

Enterprise Risk Management: Update for the Finance & Audit Committee

December 19th, 2017



Agenda

- ▲ Review of LIPA's Board Policy
- ▲ Enhanced Process Overview
- ▲ Resource Plan
- ▲ Progress to Date
- ▲ New Program Benefits
- ▲ Power and Utility Industry Risk Trends
- ▲ Next Steps



Review of LIPA's Board Policy on ERM

In accordance with the Board Policy on ERM, LIPA management is tasked to:

- ▲ Identify and mitigate risks that could affect the Authority's ability to carry out its mission on behalf of its customer-owners;
- ▲ Enhance the effectiveness of planning and decision-making by the Authority and PSEG Long Island;
- ▲ Provides transparency to the Authority, PSEG Long Island and the Board of Trustees regarding the risks and actions taken to manage those risks; and
- ▲ Maintain prudent and appropriate levels of insurance or other coverage against insurable risks, if available and economic.

Enhanced Process Overview

The process begins by utilizing a bottom-up approach with guidance from LIPA's ERM staff and the utility's Senior Leadership Team, to develop a risk profile for LIPA and PSEG Long Island departments.

When completed, the ERM assessment process will position LIPA and PSEG Long Island to:

- ▲ Have a **consistent process** for risk assessments across both organizations
- ▲ Raise risk awareness and foster a **risk intelligent culture**
- ▲ Promote **actionable insights** that will help in making **timely** and more strategic **business decisions** and **capital budget allocations**



ERM Risk Management Lifecycle

Resource Plan

- ▲ Consultant to continue through January 2018
- ▲ Hired part-time ERM Advisor
- ▲ Hire 2 new ERM staff, as needed
- ▲ LIPA and PSEG Long Island collaborative effort
- ▲ Benchmark leading practices with LPPC, Deloitte Roundtable, and NY area ERM practitioners

Progress to Date

08

LIPA departments that have completed or are in the process of completing the enterprise risk assessment process

53

Key risks identified, defined and assessed

83

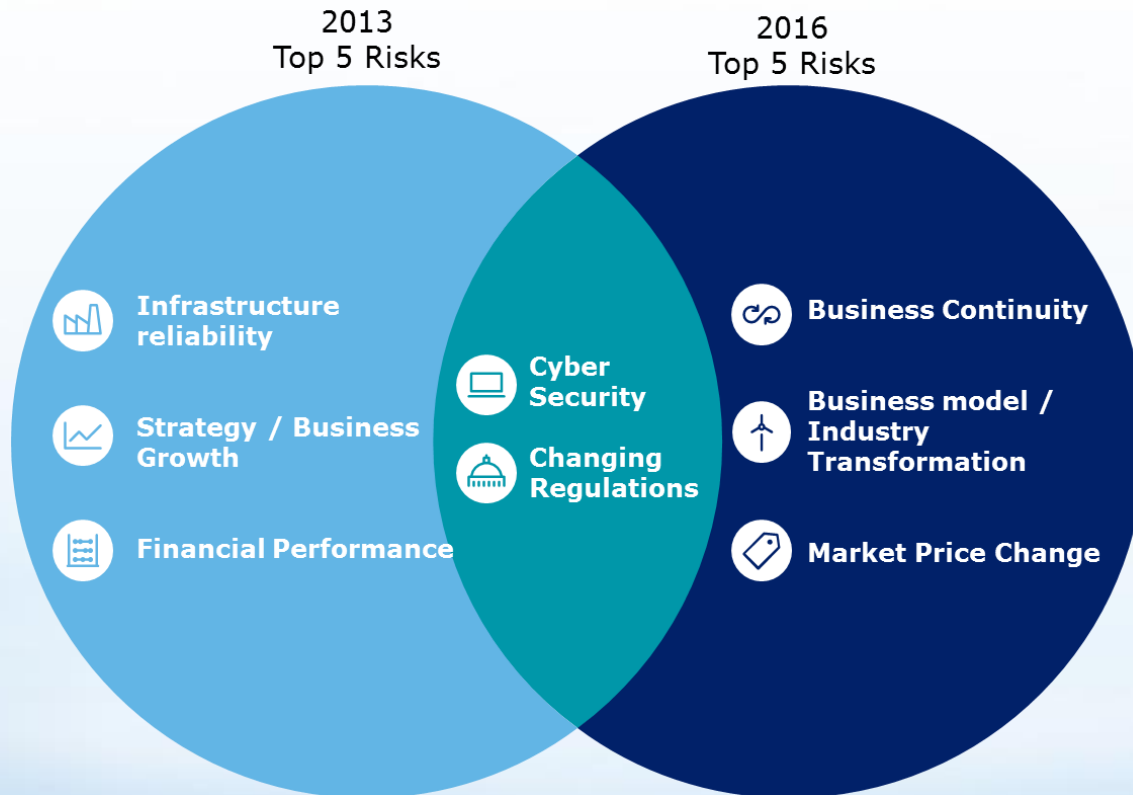
Facilitated working sessions



New Program Benefits



Deloitte Top Risk Trends 2013 vs 2016



Risks that have been trending up:

- Business Model / Industry Transformation
- Reputation
- Customer Relationships / Experience
- Business Continuity
- Rogue Insider
- Physical Security

*Information gathered by polling 40 ERM power & utility professionals

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Edison Electric Institute (EEI) Industry Risk Trends



- ▲ 27 ERM Task Force member companies participated in the EEI survey

2017 Rank	2016 Rank	Risk
1	1	Cybersecurity
2	5	Strategy and Execution (incl. Business Model)
3	3	Pressure on Rates and Returns
4	4	Regulation/Legislation
5	13	Aging Infrastructure
6	7	Operational Performance (reliability)
7	8	Data Privacy / Sensitive Personal Info Release
8	2	Safety – Employee and Public
9	WI	Customer Expectations
10	6	Catastrophic Event Response (including storms)

*WI – included as a write-in risk



Next Steps

- ▲ Complete LIPA department risk profiles – target date Q1 2018
- ▲ Provide update to management on LIPA risk profiles – target date Q1 2018
- ▲ Begin development of risk profiles for PSEG Long Island departments – target date Q1' 2018
- ▲ Provide next update to the F&A Committee – target date Q2 2018
- ▲ Continue regular Senior Leadership briefings of LIPA and PSEG Long Island management