

2024 LES Enterprise Risk Management Status Report

LES Administrative Board Meeting

January 17, 2025

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Manager, Treasury & Risk Management

2024 Goals & Objectives



Begin the Transition to the Governance, Risk, & Compliance (GRC) Solution



Establish thresholds and begin to track key risk indicator information



Establish Risk Review Cycles



Research Risk Velocity as a trackable metric



Revitalize the Best Practices Section of Risk Assessments



Review the Risk Appetite statement to ensure it is aligned with LES's strategic plan.

Archer: A GRC Solution

Enterprise solution with many modules

- ERM
- Cyber
- Physical Security
- Procurement
- Compliance



Summer 2023

January 2024

August 2024

2025

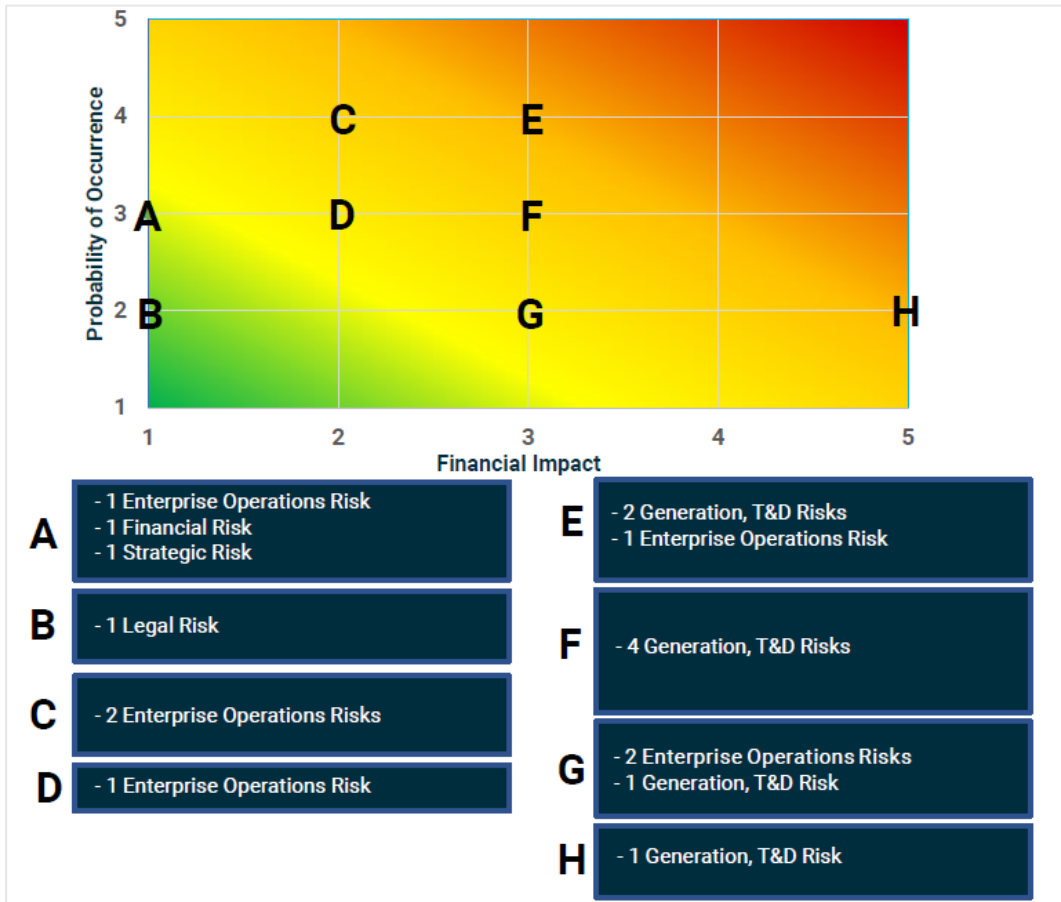
RFP Issued

ERM Module
Implementation
Begins

ERM
Implementation
Complete

Migrate the ERM
Program into
Archer

Archer: Why Risk Quantification?

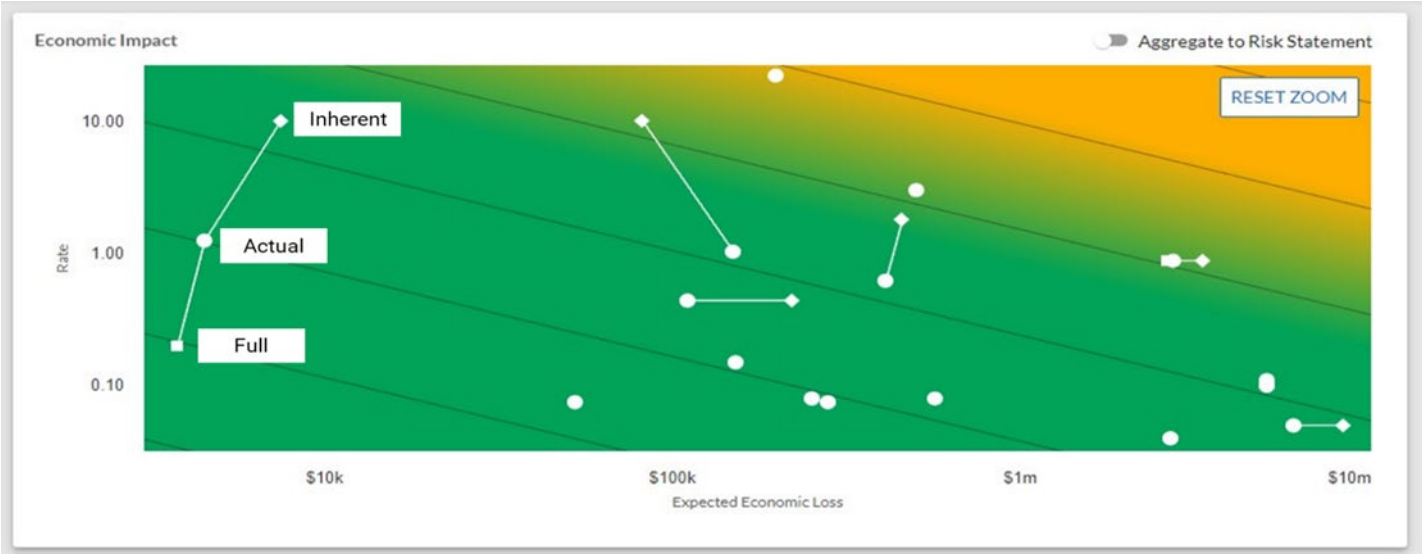


Traditional Heatmaps:

- Are subjective
- Are limited in comparative capability
- Have significant scoring overlap
- Lack actionable information

Archer: Risk Quantified

How much is this risk costing LES?



- Heatmaps now show the following impacts:
- Inherent – no controls
 - Actual – existing controls
 - Full – fully effective controls

Quantification Metrics ^

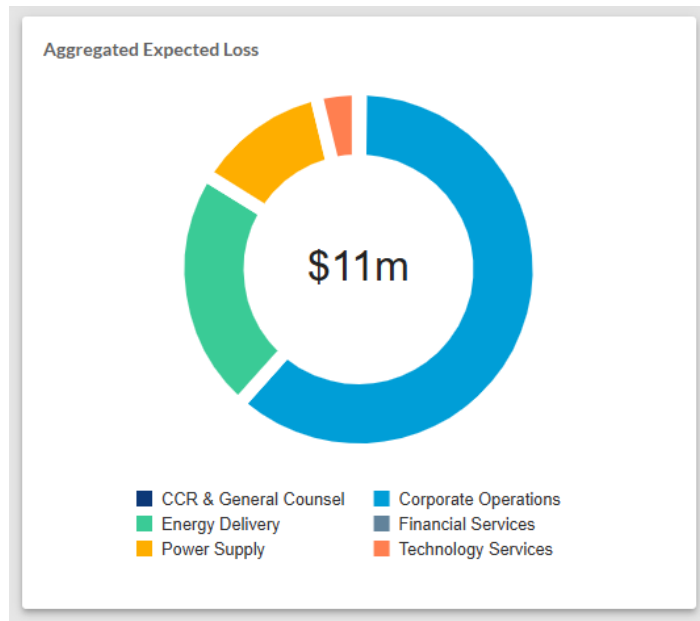
ACTUAL ^	
Rate	0.42
Economic	
Expected loss per occurrence	\$449k
Expected annual loss	\$188k
Value at risk at 10%	\$431k
Conditional value at risk at 10%	\$1.5m
Total	
Expected impact per occurrence	3.1
Expected annual impact	2.8

Archer: Enhanced Risk Visibility

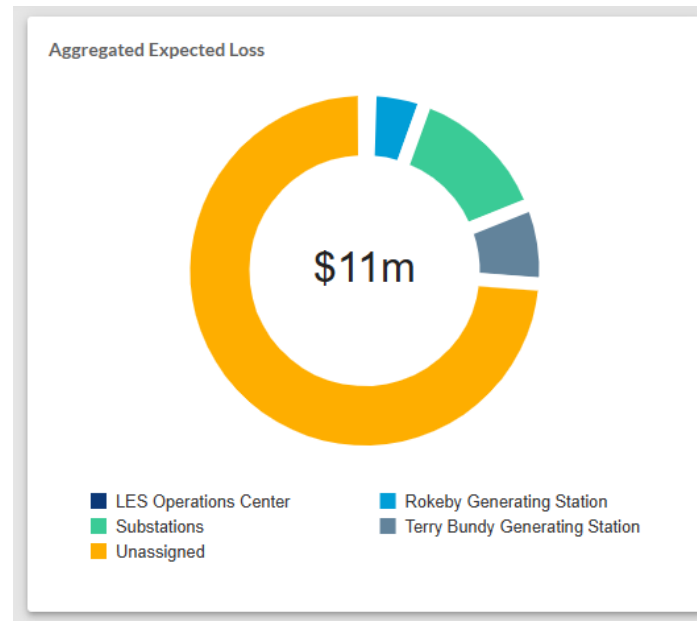
A key feature of Archer is the ability to aggregate risk and generate customizable dashboards and reports to identify where risk exists within the organization.

(Dollars noted below are for illustrative purposes only)

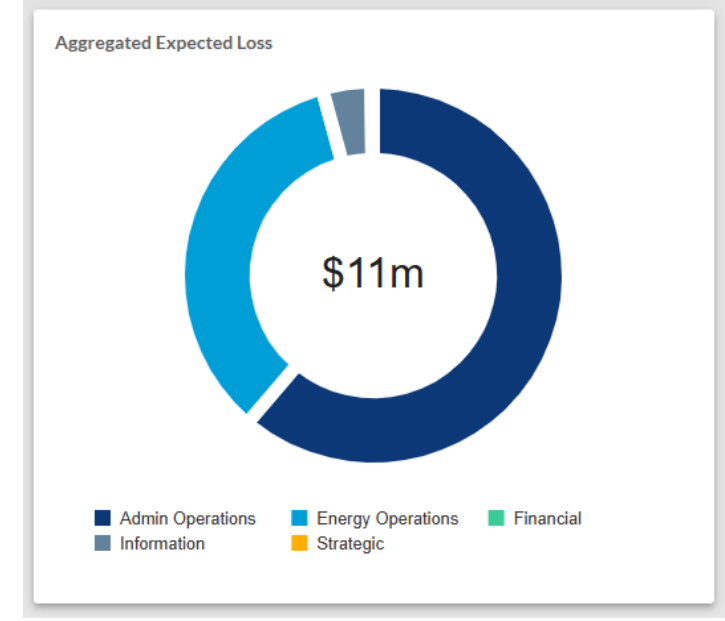
Business Units



Facilities



Risk Hierarchies



Archer: Informed Decision Making



Risk Quantification – how much is this risk costing LES?



Risk Visibility – where is risk held within the organization?



Where to allocate limited resources?

Control Optimization

Quantitative assessments of controls, including:

- Lifecycle status
- Probability of Success
- Impact reduction percentage
- Annual cost of control
- Return on investment

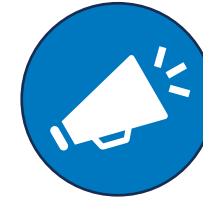
New Risk Metrics

*Preliminary Weighting	Impact Criteria
.35	Probability of Occurrence
.20	Financial Impact
.15	Reliability
.10	Reputation
.10	Velocity
.10	Safety

**Above weightings are subject to change based on reviews from the Executive Team and LES Administrative Board review, consistent with the outcomes from the Strategic Planning Process.*



Reliability: LES's ability to deliver power to its customers



Reputation: the impact to LES's brand and image



Velocity: how quickly LES is impacted by the event



Safety: safety hazard to LES employees or the public

Industry Collaboration



Best Practices



Shared industry knowledge



ERM Program Advancement



Emerging Risks



2025 Goals and Objectives

- Migrate the existing ERM risks into the Archer platform
- Provide Archer training to key stakeholders and users
- Identify existing data feeds to feed into Archer
- Finalize the risk hierarchy
- Review the Risk Appetite Statement to ensure alignment with the strategic plan
- Establish thresholds and begin to track key risk indicators
- Work with executives to develop an Archer implementation roadmap
- Consider the development of an Archer governance framework