

## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
City Light	Raman Vishwanathan	Gregory Shiring

### **1. BILL SUMMARY**

#### **Legislation Title:**

A RESOLUTION relating to the City Light Department; endorsing City Light’s Wholesale Energy Risk Management Policy (“WERM Policy”), which governs wholesale energy, transmission, and ancillary services trading, including renewable energy credits and greenhouse gas offsets; establishing the WERM Policy as the guiding policy for managing risks related to wholesale energy, ancillary services, renewable energy credits, and greenhouse gas offsets within the City Light Department; and superseding Resolution 31616.

#### **Summary and Background of the Legislation:**

To efficiently provide electricity to its customers, City Light actively participates in buying and selling wholesale energy products. These transactions expose City Light to various risks, including market and credit risks. To address these risks, City Light has established a comprehensive set of policies and procedures (WERM Policy) which are regularly reviewed and updated by both internal and external reviewers as needed. Any changes to the WERM Policy must be approved by City Light’s Risk Oversight Council (a body within City Light established by the WERM Policy that reports to the GM), with final approval from City Light General Manager/Chief Executive Officer (“GM/CEO”).

This resolution supports further amendments to the WERM Policy. Notable updates include:

1. confirmation of City Light GM/CEO as the final authority to commission and approve any changes to WERM Policy;
2. enhancing the policy’s purpose, scope, strategy, roles, and responsibilities; and
3. relocating technical details from the policy document to the procedures manual for clarity

The WERM Policy specifies the purpose, scope, and strategy including, procedures and standards necessary to ensure that City Light’s financial risk exposures associated with wholesale purchase and sale activities are properly managed, and that the appropriate segregation of duties are in place.

The WERM Policy is drafted with the following objectives in mind:

1. To articulate clearly to all participants and interested parties the principles, restrictions and expectations surrounding Wholesale Energy activities;
2. To ensure that any action affecting Wholesale Energy activities is consistently quantified, authorized, and communicated; and
3. To establish the requirement that all Wholesale Energy activities be analyzed to identify, monitor, control and report on the risk exposures associated with such activities.

City Light’s GM/CEO ensures that the Risk Oversight Council (“ROC”), oversees compliance with the WERM Policy including establishment of adequate internal controls and monitoring, and making final risk management decisions.

Additionally, the responsibilities of City Light Chief Financial Officer (“CFO”) includes communicating with the GM/CEO, proactively working with the ROC, Risk Oversight Director and Power Management Director in overseeing wholesale portfolio risk, evaluating transactions, establishing risk limits and credit thresholds.

The Director of Risk Oversight, as Chair of the ROC, has a dotted-line reporting responsibility to the GM/CEO to ensure checks and balances. Responsibilities in the WERM Policy related to wholesale transactions are divided using the Front-Middle-Back Office model. This segregates wholesale marketing activities into Power Marketing (“Front Office”), Risk Oversight & Wholesale Settlement (“Middle Office”), and Accounting (“Back Office”) functions.

The specific operating procedures and parameters for implementing the WERM Policy are detailed in the WERM Procedures and Manual and is periodically reviewed and approved by ROC, the primary body responsible for implementing the management and functions of WERM Policy.

## 2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ Yes ☒ No

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☐ Yes ☒ No

## 4. OTHER IMPLICATIONS

a. Please describe how this legislation may affect any departments besides the originating department.

No, this legislation does not affect other departments.

b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.

No.

c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

None

i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.

ii. **Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

iii. **What is the Language Access Plan for any communications to the public?**

**d. Climate Change Implications**

None

i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

ii. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

e. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?**

None

## 5. CHECKLIST

- ☐ **Is a public hearing required? No**
- ☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required? No**
- ☐ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies? No**
- ☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization? No**

## 6. ATTACHMENTS

**List Summary Attachments (if any):**