A Generation Ahead, Today

Clean Modern Efficient Flexible Power Generation

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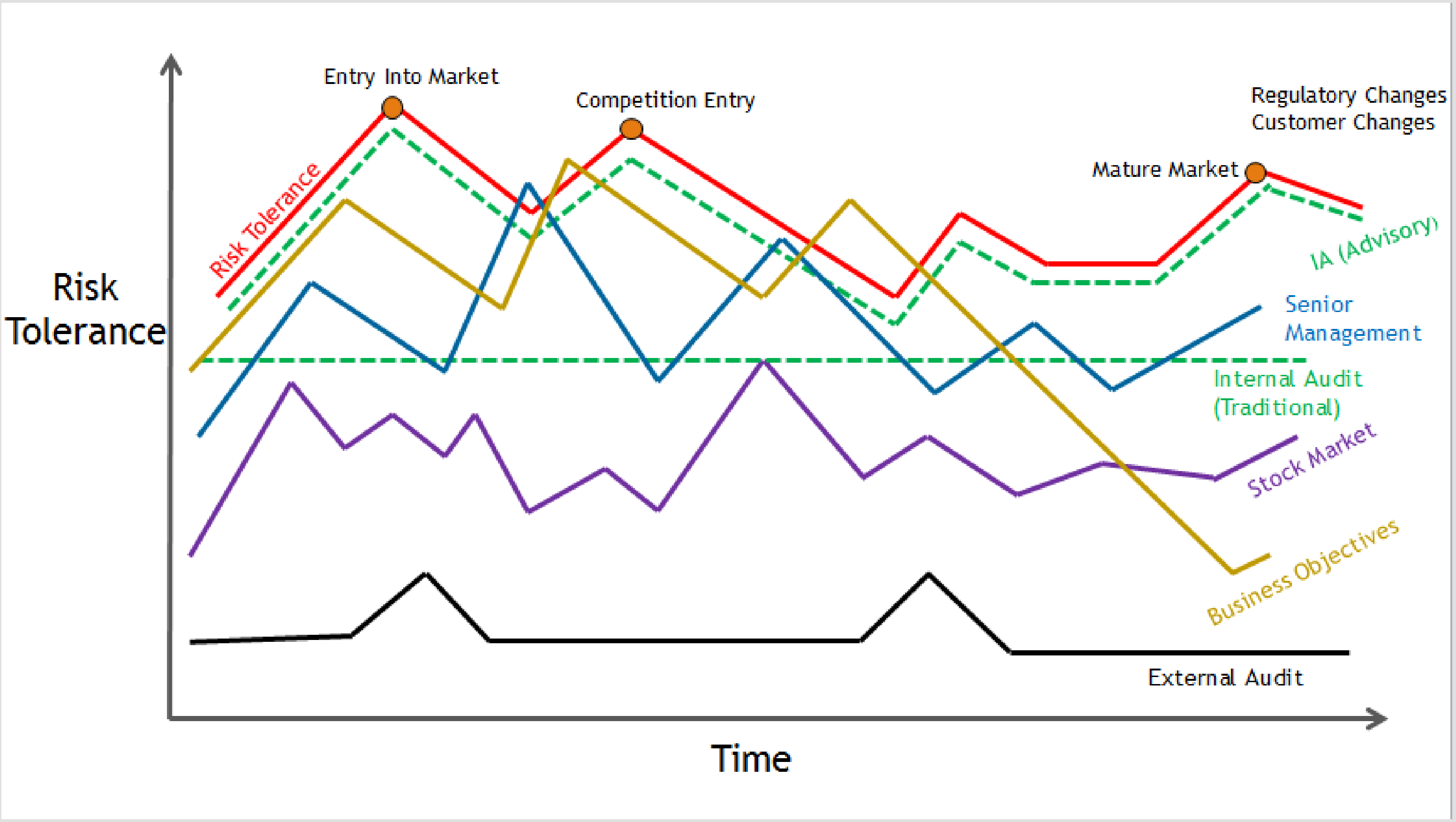
Risk Tolerance (Appetite)

Components & Impact to Risk Tolerance



Identification of Risk Tolerance

Approaches

Audit Committee

Private sessions with members of the Audit Committee to obtains areas of concerns surrounding business objectives, business challenges and risk appetite

"Lightening Rounds"

Conducted annually with the Executive Vice President/Senior Vice President and primarily his/her direct reports

Sessions are focused on identifying areas of concerns or risk as it relates to meeting the current and/or future business objectives

One-on-one private sessions

Executive and mid-level management regarding areas of concern, challenging business objectives, budgetary constraints and regulatory requirements;

Annual Risk Assessment over Financial Reporting: I/S and B/S

Notably with Chief Accounting Officer and Business Controllers. Assessment includes size & composition, risk of errors or fraud, nature, complexity, exposure to loses, significant contingent liabilities, changes from prior period, and related-party transactions.

Identification of Risk Tolerance

Discussions on High-Risk Audit Issues:

Discussion with various levels of management, including the C-Level (Chief) when high-risk audit issues are identified that could prevent the organization, business unit or department from meeting or exceeding the expected business objectives;

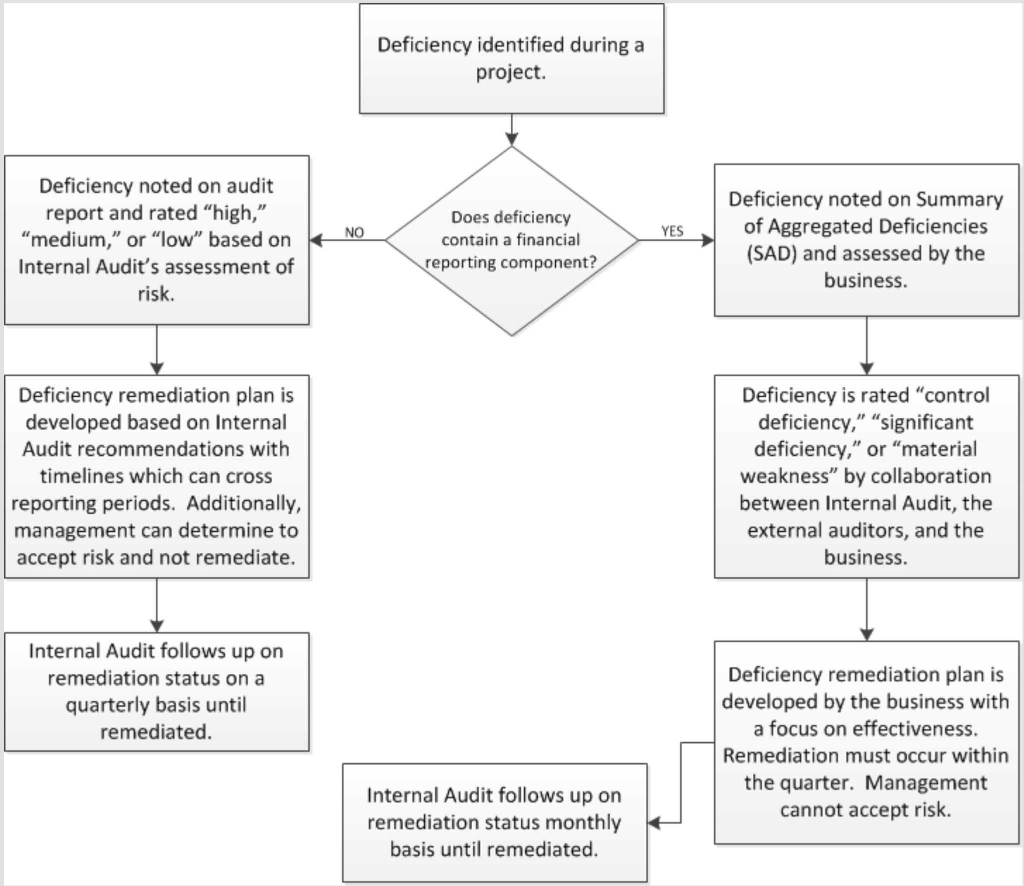
Audit Planning Phase:

Discussions with management as it relates to business objectives, risk, and financial impact (upside/downside) in the initial stages of an audit for a particular area/business unit/department; and

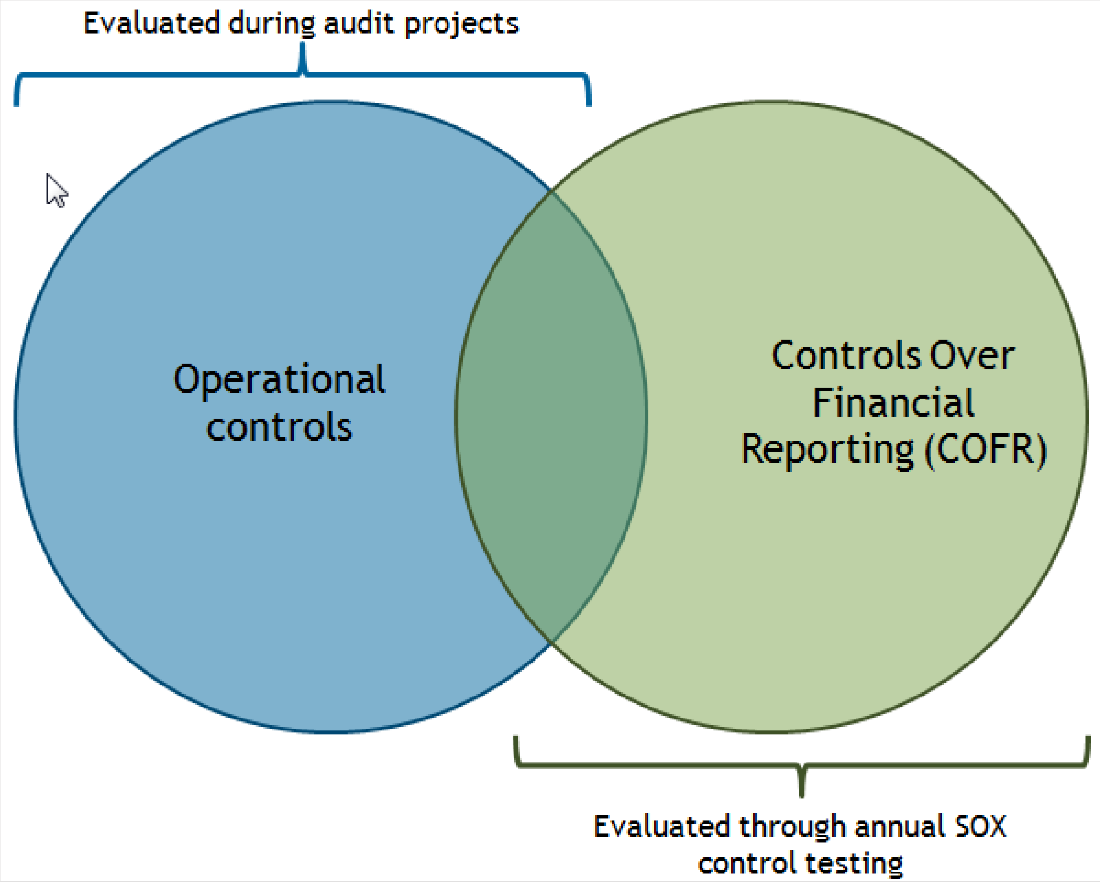
Audit Consultative Services/Management Requests:

Internal Audit providing consulting services at it relates to operational (i.e. Fuel Validation), financial (i.e. Allegro or PeopleSoft) or technological project implementations (i.e. Business Continuity, Data Center Outsourcing). This includes Control Self-Assessments (CSAs)

Identified Control Deficiencies: Audit vs. SOX



SOX + Audit: Example – Enterprise Trading & Risk Management (ETRM) Implementation

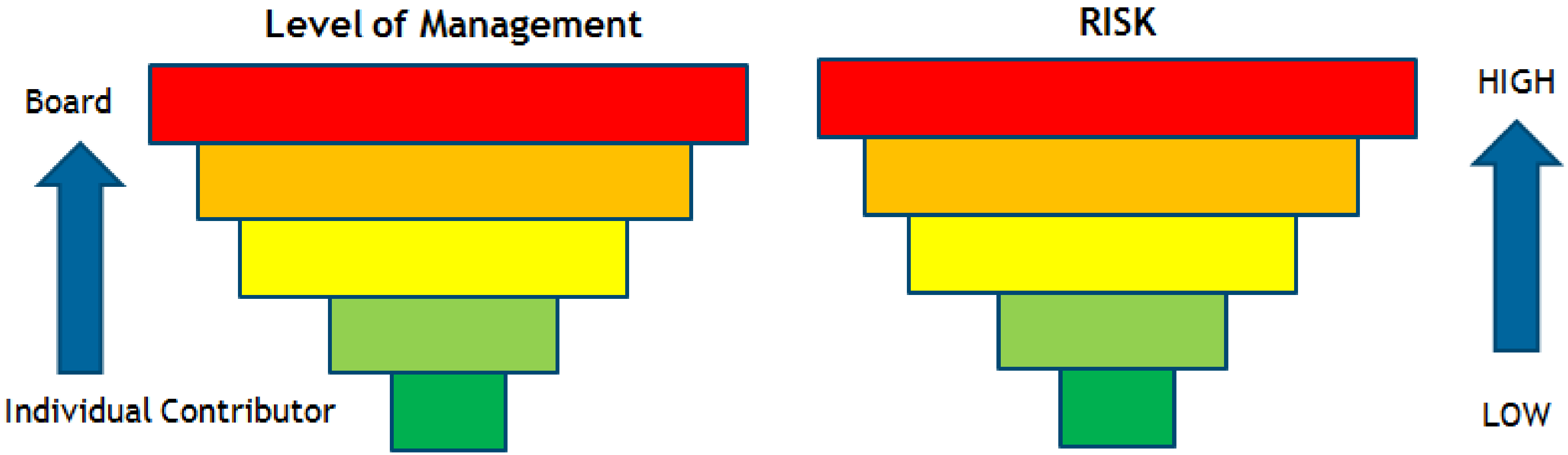


Ranking of Audit vs. SOX Issues

Audit Issues	SOX Issues
High	Material Weakness
Exception could impair the ability of the Company to accomplish its objectives. Resolution would help avoid loss of material assets, reputation, critical information, or the ability to comply with important laws, policies, or procedures.	One or more of the company's internal controls is considered to be ineffective and could lead to a material misstatement in the company's financial statements.
Medium	Significant Deficiency
Exception could result in ineffective business processes or inefficient use of Company resources. Resolution would help avoid negative impact on department/business unit assets, information, or the ability to comply with important laws, policies, or procedures.	One or more of the company's internal controls is considered to be ineffective and could lead to a misstatement in the company's financial statements which is more than inconsequential.
Low	Control Deficiency
Exception has a minor impact on the accomplishment of Company objectives, but may result in inefficient operations.	One or more of the company's internal controls is considered to be ineffective and could lead to a inconsequential misstatement in the company's financial statements.

Escalation Path & Managing Risk

As the risk escalates, the level of management escalates in the same manner until the appropriate level has been reached to be held accountable to the corresponding risk, execution of the control(s) and associated business objective(s)

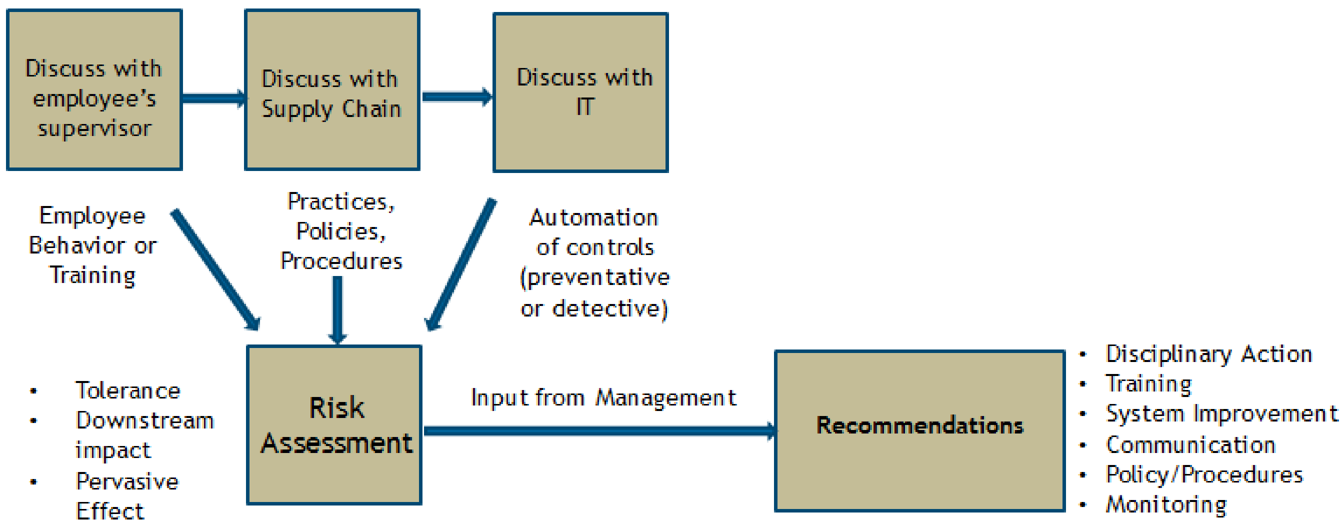


Example: Signature Authority Violation

Case:

An individual in the field, who is required to receive three quotes for goods and services to be rendered in excess of an established threshold (i.e. $50,000), decides to circumvent the required quote process even though the individual does not have the signature and/or authority to do so.

Escalation Process:



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