



## Silicon Valley Clean Energy Executive Committee Meeting

Friday, June 23, 2023  
10:00 am

George Tyson, Chair  
Town of Los Altos Hills

Tina Walia, Vice Chair  
City of Saratoga

Elliot Scozzola  
City of Campbell

Sheila Mohan  
City of Cupertino

Zach Hilton  
City of Gilroy

Sally Meadows  
City of Los Altos

Rob Rennie  
Town of Los Gatos

Evelyn Chua  
City of Milpitas

Bryan Mekechuk  
City of Monte Sereno

Yvonne Martinez Beltran  
City of Morgan Hill

Margaret Abe-Koga  
City of Mountain View

Larry Klein  
City of Sunnyvale

Otto Lee  
County of Santa Clara

Silicon Valley Clean Energy Office  
333 W. El Camino Real, Suite 330  
Sunnyvale, CA

Morgan Hill City Hall  
17575 Peak Ave.  
Morgan Hill, CA 95037

Via dell'Opio Nel Corso, 60  
53045 Montepulciano SI, Italy

Teleconference Meeting Information:

<https://svcleanenergy-org.zoom.us/j/89639787070>

Telephone (Audio only):

US: +1 669 219 2599

Webinar ID: 896 3978 7070

Members of the public may observe this meeting electronically by accessing the meeting via instructions above. Public Comments can be sent in advance of the meeting via email up to three hours before the meeting begins to Board Clerk Andrea Pizano at [Andrea.Pizano@svcleanenergy.org](mailto:Andrea.Pizano@svcleanenergy.org) and will be distributed to the Executive Committee. The public will also have an opportunity to provide comments during the meeting. Members of the public using Zoom may comment during public comment or the applicable agenda item by using the Raise Hand feature and you will be recognized by the Chair. Those using the telephone (audio only) feature should press star 9 on your phones to initiate the "Raise Hand" function in Zoom. You will then be announced, unmuted, and your time to speak will begin.

The public may provide comments on any matter listed on the Agenda. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act ("ADA") please contact Board Clerk Andrea Pizano at [Andrea.Pizano@svcleanenergy.org](mailto:Andrea.Pizano@svcleanenergy.org) prior to the meeting for assistance.

### AGENDA

[svcleanenergy.org](http://svcleanenergy.org)

333 W El Camino Real  
Suite 330  
Sunnyvale, CA 94087

[Call to Order](#)

## Roll Call

George Tyson, Chair  
Town of Los Altos Hills

Tina Wallia, Vice Chair  
City of Saratoga

Elliot Scozzola  
City of Campbell

Sheila Mohan  
City of Cupertino

Zach Hilton  
City of Gilroy

Sally Meadows  
City of Los Altos

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Yvonne Martinez Beltran  
City of Morgan Hill

Margaret Abe-Koga  
City of Mountain View

Larry Klein  
City of Sunnyvale

Otto Lee  
County of Santa Clara

## Public Comment on Matters Not Listed on the Agenda

*The public may provide comments on any matter not listed on the Agenda provided that it is within the subject matter jurisdiction of SVCE. Speakers are customarily limited to 3 minutes each, however, the Committee Chair may increase or decrease the time allotted to each speaker based on the number of speakers, the length of the agenda and the complexity of the subject matter. Speaking time will not be decreased to less than one minute.*

## Consent Calendar (Action)

- 1) Approve Minutes of the May 26, 2023, Executive Committee Meeting

## Regular Calendar

- 2) CEO Update (Discussion)
- 3) Recommend the SVCE Board of Directors Ratify Broker Transaction Expenses for Past Commodity Purchases (Action)
- 4) Recommend the SVCE Board of Directors Approve the Amended Energy Risk Management Policy (Action)
- 5) FY 2023-24 Budget Framework Update (Discussion)
- 6) Programs Snapshot: Medical Baseline Battery Pilot (Presentation – Information Only)

## Committee/Staff Remarks

## Adjourn

[svcleanenergy.org](http://svcleanenergy.org)

333 W El Camino Real  
Suite 330  
Sunnyvale, CA 94087



**Silicon Valley Clean Energy  
Executive Committee Meeting**

Friday, May 26, 2023  
10:00 a.m.

Silicon Valley Clean Energy Office  
333 W El Camino Real, Suite 330  
Sunnyvale, CA

400 Fairview Avenue #172  
Incline Village, NV

**DRAFT MEETING MINUTES**

**Call to Order**

Chair Walia called the meeting to order at 10:03 a.m.

**Roll Call**

**Present:**

Chair Tina Walia, City of Saratoga  
Vice Chair Bryan Mekechuk, City of Monte Sereno  
Director George Tyson, Town of Los Altos Hills  
Director Rob Rennie, Town of Los Gatos (participated remotely)  
Director Larry Klein, City of Sunnyvale

**Absent:**

Director Yvonne Martinez Beltran, City of Morgan Hill

**Public Comment on Matters Not Listed on the Agenda**

No speakers.

**Consent Calendar**

Chair Walia opened public comment.  
No speakers.  
Chair Walia closed public comment.

**MOTION: Vice Chair Mekechuk moved and Director Tyson seconded the motion to approve the Consent Calendar.**

**The motion carried by verbal roll call vote with Director Martinez Beltran absent.**

**1) Approve Minutes of the April 28, 2023, Executive Committee Meeting**



## **Regular Calendar**

### **2) CEO Update (Discussion)**

CEO Girish Balachandran announced that SVCE received two runner-up awards at the CalCCA Annual Meeting: 1) for the online contractor training program, FutureFit Fundamentals, under the equity category, and 2) a joint award with PCE and EBCE for the Bay Area Reach Codes initiative.

### **3) Workforce Development Strategy Update (Discussion)**

Bena Chang, Senior Government Affairs Manager, presented an update on workforce development. Senior Government Affairs Manager Chang's presentation included how workforce fits into SVCE's mission, where SVCE has been focused, and where SVCE might want to go. Next steps identified were to conduct additional stakeholder conversations, explore partnership opportunities, and to refine the workforce development strategy and bring ideas back to the Board.

Staff responded to committee member questions regarding potential challenges, working with other CCAs and organizations for leverage, efforts on workforce education and training, SVCE's involvement in workforce development at the local level, and follow-up with contractors who have finished the FutureFit Fundamental Contractor Training program.

Committee members shared their experience in the process of heat pump water heater and heating, ventilation, and air conditioning (HVAC) installation.

Chair Walia opened public comment.

Bruce Karney commented he felt it would be unusual to find a plumbing company owner that really wanted to transform their business into one that was focused on heat pump water heaters or even heat pump water heaters plus gas, as it is a different business mindset that may have different capital requirements and has different focuses on labor force. Mr. Karney commented he doesn't think training is the core of the issue, but business ambition and perhaps access to capital to fund the rapid growth that we are hoping to achieve.

Chair Walia closed public comment.

Chair Walia summarized comments that SVCE is continuing to monitor workforce development on a larger scale, is open to partnerships and advocating and influencing where we can, but the main focus remains at the local level.

### **4) Intro to 2024 Strategic Plan (Discussion)**

CEO Balachandran provided a presentation updating the Executive Committee on the Strategic Plan. CEO Balachandran's presentation included the Strategic Plan and Budget timeline, the SVCE planning and budgeting process, and an overview of the Strategic Work Plan and Focus Areas. CEO Balachandran reviewed the Focus Areas from FY 23, and presented the first draft of FY 24 Strategic Focus Areas which included: Clean and Renewable Grid, Accelerate Building and Transportation Electrification, Finance, and Employee.

Committee members discussed and provided feedback on the draft Strategic Focus Areas.

Chair Walia opened public comment.

No speakers.

Chair Walia closed public comment.



#### **5) FY 2023-24 Budget Framework (Discussion)**

Amrit Singh, CFO and Director of Administrative Services, presented the assumptions and principles used to build the FY 23-24 budget. The presentation included the budget timeline, revenue modeling, reserve targets, customer discount rate, power supply costs, and other cost drivers like potentially purchasing office space. CFO and Director of Administrative Services Singh noted methodologies could be tweaked if the results from the actual numbers in July do not align with expectations.

Staff responded to questions from committee members regarding PG&E's rates, rate setting, and outreach to potential customers.

Committee members provided comments and feedback on leasing versus buying an SVCE office space; Director Klein shared his experience with the newly opened LEED platinum Sunnyvale City Hall.

Chair Walia opened public comment.

No speakers.

Chair Walia closed public comment.

#### **7) Programs Snapshot: FutureFit Homes Program (Presentation – Information Only)**

Nupur Hiremath, Manager of Decarbonization Programs and Policy, introduced the item and Jessamyn Allen, Senior Programs Specialist. Senior Programs Specialist Allen provided a presentation to the committee on the FutureFit Homes Program, which provides rebates for heat pump water heaters, heat pump HVAC systems, panel upgrades, pre-wiring for future electric appliances, and removal of gas meters.

Staff responded to questions from the committee regarding rebates reserved and the application process.

Chair Walia opened public comment.

No speakers.

Chair Walia closed public comment.

#### **Committee/Staff Remarks**

Director Mekechuk commented he attended the CalCCA Annual Meeting in San Diego and found it very valuable, and encouraged other board members to attend next year.

Director Tyson agreed with Director Mekechuk's comments and noted there were a lot of networking opportunities.

#### **Adjournment**

Chair Walia adjourned the meeting at 12:03 p.m.

**ATTEST:**

\_\_\_\_\_  
Andrea Pizano, Board Secretary



**Staff Report – Item 2**

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**Item 2: CEO Update**

From: Girish Balachandran, CEO

Prepared by: Andrea Pizano, Board Clerk/Executive Assistant

Date: 6/23/2023

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This item will be addressed in the form of an oral report to the Executive Committee.



### Staff Report – Item 3

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**Item 3: Recommend the SVCE Board of Directors Ratify Broker Transaction Expenses for Past Commodity Purchases**

From: Girish Balachandran, CEO

Prepared by: Monica Padilla, Chief Operating Officer and Director of Power Resources  
Kevin Armstrong, Deputy Director of Administrative Services

Date: 6/23/2023

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#### **RECOMMENDATION**

Staff recommends that the Executive Committee recommend to the Board of Directors approval of ratifying broker expenses with Tullett Prebon, Equus, and Karbone (“Brokers”) for past commodity transactions, in an amount totaling \$357,515.55.

If the Executive Committee approves the staff recommendation, a Resolution will be placed on consent for the August 2023 Board meeting.

#### **BACKGROUND**

In order to effectively procure energy, resource adequacy and environmental attributes, SVCE has engaged various commodity brokers to facilitate transactions over the past four years. Each broker charges fees to facilitate the transactions, sometimes billing SVCE separately, and sometimes wrapped into the full commodity transaction cost.

To date, SVCE has incurred the following amounts with various Brokers:

Row Labels	2019	2020	2021	2022	2023	Grand Total
EQUUS ENERGY GROUP			\$ 3,123.12	\$ 18,808.48	\$ 1,496.25	\$ 23,427.85
KARBONE INC.	\$ 12,125.00	\$ 7,000.00				\$ 19,125.00
TULLETT PREBON				\$ 53,406.00	\$ 261,556.70	\$ 314,962.70
<b>Grand Total</b>	<b>\$ 12,125.00</b>	<b>\$ 7,000.00</b>	<b>\$ 3,123.12</b>	<b>\$ 72,214.48</b>	<b>\$ 263,052.95</b>	<b>\$ 357,515.55</b>

#### **ANALYSIS & DISCUSSION**

The broker charges detailed in this item were known and agreed to by staff and the CEO at the respective times of the transactions but were not accounted for in aggregate and presented to the Board for authorization. To the extent that these transactions exceed the CEO’s authority, staff requests that the Executive Committee recommend that the Board approve and ratify them.

Staff recommends returning to the Board in August with updates to the Energy Risk Management Policy to clarify CEO authority to execute broker-facilitated commodity transactions and pay any associated broker fees.

#### **STRATEGIC PLAN**

The proposal supports SVCE’s 2022-2023 Strategic Plan Goal 18, to “Commit to maintaining a strong financial position”, by recognizing actual expenses incurred and improving project oversight processes.

**ALTERNATIVE**

The Executive Committee may elect to not recommend that the Board ratify the broker transactions.

**FISCAL IMPACT**

This action will have no financial impact, as funds have already been paid to Brokers to facilitate commodity transactions.

**ATTACHMENT**

1. Draft Resolution for Board of Directors Approval Approving Broker Expenses for Equus Energy Group, Karbone Inc., and Tullett Prebon and Ratifying all Prior Actions Taken In Connection Therewith



**SILICON VALLEY CLEAN ENERGY AUTHORITY**

**RESOLUTION NO. 2023-xx**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY APPROVING BROKER EXPENSES FOR EQUUS ENERGY GROUP, KARBONE INC., AND TULLETT PREBON AND RATIFYING ALL PRIOR ACTIONS TAKEN IN CONNECTION THEREWITH**

**THE BOARD OF DIRECTORS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY HEREBY RESOLVES AS FOLLOWS:**

**WHEREAS**, the Silicon Valley Clean Energy Authority (“SVCE”) was formed on March 31, 2016, pursuant to a Joint Powers Agreement to promote, develop, conduct, operate, and manage energy programs in Santa Clara County;

**WHEREAS**, in order to effectively procure energy, resource adequacy and environmental attributes, SVCE has engaged various commodity brokers to facilitate transactions over the past four years, with each broker charging fees to facilitate the transactions, sometimes billing SVCE separately, and sometimes wrapped into the full commodity transaction cost;

**WHEREAS**, SVCE has incurred the following fees with the following brokers, over the last four years: Equus Energy Group in the amount of \$23,427.85, Karbone Inc. in the amount of \$19,125.00, and Tullett Prebon in the amount of \$314,962.70 (collectively, the “Broker Expenses”); and

**WHEREAS**, to the extent that the Broker Expenses exceed the Chief Executive Officer’s authority, the Executive Committee has recommended that the Board approve such Broker Expenses and ratify all actions taken in connection with such Broker Expenses.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:**

Section 1. The Board hereby approves the Broker Expenses and ratifies all actions previously taken in connection with such Broker Expenses.

**ADOPTED AND APPROVED this \_\_ day of \_\_\_\_\_ 2023.**

\_\_\_\_\_  
Chair

**ATTEST:**

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**Clerk**

DRAFT



## Staff Report – Item 4

**Item 4:           Recommend the SVCE Board of Directors Approve the Amended Energy Risk Management Policy**

From:             Girish Balachandran, CEO

Prepared by:    Amrit Singh, CFO and Director of Administrative Services  
Karthik Rajan, Senior Risk Manager

Date:             6/23/2023

### **RECOMMENDATION**

Staff recommends that the Executive Committee recommend that the Board approve revisions to SVCE’s Energy Risk Management Policy.

### **BACKGROUND**

The purpose of the Energy Risk Management (ERM) Policy is to set the framework for managing market and credit risks associated with the energy procurement activities. The ERM Policy designates responsibility for risk identification, measurement, management, and reporting. It establishes the framework to ensure risks are appropriately managed and that SVCE achieves its mission and adheres to policies established by the SVCE Board of Directors.

The ERM Policy (Policy) requires that it be reviewed and updated as needed at least every two calendar years. The last formal review of the policy occurred on November 10, 2021.

With the Executive Committee’s concurrence, the proposed changes will be submitted to the Board for approval via a consent item at the August 9, 2023 meeting.

### **ANALYSIS & DISCUSSION**

SVCE staff found that the current Policy is comprehensive but recommends the following changes to further strengthen risk management controls, clarify existing policy, and reflect current energy procurement activities.

#### **Section 6.1 - Trader Authorization Process**

Change:           Add requirement that trading personnel must sign the trader integrity attestation.  
Justification:    To reduce operational risks and streamline process for acknowledgement of policy, conflict of interest and trader integrity attestation. New trading personnel would attest prior to trading while current employees would sign the acknowledgement once every two years or with major updates to the policy, whichever is earlier.

#### **Section 6.3 - Approved Transactions**

Change:           Refine the list of products to reflect current market conditions and SVCE hedging needs to include board-approved natural gas tolling deals.

**Agenda Item: 4****Agenda Date: 6/23/2023**

Justification: Existing ERM Policy allows for tolling agreements. However, it is not explicit for gas tolling agreements and natural gas hedging transactions to manage the risk from the underlying gas position.

Section 6.3 - Approved Transactions

Change: Clarify the definition of allowed transactions to include both physical gas hedges and financially settled gas hedges needed to manage gas price risk from any board-approval natural gas tolling transactions.

Justification: Natural gas hedges are often financially settled transactions.

Section 6.5.2 - Authority Delegated to the CEO by the Board

Change: Update the delegation to include natural gas purchases needed to manage risks from board-approved gas tolls

Justification: Enable the execution of natural gas hedges.

Section 6.5.2 - Authority Delegated to the CEO by the Board

Change: Include the authority delegated to the CEO by the board for brokered transactions

Justification: SVCE needs to engage with brokers to enter into energy transactions especially for Resource Adequacy (RA) products which are often difficult to find given the tight RA market. Broker fees are often interwoven with energy product negotiations and are better addressed in this policy than in the Purchasing Policy (FP6). The fees for brokered transactions can exceed the \$100k/ fiscal year allowed in the purchasing policy.

Section 6.5.4 - Limits of Authority Delegated to Authorized Personnel by the CEO

Change: Notional value limits are inclusive of broker fees

Justification: Broker fees are often combined with the payment for energy transactions.

Section 8 - Appendix A – Conflict of Interest to “Acknowledgement of ERM Policy, Declaration of Conflict of Interest and Trader Integrity Attestation”

Change: Consolidating policy acknowledgement, conflict of interest and trader integrity attestation into one document

Justification: Streamlining the process for authorized personnel acknowledgements.

**STRATEGIC PLAN**

The Policy supports the goals of the Board adopted Strategic Plan. Specifically, the Policy strongly supports:

- Acquire clean and reliable electricity in a cost effective, equitable, and sustainable manner.
- Manage and optimize power supply resources to meet affordability, GHG reduction and reliability objectives.

**ALTERNATIVE**

N/A

**FISCAL IMPACT**

Implementing the proposed updates to the Policy is not expected to have a fiscal impact.

**ATTACHMENTS**

1. Energy Risk Management Policy (Redline)

## Energy Risk Management Policy



Targeted for Adoption:  
~~Adopted: November~~  
~~10th, 2021~~August 2023

# Table of Contents

## Contents

1	General Provisions .....	3
1.1	Background and Purpose of Policy .....	3
1.2	Scope of Business and Related Market Risks .....	3
1.3	Policy Administration .....	4
1.4	Policy Distribution .....	4
1.5	Acknowledgement of ERM .....	4
2	Risk Management Goals.....	4
3	Definition of Market Risks .....	5
3.1	Mark-to-Market Risk .....	5
3.2	Market Price Risk .....	5
3.3	Net Revenue Risk.....	6
3.4	Counterparty Credit and Performance Risk.....	6
3.5	Load and Generation Volumetric Risk .....	7
3.6	Operational Risk.....	7
3.7	Liquidity Risk .....	7
3.8	Regulatory/Legislative Risk.....	8
4	Internal Control Principles.....	8
4.1	Segregation of duties.....	8
4.2	Additional Internal Controls .....	9
5	Risk Management Business Practices .....	10
5.1	Risk Measurement Metrics and Reporting .....	10
5.2	Mark-to-Market Risk .....	11
5.3	Market Price Risk .....	11
5.4	Net Revenue Risk.....	12
5.5	Counterparty Credit and Performance Risk .....	12
5.6	Load and Generation Volumetric Risk .....	12
5.7	Operational Risk.....	12
5.8	Liquidity Risk .....	13
5.9	Regulatory/Legislative Risk.....	13
5.10	Reporting.....	13
6	Authorized Transaction and Trading Limitations .....	13
6.1	Trader Authorization Process .....	13
6.2	Approved Markets .....	14
6.3	Approved Transactions.....	14
6.4	Tolerance Bands .....	14
6.5	Authorized Trading Limits.....	15
6.5.1	Transacting Authority Retained by the Board .....	15
6.5.2	Authority Delegated to the CEO by the Board .....	15
6.5.3	Resource Adequacy Authority Delegated to the CEO by the Board .....	16
6.5.4	Limits of Authority Delegated to Authorized Personnel by the CEO .....	16
6.6	Conflict of Interest.....	17
7	Risk Management Policy Governance .....	18
7.1	SVCE Board of Directors.....	18
7.2	Risk Oversight Committee .....	18
7.3	Internal Risk Oversight Committee .....	18
8	Appendix A: Notice of Conflict of Interest.....	19

# 1 General Provisions

## 1.1 Background and Purpose of Policy

Silicon Valley Clean Energy's (SVCE) mission is to reduce dependence on fossil fuels by providing carbon free, affordable, and reliable electricity and innovative programs for the SVCE community.

This Energy Risk Management Policy (Policy) has been developed to help ensure that SVCE achieves its mission and adheres to policies established by the SVCE Board of Directors (Board), power supply and related contract commitments, good utility practice, and all applicable laws and regulations. SVCE is not engaged in the power supply business for profit and is, therefore, precluded by this Policy from engaging in many of the risk-taking activities typical to an organization orientated solely toward profit maximization.

This Policy defines SVCE's general energy risk management framework and provides management with the authority to establish processes for monitoring, measuring, reporting, and controlling market and credit risks to which SVCE is exposed in its normal course of business.

## 1.2 Scope of Business and Related Market Risks

SVCE provides energy to retail customers in its service territory that entails business activities such as; bilateral purchases and sales of electricity under short-, medium- and long-term contracts; scheduling of load and generation of electricity into California Independent Systems Operator (CAISO) markets; retail marketing of electricity to consumers within its service territory; compliance with voluntary objectives and regulatory requirements as it relates to carbon free and renewable portfolio standard (RPS) compliant energy; participation in CAISO Congestion Revenue Rights ("CRRs") market; managing the balance of load and generation over short, medium and long term horizons; and compliance with California Public Utilities Commission (CPUC) Resource Adequacy (RA) requirements.

Examples of energy market risks include, but are not limited to, the following:

- Mark-to-Market Risk
- Market Price Risk
- Net Revenue Risk
- Counterparty Credit and Performance Risk
- Load and Generation Volumetric Risk
- Operational Risk
- Liquidity Risk
- Regulatory/Legislative Risk

This Policy focuses on the following:

- Risk Management Goals and Principles
- Definitions of Risks
- Internal Control Principles
- Risk Management Business Practices
- Authorized Transaction and Trading Limitations
- Risk Management Governance



This Policy does not address the following types of general business risk, which are treated separately in other official policies, ordinances, and regulations of SVCE: fire, accident and casualty; health, safety, and workers' compensation; cybersecurity, general liability; and other such typically insurable perils. The term "risk management," as used herein, is therefore understood to refer solely to energy market risks as herein defined, and not those other categories of risk.

### **1.3 Policy Administration**

This Energy Risk Management Policy (Policy) is adopted by the SVCE Board of Directors and will be reviewed and updated as needed at least every two calendar years by SVCE's Board. The CEO is responsible for implementation of the Policy. The CEO is also responsible to develop Energy Risk Management Guidelines (Guidelines), which is required for staff to implement the Policy.

### **1.4 Policy Distribution**

This Policy shall be distributed to all SVCE employees and third-party contractors who are engaged in the planning, procurement, sale and scheduling of electricity on SVCE's behalf and/or in other SVCE departments providing oversight and support for these activities.

### **1.5 Acknowledgement of ERM**

All SVCE staff participating in any activity or transaction within the scope of the ERM shall sign, upon joining or upon any material revision of the ERM policy, that such SVCE representative has:

Read the ERM;

Understands the terms and agreements of said ERM;

Will comply with said ERM;

SVCE employees who are within the scope of the ERM understand that any violation of said ERM may subject the employee to discipline up to and including termination of employment;

## **2 Risk Management Goals**

Although SVCE does not engage in risk-taking activities typical in a for-profit organization, certain risks are incidental to the normal power supply operations and hedging activities. SVCE's policy is to manage risk inherent with serving load, including the risks associated with normal cost-hedging activities, those associated with participation in wholesale markets in general and the CAISO in particular.

The goals of energy risk management shall be to:

1. assist in achieving the business objectives in the Strategic Plan, Integrated Resource Plan (IRP) and Cash Reserve Policy including retail rate stability and competitiveness and the accumulation of financial reserves;
2. avoid losses and excessive costs which would materially impact the financial condition of SVCE;
3. establish the parameters for energy procurement and sales activity to obtain the best possible price while ensuring compliance with Board-approved policies;
4. identify specific cost, regulatory and legislative risks that could adversely affect

SVCE's ability to achieve its business objectives, and to the extent possible, quantify and measure performance against those risks;

5. assist in assuring that market activities and transactions are undertaken in compliance with established procurement authorities, applicable laws, regulations and orders;
6. encourage the development and maintenance of a corporate culture at SVCE in which the proper balance is struck between control and facilitation and in which professionalism, discipline, technical skills and analytical rigor come together to achieve SVCE objectives; and
7. manage business risks to acceptable levels consistent with retail rate-setting, resource procurement and cash reserve management.

SVCE manages its energy resources and transactions to provide its customers with low-cost renewable, carbon free and other energy while at the same time minimizing risks. The risk management principles that SVCE will use include:

1. Undue exposure to CAISO or bilateral energy market volatility for the purpose of potentially achieving lower costs but at the risk that costs may, in fact, be much higher, will not be accepted.
2. Procurement and hedging strategy will be determined by analytical methods supplemented by experienced judgement. SVCE will use that experienced judgement and its analytical tools to assess system cost drivers such as weather, short term energy prices, load variation and operational constraints to manage timing and quantity of purchases and sales of energy and related services, consistent with the limits identified in this Policy.
3. When actions are taken that are consistent with this Policy and for the combined goal of low costs and optimized risk, those actions are considered to be consistent with the objectives of this Policy.
4. SVCE will not engage in transactions, without proper authorization, whose purpose is not tied to managing costs and risks or are outside of the limits identified in this Policy.

### **3 Definition of Market Risks**

The term "market risks," as used here, refers specifically to those categories of risk which relate to SVCE's participation in wholesale and retail markets as a Load Serving Entity (LSE) and its interests in long-term contracts. Market risks include market price risk, counterparty credit and performance risk, load and generation volumetric risk, operational risk, liquidity risk, and regulatory and legislative risk. These categories are defined and explained as follows.

#### **3.1 Mark-to-Market Risk**

Mark-to-Market risk is the risk that wholesale trading positions, long-term supply contracts and generation resources may move "out of the money," that is, become less valuable in comparison with similar positions, contracts, or resources obtainable at present prices. These same positions can also be "in the money" if they become more valuable in comparison to similar positions, contracts, or resources obtainable at present market prices. This valuation methodology is commonly referred to as "Mark-to-Market." If SVCE is "out of the money" on a substantial portion of its contracts, it may have to charge higher retail rates. This may erode SVCE's competitive position and market share if other market participants (e.g., Direct Access providers or PG&E) are able to procure power at a lower cost and offer lower retail electricity rates.

#### **3.2 Market Price Risk**

Market Price risk is the risk that market prices change, resulting in changes to energy

procurement cost. For example, the cost for the unhedged portion of a supply portfolio (net open position) will increase when market prices increase. Conversely, if resources are in excess to needs and market prices fall, the revenue expected from the sale of the surplus resources will decrease. In addition, uncertain market price relationships (locational risk) affect SVCE's procurement costs.

A subcomponent of market price risk is market liquidity. Illiquid markets make it more difficult to buy or sell a commodity and can result in higher premiums on purchases or deeper discounts on sales.

Another dimension of market price risk is congestion risk. Congestion risks arise from the difference between the prices SVCE pays the CAISO to schedule its load and the prices SVCE receives from the CAISO for energy delivered by SVCE's suppliers.

### **3.3 Net Revenue Risk**

Net Revenues are the total of all revenues received (from retail sales to customers and from the sale of any energy products that were surplus or unneeded) less the total costs (including the costs of long-term contracts, forward transactions, and spot market purchases plus all other operating costs). Net Revenue Risk is the risk that any of those factors—revenues or costs—changes (e.g. changes in market prices or retail sales volumes, or failures of counterparties). Net Revenue is the "bottom line" for SVCE as it determines the financial viability of the authority.

One of the main components of net revenue risk is on the retail revenue side, which is at risk when customers opt out from service by SVCE and return to PG&E, or if customers choose to find another supplier through direct access opportunities that may arise. In addition, when the Power Charge Indifference Adjustment (PCIA) is changed, it directly affects SVCE's bottom line if SVCE compensates by changing its retail rates.

### **3.4 Counterparty Credit and Performance Risk**

Performance and credit risk refers to the inability or unwillingness of a counterparty to perform according to its contractual obligations or to extend credit. Failure to perform may arise if an energy supplier fails to deliver energy as agreed. There are four general performance and credit risk scenarios:

1. counterparties and wholesale suppliers may fail to deliver energy or environmental attributes, requiring SVCE to purchase replacement products elsewhere, possibly at a higher cost;
2. counterparties may fail to take delivery of energy or environmental attributes sold to them, necessitating a quick resale of the product elsewhere, possibly at a lower price;
3. counterparties may fail to pay for energy or environmental attributes delivered; and
4. counterparties and suppliers may refuse to extend credit to SVCE, possibly resulting in higher collateral posting costs impacting SVCE's cash and bank lines of credit.

An important subcategory of credit risk is concentration risk. When a portfolio of positions and resources is concentrated in one or a very few counterparties, sources, or locations, it becomes more likely that major losses will be sustained in the event of non-performance by a counterparty or supplier or as a result of price fluctuations at one location.

### 3.5 Load and Generation Volumetric Risk

Energy deliveries must be planned for based upon forecasted load adjusted for distribution line losses. SVCE forecasts load over the long and short term and enters into long- and short-term fixed-price energy contracts to hedge its load.

Load forecasting risks arises from inaccurate load forecasts and can result in the over or under procurement of energy and/or revenues that deviate from approved budgets. Energy delivery risk occurs if a generator fails to deliver expected or forecast energy. Variations in wind speed and cloud cover can also impact the amount of electricity generated by solar and wind resources, and occasional oversupply of power on the grid can lead to curtailment of energy deliveries or reduce revenue as a result of low or negative prices at energy delivery points. Weather is an important variable that can result in higher or lower electricity usage due to heating and cooling needs.

In the CAISO markets this situation can result in both oversupply and undersupply of electricity relative to SVCE's load and the over or under scheduling of generation or load into the day ahead market relative to actual energy consumed or delivered in the real time market. Load and generation volumetric risk may result in unanticipated open positions and imbalance energy costs. Imbalance energy costs result from differences in the price or volume of generation or load scheduled into the day ahead market when compared to the price or volume of generation or load occurring in the real time market during that time period.

### 3.6 Operational Risk

Operational risk consists of the potential for failure to act effectively to plan, execute and control business activities. Operational risk includes the potential for:

1. organizational structure that is ineffective in addressing risk (i.e., the lack of sufficient authority to make and execute decisions, inadequate supervision, ineffective internal checks and balances, incomplete, inaccurate and untimely forecasts or reporting, failure to separate incompatible functions, etc.);
2. absence, shortage or loss of key personnel or lack of cross functional training;
3. lack or failure of facilities, equipment, systems and tools such as computers, software, communications links and data services;
4. exposure to litigation or sanctions resulting from violating laws and regulations, not meeting contractual obligations, failure to address legal issues and/or receive competent legal advice, not drafting and analyzing contracts effectively, etc.; and
5. errors or omissions in the conduct of business, including failure to execute transactions, violation of guidelines and directives, etc.

### 3.7 Liquidity Risk

Liquidity Risk is the risk that SVCE will be unable to meet its financial obligations. This can be caused by unexpected financial events and/or inaccurate pro forma calculations, rate analysis, and debt analysis. Some unexpected financial events impacting liquidity could include:

1. breach of SVCE credit covenants or thresholds; SVCE has credit covenants included in its banking and several short-term energy contracts. Breach of credit covenants or thresholds could result in the withdrawal of SVCE's line of credit or trigger the requirement to post collateral;
2. calls for collateral from the CAISO or SVCE's counterparties based on terms of

- transacting agreements; and
3. from time-to-time SVCE may be the subject of legal or other claims arising from the normal course of business. Payment of a claim by SVCE could reduce SVCE's liquidity if the cause of loss is not covered by SVCE's insurance policies.

### **3.8 Regulatory/Legislative Risk**

Regulatory risk encompasses market structure and operational risks associated with shifting state and federal regulatory policies, rules, and regulations that could negatively impact SVCE. Some examples are the potential increase of exit fees for customers served by Community Choice Aggregators such as SVCE that would result in higher electricity rates for SVCE's customers, and the risk that the customers would select another supplier through an expanded Direct Access program.

Legislative risk is associated with actions by federal and state legislative bodies, such as any adverse changes or requirements that may infringe on SVCE's autonomy, increase its costs, impact its customer base, or otherwise negatively impact SVCE's ability to fulfill its mission.

## **4 Internal Control Principles**

Internal controls shall be based on proven principles that meet or exceed the requirements of financial institutions and credit rating agencies and good utility practice. The required controls shall include all customary and usual business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of results of operations and information pertinent to management, and facilitate attainment of business objectives. These controls are currently and shall remain fully integrated into all activities of the business and shall be consistent with stated objectives.

### **4.1 Segregation of duties**

One of the main aspects of internal controls is the segregation of duties to ensure that the staff person that executes a transaction is not the same person that evaluates or settles the transaction. Appropriate segregation of duties is to be established and maintained throughout the system of controls over financial risks. Senior management must be diligent in ensuring that appropriate segregation of duties is adhered to within the context of organizational changes, while considering staffing limitations, SVCE's business model as a cost hedger, and the overall level of transactions with counterparties. Segregation of duties and functions between front, middle, and back-office activities is generally as follows:

- The Front Office is directly involved in resource planning, product procurement and sales transactions and implementation of strategies within authorized limits.
- The Middle Office's functions are related to risk management and counterparty credit. The primary responsibility is ensure that all products utilized and transaction activities are undertaken in compliance with current policy.
- The Back Office is comprised of those functions responsible for verification, validation accounting, processing, reconciling, and settling all transactions.

Controls over inputs and systems operations are of particular importance in ensuring the integrity of data used in risk control and management. In all cases, there will be an appropriate segregation of duties or oversight to reduce the risk of error and/or fraud.

To the maximum extent practicable given SVCE's business model and level of staffing, Front-Office activities will be functionally independent from Middle and BackOffice activities. As a result, the Front Office will generally neither perform nor supervise Middle-Office Risk Management activities, or Back Office financial accounting or settlements. The Director of

Power Resources is responsible for ensuring the Front Office's ability to perform tasks in compliance with this Policy. This arrangement will provide independent and regular management oversight for both risk-taking and risk-control activities. It will also allow for a clear separation of duties between the Front-Office transacting and Middle Office risk-control functions.

To the maximum extent practicable given SVCE's business model and level of staffing, Middle Office activities will be functionally independent from all Front Office and Back Office activities. The Middle Office will have primary responsibility for risk management oversight and policy development and compliance. If there are not adequate resources necessary to fully support a Middle Office, this function may be combined with another function, or be supported by qualified third party advisors, provided that appropriate segregation of duties or sufficient internal controls are maintained at all times.

To the maximum extent practicable given SVCE's business model and level of staffing, Back Office settlement activities will be functionally independent from all Front Office and Middle Office activities. The Back Office will have primary responsibility for all transaction confirmation, accounting, and reconciliation processes. If there are not adequate resources necessary to fully support a Back Office, this function may be combined with another function, or be supported by qualified third party advisors, provided that appropriate segregation of duties or sufficient internal controls are maintained at all times.

## 4.2 Additional Internal Controls

Besides segregation of duties, additional required operational control principles include the following, which the CEO shall implement by incorporating them into the ERM Guidelines and procedures:

1. Delegation of authority that is commensurate with responsibility and capability, and relevant training to ensure adequate knowledge to operate in and comply with rules associated with the markets in which they transact (e.g., CAISO). Contract origination, commercial approval, legal review, invoice validation, and transaction auditing shall be performed by separate staff or contractor for any single transaction. No single staff member shall perform all these functions on any transaction.
2. Defining authorized products and transactions (see Section 6.3).
3. Defining procurement authority for any transactions for which procurement authority has not already been explicitly granted as set forth in SVCE's Purchasing Policy and any Board Resolution delegating energy procurement authority (e.g. Resolution 2016-15 which delegates authority to the CEO to execute confirmation agreements with energy service providers with whom SVCE has executed Master Agreements).
4. Defining proper trade capture process for executing power supply contracts.
5. Complete and precise capture of transaction and other data, with standardization of electronic and hard copy documentation.
6. Meaningful summarization and accurate reporting of transactions and other activity at regular intervals.
7. Consultation with legal counsel on all legal issues related to this Policy.
8. Timely and accurate risk and performance measurement at regular intervals.
9. Regular compliance review to ensure that this Policy and the Guidelines are adhered to, with specific guidelines for resolving instances of noncompliance.
10. Active participation by senior management in risk management processes.



## 5 Risk Management Business Practices

### 5.1 Risk Measurement Metrics and Reporting

A vital element of this Policy is the regular identification, measurement, and communication of risk. To effectively communicate risk, all risk management activities must be monitored on a frequent basis using risk measurement methodologies that quantify the risks associated with SVCE's procurement-related business activities and performance relative to goals. SVCE measures and updates its risks using a variety of tools that model programmatic financial projections, market exposure and risk metrics, as well as through short term budget updates.

SVCE seeks to minimize financial exposure to higher-volatility spot market wholesale electricity using rolling hedges and net open position percentage bands. Financial exposure creates budget uncertainty. To mitigate the financial exposure to short-time horizon price volatility, SVCE continually reduces its financial exposure by reducing the quantity of energy in either open long or short positions.

The following items are measured, monitored, and reported:

1. Reserve Requirement Targets – on no less than an annual basis, SVCE staff will monitor SVCE's reserves to ensure that they meet the targeted thresholds as outlined in SVCE's Cash Reserve Policy.
2. Mark-to-Market Valuation – marking to market is the process of determining the current value of contracted supply. A mark-to-market valuation shall be performed at least on a monthly basis.
3. Exposure Reporting – calculates the notional dollar and/or probabilistic-based risk exposure of open portfolio positions at current market prices. The exposure risk calculation shall be performed at least on a monthly basis.
4. Open Position Monitoring – on a monthly basis, SVCE shall calculate/monitor its open positions for all energy and capacity products.

Consistent with the above, the Middle Office will develop reports and provide feedback to the Risk Oversight Committee. Risk measurement methodologies shall be re-evaluated on a periodic basis to ensure SVCE adjusts its methods to reflect the evolving competitive landscape.

In addition to ensuring the portfolio is within the approved hedge bands, portfolio management decisions are supported by risk metrics from simulations of future market conditions, loads, and other material risk drivers for the portfolio. The following probabilistic risk metrics are regularly calculated and reported:

- Net Revenue at Risk: Potential adverse changes in net revenues for a given time period and confidence level.
- Reserve Requirements at Risk: Potential adverse change in reserves for a given time period and confidence level.
- Potential Future Exposure for counterparty credit risk: Maximum Mark-to-market counterparty exposures for a given time period and confidence level.
- Potential Collateral Exposure: Maximum of collateral that SVCE may have to post for a given time period and time horizon with a given counterparty.

Stress tests will be used to understand the potential variability in SVCE's projected procurement costs, and resulting retail rate impacts and competitive positioning, associated



with adverse scenarios of material risk drivers. The IROC will develop, and update as necessary, a set of plausible and forward-looking stress-tests based on SVCE's portfolio and expected market conditions. The stress test analysis will complement other probabilistic metrics used to manage portfolio risks and its results will be distributed on at least an annual basis to the ROC.

## 5.2 Mark-to-Market Risk

SVCE manages its mark-to-market risk by comparing the current value of any wholesale trading positions and long-term supply contracts to the cost of the contracts. This is important if there are trading restrictions for entering into new transactions with certain counterparties based on the terms of the agreements and to counterparty credit limits. Being aware of the Mark-to-Market of the portfolio is important as it provides an indication of the competitiveness of the portfolio.

## 5.3 Market Price Risk

SVCE manages market price risk by determining its Load and Resource Balance which defines forecasted load, energy under contract and SVCE's open positions in various energy product types including renewable energy, carbon free energy, system power, and SVCE's procurement targets.

SVCE determines its NOP by comparing the forecasted use to supply resources on a monthly basis. The NOP is exposed to potentially volatile market prices. The quantity of energy SVCE will contract for in each year is guided by the NOP tolerances. Market price risk is determined by evaluating how costs could increase (or decrease) if market prices were to reach high (or low) values.

SVCE minimizes financial exposure to higher-volatility spot market wholesale electricity prices by hedging its NOP according to the NOP tolerance bands in Section 6.4. To reduce this exposure, SVCE's practice is to close its NOP (hedge at close to 100%) for the prompt month and quarter. The relatively tight prompt year tolerance band provides a high level of budget certainty. However, SVCE will continue to have some exposure to spot market prices due to the load changes and the difference between forecasted and actual load. These differences result in a need to purchase or sell energy in the short-term markets.

In general, SVCE will seek to spread out its long-term purchases of renewable energy to diversify exposure to market conditions and reduce the risk of concentrating purchases in any one year.

For products generally purchased through short- and medium-term contracts, SVCE follows a similar strategy of diversifying contracting over the delivery horizon.

As predominantly a net buyer, SVCE manages its market liquidity risk through purchasing at different intervals and maintaining a diverse set of counterparties to transact with.

Congestion risk is managed through the contracting process with a preference for day ahead scheduling and energy delivery at the NP 15 trading hub and through resource assessment and selection. Once energy is procured SVCE manages congestion risks through the prudent management of Congestion Revenue Rights (CRRs). CRRs are financial instruments used to hedge against transmission congestion costs encountered in the CAISO day-ahead market. SVCE uses a third-party scheduling coordinator to manage its CRR portfolio. SVCE uses CRRs to reduce its exposure to congestion and other CAISO charges and will not use CRRs for speculative purposes.

## 5.4 Net Revenue Risk

SVCE manages net revenue risk by managing each of its contributing factors as described in other sections in this Policy—market price risk, load and generation volumetric risk, counterparty performance, etc. In addition, SVCE strives to provide competitively priced products that are valued by its customers to minimize opt out rates. Net revenue is monitored closely so that trend changes can be identified as early as possible and corrective action can be taken as appropriate.

## 5.5 Counterparty Credit and Performance Risk

SVCE evaluates and monitors the financial strength of service and energy providers. Generally, SVCE manages its exposure to energy suppliers through a preference for counterparties with Investment Grade Credit ratings as determined by Moody's or Standard and Poor's and through the use of security requirements in the form of cash and letters of credit. SVCE measures its mark-to-market counterparty credit exposure consistent with industry best practices. Additionally, SVCE manages counterparty credit risk by monitoring and controlling collateral, letters of credit and other forms of credit calls on the agency as well as paying bills in a timely fashion to avoid defaulting on any term of an agreement.

## 5.6 Load and Generation Volumetric Risk

SVCE manages energy delivery risks by ensuring that contracts include appropriate contractual penalties for non-delivery, acquiring energy from a geographically and technologically diverse portfolio of generating assets with a range of generation profiles.

SVCE manages load forecasting and related weather risks by contracting with qualified data management and scheduling coordinators who together provide the systems and data necessary to forecast and schedule load using good utility practice. SVCE's load scheduling strategy, as executed by its scheduling coordinator, ensures that price risk in the day ahead and real time CAISO markets is managed effectively and is consistent with good utility practice.

SVCE has contracted for long-term electricity resources including large hydroelectricity, renewable energy and storage to meet its RPS and clean goals. For many of these contracts, SVCE has scheduling coordination responsibilities and intends to work with Central Coast Community Energy (CCCE) to manage these resources.

SVCE's generation scheduling strategy, as executed by its scheduling coordinator and in coordination with CCCE when necessary, ensures that the resources are scheduled to produce needed PCC1 renewable energy certificates; manage curtailment risk; meet the regulatory requirements for Resource Adequacy; and optimize energy value either in the day-ahead or real time market. To effectively manage these resources, SVCE will delegate limited authority to its scheduling coordinator within the guidelines of the board-approved operating agreement. The CEO will approve an operating plan for management of each of its Power Purchase Agreements.

## 5.7 Operational Risk

Operational risks are managed through:

- Adherence to this Policy and oversight of procurement activity;
- Conformity to Employee Handbook;
- Staff resources, expertise and/or training reinforcing a culture of compliance;

- Ongoing and timely internal and external audits; and
- Cross-training amongst staff
- Authorized traders and others involved in any phase of transacting are prohibited to own stock in a current or potential counterparty to avoid a conflict of interest

## 5.8 Liquidity Risk

SVCE manages liquidity risk through adherence to its loan and power purchase agreement credit covenants, limiting commitments to provide security consistent with the Guidelines, ensuring it has adequate loan facilities, prudent cash and investment management, and adherence to its Cash Reserve Policy. SVCE monitors its liquidity (defined as unrestricted cash, investments and unused bank lines of credit) no less than weekly. SVCE utilizes scenario and sensitivity analyses while preparing budget, rate, and pro forma analyses in order to identify potential financial outcomes and ensure sufficient liquidity under adverse conditions.

## 5.9 Regulatory/Legislative Risk

SVCE manages its regulatory and legislative risk through active participation in working groups and advocacy coalitions such as the California Community Choice Association. SVCE regularly participates in regulatory rulemaking proceedings and legislative affairs to protect SVCE's interests.

## 5.10 Reporting

Reporting of critical information to relevant parties is a key component of energy risk management. Periodic reports will be provided to the ROC that shall provide sufficient details on SVCE's transactions, NOP, market exposure, credit exposure, counterparty credit ratings, transaction compliance, and other relevant data. The frequency and content of the reports for each oversight body shall be prescribed in the Energy Risk Management Guidelines.

Compliance exceptions are actions which violate the limits, and/or the procedures developed and approved by the ROC. For example, the risks associated with the portfolio or a specific transaction within the portfolio may fall outside of any established risk limit at a given point in time.

In the event a compliance exception occurs, the CEO is responsible for notifying the ROC within 24 hours via email after it is identified and ensure that the Front Office prepares a report (Exception Report) for the ROC at its next meeting. The Report shall identify the issue or violation, and discuss the alternative remedial actions, document the action taken in response, and describe the steps that will be taken to prevent a reoccurrence of the event.

# 6 Authorized Transaction and Trading Limitations

## 6.1 Trader Authorization Process

The Front Office shall request that the Middle Office begin the trader authorization process. The Middle Office shall verify that the trader's background and experience is sufficient to transact on behalf of SVCE. Before authorizing personnel to transact, the Middle Office

shall:

- ~~• Require that trader affirm that they are not currently under investigation for market manipulation;~~
- ~~• Require that trader affirm that they have not been previously investigated for market manipulation;~~
- ~~• Verify that trader has read and understands SVCE's ERM Policy and Guidelines; and~~
- Determine that the trader has sufficient understanding and experience of the energy markets in which SVCE participates.

Before commencing transaction on behalf of SVCE, every trader must sign the trader integrity attestation (see Appendix A) to:

- affirm that they are not currently under investigation for market –manipulation
- affirm that they have not been previously investigated for market manipulation.

In addition to that, traders are expected to complete any energy risk management related training put forth by the Middle Office.

The Middle Office shall ~~maintain a list of the authorized trading personnel,~~ as part of the ERM Guidelines, maintain a list of the authorized trading personnel and records for each trader of-:

- Acknowledgement of ERM Policy
- Declaration of Conflict of Interest and;
- Trader Integrity Attestation.

-

## 6.2 Approved Markets

Approved markets in which SVCE authorized traders can participate are as follows:

- California Independent System Operator (CAISO);
- Bilateral energy, attributes and capacity market;
- Western Electricity Coordinating Council (WECC); and
- California Air Resources Board (CARB) emissions/carbon auctions

## 6.3 Approved Transactions

Authorized transactions which SVCE authorized traders can utilize must be consistent with this Policy. Transactions must be directly related to the procurement and/or administration of:

- electric energy,
- Resource adequacy products,
- Storage capacity,
- ~~• reserve capacity,~~
- Transmission products,
- ~~• and distribution service,~~
- ancillary services,
- congestion revenue rights (CRRs),
- renewable energy,
- Carbon-free energy and/or attributes
- renewable energy certificates (RECs),
- basis transactions,
- greenhouse gas emissions allowances,
- tolling agreements, & natural gas tolling agreements specifically approved by the board,

- natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements. This includes use of both physical and financially settled natural gas hedges and
- bilateral purchases of energy products.

Prohibited transactions are those transactions that are not related to serving retail electric load and/or reducing financial exposure. Speculative buying and selling of energy products is prohibited, including with the use of financial derivatives such as but not limited to futures, swaps, options, and swaptions. Speculation is defined as buying energy ~~in excess of more than~~ forecasted load plus reasonable planning reserves or selling energy or environmental attributes that are not yet owned by SVCE. ~~In no event shall speculative transactions be permitted. Any financial derivatives transaction including, but not limited to futures, swaps, options, and swaptions are also prohibited.~~

## 6.4 Tolerance Bands

Hedging its load obligation is a key function for SVCE. The primary responsibility of the Front Office is to manage the energy portfolio by purchasing energy to hedge the cost of SVCE's load obligation and managing SVCE's portfolio of power resources to optimize value and load obligations. As described in Section 5.3 (Market Price Risk), SVCE ladders its energy purchases over time to access the market at different times. Every six months, the Front Office produces a Portfolio Management Plan that must be approved by the CEO. The Portfolio Management Plan must describe the current portfolio position, expected generation and variability, the recommended hedging transactions, the portfolio position after the transactions, and how the portfolio will remain within the Tolerance Bands in Table 1.

## Energy Hedging

SVCE will maintain Net Open Position (NOP) portfolio hedge levels within the tolerances outlined in Table 1 below:

**Table 1 Calendar Year Energy NOP Tolerance Bands**

Period*	Minimum Tolerance	Maximum Tolerance
Prompt Quarter	85%	110%
Current Balance of Year	80%	110%
Year 2	70%	90%
Year 3	55%	80%
Year 4	50%	80%
Year 5	50%	80%

\*For example, if the current year calendar year is 2023~~1~~, then Year 2 is 2024~~2~~.

### **Resource Adequacy**

SVCE must comply with the regulatory requirements for procurement of capacity products for Resource Adequacy (RA) needs.

SVCE endeavors to purchase RA products over time to meet its obligation and to diversify its purchases between suppliers and market conditions.

### **Renewable Portfolio Standard and Carbon-free**

With respect to purchases to meet the Renewable Portfolio Standard (RPS), SVCE is guided by its Strategic Plan, which states that purchases ~~should be staggered to~~shall meet~~shall meet legislative and regulatory requirements, Board directives and shall be staggered to~~ accommodate regulatory uncertainty, changes in load and supply price risks and that the RPS portfolio should be diversified with respect to technologies.

## **6.5 Authorized Trading Limits**

### **6.5.1 Transacting Authority Retained by the Board**

The Board retains the authority to approve:

- All transactions with terms of over 12 months unless it has explicitly delegated authority to the CEO;
- All transactions with terms of over 5 years; and
- Master Agreements under which the CEO is delegated authority to transact

### **6.5.2 Authority Delegated to the CEO by the Board**

Under the Board-approved Purchasing Policy, the CEO is delegated the authority to approve and execute contracts for Energy Procurement for terms of less than or equal to 12 months, which the CEO shall timely report to the Board. In addition, under Resolution 2019-03, the Board delegates to the CEO the authority to enter into Confirmations for terms not greater than 60 months and limited to ~~authorized transactions purchases of Product~~consistent with forecasted load and within the Energy Hedge Tolerance Bands (as defined in the ERM Policy).

Table 2 below lists the authorized trading limits to transact on behalf of SVCE for all non-resource adequacy related products. If the CEO delegates some of his authority, he must document any such delegations in the Energy Risk Management Guidelines. Table 3 below lists the authorized annual trading limits for broker fees per broker.

**Table 2: Authority Delegated to the CEO by the Board**

Product	Term Limit	Maturity Limit	Volume Limit	Counterparty Limits	Who
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	N/A	As needed to meet SVCE's expected load obligations with the CAISO	Any counterparty	CEO
<u>Gas</u>	<u>Daily</u>	<u>N/A</u>	<u>As needed to meet SVCE's obligations for gas tolls*</u>	<u>Through the counterparty associated with the toll</u>	<u>CEO</u>
Energy(Power) Gas, Capacity, CRRs, and Environmental Products	Up to 12 months	18 months	As needed to meet SVCE's expected load/gas toll *needs (per Purchasing Policy)	Any counterparty	CEO
	Up to 60 months	72 months	As needed to meet SVCE's expected load/gas toll* needs	Board-approved Master Agreements	CEO
	Over 60 months	As approved by Board	As approved by the Board	As approved by the Board	Board

\*natural gas hedges needed to manage risks associated with board approved natural gas tolling agreements

**Table 3: Authority Delegated to the CEO by the Board for Brokered Transactions**

<u>Transaction Type</u>	<u>Fiscal Year Limit</u>
<u>Brokered Transactions Fees</u>	<u>\$300-K of broker fee expense per broker</u>

### 6.5.3 Resource Adequacy Authority Delegated to the CEO by the Board

The CEO has the authority to meet resource adequacy requirements based on CPUC and CAISO guidelines. Failure to meet California's RA compliance obligations may subject SVCE to hefty penalties.

To adequately and effectively meet RA requirements, the CEO needs a broad authority to transact for terms of up to five years and with a broad set of suppliers, including counterparties not under a Master Agreement. Table 3-4 lists the CEO's authority for RA transactions, which may be delegated provided proper documentation is established by the CEO.

**Table 3-4: Resource Adequacy Authority Delegated to the CEO by the Board**



<b>Product</b>	<b>Term Limit</b>	<b>Maturity Limit</b>	<b>Volume Limit</b>	<b>Counterparty Limit</b>	<b>Who</b>
Resource Adequacy	Up to 60 months	72 months	As required to comply	Any counterparty	CEO

#### 6.5.4 Limits of Authority Delegated to Authorized Personnel by the CEO

The Front Office periodically prepares a needs assessment and develops a Portfolio Plan, which defines the transactions required to meet SVCE’s needs and to remain within the Tolerance Bands of Section 6.4. The CEO must approve the Portfolio Plan and may delegate some of his authority to Authorized Personnel (as determined according to the process described in Section 6.1).

Although the CEO may delegate some of his authority to Authorized Personnel, the Board limits the authority he can delegate as shown in ~~Table 4~~ Table 5 below:

**Table 45: Limits of Authority Delegated to Authorized Personnel by the CEO**

<b>Product</b>	<b>Term Limit</b>	<b>Notional Value Limit*</b>
Energy, Capacity, and CAISO Ancillary Services	Day Ahead and Real Time	As needed to meet SVCE's obligations with the CAISO
Energy	Balance of the month	\$5 Million
	Prompt month	\$7.5 Million
	Up to 12 months	\$25 Million
Resource Adequacy Products, CRRs	Prompt month	As needed to meet SVCE's obligations
	Balance of compliance year	As needed to meet SVCE's obligations
	Up to 12 months	\$15 Million
Environmental Products (Carbon Free and Renewable Energy Resources)	Up to 12 months	\$15 Million

**\*Notional value limits are inclusive of broker fees**

## 6.6 Conflict of Interest

All SVCE employees who are involved in any aspect of transacting for energy or energy-related resources are prohibited from investing in any company with whom SVCE transacts, including those with whom it has executed enabling agreements. Prior to engaging in evaluation of, negotiation with, transacting with, or oversight of a transaction or potential transaction with any company, all involved employees must ensure that they are divested in direct holdings with that company. The ban on investment and requirement to divest is regardless of whether the investment would require disclosure on the employee's FPPC Form 700.

SVCE employees will sign notice acknowledging policy regarding conflict of interest and report any existing or potential conflicts of interest (see Appendix A).

## **7 Risk Management Policy Governance**

### **7.1 SVCE Board of Directors**

The SVCE Board is responsible for adopting this Policy and reviewing it as needed every two calendar years. The Board also approves SVCE's annual budget, contracting authorities and delegates responsibilities for the management of SVCE's operations to its CEO.

### **7.2 Risk Oversight Committee**

SVCE's CEO formed the Risk Oversight Committee (ROC) and is responsible to inform the ROC about any risk management issues and to provide assurance that this Policy is implemented. The CEO shall provide the ROC information and analysis that illustrate that all transactions are consistent with the risk tolerances and that risk management controls and practices are sufficient to monitor and manage risks that SVCE is exposed to.

The ROC shall meet at least once per calendar quarter, or as otherwise called to order by the CEO.

The ROC shall from time to time review the Energy Risk Management Guidelines defining in detail the internal controls, strategies and processes for managing market risks incurred through or attendant upon wholesale trading, retail marketing, long-term contracting, CRR trading and load and generation scheduling. The ROC shall receive and review information and reports regarding risk management, wholesale trading transactions, and the administration of supply contracts. The ROC will also review counterparty credit lines and cash reserves to ensure proper levels are maintained for credit, operations and liquidity. In addition, the ROC shall review any instances of non-compliance with any provisions of the Policy or Guidelines.

### **7.3 Internal Risk Oversight Committee**

The CEO formed the Internal Risk Oversight Committee (IROC) to review in more detail any risk management issues that arise. The IROC comprises members of the Front, Middle, and Back Office and is used to coordinate any activities related to transacting. The IROC regularly reviews SVCE's risks and risk management strategies and assists the CEO to ensure that proper controls are in place. The IROC is responsible to develop, approve and update Energy Risk Management Guidelines that implement the Energy Risk Management Policy.

## **8 Appendix A: Acknowledgement of ERM Policy, Declaration of Conflict of Interest and Trader Integrity Attestation**

To: \_\_\_\_\_

### **Acknowledgement of ERM Policy**

I acknowledge that I've read, understand, and will comply with SVCE's Energy Risk Management Policy.

### **Declaration of Conflict of Interest**

I understand that I am obligated to give notice in writing to Silicon Valley Clean Energy of any interest or relationship that I may have in any counterparty that seeks to do business with Silicon Valley Clean Energy, and to identify any real or potential conflict of interest such counterparty has or may have with regard to any existing or potential contract or transaction with Silicon Valley Clean Energy, within 48-hours of becoming aware of the conflict of interest.

I would like to declare the following existing/potential conflict of interest situation arising from the discharge of my duties concerning Silicon Valley Clean Energy activities covered by the scope of the ERM:

a) Persons/companies with whom/which I have official dealings and/or private interests:

b) Brief description of my duties which involved the persons/companies mentioned in item a) above.

### **Trader Integrity Attestation – Please complete this section if you trade on behalf of SVCE**

Yes No : Are you currently under investigation for market manipulation?

Yes No : Were you previously investigated for market manipulation ?

Position and Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date:

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**Staff Report – Item 5**

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**Item 5:       FY 2023-24 Budget Framework**

From:           Girish Balachandran, CEO

Prepared by:   Andrea Pizano, Board Clerk/Executive Assistant

Date:           6/23/2023

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This item will be addressed in the form of a presentation to the Executive Committee regarding an update on the preliminary framework for the FY 2023-24 operating budget.

**ATTACHMENT**

The presentation for this item is posted to SVCE’s website.



**Staff Report – Item 6**

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**Item 6:           Program Snapshot: Medical Baseline Battery Pilot**

From:           Girish Balachandran, CEO

Prepared by:   Raul Hernandez, Senior Marketing Specialist

Date:           6/23/2023

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This item will be addressed in the form of a presentation to the Executive Committee providing a snapshot overview of SVCE’s Medical Baseline Battery Pilot Program.

**ATTACHMENT**

The presentation for this item is posted to SVCE’s website.