	Revision No.	1.0
MEAN Municipal *Energy* Agency of Nebraska	Effective Date	xxxx
Enterprise Risk Management Policy	Distribution Restriction: Public Document	

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Section 1: Policy Introduction

1.1 General Statement

The Municipal Energy Agency of Nebraska (MEAN) Board of Directors (Board) is responsible for overseeing the establishment and implementation of risk management systems by management and reviewing its effectiveness.

1.2 Purpose

To provide a framework and guidance to the Board, executive management, and staff to effectively identify, communicate, and manage enterprise-level risks that could jeopardize the achievement of MEAN's Strategic Plan and Mission to provide municipal utilities with economical and dependable power supply and utility-related services consistent with environmental and regulatory stewardship.

1.3 Objectives

The main objective of this policy is to ensure on-going provision of participant needs and services, organizational stability, and beneficial growth, and to promote a proactive approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to risk management, including the development of the risk register, in order to guide decisions on risk related issues. The specific objectives of the Enterprise Risk Management Policy are:

- To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed
- To establish a framework for the company's risk management process and to ensure companywide implementation
- To improve decision making, planning, and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/threats
- To anticipate and respond to changing social, environmental, regulatory, and legislative requirements
- To ensure systematic and uniform assessment of risks related to provision of wholesale power supply to participants and services to participants and customers
- To manage risk and enable compliance with appropriate regulations, wherever applicable, in accordance with and through the adoption of best practices

1.4 Benefits of Risk Management

The benefits of risk management include:

- Improved decision making and efficiency within the organization through enhanced understanding and communication of risks by staff and Board
- Protecting employees and others from harm
- Enhanced financial management through identification and mitigation of risk factors impacting costs
- Reduction in probability/size of uninsured or uninsurable losses
- Improved participant and customer relations and reputation for the company

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- Maximize efficient use of available company resources aligned with the company's strategic objectives

Section 2: Definitions

Controls--strategies that are utilized to prevent the Risk Event from occurring.

Controls Assessment--an overall assessment of the effectiveness of identified Controls to mitigate the likelihood or impact of a Risk Event.

Enterprise Risk Management (ERM)–a framework for identifying, assessing, mitigating, and reviewing risks across the organization aligned with MEAN's Risk Appetite Statement. Risk management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a company's strategic and financial goals.

Enterprise Risk Management Status Report or ERM Status Report--an annual report of ERM risks presented to the Board.

Mitigation Strategies – strategies utilized to minimize the consequences after a Risk Event has occurred.

Risk--Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of MEAN's strategic business objectives. The exposure to the consequences of uncertainty constitutes a risk.

Risk Appetite Statement – expresses the level of risk MEAN is willing to accept in pursuit of the achievement of its mission, vision and strategic objectives. This statement is supported by the Board and Senior Leadership. The statement provides assurance MEAN has established clear boundaries for overall risk tolerance. MEAN's Risk Appetite Statement is as follows:

"Risks will be managed in a manner that will not materially jeopardize MEAN's ability to serve its wholesale power supply Participants, achieve its strategic goals and objectives, and maintain a high-quality credit rating. MEAN's Risk Appetite is based on the cultural values of NMPP Energy. MEAN pursues professional ethics in all dealings, internally and externally and strives for compliance with legal and regulatory matters."

Risk Assessment--Risk assessment is defined as the overall process of risk analysis and evaluation.

Risk Description--A risk description is a comprehensive collection of information about a particular risk recorded in a structured manner.

Risk Estimation--Risk estimation is the process of quantification of risks, including the potential dollar impact and likelihood of a Risk Event occurring.

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Risk Event – a potential incident that could impact the achievement of MEAN's strategic objectives utilized by the Subject Matter Experts (SME) and Risk Owner to provide a basis for the Risk Ranking.

*Risk Owner –*the main point of contact in managing a Risk on a day-to-day basis.

*Risk Rankings--*a numeric score reflecting the evaluation of the dollar impact and likelihood of an identified Risk occurring.

*Risk Register--*A risk register is a tool for recording all identified enterprise risks in a standardized format of Risk Description.

*Risk Strategy--*The risk strategy of a company defines the company's standpoint towards dealing with various risks associated with the business. It includes the company's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the company.

Risk Summary – an evaluation completed by the Risk Owner and SME(s) and reviewed by Senior Leadership and Corporate Services. The document contains information regarding a Risk's general facts, Risk Event, Controls, Mitigation Strategies, Risk Rankings, and related information.

*Risk Tolerance/Risk Appetite--*Risk tolerance or risk appetite indicates the maximum quantum of risk the company is willing to take as determined from time to time in accordance with the risk strategy of the company.

Subject Matter Expert (SME) – an individual with specific expertise regarding a Risk.

Section 3: Program and Organizational Structure

3.1 Program Structure
To ensure the effectiveness of the Enterprise Risk Management Program, clear roles and responsibilities for all stakeholders will ensure accountability, foster collaboration, and provide for timely and meaningful risk reporting.

3.2 Roles and Responsibilities
To ensure clarity for optimal functioning of MEAN's ERM Program, these groups, departments, or individuals have the following responsibilities:

The MEAN Board of Directors:

- Providing governance and overall oversight of the Enterprise Risk Management Program
- Development and approval of the Risk Appetite Statement as needed
- Ensuring the ERM Program aligns with MEAN's strategic goals
- Approving this ERM Policy

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- Retaining a high-level awareness of the most significant risks facing MEAN, potential impacts, and related controls and mitigation strategies
- Reviewing annual Enterprise Risk Management Status Report
- Embedding risk management into the culture and operations of the Board
- Supporting the ERM Program

The Risk Oversight Committee (ROC) of the MEAN Board of Directors:

- Providing specific oversight of the ERM Policy and recommendations to the Board
- Reviewing MEAN's risk management processes and systems and providing guidance and feedback to Senior Leadership
- Reviewing specific risk overview presentations
- Reviewing and providing feedback on preliminary annual Enterprise Risk Management Status Report

The Executive Director shall establish a MEAN Risk Management Team (MRMT) of Senior Leaders that is responsible for:

- Providing direction and oversight of the ERM Program
- Creating the program and strategy, including review and approval of risk management strategy proposals.
- Creating and maintaining ERM policies and plans
- Ensuring that risk management objectives, risk tolerances, and limits are employed throughout the organization and that staff incorporate risk management into their daily business practices and decision-making processes
- Advising the MEAN Risk Oversight and Finance Committees on identified risk issues relating to yearly budget preparation
- Reviewing and approving proposed revisions to MEAN's compliance programs (ex. North American Electric Reliability Corporation (NERC) and tariff compliance programs)
- Discussing guidelines and strategic policies that govern the process by which the MRMT assess and manage risks
- Reviewing the infrastructure supporting risk management (human resources, analytical tools, reporting procedures, etc.) to ensure it meets the requirements for risk oversight and compliance, and providing necessary resources for the ERM
- Tracking the progress of the ERM Program through review of regular risk reports and an annual ERM Status Report to the Board

Business Units within MEAN:

- Managing day to day risks
- Overseeing daily ERM activities
- Leading risk identification and management activities

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- Reporting risks to Senior Leaders

Risk Owner:

- Acting as the primary point of contact to Corporate Services for the Risk(s) they are assigned
- Working with SMEs and Corporate Services to update the Risks, and update the Risk Summary document as needed;
- Overseeing the implementation of Controls and Mitigation Strategies within area of responsibility

Subject Matter Expert:

- Working with the Risk Owner and Corporate Services to assess each Risk and update the Risk Summary document as needed;
- Researching and resolving questions and comments regarding the Risk(s) they are assigned

Corporate Services:

- Providing overall leadership for the MEAN ERM Policy
- Preparing and delivering risk presentations to the ROC and Board
- Scheduling Senior Leadership risk overview presentations, as needed
- Maintaining the Risk Register and manage reviews of individual risks as necessary
- Preparing the annual preliminary ERM Status Report and presenting to Senior Leadership and the ROC for review
- Preparing the Annual ERM Status Report and present to the Board
- Identifying and implementing enhancements for the ERM Policy, forms and documents, as needed
- Providing overall support and guidance of the ERM Policy and Program to Senior Leadership, Risk Owners, SMEs and staff as needed

Section 4: Risk Management Process

A broad outline of the risk management framework utilized by the MRMT is as follows:

1. **Risk Identification:** Management identifies potential events that may negatively affect MEAN's ability to implement its strategic business objectives and performance goals. These events represent risks and are assigned a unique identifier. The identification process is carried out in such a way that an expansive risk identification covering operations and support functions are put together and dealt with.
2. **Root Cause Analysis:** Undertaken on a consultative basis, root cause analysis enables tracing the reasons/driver for existence of a risk element, its consequences and stakeholder impact, and helps developing appropriate mitigation action.

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3. **Risk Scoring:** Management considers qualitative and quantitative methods to evaluate the likelihood and impact of identified risk elements to develop a composite score that is tabulated in a 'Risk Register."

4. **Risk Mitigation:** Mitigating measures, or controls, have been identified for the majority of perceived risks. There is, however, always a residual risk attached to any business. The risk owner responsible for implementing risk controls is identified.

5. **Residual Risk Scoring:** After evaluating the effectiveness and level of confidence in existing controls to mitigate risks, the residual likelihood and impact of risks are identified.

6. **Risk Tolerance/Risk Appetite:** Based on the risk appetite/risk tolerance level determined by management for individual risks, and in accordance with this policy, management will formulate its strategy for dealing with residual risks.

Section 5: Risk Reporting

An annual Enterprise Risk Management Status Report will be made to the Board in closed session. Other reports will be made to the ROC and/or Board as necessary during regularly scheduled committee and Board meetings or special meetings regarding updates on risk activities or significant events.

Revision History

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1.0		