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SCL Risk Management Policy RES ATT A
08/08/2011
Version #3a

Attachment A

SEATTLE CITY LIGHT

Wholesale Energy
Risk Management Policy

April 23, 2012

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1. Introduction

City Light faces significant uncertainty regarding both the quantity of energy available to the utility and the range of prices prevailing in the wholesale power market. Under all but the most extreme low water conditions, City Light's supply of power exceeds its retail demand. This excess, or surplus, power is sold in the wholesale power market, and the revenue is used to offset costs that would otherwise be borne by City Light's retail ratepayers. City Light can sell its surplus power in the "spot market" as this surplus power becomes available, or City Light can sell some of its expected surplus power in the "forward market" for future delivery. Both practices involve risks. Waiting to sell surplus power in the spot market exposes City Light to the possibility of selling at low prices if the wholesale market is flush with power. Selling expected surplus power in the forward market mitigates this risk, but exposes City Light to the possibility of having to purchase power at high prices in order to meet these forward commitments (as well as retail demand) in the event actual supplies turn out to be significantly less than projected at the time the forward sale was executed. The policies outlined below are designed to establish the framework for City Light to manage the risks that are inherent in the wholesale energy markets it participates in. These policies specify: a risk metric; a set of rules to guide decisions concerning the sale and purchase of energy and related products in the spot and forward markets; and a clear statement of roles and responsibilities of City Light's Divisions and personnel.

1.1. AUTHORITY

The City Light Department of the City of Seattle (City Light) operates under the authority of the Mayor and City Council of the City of Seattle (City). City Light is charged by the City with operating its power supply resources, transmission agreements, and electric system to meet the power needs of its customers. The City recognizes that because of the nature of its customer demand and power supply portfolio, City Light will experience imbalances between the two and must therefore transact in the wholesale energy markets for energy services and products to achieve balance.

By endorsing this Wholesale Energy Risk Management Policy (Risk Policy) document by City Resolution, the City approves this Risk Policy and affirms the authority and responsibility of the Superintendent of City Light and his or her designees to comply with it, consistent with the authority granted by Seattle Municipal Code Section 21.49.130.

1.2. SCOPE

This Risk Policy applies to all physical wholesale energy purchases and sales, transmission services, and ancillary services pursuant to Seattle Municipal Code Section 21.49.130. Descriptions of physical transactions commonly utilized by the Power Operations & Marketing Division are maintained in the Wholesale Energy Risk Management Procedures Manual ("Procedures Manual").

This Policy expressly prohibits the use of financial energy derivative transactions which are defined as transactions that cannot be settled with the physical delivery of energy and/or capacity. Accordingly, , it is a violation of this policy to enter into a financial energy derivative contract. All Western System Power Pool (WSPP) and bi-lateral power purchase agreement (PPA) transactions are physical transactions.

This Policy permits the purchase, but not sale, of physical calls and puts where the intent at the time of execution is for physical delivery of the associated energy. Such execution would be limited as further defined in Section 3.3.1.4.

1.3. PURPOSE

The purpose of this Risk Policy is to formally establish a Wholesale Energy Risk Management program and document the organizational structure (Appendix B) utilized by City Light to meet the electricity needs of its customers, manage the risks inherent in its wholesale energy markets portfolio, and minimize the variance in the value of surplus power and transmission assets. As such, this document describes City Light's energy risk management roles and responsibilities, and delegations of authority that will govern how City Light conducts business in the wholesale energy markets.

The specific operating procedures and parameters for implementing this Risk Policy are detailed in the Procedures Manual to be reviewed and approved by the Risk Oversight Council (ROC), a body within City Light established by this Risk Policy that reports to the Superintendent. The existing procedures are attached for informational purposes only as Appendix A.

Please refer to Appendix C, Glossary of Terms, for definitions of terms contained in this Policy and as used by City Light.

All City Light employees in relevant functional areas are expected to comply with and acknowledge their understanding of both this Risk Policy and the associated Procedures Manual as it applies to their current position at City Light. For additional information please refer to Section 2.11. Policy Violations and Exceptions.

2. Organization & Governance

2.1. INDEPENDENCE AND SEGREGATION OF DUTIES

An effective risk management and compliance program requires clear segregation of duties, reporting lines, and incentives between functions and personnel who originate and manage risk, and those who analyze, monitor, and report risk.

City Light has developed a risk management and risk oversight organizational structure to support this requirement (see Appendix B). The core elements of the structure for risk management purposes are:

- Superintendent

- Chief Financial Officer (CFO)
- The Risk Oversight Council (ROC)
- The Power Operations & Marketing Division (POM)
- The Power Contracts & Resource Acquisition Division (PCRA)
- The Risk Oversight Division (ROD)

The following sections define the wholesale energy risk management roles and responsibilities of the individuals and groups listed above.

2.2. ROLE OF THE SUPERINTENDENT

Concerning wholesale energy risk management efforts, the Superintendent is responsible for:

- Ensuring compliance with this Risk Policy;
- Ensuring adequate internal controls exist to safeguard City Light's financial integrity and its retail customers with respect to wholesale energy purchase and sales activities;
- Ensuring that all wholesale energy purchase and sales activities are monitored by City Light staff not directly involved in executing the transactions;
- Resolving Risk Oversight Council vacancies in the best interests of the Utility; and
- Making final decisions on risk management issues when the Risk Oversight Council cannot reach a consensus.

2.3. ROLE OF THE CHIEF FINANCIAL OFFICER (CFO)

In regards to wholesale energy risk management efforts, the CFO is responsible for:

- Serving as the Chair of the Risk Oversight Council, leading the ROC meetings;
- Briefing the Superintendent on City Light's risk exposures and ROC actions on a regular basis during the monthly financial review and as necessary;
- Presenting requests for changes in volumetric and risk metric limits contained in this Policy to the Superintendent;
- Setting the counterparty credit limit threshold; this is defined as the maximum secured and unsecured credit limit that may be extended to any counterparty pursuant to this Risk Policy;

- Recommending to the ROC the methodology used to compute the credit that will be extended to any counterparty; and

- Suspending transacting with a counterparty at any time due to concerns about the counterparty's credit-worthiness or ability to fulfill the terms of a transaction.

2.4. ROLE OF THE RISK OVERSIGHT COUNCIL (ROC)

The ROC has the authority and responsibility for approving and implementing the procedures and parameters contained in the Procedures Manual consistent with this Risk Policy. It is also responsible for setting City Light's target risk profiles, and oversight of the Risk Working Group (RWG), leading City Light's energy risk management efforts on a path of continuous improvement, and directing the development of City Light's risk management strategy.

2.4.1. RISK OVERSIGHT COUNCIL STRUCTURE

Voting Membership:

The ROC shall be comprised of three voting members and two non-voting members. The Chief Financial Officer (Chair), the Power Supply & Environmental Affairs Officer, and the Director of Risk Management shall each have a single vote on matters that come before the ROC and all three, or their designees, must participate in the ROC meeting in order to vote and approve a proposed action.

The two non-voting members are the Director of Power Operations & Marketing and the Director of Power Contracts & Resource Acquisition, or their equivalent as determined by the Superintendent.

Meeting Timing and Frequency:

The ROC shall meet no less than twice per calendar month. Attendance at ROC meetings shall be mandatory for appointed members. Member attendance shall be recorded in the ROC meeting minutes. Any member of the ROC can request an emergency meeting of the ROC to address circumstances or issues that may require immediate attention.

In the event a voting member is unable to attend a ROC meeting in person or by telephone, the member may designate an alternate to attend and vote in his absence, including one of the non-voting members. If any two of the voting members, or their designees, are not present at a ROC meeting, a vote on a proposed action cannot take place. The ROC will make decisions and take actions by a simple majority vote. If the ROC reaches an impasse that cannot be addressed through a vote, the Chair will refer the issue to the Superintendent by the end of the next business day for resolution.

Member Vacancies:

In cases where a member of the ROC leaves the employ of City Light, the Superintendent will resolve the ROC vacancy by making an interim appointment at his discretion.

The Director of Risk Management will act as Secretary to the ROC and will document all meetings and actions taken by the ROC in meeting notes that will be distributed to ROC members for their review and acceptance. Meeting notes approved by the ROC will be distributed by the Director of Risk Management to the Superintendent, ROC members, Mayor, and Council central staff.

2.4.2. RISK OVERSIGHT COUNCIL RESPONSIBILITIES

The ROC is responsible for:

- Reviewing and approving the Procedures Manual and changes to it;
- Reviewing and approving risk management strategies and hedging plans to be implemented by the Power Operations & Marketing Division;
- Reviewing and providing comment to the CFO concerning the methodologies used to establish counterparty credit limits;
- Monitoring and assessing compliance with this Policy and associated procedures;
- Discussing and pre-approving limit exceptions when appropriate;
- Discussing Policy violations or exceptions and taking corrective action to minimize related losses or increased risks as appropriate;
- Reviewing this Policy on an annual basis and recommending changes to the Superintendent by July 1;
- Discussing elements of energy risk management best practices and developing a City Light opinion of their specific practicality;
- Conducting other activities relevant to the implementation and oversight of this Policy and related procedures; and
- Providing a timely summary of ROC accomplishments for the past year and setting of goals for the upcoming year to the Superintendent by March 15th. This summary will also be provided to Mayor and Council staff.
- Oversight of the Risk Working Group (RWG), providing direction and assigning projects as conditions require.
- Review and approve expected, recurring, and material changes to all modeling inputs used by the ROC to ensure that market, operational and credit risks are accurately quantified.

2.4.3. RISK WORKING GROUP (RWG)

The RWG is a technical work group which primary role is to examine methods and procedures used to calculate City Lights forward portfolio position, wholesale market pricing and risk position. The RWG will be comprised of employees from both the finance and power marketing divisions with familiarity of the models used to perform this work. The RWG will be chaired by the Risk Director and membership in the RWG will be confirmed by the ROC.

2.5. ROLE OF THE POWER OPERATIONS & MARKETING DIVISION (POM)

The POM is led by the Director of Power Operations & Marketing and manages the generation portfolio on behalf of City Light. It transacts in the physical wholesale energy market as needed to balance the supply of electricity to demand and to mitigate the risks inherent in managing the system, subject to the limitations established by this Risk Policy and the ROC and in accordance with the Procedures Manual.

2.5.1. POWER OPERATIONS & MARKETING DIVISION RESPONSIBILITIES

The responsibilities of the POM include:

- Meeting City Light's customer load obligation;
- Managing City Light's generating resources, short-term contracts and transmission agreements to meet its hourly, daily, balance of month, and forward month obligations (up to 24 months forward);
- Extracting value from City Light's power supply portfolio and transmission contracts with due consideration of risk;
- Formulating and recommending risk mitigation strategies and hedging plans to the ROC that are consistent with City Light's objectives and this Risk Policy;
- Implementing strategies and hedging plans approved by the ROC; and
- Other activities relevant to the daily management of a power system.

2.5.2. POWER OPERATIONS & MARKETING DIVISION REPORTING RELATIONSHIP

The Director of Power Operations & Marketing reports directly to the Power Supply & Environmental Affairs Officer of City Light.

2.6. ROLE OF THE POWER CONTRACTS & RESOURCE ACQUISITION DIVISION (PCRA)

The PCRA is led by the Director of Power Contracts & Resource Acquisition and manages the long-term contract portfolio and procures new, renewable resources on behalf of City Light. It transacts in the Renewable Energy Credit (REC) and Greenhouse Gas (GHG) markets as needed to balance the supply of environmental attributes to maintain compliance with City policies, state law, and potential federal law, subject to the limitations established by this Risk Policy and the ROC and in accordance with established procedures.

2.6.1. POWER CONTRACTS & RESOURCE ACQUISITION DIVISION RESPONSIBILITIES

The responsibilities of the PCRA include:

- Meeting City Light's customer load obligation by managing long-term contracts and acquiring new resources consistent with City Light's Integrated Resource Plan, City policies, state law, and federal law;
- Extracting value from City Light's environmental attributes portfolio with due consideration of risk;
- Formulating and recommending resource acquisition and environmental attribute risk mitigation strategies to the ROC that are consistent with City Light's objectives and this Risk Policy;
- Implementing strategies approved by the ROC; and
- Other activities relevant to the management of City Light's long-term contracts and environmental attributes portfolio.

2.6.2. POWER CONTRACTS & RESOURCE ACQUISITION DIVISION REPORTING RELATIONSHIP

The Power Contracts & Resource Acquisition Director reports directly to the Power Supply & Environmental Affairs Officer of City Light.

2.6.3. POWER CONTRACTS & RESOURCE ACQUISITION DIVISION RESPONSIBILITY FOR MAINTAINING THE TABLE OF EXPECTED, RECURRING, MATERIAL CHANGES TO MODELING INPUTS

The Power Contracts and Resource Acquisition Director shall be responsible for updating the wholesale energy risk management procedures manual, Exhibit K – The Table of Expected, Recurring, Material Changes to Modeling Inputs as required, from time to time.

2.7. ROLE OF THE RISK OVERSIGHT DIVISION (ROD)

The ROD is led by the Director of Risk Management and, among its responsibilities, serves as the "middle office" in City Light's energy risk management organization. For the purposes of this Risk Policy, these responsibilities include preparing reports covering City Light's energy portfolio position, credit exposures, and Risk Policy and Procedure Manual compliance. The ROD also leads the development of business process and internal control improvements throughout the energy transaction lifecycle; provides settlement services; documents the required accounting treatment of forward transactions; and provides the related valuation of these transactions to enable the Accounting Division to prepare invoices, bill customers, and report forward transactions in City Light's financial statements in accordance with prevailing accounting rules. The

ROD will provide risk assessment input to the POM, but will maintain a strict separation of duties. Under no circumstances will members of the ROD be given the authority to enter into wholesale energy transactions on behalf of the utility.

The Director of Risk Management will meet with City Council's staff as requested to review recent City Light risk management activities and will offer to appear before the Energy, Technology, & Civil Rights Committee or its functional equivalent on a quarterly basis to inform Council members of recent ROC activities and risk management project updates.

The Director of Risk Management will act as temporary chair of the ROC if the CFO is absent.

2.7.1. RISK OVERSIGHT DIVISION RESPONSIBILITIES

The responsibilities of the ROD include the following:

- Assess and monitor compliance with the Risk Policy and Procedure Manual;
- Report violations or exceptions of Risk Policy or Procedure Manual limits and recommend remediation as necessary;
- Monitor market and counterparty events in order to anticipate changes in City Light's risk profile;
- Develop and propose practical improvements to business processes and internal controls within the transaction lifecycle;
- Recommend specific risk limits consistent with the utility's risk management objectives and risk tolerance;
- Engage the ROC in discussions regarding events or market developments that could expose the utility to potential opportunities and losses;
- Conduct credit scoring and analysis of City Light's existing and proposed counterparties;
- Recommend credit limits for counterparties to the Chief Financial Officer;
- Negotiate and manage counterparty credit enhancements;
- Document proper accounting treatment of power and transmission transactions and any associated attributes, and provide reports, disclosures, and related information to the Accounting and Finance Divisions for their end use;
- Issue periodic reports on Risk Policy compliance, hedging plan status, market positions, and risk profile (for additional detail please refer to Section 3.8 Risk Reporting);
- Report the utility's transaction prices daily to specific index price developers;
- Evaluate the effectiveness of the risk metrics employed;

- Validate and test models used in risk management to ensure that market and credit risks are accurately quantified; and
- Research, develop, test, and implement risk measurement methodologies and models

2.7.2. RISK OVERSIGHT DIVISION REPORTING RELATIONSHIP

The head of the ROD, the Director of Risk Management, reports directly to the Chief Financial Officer and also has a direct line of communication to the Superintendent.

2.8. RISK POLICY APPROVALS AND AMENDMENTS

This Risk Policy will become effective upon the expressed approval of the City. Each year prior to July 1, the ROC will review the elements of this policy and present any recommended changes to the Superintendent or provide notification that no changes are necessary. If changes have been recommended, the utility will present the proposed changes to the Council by September 1. In reviewing the policy and recommending modifications, the ROC will consider any material changes in the markets in which City Light transacts, in City Light's business activities and in the financial circumstances of the utility. Recommendations shall include a complete description of the reason for such proposed changes and their anticipated impact.

2.9. COMPLIANCE WITH LAWS AND REGULATIONS

Employees shall comply with all applicable laws and regulations including, but not limited to, Anti-Market Manipulation rules established by Congress and implemented by state and/or federal agencies. Employees should be familiar with the relevant laws and regulations and seek clarification from the City's legal department as required. The City's legal department shall maintain up-to-date legal and regulatory guidelines that govern the purchase and sale of all authorized products, and train employees as needed. However, it shall remain City Light's responsibility to ensure that its employees are adequately trained.

2.10. MISREPRESENTATION & CONFLICT OF INTEREST

City Light personnel shall not withhold or conceal information regarding transactions or risk management activities from any person responsible for the accurate recording and reporting of such activities, nor shall they misrepresent any such information.

Employees shall always put the interests of City Light ahead of any interest they may have in entities with which they transact. Further, employees authorized to place or execute wholesale energy transactions on behalf of City Light may not engage in such activities for their personal accounts. Employees will disclose to their supervisor any interest in an entity that could reasonably be construed as preventing them from acting solely in the interests of City Light. Failure to do so is a violation of this Risk Policy.

2.11. POLICY VIOLATIONS AND EXCEPTIONS

All persons engaged in the implementation, management, or administration of these policies and associated procedures, as detailed in the Procedures Manual, will sign the Compliance Statement (see Appendix D), stating that they have read, understood, and agree to comply with them.

Any person found in direct violation of these Risk Policies and the Procedure Manual may be subject to disciplinary action, including possible termination, at the discretion of the ROC. Inadvertent exceedances of risk limits (deemed an "exception"), upon notice to the ROC, shall be corrected in a timely manner.

Employees who become aware of potential non-compliance with these policies are obligated to immediately report such events to City Light's Risk Oversight Director, Chief Financial Officer or Power Supply Officer.

3. Risk Management Approach

3.1. RISK MANAGEMENT PHILOSOPHY

City Light's current power supply portfolio consists primarily of hydro-based generation (approximately 90%). Historically, City Light's combined generation output has exceeded its retail customer demand by approximately 30% on an expected annual basis. Hydro uncertainty, coupled with wholesale energy market price volatility, leads to significant variability in City Light's net wholesale revenue from the sale of that surplus energy.

To manage this revenue risk and thereby protect the interests of the ratepayers, City Light hedges its exposure by buying and/or selling physical energy and associated products in the wholesale energy market up to 24 months prior to, and all the way up to, and including the hour of delivery. While City Light's principal objective is to ensure that it meets its retail customer demand obligation, it tries to do so in a way that generates additional value from its generation portfolio, with due consideration of risk.

By participating in the wholesale energy markets, City Light is exposed to, and needs to manage, a variety of risks including:

- Market price risk – the risk of loss due to wholesale price changes;
- Credit/performance risk – the risk of loss due to default or failure by counterparties to perform on contracts;
- Volumetric risk – the risk of loss due to unpredictable variations in the output of the generation fleet or in retail demand;

- Modeling risk – the risk of loss due to a model's failure to match reality sufficiently well;

- Operations risk – the risk of loss due to physical assets failing to perform; and

- Operational (Commercial) risk – the risk of loss due to flawed or inadequate business processes.

While all of these are under the jurisdiction of the ROC, only the approaches to market and credit risks are discussed here as they are specifically focused on energy market events. The other risks are viewed as operational risks and their management is covered in the Enterprise Risk Management Policy[1].

3.1.1. MARKET RISK POLICIES

The following market risk policies shall govern City Light's participation in wholesale energy markets. Specific limits, methodologies, reports, operational procedures, and approval processes are detailed in the Procedures Manual.

- City Light will meet its native retail customer demand obligation with a high level of certainty.

- Subject to the constraints of the system, City Light shall not engage in any transactions that are purely speculative in nature or that cannot be tied directly to managing its underlying purchase power agreements, generating plant, transmission asset positions, or price risk.

- City Light will ensure that it has full knowledge of its position in all transacted products and the resulting exposure, and understands the implications of its hedging activities.

- Only personnel authorized by the Superintendent pursuant to a written Delegation of Authority Agreement can transact on behalf of City Light in the wholesale energy market.

- City Light may only transact in physical wholesale energy-market products approved by the ROC.

- City Light may only transact within limits approved and defined in this Risk Policy and the Procedure Manual.

- Metrics for assessing City Light's market risk exposure will be specified, measured, monitored, and reported on a regular basis.

[1] Pending Council approval as of 2011.

- All wholesale energy transactions will be carried out on recorded phone lines or electronic trading platforms.

- On a daily basis, all wholesale transactions will be captured in the official system of record.

- Models and inputs for valuation and risk measurement shall be subjected to a validation and change control process. The models employed and associated processes shall be described in detail in the Procedures Manual.

- Periodic risk and policy compliance reports will be delivered to the ROC, Superintendent, Mayor and the Council's central staff.

3.2. FORWARD HEDGING STRATEGIES AND PLANS

Successful management of the price and volumetric risks faced by City Light requires analysis, monitoring, and communication. Analysis of published hydrological and weather forecasts and market price data serve as key inputs to several internally developed models and ensure that the appropriate data is converted into useful information.

One of the statistical models used for this purpose is the Finance Division's Cash from Operations model, which produces a statistical distribution of revenues from the sale of surplus power. The average of the 5% worst outcomes in this distribution is called the "5% Tail Risk" metric. This is a conservative risk metric and the use of it is intended to protect the utility and its ratepayers against the worst outcomes. The objective of City Light's hedging practices is to attempt to minimize risk, that is, to maximize the 5% Tail Risk metric.

In order to avoid frequent adjustments in the utility's forward position City Light may, within the limits established in Section 3.3.2, chose not to transact in the forward market in order to move it closer to the minimum risk position as defined by the Cash from Operations Model.

Furthermore, City Light may, at times, transact in forward positions that move it further from the optimal forward position projected by the Cash from Operations Model. Such actions are allowed only to address operational concerns or risks not captured by the Cash from Operations Model. This practice is actively monitored by the Risk Oversight Division's report on the Power Operations & Marketing Division's compliance with the risk tolerance band established in Section 3.3.2. The ROC will highlight in its minutes any transaction it approves that moves the utility further away from the minimum risk position, and will provide a clear rationale for approving the action.

As the water year progresses, increased certainty in our level of resources is attained. As greater certainty is achieved, the risk tolerance level for the 5% Tail Risk metric is reassessed and approved by the ROC through the planning process described below.

Changes to the 5% Tail Risk metric value are closely monitored to ensure City Light remains within its accepted level of risk tolerance.

The 5% Tail Risk metric calculation process is a cross functional effort. The Power Operations & Marketing Division provides the hydro forecast input and load/resource balance for the Cash From Operations Model, the Finance Division owns and runs the model, and the Risk Oversight Division leads the communication of the metric's results with City Light's stakeholders. In addition, the Risk Working Group led by the Director of Risk Management and comprised of Power Operations and Marketing, Finance, and Risk Oversight Division personnel work on the continued refinement of the model, while keeping a close eye on changes in the risk metric value.

Consistent with market risk policies defined herein and the risk limits defined below, the Power Operations & Marketing Division, in concert with the ROC, will develop annual hedging strategies with underlying hedging plans as a means to manage the volumetric and price risks faced by the utility. This will be achieved by hedging the resource portfolio within the constraints of the 5% Tail Risk metric and Risk Tolerance Band.

The following two sections describe the requirements for formal written communication of City Light's hedging strategies and detailed hedging plans.

3.2.1. STRATEGIES

Prior to July 1, of each year, the Director of Power Operations & Marketing shall submit an initial written hedging strategy for the upcoming next two full calendar years to the ROC for review and approval. The Strategy will include:

- A timeline for presenting specific hedging plans for managing the expected surplus resource position throughout the next two years;
- A write-up of the likely usage of structured transactions (approved transaction types other than forward purchases and sales) including probable time periods and volumes;
- A recommendation for each years' initial 5% Tail Risk metric limit; and
- Price targets and triggers, and transaction types anticipated to be used in the hedging plans..

3.2.2. PLANS

As a hedging strategy is finalized by the end of July of the preceding year it will remain in effect until such time as it is modified and approved by the ROC. Due to the amount of uncertainty concerning the hydrological conditions over such a time period, the document will require approximately five to six hedging plans to be developed and approved during each year.. Hedging plans are designed to contain specified effective dates and cover a particular transacting period of time in the future. For expected surplus energy revenue hedging and volumetric risk hedging plans, each plan will:

- Refer to the specific hedging strategy document it is applicable to;
- Be labeled or numbered consistent to the applicable hedging strategy;
- Have a specified start and end date;
- Cover a clearly specified forward time period;
- Document a volumetric limit for purchases and sales;
- Document transaction types to be used to carry out the Plan; and
- List price triggers that will enable hedging activity within the Plan's limits to be completed earlier than that which is contained in the Power Operations & Marketing Division's purchase and sales orders to their Power Marketing staff.

The Director of Power Operations & Marketing may, at any time, request that the ROC consider changes to the current Hedging Strategy or Plan. Any approved changes to the Hedging Strategy or Plan shall be recorded in the ROC meeting minutes and an updated written Hedging Strategy or Plan document will be prepared as soon as practical incorporating such changes. On occasion, it will become apparent to Power Operations & Marketing management that additional transactions to reshape expected monthly forward positions are necessary given changes in generation forecasts, market conditions, and load forecasts. The Director may enter into and execute such transactions to rebalance the forward position as long as the net energy position resulting from these transactions is close to zero. These transactions will be discussed in ROC meetings ahead of time if conditions allow, or reported after the fact and documented in the ROC meeting minutes. The effect on the tail risk metric, specifically a potential transaction(s) impact on risk tolerance band compliance will be evaluated prior to transaction execution. The benefit of evaluating the rebalancing-type transactions with risk tolerance band compliance is to provide management with quantitative assurance that the benefit (reduction in volumetric risk) is not adding an undesirable level of market risk to the portfolio.

3.3. RISK LIMITS

The Power Operations & Marketing Division will manage City Light's exposure consistently with the Risk Limits as defined below. In the event of a potential conflict between a specific hedging plan and these risk limits, the risk limits will control and the hedging plan will be modified to bring it into compliance with these risk limits. Under normal operating conditions, if such limits are exceeded, the Power Operations & Marketing Division will take immediate corrective action. Corrective action will start with written notification to the ROC of any limits that are exceeded, the reasons and conditions that caused such exceedance, and the actions being undertaken to return the utility to within approved risk limits. The Chair of the ROC will then notify the Superintendent in writing of the risk limit exception and the cause of the exception. The Power Operations & Marketing Division's corrective action may include purchasing power to eliminate forecasted deficits in any month or calendar quarter, or re-balancing City Light's forward portfolio position through a combination of purchases, exchanges, or other products available from the market. There may be occasions when it will be necessary to change the risk limits listed below. The process for changing these risk limits are documented in Section 3.3.3 Risk Limit Changes.

3.3.1. VOLUMETRIC LIMITS

3.3.1.1. Prompt and Within the Month

The Power Operations & Marketing Division will maintain City Light's power portfolio position for any prompt month or any Balance of the Month period so that such position shall not exceed a 50 average megawatt deficit during such period. Such limit will be calculated as the net position of City Light's combined physical position adjusted for any call options (daily or monthly) that City Light has purchased for such month. If this limit is exceeded, the Division will take immediate action to reduce the deficit to under 50 average megawatts.

3.3.1.2. Forward Month's Resource Requirement

The Power Operations & Marketing Division will immediately suspend any further forward sales for any future calendar quarter, within the next full 24 months, if the forecasted net combined system energy projected surplus for that quarter is less than zero when calculated on a 75% probability of occurrence. Further, the POM Director will take immediate corrective action to purchase for a specific future calendar quarter if the net combined system energy position for that specific future calendar quarter, which includes the next full 24 months, is less than zero when calculated on a 50% probability of occurrence. This corrective action shall reduce said deficit to zero at the 50% level of confidence for that specific future calendar quarter. Such limit will be calculated as the net position of City Light's combined physical position adjusted for any physical call options (daily or monthly) that City Light has purchased for such month.

3.3.1.3. Forward Sales Limit

The Power Operations & Marketing Division will not sell forward a quantity of more than 1,750,000 net megawatt hours over a rolling four full calendar quarter year period. Such limit will be calculated as the net position of City Light's combined physical position adjusted for any physical call options (daily or monthly) that City Light has purchased for such period.

3.3.1.4. Physical Options Limits

As the utility introduces physical "put" and "call" options into its portfolio it will do so in a conservative manner. This will allow for the refinement of business practices and internal controls that these transactions will impact. The Power Operations & Marketing Division will limit its option volumetric position so that it will not transact more than the lesser of 300 average megawatts in physical put and call options (including daily and monthly options) or spend more than $2 million for option premiums for any calendar year.

3.3.2. RISK METRIC TOLERANCE LIMITS

For the current calendar year, the Power Operations & Marketing Division will conduct its hedging activity to maintain the Utility's position within a $8 million Risk Tolerance Band (RTB) around the calculated 5% Tail Risk metric. For the prompt year (the year immediately following the current calendar year), the Utility's position will remain within a $10 million RTB around the 5% Tail Risk metric.

The prompt year's RTB will change to current year's RTB with the first calculation of the 5% Tail risk metric in the month of November. This coincides with the start of City Light's Finance Division running the prompt year's Cash from Operations model on a bi-weekly rather than a monthly basis.

Under normal operating conditions, in the event the approved 5% Tail Risk metric limit is exceeded or would become exceeded if the remainder of the active hedging plan was executed, planned hedging activity will stop until a revised Plan is approved by the ROC.

3.3.3. RISK LIMIT CHANGES

The risk metric and volumetric limits described above may be exceeded from time to time for reasons beyond City Light's control including, but not limited to unexpected or extreme market events (weather, system constraints, prices), resource underperformance, and other system conditions (prolonged plant outage, transmission line availability). To ensure that the limits contained in this Policy can be changed in a timely manner, the following protocol will apply:

1. Should the ROC desire to have an existing limit changed, a request to revise a limit along with a corresponding justification for the requested change shall be communicated to the Superintendent in writing and logged in the meeting minutes of the ROC.

2. The Superintendent will approve or disapprove the requested change in writing within 2 business days of receiving such request.

3. If approved, the chair of the ROC will promptly transmit the request, with all necessary supporting information, to the chair of the City Council's Energy, Technology, & Civil Rights Committee (ETCRC) or its functional equivalent.

4. The chair of the ETCRC, after consulting with the other members of the Committee, will notify the chair of the ROC and the Superintendent in writing within two business days of the ETCRC's decision. An email through the City's

email system will suffice as written notification. If the chair of the ETCRC does not respond within this time period, the requested change to the limit will be deemed to have been approved by the ETCRC.

5. During the period from the exceedance of the risk limits to 2 business days following the notification of the chair of the ROC by the ETCRC of its decision, the POM will not be considered an exception of the risk limits.

Should the Superintendent disapprove the requested limit change per #1 above, the Chair of the ROC will notify the Power Operations & Marketing Division to transact as needed in order to bring City Light's portfolio of forward positions back into approved risk limits.

Should the Superintendent be unavailable to respond in the time frame required by this Policy (#2 above), the chair of the ROC will transmit the request directly to the chair of the ETCRC.

On an annual basis, timed to coincide with the exit conference of the annual external assessment of policy compliance (refer to Section 3.9 External Assessment), the limits contained in this policy as modified during the course of the year per this Section will be reviewed and reaffirmed by the City Council's Energy, Technology, & Civil Rights Committee.

3.4. DELIVERY POINTS

City Light may transact in the Western Electricity Coordinating Council markets at the following points of delivery:

- Mid Columbia (Mid-C)
- Points of Interconnection with the Bonneville Power Administration (BPA), Avista Utilities, Idaho Power, B.C-U.S. Border, Pacificorp, Alberta Power Pool, and Puget Sound Energy
- California - Oregon Border (COB)
- Nevada - Oregon Border (NOB)
- Palo Verde (PV)

3.5. TRANSACTION TYPES

The following table summarizes the authorized products for each of the three transacting segments of the Power Operations & Marketing Division.

Product	Real Time (Intra day)	Day-ahead through Balance of the month of the M of the	Forward
1. Electrical Energy	Yes	Yes	Yes
2. Reserve Transactions	Yes	Yes	Yes
3. Transmission	Yes	Yes	AR
4. Locational Transactions	Yes	Yes	Yes
5. Transmission Losses Provider	No	No	Yes
6. Capacity	Yes	AR	AR
7. Exchange Capacity Service	AR	AR	AR
8. Energy Exchanges	Yes	AR	AR
9. Parking	No	AR	AR
10. Lending	No	AR	AR
11. Scheduling Services	AR	AR	AR
12. Regulation & Frequency Response Service	AR	AR	AR
13. Reactive Supply & Voltage Control Services	AR	AR	AR
14. Energy Imbalance Service	AR	AR	AR
15. Dynamic Scheduling Service	AR	AR	AR
16. Intra-Hour Balancing Service	AR	AR	AR
17. Purchase of PhysicalCall	N/A	AR	AR
18. Purchase of Physical Put	N/A	AR	AR
AR = Approval required by the Manager of corresponding desk.			

1. Electrical Energy: The sale or purchase of wholesale electric energy with the following general attributes: a fixed commodity quantity; a defined commodity price; and, a point of delivery within the allowed geographic boundaries as specified under Section 3.4 Delivery Points.

2. Reserve transactions are the sale or purchase of capacity for a fee with the right to delivery of energy up to the amount of the capacity reserved during the period covered by the contract. The commodity price is either fixed or indexed to Mid-C, COB, or Palo Verde. The point of delivery is fixed. The sale of Third Party Operating Reserves Service (TPORS) per BPA Transmission's Operating Reserves Business Practice is one example of a reserve transaction.

There are two specific sub-categories of capacity reserve products which are differentiated by the notice required for delivery of the energy:

- Spinning Reserves: Capacity transactions where the buyer may call for delivery of the commodity with less than 5 minutes' notice through an automated generation control or other electronic signal;

- Operating Reserves: Capacity transactions where the buyer may call for delivery of the commodity with no less than 15 minutes' notice;

3. Transmission: The sale or purchase of rights to transmission capacity. These transactions have a fixed capacity, a fixed price per unit of capacity, and fixed path. The sale of surplus PTP BPA Transmission through the TransAssign function is one example.

4. Locational Transactions: The simultaneous purchase and sale of energy with one or more counterparty but at different points of delivery. The intent of the transaction is to either move a position from point A to point B or to lock in the spread between the two points where City Light has access to and is indifferent as to which location the position is located. At the time of transaction entry, the intent of the transaction will be clearly documented on the Risk Oversight Division's Pre-deal Risk Assessment Form.

5. Transmission Loss Provider: Providing transmission losses for a counterparty in return for a fee plus payment for the energy required to meet the obligation.

6. Capacity: Energy that is committed to be available relative to a forward schedule. The energy may not be purchased by the counterparty so a fee is charge for making the commitment of resources (capacity fee). Should the energy by needed, a price per megawatt hour will be charged. The contract will state a capacity fee and an energy price. The transaction will be with a single counterparty. The delivery of energy may be less than the amount of capacity purchased. The buyer has the choice of determining the amount (up to a stated maximum volume) and timing (within stated parameters) of when the energy deliveries will be made. Maximum deliveries and receipts are set by contract. Capacity sales terms must include that capacity payments will be structured to be due no later than 3 business days after the signing of the transaction confirmation. This capacity charge will be non-refundable. If the capacity is called upon by the purchaser and the energy is not available, energy will be purchased and delivered or deemed to have been purchased and delivered at a stated index price. Acceptable variations to the general terms of this transaction are:

- Buyer may be restricted as to amounts of delivery and which hours may be chosen for deliveries and/or seller may be allowed some choices.

- May be combined with a locational transaction or exchange or transmission deal.

- Any forward capacity sales shall be compared against the most recent capacity position report as prepared by the POM Division to ensure City Light has sufficient resources.

7. Exchange Capacity Service: Seller will exchange energy with the Buyer by delivering energy during defined hours in exchange for energy returned during other hours; within each stated time period these transactions will be energy neutral with the amount of energy delivery to the purchaser equal to the energy returned to Seller. The Buyer will pay a fixed Exchange Capacity fee for the amount of capacity made available no later than 3 business days after signing the transaction confirmation.

8. Energy Exchanges: Transactions of energy with a single counterparty at two different points in time and possibly location. The implicit price is defined by the ratio of quantity delivered to quantity received and the forward price differential at the time of transaction entry.

9. Parking: A transaction in which the purchaser delivers energy to the seller on a pre-scheduled basis according to WECC Preschedule Calendar. The seller of the service is then required to deliver a like amount of energy on a real-time basis on the pre-scheduled flow day(s) to parties or locations specified by the purchaser.

10. Lending: A transaction in which the purchaser directs the seller to deliver energy to specific parties or locations on a preschedule basis according to WECC Preschedule Calendar. The purchaser then delivers a like amount of energy in real-time to the seller on the pre-scheduled flow day(s).

11. Scheduling, System Control, and Dispatch Service: A transaction where the seller provides the service required to schedule the movement of power through, out of, within, or into a Balancing Authority Area, usually including electronic tagging service. There may be a need for additional communication gear or other hardware. If purchased through an Open Access Transmission Tariff (OATT), this service can be provided only by the operator of the Balancing Authority in which the transmission facilities used for transmission service are located.

12. Regulation and Frequency Response Service: A transaction where the seller commits on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) as necessary to follow the moment-by-moment changes in load. All transmission providers must offer this service, but others may offer it as well.

13. Reactive Supply and Voltage Control Service: A transaction where the seller supplies reactive power support based on the amounts necessary to maintain transmission voltages within limits that are generally accepted in the region. All transmission providers must offer this service, but others may offer it as well.

14. Energy Imbalance Service: A transaction where the seller provides the difference in energy between the scheduled and the actual delivery of energy to a load located within a Balancing Authority over a single hour. All transmission providers must offer this service, but others may offer it as well. An example is providing third-party supply of

Energy Imbalance service per BPA Transmission's Energy Imbalance Service Business Practice, Version 3.

15. Dynamic Scheduling Service: The selling or buying of Ancillary services through the dynamic transfer of energy through a common communications protocol to allow participants to exchange dynamic schedules with any number of participants simultaneously for both short-term and long-term transactions.

16. Intra-Hour Balancing Service: Seller provides within-hour incremental or decremental service where a fixed amount of energy can be received or delivered in the Seller's Balancing Authority from another Balancing Authority. The capacity quantity, number of times within any hour, number of hours within the day, and total number of hours during the term of the contract must be specified. Buyer will pay Seller, within 3 business days of signing, the capacity fee for the amount of incremental and decremental capability provided during the hours in the term. Any energy received or delivered will be settled by an exchange or energy index price.

Physical Options: Forward physical transactions, contracted under the WSPP enabling agreement, that give the buyer a right, but not an obligation, to perform and give the seller the obligation to perform. The following define the types of Option transactions that City Light may enter into. Volumetric limits for options are listed at Section 3.3.1.4.

17. Purchased Physical Call Option: Purchase the right but not the obligation to "call" on (buy) a fixed quantity of energy at a fixed delivery point, for a fixed price. This transaction type serves as a form of energy supplye insurance. Calls can be useful to City Light for obtaining additional resources, at a known price, that may be needed in times of anticipated supply deficit and in forward markets that City Light has previously sold forward. City Light will not sell call options.

18. Purchased Physical Put Option: Purchase the right, but not the obligation to "put" (sell) a fixed quantity of energy at a fixed delivery point for a fixed price. This transaction type serves as an additional surplus resource sales tool that will be used to lock in a floor price (guaranteed bottom). This is a useful tool to protect from the market price dropping below a stated price for a specified quantity of energy. City Light will not sell put options.

3.6. CREDIT RISK MANAGEMENT PHILOSOPHY

To protect its financial integrity, City Light will actively manage its credit risk by making risk informed decisions regarding which counterparties to transact with and how much business it will conduct with them. Credit risk is defined as the risk of counterparty nonperformance, or failure to deliver its obligation (whether that is an energy product or payment of amounts owed). Credit risk is especially important to City Light due to the volume it transacts in the wholesale energy market, and the seasonal peak activity (the spring run-off) that requires it to increase its risk tolerance to avoid spilling water and thereby wasting the resource.

City Light manages its credit risk by:

- Incorporating the expected sales volumes, timing of such sales, and expected energy prices, and estimated counterparty probability of default when establishing a credit risk tolerance for a calendar year;

- Allocating the credit risk tolerance among approved counterparties based on the individual counterparty's estimated likelihood to perform;

- Assessing counterparty creditworthiness and establishing credit limits for counterparties based on that assessment;

- Requiring a counterparty to be assigned a credit limit prior to transacting with it;

- Monitoring and assessing market and counterparty events to adjust credit limits as appropriate;

- Calculating and reporting counterparty credit exposures; and

- Requiring Power Marketers transacting in the forward markets (full prompt month up to 24 months forward) to discuss term deals from a risk perspective with the Risk Oversight Division prior to deal entry. A completed Pre-Deal Risk Assessment Sheet (PDRA) or a memorandum transmitted through the recently installed Trading and Risk Management ("TRM") system listing the requested counterparties to transact with satisfies this requirement.

3.6.1. CREDIT RISK POLICIES

City Light sells significant quantities of power in the wholesale market. Industry practice dictates payment no sooner than 20 days after the end of the delivery month, requiring that City Light extend credit to its counterparties. Further, as noted earlier, City Light seeks to manage its volumetric and price risk by transacting in the forward market, resulting in its extending credit to counterparties for periods up to 24 months.

The following policies shall govern City Light's credit exposure management efforts. Specific limits, methodologies, reports, operational procedures, and approval processes will be detailed in the Procedures Manual.

The Chief Financial Officer sets the following on an annual basis:

- Credit risk tolerance. This is determined by considering wholesale revenue goals, available counterparties, and these counterparties' estimated probabilities of default.

- The maximum secured and unsecured credit limit a counterparty may be given (Credit Threshold).

- A credit limit table that will be used by the Director of Risk Management during the year to manage counterparty credit.

- The methodologies used for establishing specific counterparty credit limits.

- Initial counterparty credit limits. This ensures that at the beginning of each year credit limits are aligned with risk tolerance and that the Risk Oversight Division has prepared a comprehensive analysis of counterparties and market conditions.

The above decisions and any changes to them during the year will be documented in the ROC meeting minutes. The Director of Risk Management will utilize these decisions and any additional parameters documented in the Procedures Manual to develop and adjust counterparty specific credit limits to present to the CFO for approval at the ROC and to manage credit limits during the year.

Credit limits will be based on a number of factors including the counterparty's probability of default, and credit score that focuses on liquidity, profitability, and cash flow.

SPECIAL CONDITIONS

Except under the following circumstances, City Light will not extend unsecured credit to counterparties having a net worth of less than $2.5 million:

- 'must sell' (spill conditions); or

- Negative priced energy transactions that result in City Light receiving payment for taking the counterparty's energy (a seasonal event driven by a combination of high wind and high water flow).

- Renewable Energy Credit (REC) purchases for periods greater than 24 months where a transaction-specific Ordinance is approved by the Mayor and City Council.

During spill events the Director of Power Operations & Marketing and the Power Supply & Environmental Affairs Officer may take action to extend credit to parties that currently do not have credit or do not have sufficient credit for a proposed transaction. In the case where neither of these two members of the senior leadership team can be reached, the real time marketer may sell to a specific counterparty that has no available credit once per shift to minimize lost opportunities. The real time marketer may not make more than three such sales (different counterparties) per shift. Before the end of the shift, the real time marketer will notify the Director of Power Operations and Marketing and the Power Supply & Environmental Affairs Officer of each transaction including dollar amount. Each of these transactions will be discussed and documented at the next regularly scheduled Risk Oversight Council meeting. These are expected to be low frequency events. By anticipating and documenting that such events may happen, opportunities are not lost. The post transaction discussion will cover the underlying drivers of the event's occurrence and the effectiveness and results of the decisions that were made.

CREDIT ENHANCEMENTS

In establishing credit for counterparties, City Light may consider credit enhancements that meet the following criteria:

- Prepayment for the product or service. Prepayment is due within 5 business days of signing the confirm or contract; or

- An irrevocable standby letter of credit for the benefit of City Light from a United States office of a commercial bank or trust company organized under the laws of the United States of America or a political subdivision thereof or a foreign bank with a branch office located in the United States with at least an "A" credit rating from two or more major credit rating agencies; or

- An acceptable payment guarantee from a parent or otherwise qualified entity having investment grade credit ratings of at least 'BBB' or 'Baa2' from S&P and Moody's, respectively. The Guarantor must meet City Light credit qualification requirements and qualify for the amount of credit support to be provided; or

- Other credit enhancement deemed acceptable by the CFO.

REPORTING

City Light will measure and report its counterparty credit exposure in the following ways:

<u>Settlement Exposure</u>: A rolling 60-day notional value. This is equal to the higher of existing Accounts Payable (AP) plus current delivered but unbilled plus scheduled to be delivered through the end of the current month (CM) or the CM plus next month notional value.

<u>Mark to Market Exposure (MTM)</u>: The change in market value of undelivered obligations.

<u>Current Exposure</u>: The sum of Settlement Exposure plus Mark to Market Exposure.

A credit exposure that exceeds a credit limit due to the MTM component will be considered a passive exception by the Power Marketers; however, this excess credit exposure will be managed by the Risk Oversight Division.

The ROD will provide such reports to the ROC no less than once per month or more frequently if conditions warrant.

3.7. PROCEDURES MANUAL

The specific operating procedures and parameters for implementing the policies in this document are detailed in the Procedures Manual. Changes to the Procedures Manual will be reviewed and approved by the ROC for consistency with this Risk Policy.

3.8. RISK REPORTING

The Risk Oversight Division will produce the following periodic reports:

- A monthly report documenting City Light's compliance with this Policy.
- A weekly report identifying Risk Policy violations or exceptions, if any, and summarizing the status of City Light's existing Hedging Plan, existing positions, forecast of resources, and credit exposures.

These reports will be distributed to the ROC, the Superintendent, the Mayor and the Council's central staff.

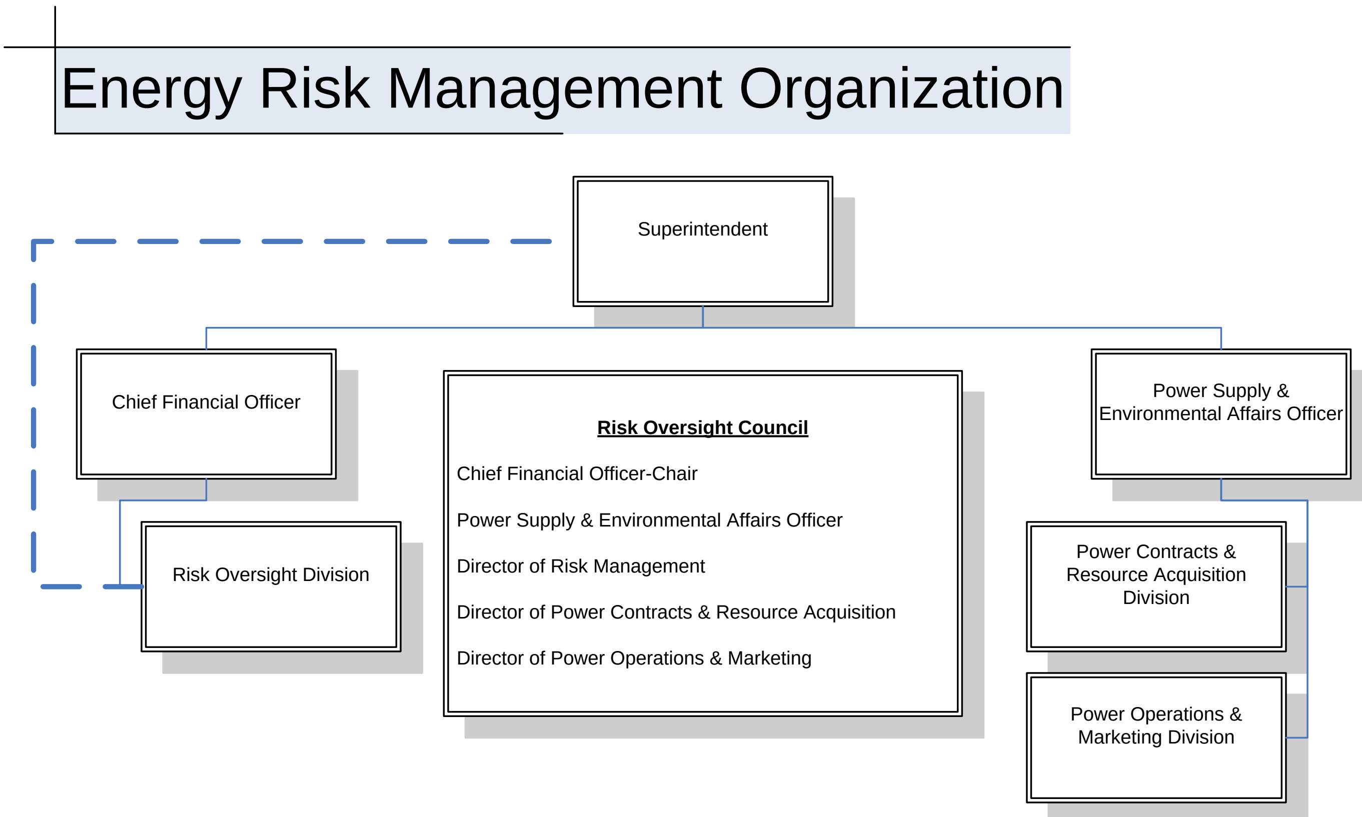
3.9. External Assessment

The Mayor's staff and the Council's central staff will consult with the Director of Risk Management regarding the selection of an external party to conduct a review of City Light's adherence to this Risk Policy. This compliance review will be performed and reported annually to the Mayor and Council. In alternate years the scope of this compliance review will be expanded to include an assessment of the adequacy of City Light's wholesale energy risk management controls.

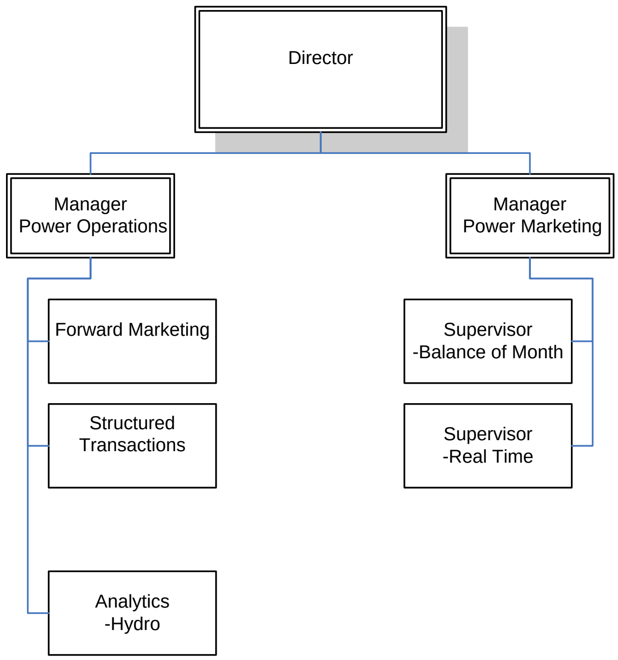
Appendix A

See Exhibit 1 to Attachment A of SCL Risk Management Policy RES

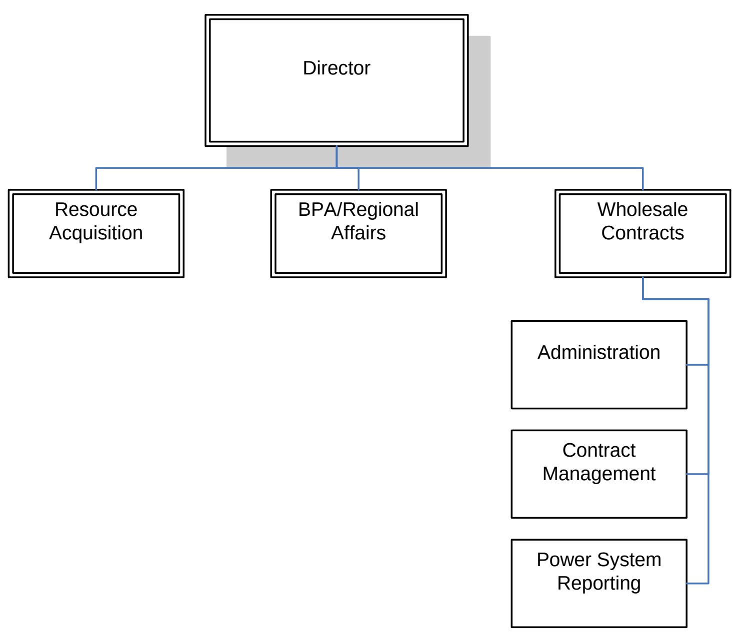
Appendix B   City Light's Energy Risk Management Organization Charts



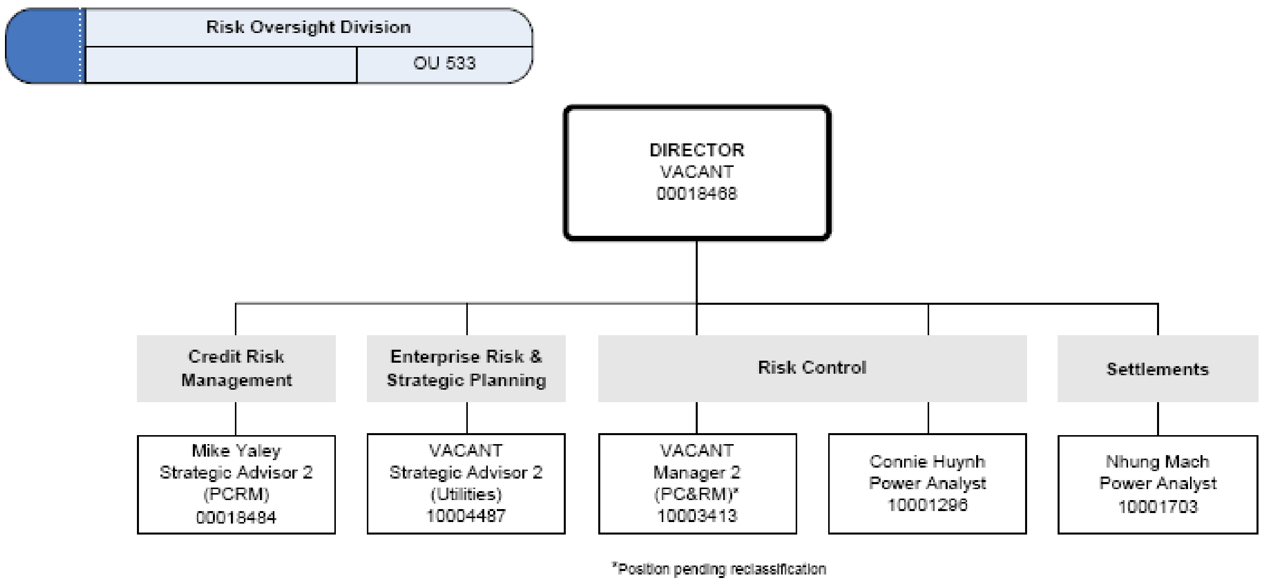
Power Operations & Marketing Division



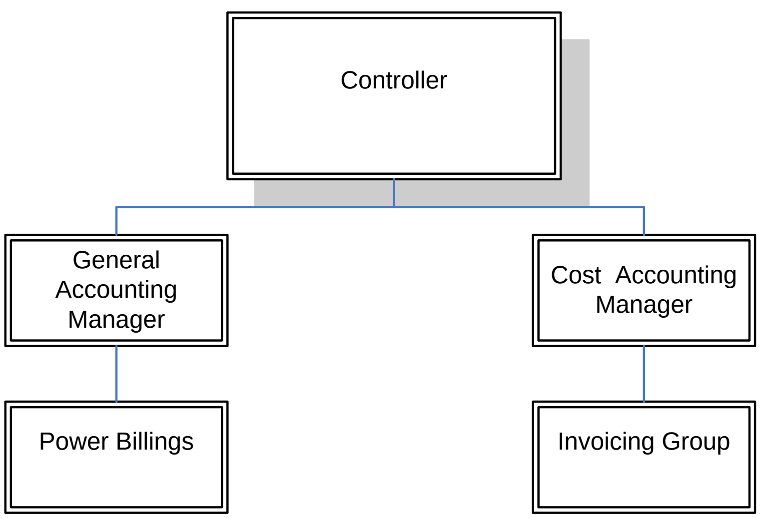
Power Contracts & Acquisition Division



Structure of Risk Oversight Division organization is under review / reorganization



Back Office: Accounting Division



Appendix C Glossary of Terms

Risk Tolerance Band: An acceptable variance, in either direction (positive or negative), from the 5% Tail Risk's calculated optimal position.

Calendar Quarter: Three-month blocks of time, often referred to as "Q's." Q1 is comprised of January through March; Q2 contains April through June; Q3 contains July through September; Q4 contains October through December.

Call Option: The right but not the obligation to "call" on (buy) a fixed quantity of energy at a fixed delivery point, for a stated price, including the market index price. This transaction type serves as a form of energy supply resource insurance.

Cash From Operations: The net revenue expected from wholesale energy transactions, retail sales, other expenses, and incomes.

Cash From Operations Model: The Financial Division's model that estimates net revenue available to fund capital requirements taking into account the variability of cash flows resulting from uncertainty of water conditions, market prices, and system load.

Credit Risk: The risk of loss due to counterparty failure to perform contractual obligations including payment.

Hedge: Transaction entered into for a time period that covers the Prompt Month or further-forward time period for the purpose of reducing resource and/or price uncertainty or generating a return on City Light's investment in energy assets.

Hedging Plan: Specific plan of action derived from the Hedging Strategy.

Hedging Strategy: High level direction that serves as the framework for developing courses of action (Hedging Plans) that will lead towards achieving a goal.

Market Price Risk: The risk of loss due to changes in price,

Modeling Risk: The risk of loss due to a model's failure to sufficiently match reality.

Operational Risk: The risk of loss due to flawed or inadequate business processes.

Operational Transaction: Procurement or sale transaction entered into for the purpose of managing resources.

Operations Risk: The risk of loss due to physical assets failing to perform.

Procurement: Energy product purchase transaction in the Balance of Month or shorter time horizon for the purpose of serving City Light's native load.

Prompt Month: Closest calendar month that has not yet begun.

Put Option: The right, but not the obligation to “put” (sell) a fixed quantity of energy at a fixed delivery point for a stated price including the market index price. This transaction type serves as an additional surplus resource sales tool that will be used to lock in a floor price (guaranteed bottom). This is a useful tool to protect from the market price dropping below a stated price for a specified quantity of energy.

Volumetric Risk: The risk of loss due to variations in generation output and customer demand.

5% Tail Risk: The risk metric produced from the Cash From Operations Model. It is the average financial outcome of the worst 5% of all outcomes.

Appendix D Compliance Statement

Compliance Statement

The undersigned employee hereby acknowledges receipt and review of City Light's Wholesale Energy Risk Management Policy dated _____________ and corresponding Wholesale Energy Risk Procedures Manual version _____________.

The undersigned further acknowledges that this risk policy and corresponding risk procedures manual defines the standards of City Light's energy risk management efforts that the employee is expected to comply with, and that failure to comply with the Policy and procedures may result in, among other things, disciplinary action up to and including termination.

As Utility compliance with the Wholesale Energy Risk Management Policy requires the involvement and support of many City Light staff, employees who become aware of non-compliance with these policies are obligated to report such anomalies to the Risk Oversight Director, CFO, or Power Supply Officer.

Acknowledged by:

____
Employee Name (Print)

____
Employee Signature

____

Date