



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

Approved for August 9, 2022 **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 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 all of GWP's energy risks.

The purpose of the GWP Trading Authority Policy is to define the authority granted by City Council, to the City Manager 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.

COUNCIL PRIORITIES

Environmental Stewardship: By approving the amended GWP Energy Risk Management Policy and GWP Trading Authority Policy, GWP will be able to continue to act in accordance to the renewable and clean energy objectives within the Policies and allow for successful strategic planning so that reliable and cost-effective renewable and clean energy can be provided to commercial, business, and residential customers.

RECOMMENDATION

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

BACKGROUND

Energy Risk Management Policy

The most recent updates to the GWP Energy Risk Management Policy were approved by the City Council in June 2021, which included recommended modifications that would better align GWP's energy risk management processes, procedures, and protocols to best practices in the industry. As part of its responsibilities as stated in the GWP Energy Risk Management Policy, the GWP Energy Risk Management Committee (ERMC) has undertaken its annual review of the Policy and has approved modifications recommended by the GWP Energy Risk Manager and staff.

Trading Authority Policy

The most recent updates to the GWP Trading Authority Policy were approved by the City Council in June 2021. The Trading Authority Policy authorizes the City Manager and GWP General Manager to establish transaction authority levels for positions below the GWP General Manager level via the GWP Trading Authority Delegation.

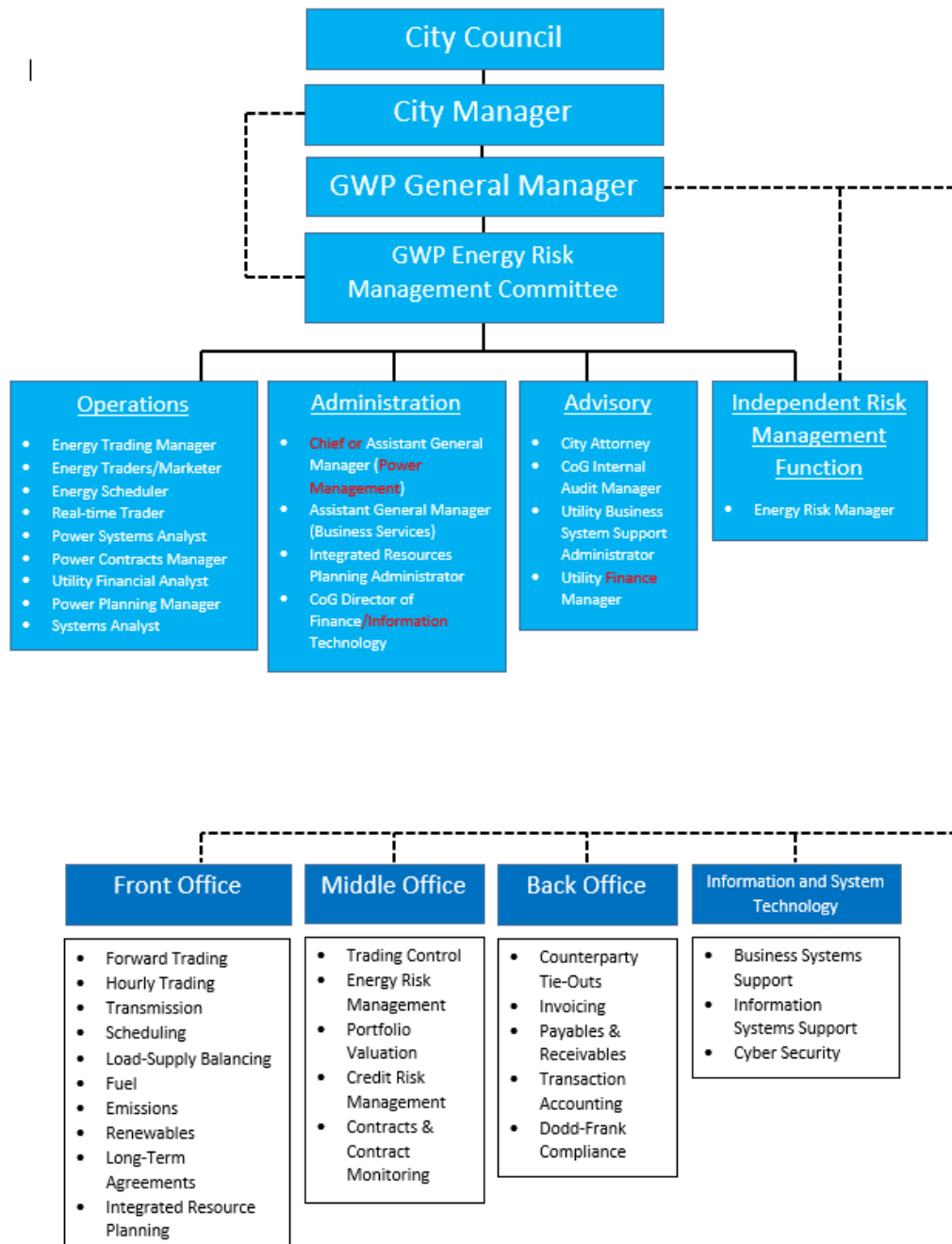
ANALYSIS

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 ERMC member titles.



• **3.4.1 GWP Energy Risk Management Committee Structure:**

The GWP ERM Structure was updated by adding the role of “Chief Assistant General Manager (Power Management)” as a voting member in conjunction with the GWP Assistant General Manager. The section designation (Supply) for GWP Chief Assistant General Manager and GWP Assistant General Manager is replaced with (Power Management) through the policy. The change is in response to additional roles within GWP. The titles for the GWP Utility Finance Manager and City of Glendale Director of Finance/Information Technology are also corrected in the GWP ERM Structure and throughout the policy.

- **3.5 GWP Chief or Assistant General Manager (Power Management):**
The role of Chief Assistant General Manager is added to the responsibilities of the GWP Assistant General Manager as it pertains to Energy Risk Management. The reason for this addition is due to present and future staffing changes.
- **3.12 GWP Utility Finance Manager:**
The responsibilities of the GWP Finance Manager were expanded to include managing the counterparty approval, credit, and collateral management processes. This responsibility was previously held by the GWP Power Contracts Manager due to an unfilled GWP Utility Finance Manager position.

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:

- **3.4 Trading On and Off Premises:**
The amended Policy allows for off-premise trading while maintaining continued business operations and reliability. This change is in response to the City of Glendale hybrid work policy. All trades must be executed through an approved recorded communication method.
- **4.2 CAISO Transaction Limits:**
The amended Policy removes authority limits for Ancillary Service Awards due to GWP's owned generation being located outside of the CAISO. The authority limits are also removed for Inter Scheduling Coordinator (SC) Energy Transactions. Inter SC Energy Transactions, though transacted through the CAISO, are considered bilateral transactions and will be monitored in accordance with the Bilateral Electric Power and Transmission Matrix.
- **4.3.4 Transportation Firmness:**
The amended policy provides firmness requirements for natural gas sales. Firm natural gas sales must be transported on firm pipeline transportation. The City Manager or GWP General Manager can pre-approve exceptions to this policy.
- **4.6.1 Carbon Allowance and Carbon Emission Offsets Transaction Limits Matrix Explanations:**
The amended policy identifies the Carbon Allowance and Emission Offset product types of CCA, GCCO, CCO3 and CCO8. Each of these product types are applied differently based on California Air and Resource Board regulations.
- **5.3 Sanctions for Operational/Scheduling/Tagging/Transmission Errors:**
The amended policy includes acknowledgement for errors made while performing operational, scheduling or transmission responsibilities that may result in disciplinary action according to the guidelines outlined in the GWP Trading Sanctions Policy.

CONTRACT DASHBOARDS

Not Applicable.

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

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

Alternative 1: Approve amendments to the GWP Energy Risk Management Policy and GWP Trading Authority Policy.

Alternative 2: 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 will remain in place. GWP will not be able to benefit from the proposed amendments to the policy 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 3: Consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Prepared by:

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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)