

BILL SUMMARY & FISCAL NOTE

Department:	Contact Person/Phone:	Executive Contact/Phone:
City Light	Raman Vishwanathan/684-0416	Greg Shiring/386-4085

1. BILL SUMMARY

Legislation Title:

A RESOLUTION relating to the City Light Department; endorsing the City Light Department's Wholesale Energy Risk Management policy governing wholesale energy, transmission, ancillary services, renewable energy credit, and greenhouse gas offset trading, and their risk management; establishing it as the policy governing the conduct of wholesale energy, renewable energy credit, and greenhouse gas offset risk management at the City Light Department; and superseding Resolutions 31467 and 31216.

Summary and background of the Legislation:

In order to provide electricity to its customers economically, Seattle City Light routinely buys and sells wholesale energy products. This transaction in wholesale energy markets necessarily exposes Seattle City Light funds to risk, including market and credit risks.

This resolution endorses further updates to the Wholesale Energy Risk Management Policy ("the Policy"). Updates includes the following:

- Section 2.7.2 revised to clarify responsibility of the Resource Planning, Forecasting and Analysis group (RPFA), changed from "Review and approve..etc" to "Present, provide and/or recommend...etc."
- Section 2.7.2 revised to add obligation to RPFA to "Document resource and load forecasting models including (a) the theory and assumptions, (b) the mathematical and empirical basis, (c) data inputs, and (d) important model limitations and key sensitivities."
- Section 2.8 addition of the Environmental Affairs and Real Estate Division and its role and responsibilities.
- Section 2.9.1 revised to add obligation to Risk Oversight Division (ROD) to "Facilitate, lead and coordinate City Light's internal model validation processes."
- Section 2.9.1.4 revised to add obligation to ROD to "ROD plays an oversight role in the wholesale deal and transaction processes including (a) deal valuations, (b) review, and if applicable, approval of deal structure, commercial terms, and execution guidelines such as price triggers."
- Section 3.5 revised to move definition of product types to the Procedures manual
- Section 3.8 revised to clarify frequency of ROC reports.
- Section 3.9 revised to change compliance assessment from external auditors from one to every three years.

- Appendix B revised to remove sub-divisional organization charts to the procedures
- Other minor clarifications and edits throughout the document.

The Wholesale Energy Risk Management Procedures Manual will be updated 2015 to conform to the changes in the Policy document.

2. CAPITAL IMPROVEMENT PROGRAM

This legislation creates, funds, or amends a CIP Project.

3. SUMMARY OF FINANCIAL IMPLICATIONS

This legislation does not have direct financial implications.

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

Effective management of the risk that City Light faces through its participation in the wholesale energy markets is important to City Light customers. Surplus power sales are an important component of City Light's annual revenue requirement and offset the costs that would otherwise be paid by retail customers. Accordingly, customers have a direct interest in City Light's energy risk management policies. The Wholesale Energy Risk Management Policy addresses these risks. Continued refinement and improvement of these policies help ensure that City Light is maximizing the value of its wholesale energy assets for the benefit of customers. These policies can help keep rates low and mitigate retail rate volatility.

- b) **Is there financial cost or other impacts of not implementing the legislation?**

Not implementing the legislation would result in wholesale energy risk management policies that do not address identified concerns related to the management of wholesale energy. This would increase risks associated with wholesale energy management, potentially adversely affecting the City Light Department in the amount of millions of dollars.

- c) **Does this legislation affect any departments besides the originating department?**

No, this legislation does not affect other departments.

- d) **Is a public hearing required for this legislation?**

No.

- e) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

- f) **Does this legislation affect a piece of property?**

No, this legislation does not affect a piece of property.

- g) **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically**

disadvantaged communities?

N/A

- h) If this legislation includes a new initiative or a major programmatic expansion:
What are the long-term and measurable goals of the program? Please describe how
this legislation would help achieve the program's desired goals.**

N/A

- i) Other Issues:**

N/A

List attachments below: