



**MINUTES OF THE JOINT MEETING
OF THE RISK AND RESILIENCY COMMITTEE
September 17, 2024**

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Minutes of the joint meeting of the New York Power Authority and Canal Corporation's Risk and Resiliency Committee held via videoconference at approximately 11:00 a.m.

Members of the Finance Committee present were:

Cecily Morris - Chair
John Koelmel
Bethaida González
Michael Cusick
Laurie Wheelock

Also in attendance were:

Justin E. Driscoll	President and Chief Executive Officer
Adam Barsky	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Adam Barsky	Executive Vice President and Chief Financial Officer
Lori Alesio	Executive Vice President and General Counsel – Legal Affairs
Daniella Piper	Executive Vice President and Chief Innovation Officer
Yves Noel	Senior Vice President and Chief Strategy Officer
Robert Piascik	Senior Vice President and Chief Information & Technology Officer
Alexis Harley	Senior Vice President and Chief Risk and Resiliency Officer
Karina Saslow	Senior Vice President – Human Resources
Charles Imohiosen	Senior Vice President – Communications and External Affairs
Karen Delince	Vice President and Corporate Secretary
Carley Hume	Chief of Staff and Vice President of Policy
Thomas Spencer	Senior Director – Enterprise and Operational Risk
Dennis Chang	Senior Director – Energy Portfolio Management
Lawrence Mallory	Senior Director – Security & Crisis Management
Christine Schmidt	Vice President – Energy Resource Management
Sheila Quatrocci	Senior Associate Corporate Secretary
Michele Stockwell	Senior Assistant Corporate Secretary

Chair Cecily Morris presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chair Cecily Morris welcomed committee members and the Authority's senior staff to the meeting. She said that the meeting has been duly noticed as required by New York State's Open Meetings Law and called the meeting to order pursuant to Section III of the Risk and Resiliency Committee Charter.

1. Adoption of the September 17, 2024 Proposed Meeting Agenda

On motion made by member Bethaida González and seconded by member Laurie Wheelock, the agenda for the meeting was adopted.

2. DISCUSSION AGENDA:

a. Chief Risk and Resiliency Officer Overview

Ms. Alexis Harley, Senior Vice President and Chief Risk and Resiliency Officer, said that the team will provide the members with 1) the mid-year Risk Assessment results; 2) an update on the progress of the Authority's Hedging Strategy; and 3) Physical Security Risk Management. She continued that NYPA and Canals' risk profile has remained stable through the first half of the year. The Authority is also on track with the execution of its Merchant Portfolio Hedging Strategy, and the physical security needs are addressed by the Physical Security Risk Management Program. She then invited Mr. Thomas Spencer, Senior Director of Enterprise and Operational Risk Management, to provide the mid-year Risk Assessment results to the members.

b. 2024 Mid-Year Enterprise Risk Summaries

Mr. Thomas Spencer, Senior Director of Enterprise and Operational Risk, provided an update of the report to the members. He said that the team started the process for the mid-year Enterprise Risk profile update by collecting data from multiple teams across NYPA's business units including Internal Audit and Internal Business Controls. The data is then reviewed, analyzed and aggregated by each enterprise risk. This information is then socialized and shared with risk owners; this is followed by the Executive Risk Sponsors' approval.

He continued that there has not been any movement in the Residual Risk scores since the 2023 year-end update and NYPA's enterprise risk mitigations are keeping pace with the dynamic risk environment. This mid-year risk update indicates that NYPA's risk profile is being well-managed to ensure residual risk is in an acceptable range. The team continues to place emphasis on reducing the likelihood in enhancing resiliency in commodity market price volatility, critical infrastructure, and hydro generation. The team also continues to execute on and evolve the Commodity Hedging Program in an effort to reduce the Authority's exposure to commodity market price volatility, or on its critical infrastructure. The Authority deploys ISO 55,000 Asset Management standards and has multiple Life Extension and Modernization projects across the organization. The team is also exploring the use of parametric insurance products through the Authority's Captive Insurance Company to reduce the potential impacts of fluctuations in hydro generation forecasts.

The mid-year results are also reflective of a strong risk management and resilience capability that is due, in large part, to the strong risk governance structure that ensures escalation of risk in a timely manner. As internal and external factors impact the risk profile changes, the Authority will continue to

provide the members transparency into its risk profile and ensure that shifts in risks are at the forefront of communications to the members.

Risk Management and Control Scores

Risk Management and Control Scores remain relatively stable. A new component was introduced into the Authority's Risk Management Control Scoring Model, the Enterprise Risk Driver Controllability Factor, resulting in an increase of eight risk management and control scores over the past six months. The more control the Authority has over risk drivers impacting a risk, the more beneficial it is to the Risk Management and Control scores.

As the process and algorithm around calculating risk management and control is refined, the Authority will be better able to detect changes in its risk profiles. Some of the actions taken to mitigate risk include:

- Continuing to diversify the revenue portfolio by increasing the Authority's transmission asset base.
- Developing new products and services for the Authority's customers; and
- Increasing renewable generation to lower the Authority's exposure to sustain margin reduction.

The team will continue to transfer risks using internal and external insurance products. Captive will be used for property, cyber, general liability deductibles and terrorism insurance coverage. The use of partnerships and joint ventures has been increased to manage, transfer, and share risks.

Canal Corporation (Canals)

Canals' enterprise risk mitigation efforts are prioritized to enhance resiliency. Although the Canals' Enterprise Risk Portfolio falls mainly within the "Well-Managed and Controlled" risk range, Critical Infrastructure Risk, the highest Risk Management Control Score, continues to be an area of focus, given the large geographic footprint of Canals and NYPA's efforts to make the canals a desired destination location.

To this end, a long-range Planning Group was formalized to evaluate and triage at-risk assets; asset inspections have substantially increased; and new equipment that enables internal fabrications for infrastructure parts that are no longer readily commercially available have been acquired. The Canals' team is also working on the rehabilitation of the Madison Reservoir Dam which will address structural and operational concerns while reducing downstream exposure and demonstrating to stakeholders that the organization is committed to public safety while maintaining its infrastructure.

Despite these challenges around human and capital resource constraints, teams across NYPA and Canals continue their efforts to mitigate risks and reduce exposure at Canals.

c. 2024 Hedge Strategy Update

Programmatic Hedge Strategy

Mr. Dennis Chang, Senior Director of Energy Portfolio Management, provided an update of the report to the members. He said that the Hedging Strategy is a programmatic method where hedges are layered throughout the year to reach a minimum percentage target of volume for the Authority's Merchant portfolio. Once the minimum target is reached, staff continue to seek opportunities in the market, check the liquidity and see if there are any opportunities to further reduce the financial risk of the Authority's Merchant Portfolio.

He continued that the Authority hedge to the highest target of volume for the closest outer year, then gradually decrease that target further into the future. The further out the organization goes into the

future there is more uncertainty and volatility in the markets, and the organization will be at risk of giving up revenue opportunities on the Generation sales business. The strategy is effective in reducing the Authority's downside risk, specifically for price volatility, and it stabilizes revenue streams so that staff can better plan and budget for capital expenditure projects.

Hedge Impact at Mid-Year

Year 2024, the hedges have offset 74% of the potential downside exposure. Prices fell between 20% - 30% on power and capacity; however, the Authority's hedges that were transacted and put in place prior to 2024 offset nearly three quarters of that financial impact due to prices falling.

At the end of July, the expected full-year Merchant Gross Margin was recorded at approximately \$335 million, which is 10% above the target of \$305 million, resulting in a \$30 million positive variance. The drivers behind these variances to the target on the merchant generation business include hydro volume, fuel costs, fossil fuel, margins, ancillary revenues and hedge settlements. The positive variance for 2024 that was carried over month-to-month is due mainly to the Authority's hedge settlements and hydro volumes being higher than forecasted.

In 2025, the financial risk will be reduced by approximately 40%; 14% for 2026 and 4% for 2027. The Authority's hedging strategy is a rolling strategy. It is reset every year with new percentage targets. This fall, the new hedging strategy will address 2026 as the closest year and 2027 and 2028 outer years. Next year, the financials will have a higher percentage target and further risk reductions.

Forward Outlook 2024 Year-end

For the fourth quarter of this year, the team does not anticipate any issues to attain the minimum targets for the outer years.

In 2025, the hedge percentage is anticipated to be slightly above the approved percentage target. This is due mainly to market opportunities and the further risk reductions, financially, that can be achieved by transacting hedges.

The annual review and refresh of the next multi-year hedging strategy will be completed this fall. The members will be provided with an update on the results next year.

d. NYPA and Canal Corporation Physical Security Update

Mr. Lawrence Mallory, Senior Director of Security and Crisis Management, provided an update of the report to the members. He said that he would be reporting on security and crisis management at NYPA and Canal Corporation ("Canals").

He continued that NYPA and Canals' Physical Security management focuses on similarities as well as differences; however, the risks and controls vary. NYPA is heavily regulated and is subject to both the North American Energy Reliability Corporation ("NERC") critical infrastructure protection standards as well as the Federal Energy Reliability Commission ("FERC") hydro security standards. As previously reported, the Authority was scheduled for two FERC inspections for the St. Lawrence Power Project and Niagara Power Plant. Both inspections were completed with no violations reported. The FERC team provided recommendations, and the team is working on implementing, or developing a response to the recommendations.

Canals does not have any security regulatory requirements. However, the team uses the learnings from the FERC experts and apply them to Canals, where applicable. Canals have more than 400 buildings largely embedded in the community which are for recreation. By its nature, as a recreation-way, the corporation is bringing people into the system; therefore, securing Canals is a greater challenge than securing the Authority.

The team shares lessons learned and best practices to strengthen operations at NYPA and Canals. Mobile detection tools and intelligence and information platforms are deployed at both sites, and the team is in the process of implementing a mass notification system, similar to that used at NYPA, at Canals.

To date, the team have completed more than 30 drills and exercises across NYPA and Canals including storm response, emergency lifting of movable dams and active shooter response. These actions and plans are being informed by the risk strategy as well as regular meetings with the NYPA and Canals staff.

Mr. Mallory ended that the Security Crisis management team, supported by the Operations team at NYPA and Canals, apply learnings across the board and are working daily to respond to issues to keep the employees and facilities safe and secure.

3. CONSENT AGENDA

On motion made by member John Koelmel and seconded by member Michael Cusick, the Consent Agenda was unanimously adopted.

a. Approval of the Minutes of the Joint Risk and Resiliency Committee Meeting held on July 16, 2024

On motion made and seconded, the Minutes of the meeting held on July 16, 2024 were unanimously approved.

4. Next Meeting

Chair Cecily Morris stated that the next regular meeting of the Risk and Resiliency Committee is to be determined.

Closing

On a motion made by Member John Koelmel and seconded by Member Michael Cusick, the meeting was adjourned at approximately 12:00 p.m.



Karen Delince
Corporate Secretary