



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Glendale Water & Power (GWP) Energy Risk Management Policy and Trading Authority Policy.

1. Motion approving amendments to the GWP Energy Risk Management Policy.
2. Motion approving amendments to the GWP Trading Authority Policy.

COUNCIL ACTION

Item Type: Action Item

Approved for _____ **May 6, 2025** **calendar**

EXECUTIVE SUMMARY

The GWP Energy Risk Management Policy is the framework for GWP to manage the risks that are inherent from participating in the wholesale energy markets. The purpose of this Policy is to formally establish and maintain an Energy Risk Management Program and document the organizational structure, utilized by GWP, to meet the energy needs of its customers, and provide guidelines for GWP to plan, execute, and control the management of a variety of risks associated with energy portfolio activities. In addition, this Policy establishes supporting risk policies for managing GWP's energy risks. The current version of the GWP Energy Risk Management Policy was approved by the City Council on August 9, 2022.

The purpose of the GWP Trading Authority Policy is to define the authority granted by City Council, to the City Manager, or his designee, and the GWP General Manager to execute energy-related transactions and the ability to delegate trading authority within the limits defined in the GWP Trading Authority Delegation. The current version of the GWP Trading Authority Policy was approved by the City Council on August 9, 2022.

RECOMMENDATION

Approve amendments to the GWP Energy Risk Management Policy and GWP Trading Authority Policy.

ANALYSIS

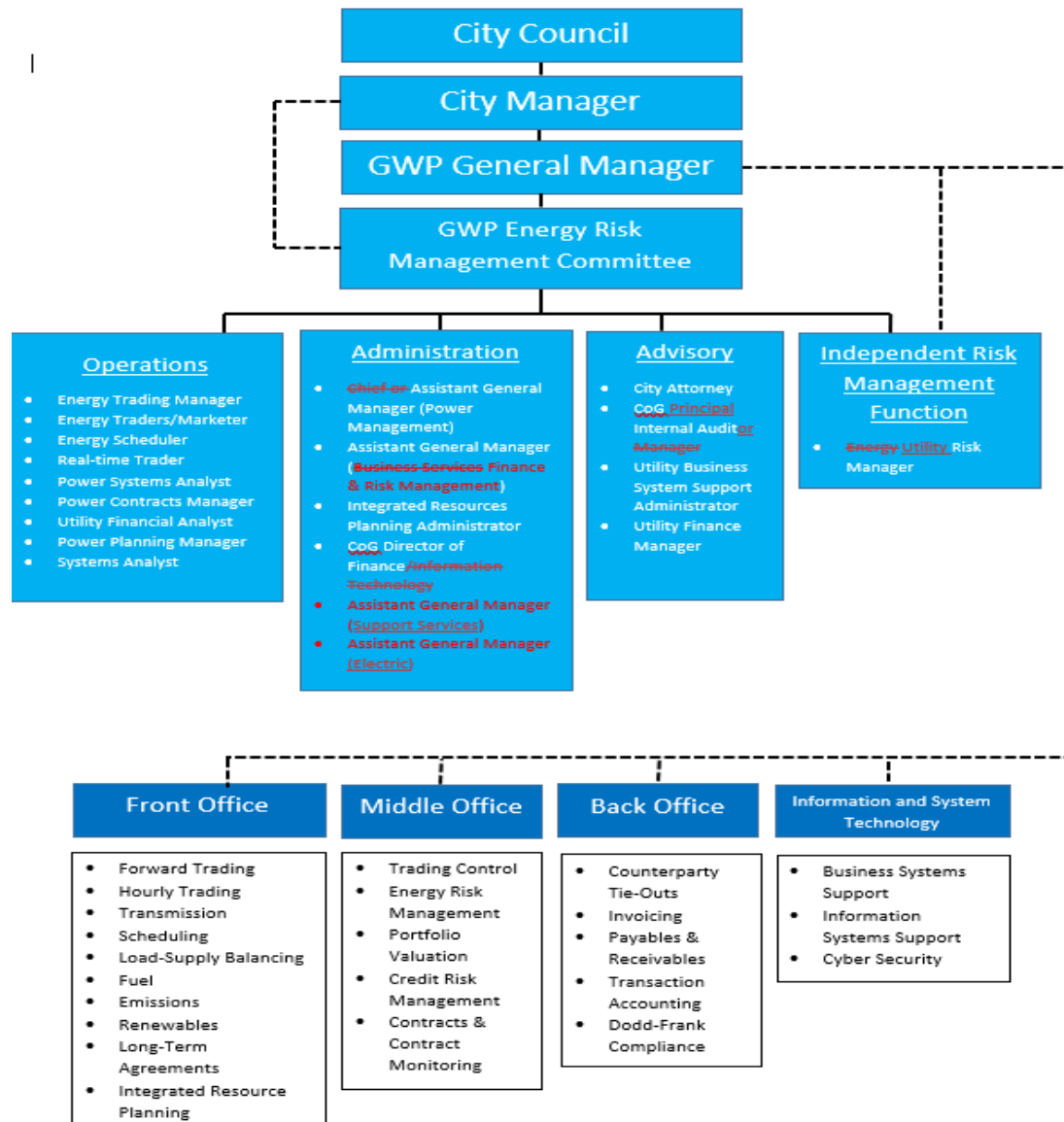
GWP Energy Risk Management Policy

The proposed, amended GWP Energy Risk Management Policy is attached to this report as Exhibit 1. A redline draft showing the proposed changes from the current GWP Energy Risk Management Policy is attached to this report as Exhibit 2.

The major updates to the GWP Energy Risk Management Policy are:

- **3. Assignment of Responsibilities:**

The organizational chart was revised to mirror the updates made to the GWP ERM member titles.



- **3.4.1 GWP Energy Risk Management Committee (ERMC) Structure:**

The GWP ERM Structure was updated to reflect the following changes in position titles and responsibilities within GWP:

- Updated the position titles of the following voting members to reflect current titles: GWP Assistant General Manager (Power Management), GWP Utility Risk Manager, and City of Glendale (CoG) Director of Finance.
- Designated the position of GWP Assistant General Manager (Finance & Risk Management) as a voting member of the ERMC to reflect the responsibilities of the position.
- Added the following positions as non-voting members of the ERMC: GWP Assistant General Manager (Support Services), GWP Assistant General Manager (Electric), and GWP Power Contracts Manager.

- Updated the position titles of the following non-voting ERM members:
GWP Energy Trading Manager and CoG Principal Internal Auditor.
- **3.4.2 Meeting Timing, Frequency, and Voting Procedures:**
Section 3.4.2 was updated to specify that the designated alternate of an ERM voting member shall have voting privileges.
- **3.4.4 GWP Energy Risk Management Committee Responsibilities:**
Section 3.4.4 was updated to authorize the ERM to approve non-binding term sheets (Term Sheet) for power purchase agreements (PPA) for energy from renewable resources which reside exclusively within the GWP electric grid (In-System). Once the ERM approves the In-System PPA Term Sheet, the General Manager, or his designee, shall have authority to execute the non-binding In-System PPA Term Sheet.
- **3.5 – 3.16 Position Titles and Responsibilities:**
The position titles and corresponding responsibilities in these sections, and throughout the policy were updated as necessary to reflect current titles and responsibilities.

GWP Trading Authority Policy

The proposed, amended GWP Trading Authority Policy is attached to this report as Exhibit 3. A redline draft showing the proposed changes from the current Trading Authority Policy is attached to this report as Exhibit 4.

The major updates to the GWP Trading Authority Policy are:

- **3.1 Execution Authority:**
Section 3.1 of the amended policy removes a reference to Article VI, Section 9 of the City Charter dispensing with competitive bidding as it has been removed by voter-approval of the City ballot Measure A, Charter Amendment on March 5, 2024.
- **3.2 Contract Requirements:**
Section 3.2 of the amended policy specifies that City Attorney review and approval is not required for standard confirmation agreements under a base contract approved by the City Attorney's Office within the prior three years, and any modifications are only to the commercial terms of the agreement. The section also specifies that the City Attorney review, and approval is required if the prior agreement approved by the City Attorney as to form was not within the last three years.
- **3.5 Deal Capture:**
Section 3.5 of the amended policy replaces the reference to the specific deal capture system currently in use with the generic term of Energy Trading Risk Management System and requires "timely" transaction entry rather than "same working day or shift" in recognition that certain circumstances, such as system availability may make same day or shift entry not possible.

- **3.8 Approval for New Commodities, Related Products and Offerings, and Approved Transaction Types:**

Section 3.8 of the amended policy specifically allows asset management or agency agreements to optimize and manage GWP's share of gas pipeline capacity. The section was also updated to specify that products, methods of purchase or marketplaces that package commodities in commercial offerings including futures markets, ancillary or related services, and asset management or agency agreements are permitted as long as the underlying commodity is permitted under the policy.

In addition, under the list of allowable transaction types in Section 3.8, the commodity of natural gas was expanded to be defined as gas, including but not limited to natural gas, biogas, and hydrogen that can be used as fuel for gas-fired generation facilities. The change was made in anticipation of the expansion in available types of gas fuel that can be used for electric generation. This updated change to the definition of gas was also reflected throughout the policy.

- **4. Trading Authority Matrices:**

Section 4 of the amended policy provides that for transactions executed through a Southern California Public Power Authority (SCPPA) competitive bidding or procurement process (including competitive, sole source or other methods), the term of the transaction under City Manager or GWP General Manager approval authority may exceed 5 years to be consistent with the respective SCPPA project related procurement cycle, up to a 7 year maximum. An example of the use of this authority would be certain natural gas scheduling and asset management agreements originating from a SCPPA procurement in 2020, which has a six year cycle. Should this change be approved, staff will enter into such contracts for another year until the next SCPPA procurement cycle is complete in 2026.

- **4.3, 4.3.1 – 4.3.5 Gas Transaction Limits:**

Section 4.3 and Sections 4.3.1 – 4.3.5 of the amended policy replace the commodity of “natural gas” with “gas, including but not limited to natural gas, biogas, and hydrogen.”

In addition, the above sections were updated to specifically allow for execution of asset management and agency agreements in situations where GWP has idle capacity or usage rights on owned or contracted gas transmission lines, and it does not have the internal resources or expertise to manage the excess capacity efficiently. The amended policy specifies that asset management and agency agreements will only be entered into if it is determined to be in GWP's best interest to execute such agreements. The income received by GWP may be based on a value/revenue sharing percentage, fixed-rate, or other reasonable methodology and meet the following requirements:

- The terms of the agreement must be commercially reasonable as determined by the City Manager, or his designee, GWP General Manager or designee; and
- The additional income received by GWP must exceed expenses incurred under the agreement.

- The percentage of revenue sharing (if any) with the counterparties to such agreements may not exceed 25% to such entities; any greater percentage must be approved by the City Council. The absolute amount of revenue to be received by such counterparties shall not exceed \$5,000,000, unless approved by the City Council.
- **5.1 Clear Authority:**
Section 5.1 of the amended policy provides that any situation where clear authority is in question should be reviewed and authorized by the City Manager, or designee, or GWP General Manager. In situations where after a review by the City Manager, or designee, or GWP General Manager has been performed and clear authority is still in question, the matter will be presented to the City Council for authorization. The responsibility for review and authorization was previously specified to reside with the City Council; however, the change in responsibility was made since transactions under the policy occur in a rapidly evolving market in which timely review and execution is critical.

STAKEHOLDERS/OUTREACH

Not Applicable.

FISCAL IMPACT

The adoption of the amended GWP Energy Risk Management Policy and GWP Trading Authority Policy will not have a fiscal impact.

ENVIRONMENTAL REVIEW (CEQA/NEPA)

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations Section 15378 as it is not a “project” as defined in CEQA.

CAMPAIGN DISCLOSURE

Not applicable.

ALTERNATIVES TO STAFF RECOMMENDATION

Alternative 1: Choose not to approve the amendments to the GWP Energy Risk Management Policy and GWP Trading Authority Policy. In this case, the existing GWP Energy Risk Management Policy and GWP Trading Authority Policy will remain in place. GWP will not be able to benefit from the proposed amendments to the policies which enable GWP to successfully act and strategically plan in accordance with energy risk objectives within the Policies in order to meet regulatory requirements, and to provide reliable and cost-effective energy to customers utilizing all available industry resources.

Alternative 2: Consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Submitted by:

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Prepared by:

Matt Curtis, Utility Risk Manager

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

Exhibit 1: Proposed Energy Risk Management Policy

Exhibit 2: Redline of Energy Risk Management Policy (showing changes from current Policy)

Exhibit 3: Proposed GWP Trading Authority Policy

Exhibit 4: Redline of Trading Authority Policy (showing changes from current Policy).