

**Attachment 3
Independent Assessment of the Energy Portfolio Program
Summary of Findings**

Finding #	Finding	Risk Rating	Management Response	Target Date	Responsible Group(s)	Status	Actions taken to date @ of December 2017
F1 & F2	IT Policies and/or procedures related to the Energy Risk Management program, especially the ETRM system were insufficient or missing to demonstrate control over the policy requirements. Procedural documentation with clear definition of tasks, roles, and/or flowcharts should be implemented on an expedited basis. Each major requirement, in terms of ETRM systems management, should be a standalone procedure. The top-level IT policy should have clear alignment with the Energy Risk Management Program.	Medium	Current IT policies align with the Energy and Credit Risk Management Policy. Management does recognize that the documentation and procedures could be improved by developing process flowcharts and process requirements for managing the ETRM system. Front, Middle and Back Office managers will collaborate with IT staff to develop flowcharts and process requirements by 12/31/17. The documentation will be reviewed by the RMC members and final documents will be approved by 6/30/18.	<ol style="list-style-type: none"> 12/31/17 - Complete flow charts and process requirements. 6/30/2018 - Finalize documentation and obtain RMC approval. 	IT Group	Completed	The IT Group has completed the IT policy and procedures manual for the ETRM system. The manual covers IT staff roles and responsibilities, system diagram, system provider's roles and responsibilities, as well as strategies for OS patch administration, database patch, application and application upgrade. The manual also include ISO and OATI certificate procedures, list of peripheral applications and list of ETRM system modules for the Front and Back Offices.
F3	Monitoring processes involving transaction validation should be better document with defined processes, procedures, and training. Likewise the dispute resolution process should be formalized and tracked with clear success / failure metrics.	Medium	Management agrees with the recommendation and will direct the Settlements Manager to update existing documentation of back office procedures by October 1, 2017. The Settlements Manager will also create new documentation as needed regarding how disputes with the CAISO are filed and resolved, including triggers for filing a dispute. The documentation will include how potential losses/gains are determined. The new documentation will be created by December 31, 2017.	<ol style="list-style-type: none"> 10/1/17 - Complete update of existing back office procedures. 12/31/2017 - Create new back office documentation on dispute resolutions with the CAISO. 	Settlements Group	Completed	The Settlements Group has completed the procedures documents for CAISO settlements validation and dispute, and natural gas tracking and settlement activities in the ETRM.
F4 & F5	Evaluation of information systems management requirements was hampered by a lack of controls and/or procedures necessary to implement risk management program requirements. While the practices of the individuals in the IT Group appear acceptable, the overall effectiveness of the risk management program, with respect to systems, cannot be fully measured due to a lack of documentation.	High	Management recognizes the risks inherent in having insufficient documentation of the ETRM system. Effective July 1, 2017, Management will direct the IT staff to develop procedures for managing the ETRM system to be completed by December 31, 2017. This documentation will include key processes, such as system upgrade schedules, back-up schedule, network management, access rights, etc. Effective immediately, Management will require that all new and changed access to the ETRM system will require approval and sign-off of the IT Manager and Risk Manager.	<ol style="list-style-type: none"> 12/31/17 - Complete development of IT procedures for managing the ETRM system 	IT Group	Completed	The IT Group has completed the IT policy and procedures manual for the ETRM system. The manual covers IT staff roles and responsibilities, system diagram, system provider's roles and responsibilities, as well as strategies for OS patch administration, database patch, application and application upgrade. The manual also include ISO and OATI certificate procedures, list of peripheral applications and list of ETRM system modules for the Front and Back Offices.

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F6	As a means of testing prohibitions against unauthorized disclosure, the audit team was unable to assess instant messaging records. PWP Front Office personnel utilizes AOL for IM services. Conversations, at this time, are not recorded or reviewed. PWP does have IM platforms with recording capabilities such as Skype for Business. Other organizations have experienced additional risk and compliance problems with IM communications.	Medium	Effective immediately, Management will discontinue the use of non-City supported instant messaging ("IM") services for PWP's energy procurement and transactions, and direct the IT Group to implement a business IM platform with recording and retrieving capabilities for energy transactions.	1. August 2017	IT Group / Front & Middle Offices	Completed	(1.) The use of non-City supported instant messaging ("IM") services was discontinued in June 2017. (2.) PWP entered into contract with ICE for IM services with recording and retrieving capabilities for energy procurement and transactions.