Planning

2013: Impact 4 x Likelihood 5 = 20	○
2014: Impact 3 x Likelihood 3 = 9	●
Expected: Impact 1 x Likelihood 3 = 3	●

Response Strategy	Accept	Avoid	Mitigate	Share	Transfer
			X		

Response Strategy Expected Outcome	Early communication between operations and budgets and clear direction on total O&M and total non-recurring O&M budgetary targets.Risk-based project and/or short-term long-term prioritization that is in alignment with industry standard practices.Early executive engagement and decision making during the process in order to gain consensus and cross-functional buy-in.



	Risk Response Plan	Owner	Date	Status	
R1	Operations and Financial Planning - Process Improvement	Bob Hopkins	May-14	$60 Million 2015 Target Number	●
R2	Project Substantiation and Asset Management	Dolly Jinvit	May-14	Implementing Project Prioritization	●

Resources	Capital $	O&M $	FTEs	Budgeted (Y/N)	Year
Estimate	NA	NA	NA	NA	
Update					

	Key Risk Indicator (KRI) Metric/Milestone	Threshold	Prior Period	Current Period	
KRI1	Rate increase significantly greater than inflation	2 x inflation (3%)	8%*	8%*	●
KRI2	Net revenue or customer impact due to deviation from current rate plan	$8-10 Million	$13.7 Million	$13.7 Million	●

6/30/14 update

*Need for rate action was offset by favorable UCAP credits in the COS.

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Risk Dashboards

Increasingly Difficult to Attract and Retain Workforce - SENY Region
Risk Response Dashboard - June 2014

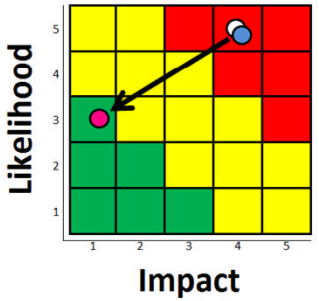
Risk Number	388-2013

Risk Owner	Tim Zandes, SENY Regional Mgr

Risk Score	
2013: Impact 4 x Likelihood 5 = 20	○
2014: Impact 4 x Likelihood 5 = 20	●
Expected: Impact 1 x Likelihood 3 = 3	●

Response Strategy	Accept	Avoid	Mitigate	Share	Transfer
			X		

Response Strategy Expected Outcome	Sustainable high performance workforce talent pool for predictable & reliable generation.



	Risk Response Plan	Owner	Date	Status
R1	Competitive pay aligned to local IPP market & local cost of living	Galina Nisman	6/14 - 15*	One bid submitted for RFP ●
R2	Transform legacy organizational structure	Jim Anderson	12/15*	Briefing to represented ongoing ●
R3	Effective two way & participatory internal communication	Tim Zandes	12/14	SENY Buzz launched ●
R4	Develop sustainable operational workforce plan	Galina Nisman	12/15*	Job gap analysis underway ●
R5	Obtain 500 MW NYC building code/fire code exemption	Jim Anderson	NA	Costs are not material to proceed w/plan

* Represented may take longer

Resources	Capital $	O&M $	FTEs	Budgeted (Y/N)	Year
Estimate	NA	NA	NA	**	
Update					

** Depends on Response Plan

	Key Risk Indicator (KRI) Metric/I	Target	2013 Year End	YTD June 2014
KRI1	Non-retirement voluntary separation	1%	5%	0% ●

7/1/14 update

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