

<b>Wholesale Energy Risk Management Policy Resolution</b>			
<b>Date of this Brief</b>	August 13, 2013		
<b>Supersedes</b>	Resolution 31365		
<b>Key Contacts</b>	<b>Name(s)</b>	<b>Phone</b>	<b>Short Title</b>
	Jeff Bishop	4-4649	Chief Financial Officer
	Raman Vishwanathan	4-0416	Director, Risk Oversight
	Nhung Mach	4-3535	Senior Power Analyst
<b>Council Action Required?</b>	<b>Y</b>	<b>If YES, within the next 3 months?</b>	<b>Y</b>
<b>Public Hearing Required?</b>	<b>N</b>		
<b>Presenters (if applicable)</b>	Jorge Carrasco, <i>General Manager</i> Jeff Bishop, <i>CFO, Financial Services Business Unit</i> Raman Vishwanathan, <i>Risk Oversight Director</i>		

**Summary Statement**

The legislation adopts an amended policy document for wholesale energy risk management.

**Background**

To address the routine imbalances between supply and demand of electricity, City Light has to buy and sell energy products in the wholesale energy markets on a regular basis.

Transacting in wholesale energy markets expose City Light to financial risks arising out of the volatility of prices, the uncertainty of its power production, and the risk inherent in dealing with counterparties (credit risk) and other operational risks. To understand and manage these risks City Light maintains the Wholesale Energy Risk Management (WERM) Policy to provide the necessary guidelines within which it should participate in wholesale energy markets. The policy is reviewed annually by City Light. Recommended updates are brought before the Council for adoption through a resolution.

**Key Issues**

Issues addressed in this update of the Wholesale Energy Risk Management Policy include:

- Addressed several major recommendations stemming from Deloitte review of the WERM policies & procedures. These mostly involved improvements to City Light’s documentation of its business processes including control process for deal reviews and language in the policy & procedures.
- Redefined the Risk Oversight Council (ROC) structure, rules regarding quorum, attendance, voting and delegation of responsibilities.
- Provided additional language for improvements on the control process for deal reviews, including language in the policy and procedures documents to ensure compliance within the recently implemented ETRM system and revamped business process mapping.
- Provided clearer definition of the product types to ensure greater understanding of allowable product and transaction types by the trading desks.

**Next Steps**

Present to the Council a resolution adopting the latest updates of the Wholesale Energy Risk Management Policy.