

May 22, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Corporate Policy – Risk Management and
Executive Risk Management Committee Charter**

SUMMARY

The Trustees are requested to approve the 2014 Corporate Policy – Risk Management (the “Policy”) and the 2014 Executive Risk Management Committee Charter (the “Charter”), which are attached hereto as Exhibits “A-1” and “B-1.”

In accordance with leading industry practice, the Trustees' approval of the governance materials is intended as an affirmation of the philosophy, framework and delegation of authority for the Authority's risk management activities, including those related to energy commodity and credit risk.

The members of the Executive Risk Management Committee (“ERMC”) reviewed the proposed Policy and Charter and recommend their approval.

BACKGROUND

At their meeting of March 21, 2013, the Trustees approved the 2013 Policy and Charter that are to be updated and submitted for Trustee approval annually.

DISCUSSION

The Policy and Charter establish the Authority's governance related to the enterprise view of risk management. The Policy and Charter align risk management governance materials with existing Authority governance documents including the Board of Trustees Charter of the Audit Committee.

Proposed changes include certain points of clarification including an update to the “2.0 Definitions” section that better represents terms that apply to the Authority's present risk management practice. Also proposed is the removal of the paragraph in section “6.2.1 - Delegation of Authority” as no specific delegation is granted in the paragraph nor is any delegation deemed necessary. These changes are reflected in the redline versions as Exhibits “A-2” and “B-2,” respectively.

RECOMMENDATION

The Senior Vice President – Chief Risk Officer recommends that the Trustees approve the 2014 Corporate Policy – Risk Management and the 2014 Executive Risk Management Committee Charter as reflected in Exhibits “A-1” and “B-1” and discussed above.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Corporate Policy – Risk Management (the “Policy”) and the related Executive Risk Management Committee Charter (the “Charter”) establishing the philosophy, framework and delegation of authority necessary to govern the activities of the Authority related to risk management activities including the program for Energy Commodity and Credit Risk Management is hereby adopted in the form attached as Exhibits “A” and “B”; and be it further

RESOLVED, That the Executive Risk Management Committee consisting of five members including the Chief Financial Officer, who serves as Chair, plus four additional members appointed by the President and Chief Executive Officer, is hereby granted the authority, within the requirements established by the Policy and Charter, to enter into energy related commodity hedge transactions and to post any necessary collateral in support of such transactions, to meet the requirements of the Authority’s customers or facilities for a transaction term not to exceed four years beyond the last day of the month the transaction is entered, with specific Trustee approval required prior to entering transactions, for energy and energy-related products of greater than a four-year term, or the issuance of competitive solicitations for same; and be it further

RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the Senior Vice President and Chief Risk Officer and any other necessary Authority officers are, and each of them hereby is, authorized on behalf of the

Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents necessary to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel.

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 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. Risk Management is embedded into existing business practices and processes as part of the corporate culture rather than an independent activity. Therefore, the Authority practices Risk Management to:

- Enable successful delivery of its goals and objectives
- Encounter fewer unanticipated outcomes
- Encourage identification, ownership, 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 Profile** – representation of the portfolio of risks across the enterprise.
- 2.3 Risk Tolerance** – predefined limits of risk exposure to Authority's mission objectives.



2.4 Risk Response – action or measure taken when a risk is identified and assessed that is aimed at achieving the Authority’s mission objectives.

2.5 Strategic Goal – a specific, quantifiable ambition that is set and committed to by an organization in order to achieve its mission and vision.

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 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 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 has a forward-looking perspective as to the potential outcomes that may be realized in order to inform stakeholders and executive management of the potential for unacceptable outcomes.
- Risk Management establishes a Risk Profile to enable the Authority to fulfill its mission with a more informed forward-looking risk view.
- Risk Management includes business processes, procedures, evaluation tools, and methodologies for risk identification, assessment, and communication.
- Risk Management evaluates the Risk Response to unacceptable exposures. 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 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, the Office of Ethics and Compliance, Internal Audit, Strategic Planning and Risk Management Department employ an integrated approach to Risk Management activities. The sharing of mutual interests 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 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 ERMC 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 ERMC in accordance with their respective charters. The CRO shall work with the ERMC to ensure this Policy and related implementing procedures are maintained to direct Risk Management processes.

f) Authority Personnel, Contractors, Business Units and Departments

All Authority personnel, contractors, business units and departments are responsible for the management of risk. Authority personnel, contractors, business units and departments 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) 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

President and Chief Executive Officer

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~~ is 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

President and Chief Executive Officer

**Executive Risk Management Committee
(ERMC)**

Charter

1.0 PURPOSE

The objective of the Executive Risk Management Committee (“ERMC”) is to provide oversight for the management of NYPA’s Risk Profile. The Risk Profile is a representation of the entire portfolio of risk across the enterprise.

The ERMC advises the President and Chief Executive Officer (“CEO”), Executive Management Committee (“EMC”), and Audit Committee of the Board of Trustees in accordance with the Corporate Policy 2-15 – Risk Management 3/21/2013 and the Resolution by the Board of Trustees dated March 21, 2013.

The Board of Trustees has delegated to the ERMC the authority by which NYPA staff may enter into energy commodity related hedge transactions as necessary to offset financial risks to the Authority or its customers.

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 Profile – representation of the portfolio of risks across the enterprise.
- 2.3 Risk Tolerance – predefined limits of risk exposure to Authority’s mission objectives.
- 2.4 Risk Threshold – early warning metrics or indicators established as intermediate values between the planned outcome and the Risk Tolerance to identify potential risk impacts and trigger a Risk Response.
- 2.5 Risk Response – action or measure taken in advance of, or after, a risk occurs aimed at achieving the Authority’s mission objectives.
- 2.6 Strategic Goal – a specific, quantifiable ambition that is set and committed to by an organization in order to achieve its mission and vision.
- 2.7 Energy Related 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 MEMBERSHIP AND ORGANIZATION

3.1 COMMITTEE COMPOSITION

The ERMC shall consist of a minimum of five (5) members, including the Chief Financial Officer (“CFO”) and four (4) additional members as appointed annually by the President and CEO.

It shall be chaired by the CFO; or, in the absence of the CFO, another member delegated this responsibility by the CFO.

The Chief Risk Officer (“CRO”) is a de facto, non-voting, participant of the ERMC but shall remain independent. The CRO develops the Risk Management approach and provides risk reports to the ERMC. The CRO will work with the ERMC to ensure implementing procedures are maintained to direct Risk Management processes.

The Vice President of Internal Audit, the Energy Resource Management Department and the Controller’s Office, each have a standing invitation to attend regular ERMC meetings but such attendance does not constitute ERMC membership nor voting rights.

A member of the Risk Management Department shall act as a coordinator to the ERMC maintaining the meeting schedule, agenda and meeting minutes.

3.2 QUORUM and VOTING

A quorum shall consist of any three (3) members including the chair; participation may be in-person, by video link or by telephone when reasonable assurance is provided of the identity and ability of such members to participate in the meeting discussion.

Voting on ERMC matters shall be on a one member-one vote basis. When a quorum is present, the vote of a simple majority of the ERMC members shall constitute the action or decision of the ERMC.

3.3 MEETINGS

All ERMC meetings shall be scheduled through the Chairperson.

The ERMC shall meet monthly or as often as it determines to be necessary. The ERMC may meet with the Board of Trustees, Audit Committee or CEO by telephone or video conference.

The ERMC may request any other officer, employee, or consultant of the Authority to meet with any members of, or consultants to the ERMC.

Authority staff shall prepare risk reports to be presented to the ERMC for review as outlined in related procedures or as otherwise requested by the ERMC.

Authority staff shall prepare risk response strategies to be presented to the ERMC for review and approval as outlined in related procedures or as otherwise requested by the ERMC.

Except in the case of an emergency, the suggested notice period for a meeting in person shall be at least ten business days prior to the date of such meeting.

3.4 RESPONSIBILITIES

Responsibilities of the ERMC are the following:

- Establish and assess the corporate Risk Profile, Risk Tolerances and Risk Thresholds across the enterprise.
- Ensure adequate resources are being applied to risks including appropriateness of risk ownership and response planning.
- Provide guidance to NYPA management regarding all aspects of Risk Management. Approve written procedures and other governance materials developed to support Risk Management activities to ensure consistency with the Corporate Policy 2-15 – Risk Management.
- Authorize a program for Energy Commodity and Credit Risk Management which may include the use of energy related commodity hedge transactions to offset an existing risk exposure, within appropriate processes and control limits governing their use, to offset a corresponding risk exposure.

Hedge transactions may include physical and financially settled transactions for:

- electrical energy,
- capacity, ancillary services,
- transmission rights and congestion contracts,
- natural gas, natural gas transportation, natural gas locational basis,
- fuel oil,
- traded emissions, environmental attributes, and

- other energy-market products used for generation, the fulfillment of customer load obligations or related requirements.

Such transactions shall be for no more than four (4) years beyond the last day of the month in which the transaction is entered. Transactions of more than four (4) years term, as well as competitive solicitations relating to such transactions require the prior approval of the Board of Trustees.

- Authorize energy related commodity hedge transactions in accordance with the Authority's Risk Management Policy and related implementing procedures.
- Regularly review and reassess the adequacy of this Charter and recommend any proposed changes to the Audit Committee for approval.

4.0 REFERENCES

Corporate Policy 2-15 – Risk Management

Risk Management Trustee Item - March 21, 2013 Trustee meeting

Audit Committee Charter

Procedure for Energy Commodity & Credit Risk Management

**Executive Risk
Management Committee (ERMC)**

Charter

1.0 PURPOSE

The objective of the Executive Risk Management Committee (“ERMC”) is to provide oversight for the management of NYPA’s Risk Profile. The Risk Profile is a representation of the entire portfolio of risk across the enterprise.

The ERMC advises the President and Chief Executive Officer (“CEO”), Executive Management Committee (“EMC”), and Audit Committee of the Board of Trustees in accordance with the Corporate Policy 2-15 – Risk Management 3/21/2013 and the Resolution by the Board of Trustees dated March 21, 2013.

The Board of Trustees has delegated to the ERMC the authority by which NYPA staff may enter into energy commodity related hedge transactions as necessary to offset financial risks to the Authority or its customers.

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.~~

~~2.3~~2.2 Risk Profile – representation of the portfolio of risks across the enterprise, categorized by Risk Dimension.

~~2.4~~2.3 Risk Tolerance – predefined limits of risk exposure to Authority’s mission and vision objectives.

~~2.5~~2.4 Risk Threshold – early warning metrics or indicators established as intermediate values between the planned outcome and the Risk Tolerance to address identify potential risk impacts and trigger a Risk Response.

~~2.6~~2.5 Risk Response – action or measure taken in advance of, or after, a risk occurs aimed at achieving the Authority’s mission objectives.

~~2.7~~2.6 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 Energy Related 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.

2.8

3.0 MEMBERSHIP AND ORGANIZATION

3.1 COMMITTEE COMPOSITION

The ERMC shall consist of a minimum of five (5) members, including the Chief Financial Officer ("CFO") and ~~at least threefour (43) other additional~~ members as appointed ~~annually from NYPA's Executive Management Committee~~ by the President and CEO;

It shall be chaired by the CFO; or, in the absence of the CFO, another member delegated this responsibility by the CFO;

The Chief Risk Officer ("CRO") is a de facto, non-voting, participant of the ERMC but shall remain independent. The CRO develops the Risk Management approach and provides risk reports to the ERMC. The CRO will work with the ERMC to ensure implementing procedures are maintained to direct Risk Management processes.

The Vice President of Internal Audit, the Energy Resource Management Department and the Controller's Office, each have a standing invitation to attend regular ERMC meetings but such attendance does not constitute ERMC membership nor voting rights.

A member of the Risk Management Department shall act as a coordinator to the ERMC maintaining the meeting schedule, agenda and meeting minutes.

3.2 QUORUM and VOTING

A quorum shall consist of any three (3) members including the chair; participation may be in-person, by video link or by telephone ~~provided when~~ reasonable assurance is provided of the identity and ability of such members to participate in the meeting discussion.

Voting on ERMC matters shall be on a one member-one vote basis. When a quorum is present, the vote of a simple majority of the ERMC members shall constitute the action or decision of the ERMC.

3.3 MEETINGS

All ERMC meetings shall be scheduled through the Chairperson.

The ERMC shall meet monthly or as often as it determines to be necessary. The ERMC may meet with the Board of Trustees, Audit Committee or CEO by telephone or video conference.

The ERMC may request any other officer, employee, or consultant of the Authority to meet with any members of, or consultants to the ERMC.

Authority staff shall prepare ~~periodic~~-risk reports to be presented to the ERM for review as outlined in related procedures or as otherwise requested by the ERM.

Authority staff shall prepare risk response strategies to be presented to the ERM for review and approval as outlined in related procedures or as otherwise requested by the ERM.

Except in the case of an emergency, the suggested notice period for a meeting in person shall be at least ten business days prior to the date of such meeting.

3.4 RESPONSIBILITIES

Responsibilities of the ERM are the following:

- Establish and assess the corporate Risk Profile, ~~Risk Dimensions~~, Risk Tolerances and Risk Thresholds across the enterprise.
- Ensure adequate resources are being applied to risks including appropriateness of risk ownership and response planning.
- Provide guidance to NYPA management regarding all aspects of Risk Management. Approve written procedures and other governance materials developed to support Risk Management activities to ensure consistency with the Corporate Policy 2-15 – Risk Management.
- Authorize a program for Energy Commodity and Credit Risk Management which may include the ~~non-speculative~~ use of energy related commodity hedge transactions to offset an existing risk exposure, within appropriate processes and control limits governing their use, to offset a corresponding risk exposure.

Hedge transactions may include physical and financially settled transactions for:

- electrical energy,
- capacity, ancillary services,
- transmission rights and congestion contracts,
- natural gas, natural gas transportation, natural gas locational basis,
- fuel oil,

- traded emissions, environmental attributes, and
- other energy-market products used for generation, the fulfillment of customer load obligations or related requirements.

Such transactions shall be for no more than four (4) years beyond the last day of the month in which the transaction is entered. Transactions of more than four (4) years term, as well as competitive solicitations relating to such transactions require the prior approval of the Board of Trustees.

- Authorize energy related commodity hedge transactions in accordance with the Authority's Risk Management Policy and related implementing procedures.
- Regularly review and reassess the adequacy of this Charter and recommend any proposed changes to the Audit Committee for approval.

4.0 REFERENCES

Corporate Policy 2-15 – Risk Management

Risk Management Trustee Item - March 21, 2013 Trustee meeting

Audit Committee Charter

Procedure for Energy Commodity & Credit Risk Management