

## **FOR CONSIDERATION**

February 24, 2021

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of the Adoption of Implementation Plans for the ERM Recommendations

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### **Requested Action**

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution attached hereto as **Exhibit “A”** adopting Implementation Plans for certain of the Enterprise Risk Management (“ERM”) recommendations (the “ERM Recommendations”) adopted by the Board at the December 16, 2020 meeting.

### **Discussion**

The Isaias Task Force’s 90-Day Report found numerous examples where PSEG Long Island lacked transparency in its dealings with LIPA. This lack of transparency has impacted the effectiveness of LIPA’s ERM Program, including inaccurate and, at times, overly confident rankings by PSEG Long Island of certain key risks and poor implementation of mitigation strategies. To address these issues, LIPA ERM Staff recommended, and the Board adopted, on December 16, 2020, the following recommendations:

- Include LIPA SMEs and ERM team members in all risk discussions;
- Designate management-level owners for each risk mitigation strategy and related management action plan;
- Establish a joint SharePoint site so that risk information, including risk assessment, deep dive analysis, mitigation strategies, and current status of implementation plans, can be accessed in real-time by LIPA SMEs;
- Produce an annual ERM report, providing a complete aggregation of all risks, effectiveness of mitigation actions for high-priority risks, areas of weakness/need improvement, and general observations, by June 1 of each year;
- Perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency;
- Develop a risk correlation matrix to better understand end-to-end impacts and the risks that are interrelated (especially for major storm) to better inform needed mitigation strategies;
- Provide risk training to all SMEs participating in the annual risk assessment process so that the expectations and value of the process are better understood by the participants; and
- Develop a process so that if a high-risk event or condition is identified by LIPA, PSEG Long Island, or PSEG personnel (e.g. when OMS was failing days before the storm) such event or condition (i) immediately triggers a risk review by the LIPA and PSEG Long Island ERM teams and (ii) is elevated to both LIPA and PSEG Long Island management.

On January 8, 2021, PSEG Long Island submitted Implementation Plans for the ERM Recommendations and, at its January 27<sup>th</sup> meeting, the LIPA Board adopted five Implementation Plans recommended by LIPA's ERM Staff. On February 3, 2021, PSEG Long Island submitted revised Implementation Plans for the remaining three recommendations. LIPA ERM Staff provided comments on those Implementation Plans on February 8, 2021 and asked for revised Plans addressing those comments to be submitted on February 10, 2021. PSEG Long Island submitted its revised Implementation Plans on February 10, 2021. ERM Staff recommends the Board adopt the three Implementation Plans attached hereto as **Exhibit "B"**.

**Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

- Exhibit "A"** Resolution
- Exhibit "B"** ERM Implementation Plans

**RESOLUTION APPROVING IMPLEMENTATION PLANS FOR CERTAIN  
ENTERPRISE RISK MANAGEMENT RECOMMENDATIONS**

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**WHEREAS**, the Isaias Task Force’s 90-Day Report found numerous examples where PSEG Long Island lacked transparency in its dealings with LIPA, and this lack of transparency has impacted the effectiveness of LIPA’s ERM Program, including inaccurate and, at times, overly confident rankings by PSEG Long Island of certain key risks and poor implementation of mitigation strategies; and

**WHEREAS**, on December 16, 2020, the Board adopted the ERM Recommendations and requested implementation plans for each of these recommendations and quarterly reporting to the Finance & Audit Committee (the “Committee”) on the status of their implementation.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board adopts the Implementation Plans attached hereto as **Exhibit “B”**; and

**BE IT FURTHER RESOLVED**, that the Board asks for quarterly reporting on the status of the Implementation Plans until such time as the plans are fully implemented.

Dated: February 24, 2021

## **Exhibit B**

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**PSEG Long Island  
Project Implementation Plan  
for  
Recommendation Implementations  
Recommendation No. 4  
Project Title: Enterprise Risk Management**

The following PSEGLI ERM Letter recommendation is directly addressed as part of this plan:

LIPA ID	Report	Task Force recommendations directly addressed in this plan
4	ERM Letter	Produce an annual ERM report, providing a complete aggregation of all risks, effectiveness of mitigation actions for high-priority risks, areas of weakness/need improvement, and general observations, by June 1 of each year

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## **1. Project Definition**

The Purpose of this plan is to address recommendation no. 4 of LIPA’s December 4, 2020 letter (the “ERM Letter”) to “produce an annual ERM report, providing a complete aggregation of all risks, effectiveness of mitigation actions for high-priority risks, areas of weakness/need improvement, and general observations, by June 1 of each year”. Efforts to implement this recommendation will be in effect throughout 2021.

### **1.1. Project Purpose, Objectives, and Success Criteria**

#### ***1.1.1 Project Objectives:***

Produce an annual ERM report, providing a complete aggregation of all risks, effectiveness of mitigation actions for high-priority risks, areas of weakness/need improvement, and general observations, by June 1 of each year.

#### ***1.1.2 Project Scope:***

In July 2020, the department risk profiles for Electric Operations, Customer Operations, Construction and Operations Services, Power Markets, and the Support Groups, along with mitigation actions, were transmitted to LIPA for its use, along with a presentation summarizing the annual assessment, resulting in the top risks list.

In the vein of continuous improvement for the ERM program, PSEG ERM will design a framework for the annual report and then share this with LIPA for their comment, so that the deliverable meets expectations.

As the risk assessment meetings are completed (see ERM Recommendation no. 1), the draft report can be developed and shared with the LIPA ERM team for collaborative conversation to achieve expectations.

#### ***1.1.3 Project End State and Success Criteria:***

PSEG Long Island’s ERM team will develop a framework for this annual report and solicit comment from LIPA to align expectations for the deliverable and provide the report annually.

## **2. Project Deliverables**

### **2.1. Assumptions, Dependencies, and Constraints**

- The deliverable is affected by availability of the completed risk profiles, the progress of mitigation actions, the agreed upon definition of “high-priority” risks, and the agreed upon format for the deliverable.
  - The LIPA ERM team developed a framework describing high-level principles for evaluating mitigation effectiveness at year-end 2020. The specific approach to applying this framework will be under development throughout 2021, in conjunction with the annual risk assessment. The approach to identifying mitigations for “high-priority” risks will be improved (e.g. more specificity, manager-level accountability, due dates, etc.) in 2021 (and discussed in the annual report). This will enable tracking of mitigation actions beginning in 2021. With the

foundation of an agreed approach to evaluating effectiveness and improved mitigation tracking, the evaluation of the effectiveness of mitigation actions for high-priority risks can be targeted to begin in 2022.

- Risk mitigation effectiveness is a topic in ERM that is not well established in our industry, and will require benchmarking information from peers, if available, and careful review and feedback from lessons learned.
- The scope and/or frequency with which effectiveness can be evaluated going forward will depend on SME and ERM resource availability.
- Completion of this deliverable on target for 2021 assumes additional resources will be staffed quickly to support the PSEG Long Island ERM program. In order to address the need for additional resources, PSEG will (1) rotate a staff member from the PSEG risk management team to, with capacity to support full-time the immediate needs for PSEG Long Island ERM, (2) hire a new PSEG Long Island employee with functional reporting to PSEG ERM, to permanently support ERM program activities full-time, and (3) evaluate further staffing needs as the ERM program evolves.
- The delivery of the annual report in 2021 requires ongoing dialogue with LIPA to align expectations about the structure and content of the deliverable to ensure LIPA satisfaction sufficiently ahead of the deliverable date.

### **3. Project Structure**

#### **3.1. Internal Project Organization**

- Dan Eichhorn will be the Executive Sponsor for this Project.
- PSEG Long Island Vice Presidents (Andrea Elder-Howell, Margaret Keane, John O’Connell, Paul Napoli, and Rick Walden) will provide review and feedback and give direction to their teams on their required participation in this effort.
- PSEG Long Island SMEs will provide their input via assessment meetings and review the report as needed.
- PSEG Chief Risk Officer (Laurent Pommier) will provide oversight of the ERM process for PSEG.
- PSEG’s ERM (Ted Repetti and John Lemanski) team will be responsible for coordinating efforts of the participants above and for collaboratively developing the annual report with the LIPA ERM team.

#### **3.2. Other Stakeholders**

- LIPA ERM team



## 4. Project Plan

### 4.1. Project Work Plan

Task	Owner	Current Status	Target End Date
Produce an annual ERM report, providing a complete aggregation of all risks, [effectiveness of]* mitigation actions for high-priority risks, areas of weakness/need improvement, and general observations, by June 1 of each year	D. Eichhorn	In Progress	6/1/2021
Develop framework of annual report on high-priority risks. The annual report is planned to include the following items: (i) an aggregated list of all risks ranked by exposure score and including relevant assessment information (i.e., severity factor, likelihood, outlook and velocity) and (ii) a presentation summarizing the top risks, risk and mitigation summary slides per each top risk, along with other relevant insights about the risks or ERM process	J. Lemanski	In Progress	2/15/2021
Rotate an ERM resource from PSEG ERM to assist PSEG Long Island	J. Lemanski	Completed	1/25/2021
Initiate search for new PSEG Long Island employee with functional reporting to PSEG ERM	PSEG ERM	In Progress	2/28/2021
Receive acknowledgement from LIPA ERM on the framework of the annual report	PSEG ERM LIPA ERM	In Progress	2/28/2021
Compile draft annual report: <ul style="list-style-type: none"> <li>a) Draft sections of annual report as department risk profiles are completed through the annual assessment process and vetted by PSEG Long Island senior management and the LIPA ERM team (<i>see ERM Recommendation no. 1</i>)</li> <li>b) Review draft sections with PSEG Long Island SMEs, PSEG Long Island Vice Presidents, LIPA ERM, and LIPA SMEs</li> </ul>	J. Lemanski	In Progress	2/15/2020 – 4/30/2020
Seek approval of final annual report with Executive Sponsor and PSEG Long Island Vice Presidents	J. Lemanski	In Progress	5/15/2021
Receive final approval from LIPA ERM on the completeness of the deliverable	PSEG ERM LIPA ERM	In Progress	5/28/2021
Upload report to SharePoint site	J. Lemanski	In Progress	6/1/2021

\* The evaluation of the effectiveness of mitigation actions for high-priority risks will be targeted to begin in 2022.

### 4.2. Risk Mitigation Plan

Project Risk	Mitigation
Clarification of LIPA's expectations on what constitutes an acceptable annual report is not provided sufficiently ahead of the deliverable date.	PSEG ERM will design a framework for the annual report and then share this with LIPA for their comment, so that the deliverable meets expectations.
Staffing to PSEG ERM is insufficient to meet the timeframe described in this recommendation	PSEG Long Island is evaluating additional resources to support the PSEG ERM Program
Weaknesses in mitigation plans are not clearly evident to PSEG and LIPA ERM	Training and educating PSEG Long Island SMEs to encourage being more self-critical of the mitigation plans (see Implementation Plan No. 7 on annual risk training)

### **4.3. Issue Resolution Plan**

PSEG ERM will document issues, related action items and facilitate resolution, with support from project Executive Sponsor.

### **4.4. LIPA Reporting Plan**

PSEG ERM team will provide updates to the LIPA ERM team through regular collaboration on ERM program efforts.

## **5. Technical Execution Plan**

### **5.1. Technical Approach**

There are no significant technical issues that require additional action beyond the project plan above.

### **5.2. Quality Assurance Plan**

- PSEG ERM team will seek Executive Sponsor and team member input on quality of deliverable.
- LIPA ERM team will provide input and feedback to project quality and acknowledge completion of deliverables.

## **Revision History**

<b>Name</b>	<b>Date</b>	<b>Reason for Changes</b>	<b>Version</b>
D. Eichhorn / L. Pommier	1/8/21	Initial version	1.0
D. Eichhorn / L. Pommier	1/14/21	Revised based on LIPA ERM comments	2.0
D. Eichhorn / L. Pommier	2/10/21	Revised based on LIPA ERM comments	3.0

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**PSEG Long Island  
Project Implementation Plan  
for  
Recommendation Implementations  
Recommendation No. 5  
Project Title: Enterprise Risk Management**

The following PSEGLI ERM Letter recommendation is directly addressed as part of this plan:

LIPA ID	Report	Task Force recommendations directly addressed in this plan
5	ERM Letter	Perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency.

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## **1. Project Definition**

The Purpose of this plan is to address recommendation no. 5 of LIPA’s December 4, 2020 letter (the “ERM Letter”) to “perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency”.

### **1.1. Project Purpose, Objectives, and Success Criteria**

#### ***1.1.1 Project Objectives:***

Perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency.

#### ***1.1.2 Project Scope:***

In 2019 and 2020, deep dives were jointly-developed between PSEG Long Island SMEs, PSEG ERM, and LIPA ERM and the reviews were presented to PSEG Long Island and LIPA senior management. The top risks reviewed include: Primary Control Center (November 2019), LIRR (April 2020), and Major Storm (July 2020).

As part of this implementation plan, PSEG ERM will continue to jointly-develop with LIPA’s ERM team the deep dive risk reviews of top risks and where applicable, will include relevant benchmarking data and self-critical assessment of mitigations in the analyses. For 2021, it was agreed with the LIPA ERM team: i.) to plan to jointly-develop four deep dives (Substation Failure, Cybersecurity, Major Storm, and Customer Expectation) and ii.) to support the review of specific top risk topics by the PSEG Long Island SMEs and LIPA SMEs (e.g. status, risk updates and highlights of major mitigations), based on existing analyses and materials, for other reporting to LIPA (e.g. memos to LIPA Trustees, presentations at LIPA Enterprise Risk Management Committee, or comparable meetings with senior leadership at LIPA). The timing and frequency for presentations beyond the above deep dives would depend on available resources (see Section 2.1), and similarly, availability of resources will be a constraint if these presentations require creation of substantial new content.

#### ***1.1.3 Project End State and Success Criteria:***

Upon completion of each jointly-developed deep dive risk reviews, the reviews will be presented to the senior management of PSEG Long Island and LIPA with the objective of a deeper understanding by senior management of the successes to date and needs to be accomplished to achieve the risk strategy, i.e., risk reduction.

## **2. Project Deliverables**

The project’s deliverable will be the completed deep dive review at a presentation to the senior management of both companies, as well as completed presentations on specific top risk topics by the PSEG Long Island SMEs and LIPA SMEs for other reporting to LIPA.

## **2.1. Assumptions, Dependencies, and Constraints**

With any process, identifying the appropriate SME support and facilitating the meetings to develop the deep dive risk reviews require a dedicated time commitment and diligence to ensure that the deliverable meets expectations.

As requests for deep dives or other risk reviews expand in scope, PSEG Long Island will need to evaluate the commitment of resources required, resulting constraints on SMEs time, and needs for additional staff resources to support the PSEG Long Island ERM program. (see Implementation Plan No. 4 for a further discussion of staffing.)

## **3. Project Structure**

### **3.1. Internal Project Organization**

- Dan Eichhorn will be the Executive Sponsor for this Project.
- PSEG Long Island Vice Presidents (Andrea Elder-Howell, Margaret Keane, John O’Connell, Paul Napoli, and Rick Walden) will provide review and feedback and give direction to their teams on their required participation in this effort.
- PSEG Long Island and LIPA SMEs will provide their expertise.
- PSEG Chief Risk Officer (Laurent Pommier) will provide oversight of the ERM process for PSEG.
- PSEG’s ERM (Ted Repetti and John Lemanski) and LIPA’s ERM team will jointly provide key support:
  - Develop work plan for each deep dive review using the existing tracking module developed by PSEG ERM and utilized in 2020
  - Determine the appropriate level of SME support to conduct each deep dive risk review
  - Facilitate deep dive risk review meetings with SMEs
  - Support the development of each deep dive risk review, including developing the bow tie analysis, which is integral to the analysis
  - Support the review of specific top risk topics by the PSEG Long Island SMEs and LIPA SMEs (e.g. status, risk updates and highlights of major mitigations), based on existing analyses and materials, for other reporting to LIPA
  - Secure senior management approval for the review before the presentation

### **3.2. Other Stakeholders**

- N/A

## 4. Project Plan

### 4.1. Project Work Plan

Task	Owner	Current Status	Target End Date
Perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency.	D. Eichhorn	In Progress	12/31/21
Identify deep dive risk reviews for 2021	PSEG ERM / LIPA ERM	Complete	1/6/21
<b>Deep Dives:</b> Deliver presentations on agreed schedule of deep dive risk reviews: <ul style="list-style-type: none"> <li>Determine appropriate SMEs to support development of each deep dive risk review</li> <li>Facilitate meetings with SMEs to determine work plan for risk review</li> <li>Develop deep dive risk review with SMEs</li> <li>Secure Executive Sponsor and PSEG Long Island Vice President approval for review presentations</li> <li>Receive final approval from LIPA ERM on the completeness of the deliverable</li> <li>Deliver presentation to PSEG Long Island and LIPA management</li> </ul>	PSEG ERM / LIPA ERM	In Progress	See table below  <i>Deep dive risk review needs may evolve throughout the year. Dates subject to change based on mutual agreement between ERM programs.</i>
After completion of the Annual Report (see Implementation Plan No. 4), update deep dive risk review plan through 2022	PSEG ERM / LIPA ERM	Pending	6/30/21
<b>Board Policy Memo Support:</b> Support PSEG Long Island SME's presentations by helping to summarize identified relevant risks, based on existing analyses and materials, when Board Policy Memos are presented at the Board	PSEG ERM / LIPA ERM	In Progress	See table below

Risk Topic	Type	Target 2021 Date for Management Presentation	Target 2021 Date for Board
Electric Operations topic TBD (e.g. substation or load pockets)	Deep Dive	May (Deep Dive)	N/A
Major Storm	Deep Dive / Board Policy Memo	June (Deep Dive)	July (Board Policy Memo)
Customer Expectations/Crisis Communications	Deep Dive / Board Policy Memo	August (Deep Dive)	September (Board Policy Memo)
Long Term Regulatory Issues	Risk Discussion	November (Policy Advocacy meeting)	N/A
Cybersecurity	Deep Dive / Board Policy Memo	November (Deep Dive)	December (Board Policy Memo)
Safety	Board Policy Memo	N/A	December (Board Policy Memo)
Physical Security	Board Policy Memo	N/A	December (Board Policy Memo)

## 4.2. Risk Mitigation Plan

Project Risk	Mitigation
Deep dive deliverable does not meet expectations	PSEG ERM commits to jointly develop the deep dive risk reviews with the LIPA team in accordance with agreed upon expectations as to the deliverable and will update both companies as to progress.
Deep dive analysis does not consider a sufficiently wide range of possible causes, ignores other interrelated risks, or is too long term in nature to be relevant to the current situation	Develop comprehensive, consistent, and repeatable approach to evaluating risk causes in consultation with the LIPA ERM team

## 4.3. Issue Resolution Plan

PSEG ERM will document issues, related action items and facilitate resolution, with support from project Executive Sponsor.

## 4.4. LIPA Reporting Plan

PSEG ERM team will provide updates to the LIPA ERM team through regular collaboration on ERM program efforts.

# 5. Technical Execution Plan

## 5.1. Technical Approach

There are no significant technical issues that require additional action beyond the project plan above.

## 5.2. Quality Assurance Plan

- PSEG ERM team will seek Executive Sponsor and team member input on quality of deliverable.
- LIPA ERM team will provide input and feedback to project quality and acknowledge completion of deliverables.

## Revision History

Name	Date	Reason for Changes	Version
D. Eichhorn / L. Pommier	1/8/21	Initial version	1.0
D. Eichhorn / L. Pommier	1/14/21	Revised based on LIPA ERM comments	2.0
D. Eichhorn / L. Pommier	2/10/21	Revised based on LIPA ERM comments	3.0



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**PSEG Long Island  
Project Implementation Plan  
for  
Recommendation Implementations  
Recommendation No. 8  
Project Title: Enterprise Risk Management**

The following PSEGLI ERM Letter recommendation is directly addressed as part of this plan:

LIPA ID	Report	Task Force recommendations directly addressed in this plan
8	ERM Letter	Develop a process so that if a high-risk event or condition is identified by LIPA, PSEG Long Island, or PSEG personnel (e.g. when OMS was failing days before the storm) such event or condition (i) immediately triggers a risk review by the LIPA and PSEG Long Island ERM teams and (ii) is elevated to both LIPA and PSEG Long Island management.

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## **1. Project Definition**

The Purpose of this plan is to address recommendation no. 8 of LIPA’s December 4, 2020 letter (the “ERM Letter”) to “develop a process so that if a high-risk event or condition is identified by LIPA, PSEG Long Island, or PSEG personnel (e.g. when OMS was failing days before the storm) such event or condition (i) immediately triggers a risk review by the LIPA and PSEG Long Island ERM teams and (ii) is elevated to both LIPA and PSEG Long Island management”.

### **1.1. Project Purpose, Objectives, and Success Criteria**

#### ***1.1.1 Project Objectives:***

PSEG Long Island and the PSEG ERM team will develop the principles and process for reporting and escalating risks and will periodically reinforce the message to PSEG Long Island employees on the importance of elevating potential high-risk events or conditions.

Knowing when to escalate risks is an important aspect of risk management, as is educating the company that there are multiple ways to report a risk for escalation, including:

- informing one’s supervisor,
- going one level up, or
- contacting a team member from Enterprise Risk Management, Internal Auditing, Legal or Compliance.

Escalation is more than just reporting a risk; it involves bringing in senior management and other Subject Matter Experts throughout the company to manage the mitigation of the risk. It recognizes that some risks may not be manageable by a single SME, but may include a number of individuals, working together to effectively manage a risk.

The PSEG and LIPA ERM teams will also facilitate the discussions, as needed, with the appropriate SMEs when risks are escalated.

#### ***1.1.2 Project Scope:***

The PSEG ERM team, with the LIPA ERM team, will develop principles focused on the need to escalate risks and define process steps on how to escalate (e.g. thresholds / triggers, to whom the escalation should rise, timing, and involvement of ERM).

The process for escalation needs to be a company-wide effort, sponsored at the Vice President level and implemented / integrated with processes at the business unit level. The ERM team will provide training, facilitate discussions on escalated risk topics (as needed), and coordinate with the Executive Sponsor and Vice Presidents to help advance the risk culture in the Company to make escalation more expected and accepted.

Instituting an escalation process will require new training materials and communication (i.e., messaging) throughout the company, which is supported by a “tone from the top” encouraging open escalation.

### **1.1.3 Project End State and Success Criteria:**

Completion of a set of principles and a process by which to escalate risks. Completion and periodic delivery of training materials and communication on reporting and escalating risks. These materials will be included in PSEG and LIPA ERM training materials and echoed in “tone at the top” set by senior leadership.

## **2. Project Deliverables**

The project’s deliverable will be escalation processes that are recognized throughout the company and encouraged by senior management to be used in the appropriate situations.

### **2.1. Assumptions, Dependencies, and Constraints**

The timeline of the project work plan detailed below reflects the complexity of defining risk escalation guidelines with appropriate balance between specificity and broad applicability.

In addition to defining escalation guidelines and processes, proper escalation of risks requires a culture that encourages open discussions on risk. Encouraging and sustaining this culture is a long-term effort that is broader than the process definition, which is the focus of this implementation plan.

As business organization or processes change, the escalation process may need to change.

## **3. Project Structure**

### **3.1. Internal Project Organization**

- Dan Eichhorn will be the Executive Sponsor for this Project and provide “tone at the top” on the needs to speak up on risk
- PSEG Long Island Vice Presidents (Andrea Elder-Howell, Margaret Keane, John O’Connell, Paul Napoli, and Rick Walden) will emphasize the need and value of reporting and escalating risks to their teams and implement escalation process steps with their teams.
- PSEG Chief Risk Officer (Laurent Pommier) will provide oversight of the ERM process for PSEG.
- PSEG ERM (Ted Repetti and John Lemanski) and LIPA ERM will provide support and subject-matter expertise

### **3.2. Other Stakeholders**

- Senior management of PSEG Long Island, PSEG, and LIPA

## 4. Project Plan

### 4.1. Project Work Plan

Task	Owner	Current Status	Target End Date
Develop a process so that if a high-risk event or condition is identified by LIPA, PSEG Long Island, or PSEG personnel (e.g. when OMS was failing days before the storm) such event or condition (i) immediately triggers a risk review by the LIPA and PSEG Long Island ERM teams and (ii) is elevated to both LIPA and PSEG Long Island management	D. Eichhorn	In Progress	4/30/2021
Define the principles of risk escalation, including a process flow. These principles will define the reasons and need for escalation.	PSEG ERM	In Progress	2/28/2021
Discuss and receive acknowledgement of the draft escalation principles with LIPA ERM	PSEG ERM / LIPA ERM	Pending	3/15/2021
Review and finalize the escalation principles with Executive Sponsor and PSEG Long Island Vice Presidents	PSEG ERM	Pending	3/31/2021
Communicate, to all PSEG Long Island employees, the escalation principles, process flow, and senior management's commitment to the need for escalation	Executive Sponsor / Vice Presidents	Pending	4/30/2021
Implement process to monitor risks to reinforce escalation principles: <ul style="list-style-type: none"> <li>• Provide Risk Managers a summarized risk dashboard and request acknowledgement of change/no-change to the likelihood or impact of their risks or new or emerging risks <ul style="list-style-type: none"> <li>○ Summarize by department for VP review and approval</li> <li>○ Target twice a year, aligned with Long Island RMC meetings</li> </ul> </li> <li>• Identification of a material change requires escalation to Risk Owner to determine next steps in consultation with PSEG and LIPA ERM</li> </ul>	PSEG ERM / LIPA ERM	Pending	Ongoing
Reinforce the escalation principles and process in annual training (see Implementation Plan No. 7 for a further discussion of training)	PSEG ERM	Pending	Ongoing
Periodically evaluate escalation process for continuous improvement	PSEG ERM / LIPA ERM	Pending	Ongoing
Facilitate the risk review discussions, as needed when risks are escalated to ERM, in order to assess risk causes, consequences and mitigations	PSEG ERM / LIPA ERM	As needed	

## 4.2. Risk Mitigation Plan

Project Risk	Mitigation
Escalation process is not accepted	Through an active campaign of communicating and messaging, the senior leadership sets the “tone at the top” and encourages a culture that emphasizes the need to escalate and mitigate risks, when necessary.
Change in business processes	As business organization or processes change, the escalation process may need to change.

## 4.3. Issue Resolution Plan

PSEG ERM will document issues, related action items and facilitate resolution, with support from project Executive Sponsor.

## 4.4. LIPA Reporting Plan

PSEG ERM team will provide updates to the LIPA ERM team through regular collaboration on ERM program efforts.

# 5. Technical Execution Plan

## 5.1. Technical Approach

There are no significant technical issues that require additional action beyond the project plan above.

## 5.2. Quality Assurance Plan

- PSEG ERM team will seek Executive Sponsor and team member input on quality of deliverable.
- LIPA ERM team will provide input and feedback to project quality and acknowledge completion of deliverables.

## Revision History

Name	Date	Reason for Changes	Version
D. Eichhorn / L. Pommier	1/8/21	Initial version	1.0
D. Eichhorn / L. Pommier	1/14/21	Revised based on LIPA ERM comments	2.0
D. Eichhorn / L. Pommier	2/10/21	Revised based on LIPA ERM comments	3.0