The “New” Compliance Vision - Cutting Edge or Bleeding Edge?

February 24, 2014

Agenda

- Program Maturity – Identify opportunities
- Everything’s a Priority – Alarm, Alarm, Alarm
- The art and science of communications
- Question and Answer

“In theory, there is no difference between theory and practice. But in practice, there is.”
- Yogi Berra

About KCP&L

“If you genuinely want something, don’t wait for it – teach yourself to be impatient.”
- Gurbaksh Chahal
Overview
More than 825,000 retail customers

Great Plains Energy (NYSE: GXP)
Kansas City Power & Light
Company and KCP&L Greater
Missouri Operations Company
Transource Energy
KCP&L Solar, Inc.

KCP&L
• 2008 – July Acquisition / Merger Closes / Department Established
• 2009 – NERC 693 Audit, NERC CIP Spot Check and an event
• 2009 – 2010 Limbo – changes in VP, director-level leadership
• 2010 – Chief Compliance Officer / Compliance Services Department
• 2010-2011 – FERC Audit (Section 204, issuance of Short-Term compliance program questions)
• 2011 – NERC CIP Audit
  Communications / Department Awareness
• 2012 – NERC 693 Audit
• 2014 – CIP Audit

“...I have not failed. I’ve just found 10,000 ways that won’t work.”
– Thomas Edison

Program Maturity

“There are no facts, only interpretations.”
– Friedrich Nietzsche
Compliance Maturity Model - Compliance at Every Level

Step 1: Reacting
- Panic
  - Get it done!
  - Operate in isolation
  - Marshal resources
    - as necessary from wherever

Step 2: Anticipating
- Acceptance
  - Efficiency
  - Automation
  - See connections between multiple programs
    - Plan future approach

Step 3: Collaborating
- Coordination
  - Set enterprise objectives
  - Coordinate analysis and action
  - Complete visibility to risk, exposure, performance

Step 4: Orchestrating
- Manage in unison
  - Set enterprise objectives
  - Complete visibility to risk, exposure, performance

FERC’s Effective Compliance Program
1. Internal standards and procedures to prevent and detect violations;
2. High-level management knowledge and oversight of internal compliance programs;
3. Reasonable (due diligence) efforts to screen out “poor performers”;
4. Reasonable internal communications and training efforts;
5. Reasonable steps to evaluate program effectiveness, including confidential reporting options for employees;
6. Creating and enforcing compliance incentives and noncompliance sanctions;
7. After detection of a violation, companies shall take reasonable, responsive steps.

Note: Appendix to September 17, 2010 FERC order on revised Civil Penalty Guidelines

NERC’s Internal Compliance Program
Four Hallmarks of effective compliance programs:
1. Senior management / leadership
   - Compliance Program established
   - Compliance Program is formally documented and widely disseminated
   - Compliance Program supervised by high ranking company employee
   - Supervisor has access to President / CEO and Board
   - Compliance Program is designed and managed with independence
     - Sufficient resources to implement compliance program
     - Full support of leadership
2. Preventive measures in place
   - Frequency of review of compliance program
   - Frequency of training of employees on compliance program
   - Sufficiency of training of employees on compliance program
3. Prompt detection, cessation, and self-reporting
   - Sustainable process to internally assess compliance with regulations
   - Sufficient response to identification of wrong-doing or misconduct
4. Effective remediation
   - Effective internal controls and procedures to prevent recurrence of misconduct
Aligning Internal Control and Compliance Program Frameworks

The Three Lines of Defense Model

Everything’s a Priority

“...Our choices‘...” – J.K. Rowling
Handling Alarms

Are you suffering from alarm fatigue?
Are your subject matter experts suffering from it?
How do you juggle priorities when everything is a priority?

"Alarm fatigue is when there are so many noises on the unit that it actually desensitizes."

NPR Story:
Silencing Many Hospital Alarms Leads To Better Health Care
by Richard Knox
http://www.npr.org/blogs/health/2014/01/24/265702152/silencing-many-hospital-alarms-leads-to-better-health-care

• So many alarms couldn’t keep track to determine immediate action
• 12,000 alarms a day, on average, in one unit alone – 90,000 alarms a week
• No deaths because of alarm failure at Boston Medical Center
• More than 200 deaths nationally
• Out-of-control technology
• Change settings to account for patient differences
• "More and more data, more and more alarms, more and more technology – (it’s) bad data in, bad decisions made."

Handling Alarms

Prioritizing – what kind of action must be taken and by when?
• Crisis Alarm
• Warning Alarm
• Reminder Alarm

Prioritizing items as they fit into your compliance program and maturity level

Managing technology to add value to the process or to ensure efficiency

Process improvements on how to best utilize communications (including e-mail) and face-to-face meetings
"A lie gets halfway around the world before the truth has a chance to get its pants on" – Sir Winston Churchill

Input – Process - Output

Identified all sources of information
• Orders
• Drafting Team submissions
• Compliance notices and guidelines

Clarification of process to address each input
• Service Level Agreements
• Planning Calendar
• SharePoint sites with documents
• Conference calls bi-monthly

Define outputs for success and prioritization of work
• Comments and voting to influence policy
• Compliance reporting and submissions

FERC Communications
Making Information Meaningful

Identify Sources of Communications: External, Internal, Regulators

Determine ownership: Who is the key contact?

Define next steps: Who is tasked to take action?

Clearly include in process what are the actions expected:
- Disseminate
- Complete
- File
- Provide Input
- Implement

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Communications cont.

Questions

“Forget your enemies, but never forget their names.” — John F. Kennedy