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**SUBJECT: RISK MANAGEMENT**

**1.0 SCOPE**

In the course of its operations, the New York Power Authority (“the Authority”) is subject to various sources of uncertainty which ~~, if realized,~~ could materially impair or enhance its ability to carry out its mission objectives. These sources of uncertainty, or “risks,” stem from the Authority’s ongoing operations as well as external market, regulatory, and geo-political environments; taken together, these various risks comprise the Authority’s Risk Profile. The Authority seeks to maintain a robust and resilient organization and operation that reliably serves, protects and defends the value delivered by resources under its stewardship.

The Authority considers the management of risk to be an integral part of its duties. ~~The Authority is committed to embedding~~ Risk Management is embedded into existing business practices and processes ~~so that it becomes~~ as part of the corporate culture ~~and is not viewed as~~ rather than an independent activity. Therefore, the Authority ~~is committed to~~ practicing Risk Management to:

- Enable successful delivery of its goals and objectives
- Encounter fewer unanticipated outcomes
- Encourage identification, ownership, ~~and~~ assessment of risks
- Communicate to stakeholders what the Authority is doing to manage its risks
- Empower the Authority to withstand future uncertainty and volatility

The objective, framework and management controls necessary to govern the Authority’s Risk Management activities are set forth in this Risk Management Policy (“Policy”).

**2.0 DEFINITIONS**

**2.1 Risk Management** – An integrated approach to identifying, assessing and addressing areas of uncertainty that could materially impair or enhance achievement of the Authority’s mission objectives.

~~**2.2 Risk Dimension** – a categorization of risks that aligns with a strategic goal.~~

~~2.32.2 Risk Profile – representation of the portfolio of risks across the enterprise, categorized by Risk Dimension.~~

~~2.42.3 Risk Tolerance – predefined limits of risk exposure to Authority’s mission objectives and vision.~~

~~2.52.4 Risk Response – action or measure taken in advance of, or after, when a risk is identified and assessed that is a risk occurs aimed at achieving the Authority’s mission objectives.~~

~~2.62.5 Strategic Goal – a specific, quantifiable ambition that is set and committed to by an organization in order to achieve its mission and vision. a specific area in which the Authority focuses resources and efforts over the horizon of the strategic plan. The Authority’s Strategic Goals are grouped within three categories of Mission, Stewardship and Accountability that, respectively, define the Authority’s: purpose; intention to maintain and grow entrusted resources; and commitment to responsible leadership.~~

~~2.7 Hedge Transaction – a contract with an exchange or directly with a counterparty company, establishing the price for future delivery of a specified energy related commodity quantity, or the financially settled equivalent of such future delivery, where such contract offsets an existing risk exposure.~~

### 3.0 IMPLEMENTATION

This Policy shall be adhered to by the staff of all Authority Business Units and Departments. Implementing procedures shall be prepared to define the necessary management controls. Recommendations for changes to this policy or a new corporate policy shall be processed in accordance with CP1-1 “Corporate Policy Program Administration”.

### 4.0 OBJECTIVE

This Policy serves to support the following Risk Management objectives:

- Employ an ~~un~~ coordinated-integrated approach to identifying, assessing and managing risks across the Authority.
- Identify risk concentrations and analyze potential correlations to other risks; thereby enhancing the facilitation and integration of Risk Management between departments and business units.

- Utilize Risk Management to inform decisions in a risk-based corporate planning process, aligning risk with organizational strategy in a systematic, structured framework.
- Establish the delegation of authority and associated control limits necessary to enter into transactions in the normal conduct of business.

## 5.0 FRAMEWORK

This Policy establishes the following Risk Management framework:

- Risk Management ~~will include~~provides a structured process for consolidating risk assessments into an expression of risk around categories, such as financial liquidity, operational reliability, safety, workforce management, energy market (price and volume), credit, energy efficiency objectives and legal and regulatory compliance.
- Risk Management ~~will provide~~has a forward-looking perspective as to the potential outcomes that may be realized in order to inform stakeholders and executive management ~~in advance~~ of the potential for unacceptable outcomes.
- Risk Management ~~will~~establishes a Risk Profile to enable the Authority to fulfill its mission with a more informed forward-looking risk view.
- Risk Management ~~will~~includes business processes, procedures, evaluation tools, and methodologies for risk identification, assessment, and communication.
- Risk Management ~~will~~evaluates the Risk Response to unacceptable exposures. ~~Risk Response will be conducted according to a "non-speculative" philosophy, in which t~~The primary mandate of Risk Response shall be the containment of exposures within established Risk Tolerances.

## 6.0 MANAGEMENT CONTROLS

### 6.1 General

All Risk Management activities ~~will~~shall be conducted in accordance with this Policy. Controls and procedures to be further delineated by management shall be in conformance with this Policy.



To align efforts, ~~an integrated approach among~~ the Office of Ethics and Compliance, Internal Audit, Strategic ~~Planning Management~~ and Risk Management Department ~~will exist~~ employ an integrated approach to Risk Management activities. The sharing of mutual interests ~~will~~ strives to capture and manage information in a common language and context to provide enterprise collaboration, and facilitate the flow of communication across the Authority. This process ~~will assist in~~ supports the Authority's efforts to achieve optimal performance and demonstrate adherence to all mandated requirements.

## **6.2 Responsibilities**

### **6.2.1 Delegation of Authority**

#### a) President and Chief Executive Officer

This Corporate Policy is established under the authority of the President and Chief Executive Officer ("CEO").

#### b) Board of Trustees

In accordance with leading industry practice, the Board of Trustees' shall affirm the philosophy, framework and delegation of authority for the Authority's Risk Management activities.

#### c) "Audit Committee" of the Board of Trustees

The Audit Committee seeks to enhance the Authority's Risk Management infrastructure and ensure timely and effective identification and mitigation of critical business risks. The Audit Committee shall provide guidance to the Authority's Chief Risk Officer on critical business objectives, risks and philosophy, tolerance for Risk Response and reporting requirements.

#### d) Executive Risk Management Committee

An Executive Risk Management Committee ("ERMC") is established by this Policy as management's controlling authority with respect to Risk Management activities; the ERMC shall be governed by the provisions herein and outlined in the ERMC Charter. The Board of Trustees, based on the recommendation of the Audit Committee, has delegated to the ERMC the authority by which energy commodity related hedge transactions may be entered into as necessary to offset financial risks to the Authority or its customers. The ERMC is responsible for the delegation of that authority as well as the establishment of necessary controls. The Chief Financial Officer ("CFO") serves as the chair of the ERMC and is

ultimately responsible for the financial integrity of the Authority and, accordingly, no delegation of authority to the ERM is intended to impair the CFO's ability to protect such financial integrity.

e) Chief Risk Officer ("CRO")

The CRO is responsible for providing overall leadership, vision, and direction for Risk Management. The CRO develops the Risk Management approach and provides risk reports to the Audit Committee and the ERM in accordance with their respective charters. The CRO ~~will~~ shall work with the ERM to ensure this Policy and related implementing procedures are maintained to direct Risk Management processes.

f) Authority Personnel, ~~and~~ Contractors, Business Units and Departments

All Authority personnel, ~~and~~ contractors, business units and departments are responsible for the management of risk. Authority personnel, ~~and~~ contractors, business units and departments ~~are expected to~~ shall make and support risk-informed decisions and remain vigilant in identifying and communicating emerging risk issues that could jeopardize the Authority's success.

g) Risk Management Department

Under the CRO's direction, the Risk Management Department coordinates, administers and sustains the Authority's Risk Management activities. The Risk Management Department is responsible for maintaining governance materials to codify the Authority's risk philosophy and framework, facilitating the enterprise risk identification and assessment process, developing Risk Management tools and techniques, and administering the Energy Commodity and Credit Risk Management program. The Energy Commodity and Credit Risk Management program governs staff activities and establishes necessary controls for the effective conduct of energy commodity and credit risk management, including: risk measurement, hedging activities, counterparty credit, collateral management and the control of all related activities.

~~h) Office of Ethics and Compliance~~

~~The Office of Ethics and Compliance will conduct independent evaluations of the Risk Profile to ensure compliance with applicable laws, regulations and standards and adherence to the business conduct expected of employees contained in the Ethics Code of Conduct. It will facilitate the review and verification of all risks contained in the Legal/Regulatory~~

~~Compliance Risk Dimension consistent with the Risk Management processes.~~

~~i)h) Internal Audit~~

In accordance with its independent role (CP 5.1 – Internal Audit Program), Internal Audit shall conduct periodic independent evaluations of the adequacy and effectiveness of the Authority’s Risk Management processes.

## 7.0 **REFERENCES**

- 7.1 CP 1-1 Corporate Policy Program Administration
- 7.2 Executive Risk Management Committee Charter
- 7.3 Audit Committee Charter
- 7.4 Ethics Code of Conduct
- 7.5 CP 5-1 Internal Audit Program

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**President and Chief Executive Officer**