AGENDA

ORANGE COUNTY POWER AUTHORITY
MEETING OF THE BOARD OF DIRECTORS

Tuesday, July 13, 2021

10:00 a.m.

Due to the public health orders and guidelines in California and in accordance with the Governor's Executive Orders N-25-20 and N-29-20, there will be no location for in-person attendance. The Orange County Power Authority is providing alternatives to in-person attendance for viewing and participating in the meeting. Further details are below.

Note: Any member of the public may provide comments to the Orange County Power Authority Board of Directors on any agenda item or on a matter not appearing on the agenda, but within the jurisdiction of the Board. Please indicate whether your comment is on a specific agenda item or a non-agenda item when requesting to speak. When providing comments to the Board, it is requested that you provide your name and city of residence for the record. Commenters are requested to address their comments to the Board as a whole through the Chair. Comments may be provided in the following manner:

> **Requests to Speak**. In-person public attendance will not be provided. Members of the public who have requested to speak will be recognized at the appropriate time during the Zoom meeting and may speak through Zoom or telephonically. To allow the Chair to call on you, please provide the following minimum information with your request to speak: your name (if attending by videoconference) or telephone number (if attending by phone).

Comments shall be limited to three minutes when speaking. If you have anything that you wish to be distributed to the Board, please provide it via comments@ocpower.org, who will distribute the information to the Members.

The public may participate using the following remote options:

ZOOM MEETING

You are invited to a Zoom webinar.

Please click the link below to join the webinar:

Launch Meeting - Zoom

Passcode: 927429

Dial-in: 1 (669) 900-6833

Webinar ID: 930 2496 1166

1. **CALL TO ORDER**

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL**

4. **CONSENT CALENDAR**

All items listed under the Consent Calendar are considered to be routine and may be enacted by one motion. Prior to the motion to consider any action by the Board of Directors, any public comments on any of the Consent Items will be heard. There will be no separate action unless members of the Board of Directors request specific items be removed from the Consent Calendar.

   1. **MINUTES FOR THE REGULAR BOARD MEETING OF JUNE 22, 2021**

      Recommended Action:
      Approve as submitted.

   2. **CONSIDERATION OF ADMINISTRATIVE POLICY NUMBER 010: VOLUNTEER POLICY**

      Recommended Action:
      Adopt Administrative Policy Number 010: Volunteer Policy.

5. **REGULAR CALENDAR**

The following items call for discussion or action by the Board of Directors. The Board may discuss and/or take action on any item listed below if the Board is so inclined.

   1. **RISK MANAGEMENT POLICY**

      Recommended Action:
      Approve proposed Energy Risk Management Policy, including referenced delegations of authority for energy product contract approvals.

   2. **UPDATE ON CALIFORNIA PUBLIC UTILITIES COMMISSION ENERGY EFFICIENCY PROGRAM FUNDING AND DEVELOPMENT**

      Recommended Action:
      Receive and File.

6. **PUBLIC COMMENTS**

Opportunity for members of the public to address the Board on any items not on the agenda but within the jurisdiction of the Board.

7. **DIRECTOR COMMENTS**

Board Members may briefly provide information to other members of the Board and the public, ask questions of staff, request an item to be placed on a future agenda, or report on conferences, events, or activities related to Authority business. There is to be no discussion or action taken on comments made by Board Members unless authorized by law.

8. **STAFF REPORT**

Staff may briefly provide information to the Board and the public. The Board may engage in discussion if the specific subject matter of the report is identified, but the Board may not take any action other than to place the matter on a future agenda. Otherwise, there is to be no discussion or action taken unless authorized by law.

9. **ADJOURNMENT**

Compliance with the Americans with Disabilities Act

Board of Directors meetings comply with the protections and prohibitions of the Americans with Disabilities Act. Individuals with a disability who require a modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may contact 949-263-2612. Requests for disability-related modifications or accommodations require different lead times and should be provided at least 72-hours in advance of the public meeting.

Availability of Board Documents

Copies of the agenda and agenda packet are available at www.ocpower.org. Late-arriving documents related to a Board meeting item which are distributed to a majority of the Board prior to or during the Board meeting are available for public review as required by law. Late-arriving documents received during the meeting are available for review by making a verbal request to the Board Secretary in the Zoom meeting room.

ORANGE COUNTY POWER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS

MINUTES

June 22, 2021

This meeting was conducted utilizing teleconference and electronic means consistent with public health orders and guidelines in California and in accordance with the Governor's Executive Orders N-25-20 and N-29-20. There was no location for in-person attendance. Due to the nature of the teleconference, all votes were cast via roll call.

The Board Minutes are prepared and ordered to correspond to the Board Agenda. Agenda Items can and may be taken out of order during the meeting.

The Agenda Items were considered in the order presented.

1. CALL TO ORDER

Chair Carroll called the meeting to order at 10:02 a.m.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Director Khan

3. ROLL CALL

Present: 5 Members

Director Khan (Irvine)
Director Posey (Huntington Beach)
Director Sonne (Buena Park)
Vice Chair Jung (Fullerton)
Chair Carroll (Irvine)

Also present: CEO Brian Probolsky
COO Antonia Graham
Ryan Baron, General Counsel (Best Best and Krieger, LLP)

4. CONSENT CALENDAR

All items listed under the Consent Calendar were considered to be routine and enacted by one motion. Prior to the motion to consider any action by the Board of Directors, any public comments on any of the Consent Items was heard. There was no separate action and no members of the Board of Directors requested specific items be removed from the Consent Calendar.

MOTION: Motioned by Director Posey, second by Director Khan, to approve the Consent Calendar as submitted.

MOTION CARRIED BY THE FOLLOWING VOTE:

Ayes:	Director Khan, Director Posey, Director Sonne, Vice Chair Jung, Chair Carroll
Noes:	None
Abstained:	None
Absent:	None

4.1 MINUTES FOR THE REGULAR BOARD MEETING OF MAY 11, 2021, AND THE SPECIAL BOARD MEETING OF JUNE 9, 2021

Action: Approved as amended.

5. REGULAR CALENDAR

The following items called for discussion or action by the Board of Directors. The Board may discuss and/or take action on any item listed below if the Board was so inclined.

5.1. AWARD OF CONTRACT FOR DATA AND CUSTOMER CALL CENTER MANAGEMENT

CEO Brian Probolsky provided introductory remarks. General Counsel Ryan Baron presented the staff report. He indicated that requests for proposals were due on May 24, 2021, and that three firms submitted proposals. Mr. Baron reviewed the services to be provided by the data manager, and stated that this service was one of the most important services for providing community power. He noted one of the benefits of having this service would be the collection and analysis of historical usage data, as currently the only data available is from the incumbent utility, and it does not provide the in depth analysis that would benefit the Authority.

CEO Probolsky stated all three proposed vendors was qualified and professional, however noted that as Staff reviewed the references, work product, and experience, it became clear that Calpine was the best solution for the Orange County Power Authority. He commented they are located in San Diego, and have launched 20 of the 23 CCA's in California, and currently manage 19 of those. He stated they were the only vendor with experience with both Southern California Edison and San Diego Gas & Electric, from the CCA perspective. CEO Probolsky stated Staff had been successful in negotiating several concessions from Calpine's original proposal, and their costs were now very competitive with the other proposers. He concluded his remarks by stating this particular service is not one that the Authority would envision changing often, and consequently Staff recommended entering into a 5-year agreement at this time.

Director Posey inquired regarding the need for such a technical firm for customer service. CEO Probolsky explained the importance of having professionals staffing the call center, to be able to explain the services offered by the Authority and having the experience to work with members of the public that might be questioning what the Authority, and who will represent the Authority well. CEO Probolsky further explained that the data management side of the service requires highly skilled analysts that can review the data provided by SCE and CAISO to ensure the information is accurate, noting that the Authority's revenue and expenses are directly tied to the usage of the Authority's customers. Responding to additional questions, CEO Probolsky stated that there would be dedicated front line staff to answer questions of OC Power customers, with additional staff available for extraordinarily busy times. He stated there would also be a dedicated Customer Relationship Manager for OC Power. Lastly, he stated that should the Board select Calpine, there could be discussions held regarding collocating the offices of OC Power in the same building as Calpine's Orange County office, but would discuss that further with the Board if the concept proved beneficial.

Chair Carroll inquired about the opt-out process and the relationship the data management service provider might have with that process. General Counsel Baron responded that having accurate and timely data from the utility will allow the data management provider to ensure that rates are correct, bills are processed effectively, and that customer service is exceptional. He stated failure in any of these areas can often lead to increased opt-out requests, so having a professional service provider is crucial to minimizing these customer service based opt-outs.

The following members of the public offered comment:

Ayn Craciun, Irvine, Climate Action Campaign, noted the importance of data management for the CCA; spoke in support of the selection of Calpine; and spoke in opposition to the contracting process.

Jose Trinidad Castaneda, Fullerton, spoke in support of the selection of Calpine; requested additional information, and commented on the length and composition of the agenda.

Linda Kraemer, Climate Reality OC, concurred with the other speakers on the contract review process; spoke in support of Calpine; noted their participation at the organization's 2018 Conference at UCI; and shared an invitation to upcoming meetings.

Sue Kempf, Mayor Pro Tem, Laguna Beach, shared her professional background as similar to the services under consideration; She inquired about certain aspects of the proposed services.

Dr. Kathleen Treseder, Irvine, spoke in support of Calpine; and noted certain aspects of the contract, deliberation, and approval process.

Board discussion ensued.

Responding to Board inquiry, CEO Probolsky and General Counsel Baron stated that the recommended process used for negotiating and finalizing the contract mirrored the process used in the past for other contracts. General Counsel Baron indicated that the standard process allows for flexibility in finalizing complex terms and moving forward as quickly as possible.

Responding to Board inquiry, Mr. Baron stated that a contract that isn't finalized and executed could be shared with the general public in accordance with the Brown Act, as the Board considers the proposed terms. He noted however, that if the final negotiation is delegated to staff, it would be available to the public after execution.

MOTION: It was moved by Director Sonne, second by Director Posey, to: 1. Approve Staff's recommendation of Calpine Energy Solutions for Data Management and Customer Call Center Services; and 2. Authorize the Chief Executive Officer, Chief Operating Officer, and General

Counsel to negotiate and finalize a Professional Services Agreement with Calpine Energy Solutions, LLC not to exceed five years and a total amount of $14,300,000, consistent with the Staff Report, and return to the Board for final execution.

MOTION CARRIED BY THE FOLLOWING VOTE:

Ayes:	Director Khan, Director Posey, Director Sonne, Vice Chair Jung, Chair Carroll
Noes:	None
Abstained:	None
Absent:	None

5.2 ADOPT RESOLUTION NO. 2021-05 APPROVING CREDIT FACILITY AND CERTAIN BANKING SERVICES AGREEMENTS AND DELEGATING AUTHORITY TO EXECUTE RELATED AGREEMENTS

CEO Probolsky introduced the agenda report, and introduced Glenn Price, Senior Partner, Best Best & Krieger, LLP and Mike Berwanger, Managing Director, Public Financial Management, consultant to support the RFP process. Mr. Price provided his professional background, with expertise in negotiating lines of credit and banking services. He noted that he has previously negotiated lines of credit on behalf of public agencies with three of the four proposers who responded to the Authority's RFP. He stated he was brought in to review the various proposals received. Mr. Berwanger, Managing Director at PFM, reviewed his credentials and those of his firm, noting they are a national financial advisory company which works exclusively with public agencies.

Mr. Berwanger reviewed the RFP process and the proposals received. He noted that Bank of the West provided a quality proposal, JP Morgan Chase Bank provided excellent terms under their credit facility proposal but does not provide the banking services (lock box services. He concluded with a brief review of River City Bank stating that they are a leader in the CCA space and that they are highly experienced in this professional sector. He stated that based on their review and discussions with staff and legal counsel, it is recommended the Authority move forward with an agreement with JP Morgan Chase for Credit Facility services, and River City Bank for Banking Services.

Chair Carroll stated that as with the previous agenda item, he would like to see these proposed agreements return to the Board after negotiation for final approval.

Director Posey suggested raising the line of credit negotiation amount to "up to $50,000,000" from the $29,000,000 currently proposed. Attorney Price stated that raising the credit line from $29 million to $50 million could take as long as 60 days, noting that it would be beneficial to have the extra money in reserve, in the event certain purchases became available and were time sensitive. General Counsel Baron stated that this could occur in the event additional cities join the JPA and additional power must be procured.

Director Sonne requested that Mr. Berwanger or Mr. Price provide a layperson's explanation of the terms and conditions of the proposed agreements once they return to the Board for final approval.

Director Khan requested clarification that the Board sets the final rates for electricity, not the credit facility or other regulatory agency. General Counsel Baron confirmed that the Board is the legislative body for the Authority and sets the rates, and that function cannot be delegated to another entity. Mr. Price stated that there can be no covenants related to rate setting specifically included in the agreements with the credit facility, except that there can be reference that the CCA will always set rates that allows itself to meet its financial obligation.

The following members of the public offered comments:

Ayn Craciun, Irvine, restated her process comments.

Jose Trinidad Castaneda, Fullerton, restated his process comments; and requested additional information.

Dr. Kathleen Treseder, Irvine, spoke in support of the Board taking a final vote and commented on aspects of the credit facility and consultant analysis.

MOTION: It was moved by Chair Carroll, second by Director Posey to: 1. Adopt Resolution No. 2021-05 regarding a credit facility and certain banking / cash management services agreements and delegate authority to the Chief Executive Officer, Chief Operating Officer and General Counsel to negotiate related agreements and return to the Board for final execution.

MOTION CARRIED BY THE FOLLOWING VOTE:

Ayes:	Director Khan, Director Posey, Director Sonne, Vice Chair Jung, Chair Carroll
Noes:	None
Abstained:	None
Absent:	None

5.3 FISCAL YEAR 2021/22 BUDGET ADOPTION

CEO Probolsky introduced Michael Maher OC Power Authority Treasurer, to present details regarding the proposed budget. Mr. Maher indicated the proposed budget was substantially similar to the draft budget presented to the Board earlier in the spring. He noted that approximately 90% of the budgeted expenditures were for the cost of energy, and while the Authority was currently operating in a negative fiscal position (in the red), it was anticipated the Authority would end the FY 2021/22 budget year with an ending net position of $3,725,000. Mr. Maher reviewed the various expenditures and revenue amounts for the year, and concluded with staff's recommendation to adopt the proposed budget as presented.

Board discussion ensued.

No members of the public offered comment.

MOTION: It was moved by Director Posey, second by Director Khan to adopt the Fiscal Year 2021/22 Budget.

MOTION CARRIED BY THE FOLLOWING VOTE:

Ayes:	Director Khan, Director Posey, Director Sonne, Vice Chair Jung, Chair Carroll
Noes:	None

Abstained: None

Absent: None

Director Posey left the meeting at 11:38 a.m.

5.4 UPDATE ON COMMUNITY ADVISORY COMMITTEE

COO Antonia Graham presented the staff report, noting that the Community Advisory Committee ("CAC") is made up of two members from each member agency plus two direct, at-large appointments. She indicated staff has received numerous applications for the at-large positions but proposed extending the deadline to mid-July to ensure the largest applicant pool possible before the Board makes their appointments. She stated the first tentative meeting of the CAC was scheduled for July 8th at 5:30 p.m. She announced the following direct appointments from the Board Members:

Huntington Beach:	Jeff Morin, retired Government Affairs Executive for AT&T
	Steve Shepherd, Architect and Public Works Commissioner
Buena Park:	Shannin Zeimer, Geologist and Community Advocate
	Jose Trinidad Castaneda, Community Organizer

She indicated the other cities were still considering their appointments.

No members of the public offered comment.

Chair Carroll thanked staff for moving forward with the CAC.

ACTION: The Board received and filed the report.

6. PUBLIC COMMENTS

The following members of the public offered comment:

Ayn Craciun, Irvine, Climate Action Campaign, noted the organization's years of support for the Orange County Power Authority; restated her process concerns; asked for more information; and commented on governance.

7. DIRECTOR COMMENTS

Board Member Sonne requested the Board review certain portions of the JPA agreement and requested information on the final disposition of Western Community Energy to better understand lessons learned.

8. REPORT BY CHIEF EXECUTIVE OFFICER

CEO Probolsky reported staff has begun the process of onboarding PEA, the Authority's Power Manager and integrating them with the Authority's start up consultant firm EES and are beginning to seek power agreements as well as begin discussions with Southern California Edison regarding resource adequacy. He stated the recruitment for Power Resources Director has been out for several weeks, with an initial closing date of June 28th. He stated he feels staff has clear direction from the Board regarding negotiation of the contracts that were on the agenda and that they will bring those back for the Board's final review and approval once negotiations are complete.

9. REPORT BY GENERAL COUNSEL

General Counsel Baron had nothing to report.

10. ADJOURNMENT

On a motion by Vice Chair Jung, second by Director Khan, Chair Carroll adjourned the meeting at 11:46 a.m.

____

Brian Probolsky, Authority Secretary

ORANGE COUNTY POWER AUTHORITY
Staff Report – Item 4.1

To: Orange County Power Authority Board of Directors

From: Antonia Graham, Chief Operating Officer

Subject: CONSIDERATION OF ADMINISTRATIVE POLICY NUMBER 0010: VOLUNTEER POLICY

Date: July 13, 2021

RECOMMENDATION

Adopt Administrative Policy Number 010: Volunteer Policy.

DISCUSSION

From time to time, Authority Staff may need additional help with research, provide customer services support, report preparation, and analysis of a myriad of topics. Volunteers/Interns are often used in public agencies to gain work experience and/or to obtain university credit toward their degree. To utilize volunteers/interns it is prudent for the Authority to adopt an Administrative Policy.

The Authority recognizes the advantages of using the skills and talents of volunteers/interns. For purposes of the Policy, a Volunteer is defined as *"any individual or organization who contributes services to the Authority without promise, expectation, or receipt of compensation for services rendered. Volunteer includes, but is not limited to, unpaid interns, student interns, graduate student interns, and persons providing volunteer administrative support."* The policy details the process for recruitment, screening, and selection and placement. The volunteer will be subject to all policies and procedures established.

FISCAL IMPACT

There is no fiscal impact at this time.

ATTACHMENT

1. Administrative Policy Number 010: Volunteer Policy

Orange County Power Authority Policy No. 010
Volunteer Policy

PURPOSE

The Orange County Power Authority (Authority) recognizes the advantages of utilizing the skills and talents of volunteers/interns to assist the Authority in administrative, analytical, and research tasks.

DEFINITIONS

Volunteer – means any individual or organization who contributes services to the Authority without promise, expectation, or receipt of compensation for services rendered. Volunteer includes, but is not limited to, unpaid interns, student interns, graduate student interns, and persons providing volunteer administrative support.

GENERAL

From time to time, the Authority may be in need of unpaid interns to conduct research, provide customer service/outreach, and other administrative support as deemed necessary for the operations of the Authority. Each Division within the Authority shall be responsible for conducting its own volunteer program in compliance with this Policy. Each Division may have additional requirements and standards of operation applicable to its volunteers. All additional requirements and standards shall be previously approved by the Chief Operating Officer.

APPLICABILITY

This Policy will apply to all who may have access to or use of the Authority Network (Computer) or have been issued Authority-owned technology, including all Authority personnel. Furthermore, this Policy applies when Authority-issued technology is used on or off Authority property, when non-Authority devices access the Authority Network or are used to prepare or receive information within the scope of Authority employment, and when private information is prepared, used, or retained by the Authority.

RECRUITMENT

Volunteers shall be recruited based on the need of the Authority. A primary qualification for participation in the volunteer application process shall be an interest and ability to assist the Authority in assisting the organization and our customers.

SCREENING

All prospective volunteers shall complete the Authority's Volunteer Application, submit a resume, a writing sample, references, and a copy of their Drivers License. Upon receipt of a complete application package, Authority Staff shall conduct an interview with the applicant.

Orange County Power Authority Policy No. 010
Volunteer Policy

SELECTION AND PLACEMENT

1. Authority Staff must obtain final approval from the Chief Operating Officer for each volunteer selected. Selection for a volunteer position should be at the sole discretion of the Chief Operating Officer or their designee.

2. Upon selection for a volunteer position and final approval from the Chief Operating Officer or their designee, each volunteer shall receive a confirmation letter from the Division where the volunteer will perform services.

3. No volunteer may begin performing services until the Division has on file a signed Volunteer Application.

4. The Authority shall make every effort to place volunteers in a position to match their skillset or experience. However, the Authority has sole discretion to place a volunteer in any volunteer position, regardless of the applicant's skillset or experience.

POSITION DESCRIPTION

1. All volunteer positions shall be on an "at-will" basis. The Authority may, at any time, revoke the volunteer position without cause. There shall be no entitlement to any volunteer position, nor shall there be any expectation of future employment.

2. Volunteers shall be provided with a comprehensive written description of the position detailing their duties. Volunteers shall be used only in accordance with this description. Volunteers shall not work outside of the limits of the duties specified in the job description.

3. The Chief Operating Officer or their designee shall review position descriptions periodically to ensure that they accurately reflect the volunteer's duties and capabilities.

TRAINING

Volunteers shall be provided with an orientation program to acquaint themselves with the Authority, personnel, policies, and procedures that have a direct impact on their work assignments. The volunteer's direct supervisor shall provide them with a written copy of all major Authority policies and procedures, including those regarding harassment and discrimination.

FITNESS FOR DUTY

1. No volunteer shall be permitted to work or be on-duty when their judgment or physical condition has been impaired by alcohol, medication, other substances, illness, or injury.

2. Volunteers shall report to their direct supervisor any changes in status that may affect their ability to fulfill their volunteer duties, including but not limited to: (i) Driver's License; (ii)

medication condition; and (iii) arrests or criminal investigations. The direct supervisor shall immediately document any such report.

DRESS CODE

1. Volunteers shall conform to Authority-approved dress consistent with volunteer duties. The direct supervisor shall address any dress code violations with the volunteer.

2. Volunteers shall be required to return any issued uniform or agency clothing at the termination of service. The direct supervisor shall be responsible for documenting the return of any uniform or agency clothing at the termination of service.

CONFIDENTIALITY

1. Occasionally, a volunteer may witness an incident, be entrusted with information, or have authorized access to confidential information. The Authority expects that any volunteer privy to such information, material, or event will respect and safeguard the trust and privacy rights of affected individuals.

2. Intentional or reckless disclosure of any confidential information by a volunteer by any means shall constitute grounds for immediate dismissal, civil action and/or criminal prosecution.

REPRESENTATION

1. Volunteers shall not represent themselves as, or by omission, infer that they are full-time members of the Authority. Nor shall any Division within the Authority present the volunteers in such a manner.

2. Volunteers shall not represent the Authority at any public gatherings, on radio or television, in any article for publication, as correspondents to a newspaper or other periodical unless permitted in writing by the Chief Operating Officer or their designee.

PROPERTY AND EQUIPMENT

Any property or equipment issued by the City or Department shall be for official and authorized use only.

HARRASMENT AND DISCRIMINATION

1. It is Authority policy to foster and maintain a work environment free from discrimination and intimidation. The Authority will not tolerate harassment of any kind that is made by employees, volunteers or members of the public. Employees and volunteers shall treat individuals with respect at all times.

2. Harassment includes, but is not limited to, verbal or physical conduct that demeans or shows hostility or aversion toward another employee, volunteer, or member of the public. Examples of prohibited conduct include slurs or demeaning comments relating to race, ethnic background, gender, religion, sexual orientation, age, or disability.

3. Employees or volunteers who violate this Policy will be subject to corrective action, including termination of employment or volunteer status.

DISCIPLINARY AND TERMINATION PROCEDURES

1. Volunteers serve in an “at-will” capacity and may thus be removed from the volunteer program or status without cause at the direction of the Chief Operating Officer or their designee.

2. Termination of volunteers shall not be subject to due process considerations, as volunteers do not have a property interest in continued service as a volunteer.

3. Disciplinary or action terminating volunteer status shall not occur based on race, sex, religion, sexual orientation, national origin, age, disability or any other status protected by law.

EVALUATION

1. An evaluation of the volunteer program may be conducted by the direct supervisor periodically.

2. Evaluations of volunteers may be conducted to ensure the best use of human resources.

WORKERS’ COMPENSATION COVERAGE

Volunteers shall be considered “employees” for the limited purpose of providing volunteers with workers’ compensation benefits.

PUBLIC RECORDS ACT

Volunteers will acknowledge that while performing volunteerr services as a volunteer, volunteer are subject to the requirements of the California Public Records Act. Volunteer further acknowledge that all Authority-related documents, files, and communications are considered public records and are the property of the Authority. Failure to comply with the California Public Records Act shall constitute grounds for immediate dismissal.

Orange County Power Authority Volunteer Policy

Volunteer signature below verifies that volunteer have read, understand, and agree to comply with this Volunteer Policy ("Policy") as set forth below.

____

Print Employee Name

________________________________ _______________

Employee Signature Date

ORANGE COUNTY POWER AUTHORITY
Staff Report – Item 5.1

To: Orange County Power Authority Board of Directors

From: John Dalessi and Kirby Dusel, Pacific Energy Advisors

Cc: Brian Probolsky, Chief Executive Officer

Subject: APPROVE ENERGY RISK MANAGEMENT POLICY

Date: July 13, 2021

RECOMMENDED ACTION

Approve the Orange County Power Authority's (OCPA) Energy Risk Management Policy, including referenced delegations of authority for energy product contract approvals.

BACKGROUND

During its normal course of business, OCPA will be required to manage risks associated with its participation in California's wholesale energy markets – as a retail seller of electricity, OCPA will maintain an ongoing obligation to procure sufficient quantities of various energy products to fulfill customer needs and pertinent compliance obligations, negotiate related contracts, validate supplier invoices, issue payments for delivered products, pursue dispute resolution (as necessary) and manage credit concerns associated with its various supplier relationships. A key component of effectively managing procurement and portfolio risk is being able to identify, measure and control the potentially adverse consequences of inevitable market volatility and credit exposure. The Energy Risk Management Policy (Policy) provides a framework and related guidance, which are intended to facilitate OCPA's administration of the tasks and responsibilities related to risk management, including identification of necessary roles and responsibilities assigned to those individuals and groups who will be involved in risk management activities.

In terms of anticipated energy market risks, the Policy is intended to assist OCPA in addressing the following concerns, each of which is further defined in the Policy:

- Market Price Risk
- Counterparty Credit and Performance Risk
- Load and Generation Volumetric Risk
- Operational Risk
- Liquidity Risk
- Regulatory/Legislative Risk

Management of such risks is achieved through diligent, ongoing application of the structure, practices and principles outlined in OCPA's Policy, which are predicated on the following internal control principles: (1) segregation of duties; (2) imposition of checks and balances between functional areas of the organization; (3) delegation of authority commensurate with responsibility, experience and capability; and (4) limitation of market-related activities to defined products and transactions that are necessary to support the successful operation of OCPA.

While energy market risk can never be eliminated, administration of the Policy is intended to achieve the following goals:

- Assist in achieving the business objectives of retail rate competitiveness and stability;
- Avoid losses and excessive costs, which would materially impact the financial condition of OCPA;
- Establish the parameters for energy procurement and sales activity to minimize costs while ensuring compliance with approved risk limits and policy objectives;
- Assist in assuring that market activities and transactions are undertaken in compliance with established procurement authorities, applicable laws, regulations and orders; and
- Encourage the development and maintenance of a corporate culture at OCPA in which the proper balance is struck between control and facilitation and in which professionalism, discipline, technical skills, and analytical rigor come together to achieve OCPA's intended objectives.

The OCPA Board of Directors will administer the Policy. A Risk Oversight Committee (ROC) will also be established. The ROC will meet quarterly and receive updates regarding key informational items as set forth in the Policy – the initial meeting of OCPA's ROC is expected to occur in Q3 2021, prior to OCPA's execution of any power supply transactions. OCPA's Board of Directors will oversee the ROC and will receive periodic updates regarding key areas of interest/concern, including instances involving non-conformance with the Policy. Additional information regarding the ROC and its responsibilities is provided in the Policy.

The Policy also addresses certain delegations of authority, which are intended to streamline the completion of shorter-term procurement activities that are determined to be consistent with OCPA's resource planning objectives – your Board may be aware that many prospective transactions within the electric utility industry are very time-sensitive (markets are dynamic, with prices changing from moment to moment), so best practice suggests that the establishment of pre-determined delegations of authority is critically important to accommodate the short turnaround time that may be required to confirm/close certain transactions. More specifically, certain wholesale energy transactions will provide the prospective buyer with a limited window of time, often 1-2 hours, to confirm the proposed transaction before pricing must be refreshed/revised (which could result in unexpected, adverse pricing changes based on then-current market dynamics). To the extent that OCPA has not predetermined certain delegations of authority for such transactions, it would be virtually impossible to secure necessary components of its anticipated supply portfolio. The delegations of authority reflected in the Policy are intended to strike an appropriate balance between efficiency and control, requiring Board approval for longer term and higher cost transactions while delegating authority to the Chief Executive Officer for more routine, time sensitive transactions that have lower notional values.

Analysis and Discussion

As OCPA begins the process of contracting for requisite energy products, establishment of the Policy is important in managing inevitable risks while facilitating transaction completion. A number of upcoming transactions, including reserve capacity (or Resource Adequacy) purchases, short-term renewable energy purchases and short-term system energy purchases may all require time-sensitive decision making by OCPA, and the Policy establishes parameters under which such procurement opportunities could be executed by the Chief Executive Officer or, alternatively, when such opportunities would require Board approval. Long-term renewable energy commitments, for example, would require Board approval due to the lasting planning and financial implications of such transactions. Shorter-term supply commitments, however, wouldn't necessarily require Board approval, unless the overall cost of such transactions would exceed specified thresholds identified under OCPA's delegation of authorities or if such purchases were not deemed consistent with agreed upon portfolio planning principles of the organization. In all cases, the Board would be kept informed of OCPA procurement activities, even for transactions not requiring Board approval. Information regarding all procurement activities would be provided during regularly scheduled Board meetings.

Approving the Policy at this time will complement OCPA's upcoming procurement efforts by providing necessary guidance to staff during the administration of such activities and general risk mitigation for the organization.

FISCAL IMPACT

There is no fiscal impact associated with adopting this Policy.

ATTACHMENT

1. Energy Risk Management Policy

Energy Risk Management Policy

of the

Orange County Power Authority

Version:	1.0
Approval Date:	[TBD]

Energy Risk Management Policy
Table of Contents

Energy Risk Management Policy

1.0 General Provisions

1.1 Background and Purpose of Policy

The Orange County Power Authority (OCPA) participates in energy markets for purposes of fulfilling its role as a Community Choice Aggregator that will serve retail electricity customers within the cities of Buena Park, Fullerton, Huntington Beach, Irvine, and other jurisdictions that may become OCPA members (OCPA's "service territory"). Service commencement to end use customers is expected to occur in April 2022. This Policy defines OCPA's general energy risk management framework and provides management with the authority to establish processes for monitoring, measuring, reporting, and controlling market and credit risks to which OCPA is exposed in its normal course of business.

1.2 Scope of Business and Related Market Risks

OCPA's retail electric provider operations encompass the following business activities covered within the scope of this policy: bilateral purchases and sales of electricity under short-, medium- and long-term contracts; scheduling of electric load and generation into California Independent System Operator (CAISO) markets; retail marketing of electricity to consumers within its service territory; compliance with voluntary objectives and regulatory requirements that relate to Renewables Portfolio Standard (RPS) energy acquisition and carbon-free energy supply; participation in the CAISO-administered Congestion Revenue Rights (CRRs) market; management of the balance between load and generation over the short-, medium- and long-term planning horizons; and compliance with applicable Resource Adequacy (RA) requirements. Participation in such activities exposes OCPA to certain risks, which include, but are not limited to, the following:

- Market Price Risk
- Counterparty Credit and Performance Risk
- Load and Generation Volumetric Risk
- Operational Risk
- Liquidity Risk
- Regulatory/Legislative Risk

Unless individually addressed, the aforementioned risks shall be collectively referred to as "market risks" within this Policy. OCPA's framework for mitigating exposure to such risks includes the following elements:

- Specification of Risk Management Goals and Principles
- Definitions of Risks
- Internal Control Principles
- Risk Management Business Practices
- Risk Management Governance

This Policy does not address the following types of general business risk, which should be treated separately in other policies, ordinances and regulations pertaining to OCPA: fire, accident and casualty; health, safety, and workers' compensation; general liability; and other typically insurable perils.

1.3 Policy Administration

This version of the Energy Risk Management Policy was adopted by the OCPA Board of Directors on [insert date]. This Policy may be amended as needed by OCPA's Board.

1.4 Policy Distribution and Acknowledgment

This Policy shall be distributed to all OCPA employees and third-party contractors engaged in the planning, procurement, sale and scheduling of electricity and related products on OCPA's behalf and/or in other OCPA departments, which may provide oversight and support for these activities. All such employees and contractors are required to annually confirm, in writing, that they:

- Have read OCPA's Risk Management Policy
- Understand pertinent terms and requirements of the Policy
- Affirm their intent to comply with the Policy
- Understand that any violation of the Policy shall subject the employee to disciplinary action, which may include termination of employment.

1.5 Policy Interpretation

Questions related to interpretation of the Policy should be referred to the Risk Oversight Committee (ROC) or, if the ROC has not yet been formed, OCPA's Board. All legal matters stemming from this Policy will be referred to OCPA's General Counsel.

2.0 Risk Management Goals

The goals of OCPA's energy risk management practices are to:

[1] assist in achieving the business objectives of retail rate stability and competitiveness;

[2] avoid losses and excessive costs, which would materially impact the financial condition of OCPA;

[3] establish the parameters for energy procurement and sales activity to minimize costs while ensuring compliance with approved risk limits and policy objectives;

[4] assist in assuring that market activities and transactions are undertaken in compliance with established procurement authorities, applicable laws, regulations and orders; and

[5] encourage the development and maintenance of a corporate culture at OCPA that strikes the proper balance between control and facilitation and in which professionalism, discipline, technical skills, and analytical rigor are applied and cultivated to achieve OCPA's objectives.

3.0 Risk Management Principles

3.1 General Risk Management Principles

OCPA manages its energy resources and transactions with the objectives of providing customers with stable and competitive electric rates, achieving applicable compliance mandates and supporting local economic development while contemporaneously minimizing risks. OCPA's risk management principles are focused on the identification of relevant risks, systematic risk measurement and reporting, and strict adherence to established risk policies. OCPA will not engage in transactions without proper authorization or if such transactions are determined to be inconsistent with this Policy.

It is the policy of OCPA that all personnel, including the Board, management, and agents, adhere to standards of integrity, ethics, conflicts of interest, compliance with statutory law and regulations and other applicable OCPA standards of personal conduct while employed by or affiliated with OCPA.

3.2 Conflicts of Interest

All OCPA directors, managers, employees, consultants, and agents participating in any transaction or activity within the coverage of this Policy are obligated to advise OCPA in writing of any financial interest in any counterparty seeking to do business with OCPA. Such directors, managers, employees, consultants, and agents must also identify any real or potential conflict of interest related to any existing or potential contract/transaction with OCPA. To the extent that a financial interest or conflict is identified by one or more of the aforementioned individuals, any such person shall be prohibited from personally participating in a related transaction or similar activity that is within the coverage of this Policy or prohibited by California Government Code § 1090.

If there is any doubt as to whether a prohibited condition or conflict exists, it shall be the responsibility of the potentially affected director, manager, employee, consultant or agent to discuss the prospective issue with her/his manager or supervisor before further participating in related procurement/transactional activities.

3.3 Adherence to Statutory Requirements

Compliance shall be required with all applicable rules promulgated by the state of California, the California Public Utilities Commission, the California Energy Commission, the Federal Energy Regulatory Commission (FERC), the Commodity Futures Trading Commission (CFTC), and other regulatory agencies.

Congress, the FERC and the CFTC have enacted laws, regulations, and rules that prohibit, amongst other things, any action or course of conduct that actually or potentially operates as a fraud or deceit upon any person in connection with the purchase or sale of electric energy or transmission services. These laws also prohibit any person or entity from making an untrue statement or factual omission where such an omission would result in a statement being misleading. Violation of these laws can lead to both civil and criminal actions against the individual involved as well as OCPA. This Policy is intended to promote compliance with such laws, regulations and rules and to avoid improper conduct on the part of anyone employed by or working on behalf of OCPA. These procedures may be modified from time to time by legal requirements, auditor recommendations, requests from OCPA's CEO and/or ROC, and other considerations.

In the event of an investigation or inquiry by a regulatory agency, OCPA will provide legal counsel to employees. However, OCPA will not appoint legal counsel to an employee if OCPA's General Counsel and

Chief Executive Officer determine that the employee was not acting in good faith within its scope of employment. OCPA employees are prohibited from working for another power supplier, CCA or utility in a related position while they are simultaneously employed by OCPA unless an exception is authorized by the Board. For clarity, this prohibition is not intended to prevent OCPA staff from performing non-CCA activities on behalf of OCPA in the normal course of its business.

3.4 System of Records

OCPA will maintain a set of records for all transactions executed in association with OCPA's procurement activities. The records will be maintained in US dollars and transactions will be separately recorded and categorized by type of transaction. This system of record shall be auditable.

4.0 Definitions of Market Risks

The term "market risks," as used herein, refers specifically to those categories of risk which relate to OCPA's participation in wholesale and retail markets as a Load Serving Entity (LSE) as well as OCPA's interests in certain long-term contracting opportunities. Market risks include market price risk, counterparty credit and performance risk, load and generation volumetric risk, operational risk and liquidity risk, as well as regulatory and legislative risk. These categories are defined and explained as follows.

4.1 Market Price Risk

Market price risk is defined as exposure to changes in wholesale energy prices. Market price risk is a function of price volatility and the volume of energy that is contracted at fixed prices over a defined period of time. Prices in electricity markets exhibit high volatility, and appropriate forward procurement and hedging are generally necessary to manage such exposure.

Market price risk is also impacted by market liquidity, which may be an issue for certain energy or capacity products that OCPA intends to procure. Illiquid markets are characterized by relatively few buyers or sellers, which makes it more difficult to buy or sell a commodity and often results in higher price premiums (on purchases) or deeper discounts (on sales).

Another dimension of market price risk is congestion or "basis" risk. Congestion risks arise from locational differences in pricing between the point of contracted supply and the related point of delivery (meaning, the point at which procured power is received by OCPA on the bulk electric system).

For OCPA, market price risk manifests in two types of exposure. The first type of market price risk exposure is the potential for variations in power costs that are related to OCPA's "open positions", meaning the volume of energy that will ultimately be required for delivery to OCPA customers but has not yet been placed under contract. Increases in market prices will impose increased costs on OCPA when those open positions are eventually filled at such higher prices. To the extent that power costs are higher than anticipated, anticipated OCPA fund balances (such as those designated for financial reserves, program administration or other complementary uses) may be lower than expected, necessitating customer rate increases. Market price risk exposure related to open positions are monitored through net open position valuations and value at risk metrics, as described in Section 6.1 of this Policy.

The second type of market price risk exposure is the potential for wholesale trading positions, long-term supply contracts and generation resources to move "out of the money," that is, become less valuable when compared to similar positions, contracts or resources obtainable at present prices. These same positions can also be "in the money" if such positions become more valuable when compared to similar positions, contracts or resources obtainable at present market prices. This valuation methodology is commonly referred to as "Mark to Market." Transaction valuation and reporting of positions shall be based on objective, market-observed prices. If OCPA is "out of the money" on a substantial portion of its contracts, it may have to charge higher retail rates relative to competitors. Such a situation could erode OCPA's competitive position and market share if other market participants (e.g., Direct Access providers or the incumbent utility) are able to procure power at a lower cost and offer lower retail electric rates.

4.2 Counterparty Credit and Performance Risk

Performance and credit risk refer to the inability or unwillingness of a counterparty to perform according to its contractual obligations. Failure to perform may arise if an energy supplier fails to deliver energy as agreed. There are four general performance and credit risk scenarios:

[1] counterparties and wholesale suppliers may fail to deliver energy or environmental attributes, requiring OCPA to purchase replacement products elsewhere, possibly at higher costs;

[2] counterparties may fail to take delivery of energy or environmental attributes sold to them, necessitating an unexpected and expeditious resale of the product to another buyer, possibly at a lower price;

[3] counterparties may fail to pay for delivered energy or environmental attributes; or

[4] counterparties and suppliers may refuse to extend credit to OCPA, possibly resulting in higher collateral posting costs, which could impact OCPA's cash position and/or bank lines of credit.

An important subcategory of credit risk is concentration risk. When a portfolio of positions and resources is concentrated with one or a very small number of counterparties, generating resources, or geographic locations, it becomes more likely that major losses will be sustained in the event of non-performance by a counterparty/supplier or as a result of unexpected price fluctuations at one location.

4.3 Load and Generation Volumetric Risk

Energy deliveries must be planned in consideration of forecasted load. OCPA forecasts load over the long and short term and enters into long- and short-term fixed price energy contracts to hedge its load consistent with the provisions of its resource plan.

Load forecasting risk arises from inaccurate load forecasts and may result in the over- or under-procurement of energy and/or customer rate revenues that deviate from approved budgets. Energy delivery risk occurs if a generator fails to deliver expected or forecasted energy volumes. Variations in wind speed and cloud cover, for example, can also impact the respective amount of electricity generated by wind and solar resources. Furthermore, the occasional oversupply of power on California's electric grid can lead to curtailment of energy deliveries or reduced revenue resulting from low or negative prices at certain energy delivery points. In general, weather is an important variable that can result in higher or lower electricity usage due to its impact on customer electricity usage (heating and cooling needs, for example) as well as energy production (by generators that are commonly impacted by ambient weather conditions).

In the CAISO markets, this situation can result from both the oversupply and undersupply of electricity relative to OCPA's load as well as the over- or under-scheduling of generation or load into the day-ahead market (relative to actual energy consumed or delivered in the real-time market). Load and generation volumetric risk may result in unanticipated open positions and imbalance energy costs, which are assessed when actual and scheduled loads do not align. More specifically, imbalance energy costs result from temporal pricing differences that often exist in the day-ahead and real-time energy markets during discrete scheduling intervals. For example, if OCPA's actual load is higher than scheduled in the day-ahead market, and real-time prices are comparatively high during such instances, then OCPA bears the risk of higher-than-anticipated energy costs due to such variation.

4.4 Operational Risk

Operational risk consists of the potential for failure to execute and control business activities relative to plan. Operational risk includes the potential for:

[1] organizational structure that proves to be ineffective in addressing risk, i.e., the lack of sufficient authority to make and execute decisions, inadequate supervision, ineffective internal checks and balances, incomplete, inaccurate and untimely forecasts or reporting, failure to separate incompatible functions, etc.;

[2] absence, shortage or loss of key personnel or lack of cross-functional training;

[3] lack or failure of facilities, equipment, systems and tools, such as computers, software, communications links and data services;

[4] exposure to litigation or sanctions resulting from violating laws and regulations, not meeting contractual obligations, failure to address legal issues and/or receive competent legal advice, not drafting and analyzing contracts effectively, etc.; and

[5] errors or omissions in the conduct of business, including failure to execute transactions, violation of guidelines and directives, etc.

4.5 Liquidity Risk

Liquidity Risk is the risk that OCPA will be unable to meet its financial obligations. This can be caused by unexpected financial events and/or inaccurate pro forma calculations, rate analyses, and debt analyses. Some unexpected financial events impacting liquidity could include:

[1] breach of OCPA credit covenants or thresholds – OCPA has credit covenants included in its banking agreements and may, eventually, have similar covenants within its energy contracts. Breach of credit covenants or thresholds could result in the withdrawal of OCPA's line of credit or may trigger the requirement to post collateral;

[2] contractual requirements to post collateral (with counterparties) due to a decline in market prices below the contract price; and

[3] from time-to-time OCPA may be the subject of legal or other claims arising from the normal course of business. Payment of a claim by OCPA could reduce OCPA's liquidity if the cause of loss is not covered by OCPA's insurance policies.

4.6 Regulatory/Legislative Risk

Regulatory risk encompasses market structure and operational risks associated with shifting state and federal regulatory policies, rules, and requirements that could negatively impact OCPA. An example is the potential increase in exit fees for customers served by Community Choice Aggregators that could result in higher overall electricity costs for OCPA customers (relative to the incumbent utility or DA service options).

Legislative risk is associated with actions by federal and state legislative bodies, which may impose adverse changes or requirements that could infringe upon OCPA's autonomy, increase its costs, or otherwise negatively impact OCPA's ability to fulfill its goals and objectives.

5.0 Internal Control Principles

Internal controls are based on proven principles that meet or exceed the requirements of financial institutions and credit rating agencies while also being considerate of good utility practice. The required controls shall include all customary business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of results of operations as well as information pertinent to management, and facilitate attainment of business objectives. These controls shall remain fully integrated in all activities of the business and shall be consistent with stated objectives. There shall be active participation and oversight by senior management in such processes.

The required controls include the following:

[1] Segregation of duties and functions between front-, middle-, and back-office activities. In general terms, the designation of responsibilities shall be organized as follows:

- Front office is responsible for planning (e.g. preparation of OCPA's resource plan and other planning activities) and procurement (e.g. solicitation management, contract negotiation, structuring and pricing as well as contract execution), contract management, compliance and oversight of schedulingcoordinator functions with the CAISO;

- Middle office is responsible for controls and reporting (e.g., risk monitoring, risk measurement, risk reporting, procurement compliance, counterparty credit review, approval and monitoring); and

- Back office is responsible for settlements and processing (e.g., verification, validation, reconciliation and analysis of transactions, tracking, processing and settlement of transactions).

[2] Delegation of authority, as defined in section 6.5 (below), that is commensurate with responsibility and capability as well as relevant training to ensure compliance with applicable rules within the markets in which such personnel may transact (e.g., CAISO). Contract origination, commercial approval, legal review, invoice validation, and transaction auditing shall be performed by separate staff or contractors for each transaction. No individual staff member shall perform all of these functions related to a single transaction.

[3] Defining authorized products and transactions. In general terms, authorized and prohibited transactions are defined as follows:

- Authorized transactions are those transactions directly related to the procurement and/or administration of electric energy, reserve capacity, transmission and distribution service, ancillary services, congestion revenue rights, renewable energy, renewable energy credits, scheduling activities, tolling agreements, and bilateral purchases of energy products. All transactions must be consistent with this Policy and the Board approved resource plan.

- It is the expressed intent of this Policy to prohibit the acquisition of risk beyond that encountered in the efficient optimization of OCPA's generation portfolio and execution of procurement strategies. Prohibited transactions are those transactions that are not related to serving retail electric load and/or reducing financial exposure. Speculative buying and selling of energy products or maintenance of open positions that do not conform with agreed upon thresholds is prohibited. Speculation is defined as buying energy in excess of forecasted load plus reasonable planning reserves, intentionally under procuring energy relative to minimum load hedging targets or selling energy or environmental attributes that are not yet owned by OCPA. In no event shall speculative transactions be permitted. If any questions arise as to whether a proposed transaction constitutes speculation, OCPA shall conduct an analysis of the transaction and the Board shall review such transaction to determine whether the transaction would constitute speculation and document its finding in the meeting minutes.

[4] Defining proper process for executing power supply contracts. OCPA will ensure power supply contracts are approved by pertinent technical personnel. Legal review will be required of various forms of agreement used by OCPA.

[5] Accurately capturing transactions and other data, with standardization of electronic and hard copy documentation.

[6] Summarizing and reporting of transactions and other activity at regular intervals.

[7] Measuring risk and performance in a timely manner and at regular intervals.

[8] Regularly reviewing compliance to ensure that this Policy and related risk management guidelines are adhered to, with specific guidelines for resolving instances of noncompliance.

[9] Ensuring active participation by senior management in risk management processes.

6.0 Risk Management Business Practices

6.1 Risk Measurement Metrics and Reporting

A vital element of this Policy is the regular identification, measurement and communication of risk. To effectively communicate risk, all risk management activities must be monitored on a frequent basis using risk measurement methodologies that quantify the risks associated with OCPA's procurement-related business activities and performance relative to stated goals.

OCPA measures and updates its risks using a variety of tools that model programmatic financial projections, market exposure and risk metrics, as well as through short-term budget updates. The following items are measured, monitored and reported:

[1] Mark-to-Market Valuation – marking to market is the process of determining the current value of contracted supply relative to current market conditions. A mark-to-market valuation shall be performed at least once per quarter.

[2] Exposure Reporting – calculates the notional dollar risk exposure and value at risk of open portfolio positions at current market prices. The exposure risk calculations shall be performed at least once per quarter.

[3] Open Position Monitoring – on a monthly basis, OCPA shall calculate/monitor its open positions for all energy and capacity products. If energy open positions for the month following the then current month (prompt month) exceed 10% of load, OCPA will solicit market energy to close open positions and shall make a commercial decision to close the position. Open positions for terms beyond the prompt month will be monitored monthly and addressed in accordance with OCPA's planning models and related policies.

[4] Counterparty Credit Exposure – calculates the notional and mark-to-market exposure to each OCPA counterparty: 1) by deal; and 2) in aggregate. Counterparty credit exposure shall be reported on a quarterly basis. Counterparty exposure reporting includes contingent collateral posting risks arising from changes in market prices and other factors.

[5] Reserve Requirement Targets – no less than once per year, OCPA staff will monitor OCPA's reserves to ensure that they meet targeted thresholds.

Consistent with the above, the Middle Office will develop reports and provide feedback to the Risk Oversight Committee. If a limit or control established by this Policy is violated, the Middle Office will send notification to the responsible party and the Risk Oversight Committee. The Risk Oversight Committee will discuss the cause and potential remediation of any violation to determine next steps for curing the violation.

Risk measurement methodologies shall be re-evaluated on a periodic basis to ensure OCPA adjusts its methods to reflect the evolving competitive landscape and its unique needs.

6.2 Market Price Risk

OCPA manages market price risk using its planning models, which define forecasted load, energy under contract and OCPA's open positions across various energy product types, including renewable energy (Portfolio Content Category I, II and III), carbon-free energy (if needed to support any portfolio emissions metrics adopted by OCPA), system power and resource adequacy capacity. Such positions will be measured and monitored relative to OCPA's procurement targets.

OCPA determines the annual quantity of energy it intends to place under contract through the use of its planning models and in consideration of stated procurement targets. The planning models include an outline of the delivery term and quantity of each energy product that OCPA intends to fill in the upcoming year. The planning models inform OCPA's solicitation planning, including solicitation timing and strategy as well as the person/team responsible for such efforts.

In general, OCPA will seek to purchase some long-term renewable energy each year for purposes of promoting compliance with applicable requirements of California's Renewables Portfolio Standard program. Long-term renewable energy purchases may also serve to diversify market exposure. Regularly administered, recurring procurement efforts focused on long-term renewable energy should also minimize exposure to "planning cliffs", which can occur when a significant portion of long-term contracts expire at or near the same point in time.

For products generally purchased through short- and medium-term contracts, OCPA follows a similar temporal diversification strategy, with multiple procurement cycles occurring throughout the year.

Congestion risk is managed through the contracting process with a preference for day-ahead energy delivery at the SP 15 trading hub. Once energy is procured, OCPA manages congestion risks through the application of CRRs consistent with its Congestion Revenue Rights Risk Management Guidelines – OCPA anticipates that its scheduling coordinator or another qualified contractor will be primarily responsible for the management of CRRs. Presently, OCPA uses a third-party scheduling coordinator to manage its CRR portfolio. CRRs are financial instruments used to hedge against transmission congestion costs encountered in the CAISO day- ahead market. OCPA primarily uses CRRs to reduce its exposure to congestion charges.

6.3 Counterparty Credit and Performance Risk

OCPA shall evaluate and monitor the financial strength of its suppliers in consideration of adopted Credit Guidelines. Generally, OCPA manages its exposure to energy suppliers by exhibiting a preference for counterparties with Investment Grade Credit ratings as determined by Moody's or Standard & Poor's and through the use of security requirements in the form of cash and letters of credit. OCPA measures its mark-to-market counterparty credit exposure consistent with industry best practices.

6.4 Load and Generation Volumetric Risk

OCPA manages energy delivery risks by ensuring that contracts include appropriate contractual penalties for non-delivery, acquiring energy from a geographically and technologically diverse portfolio of generating assets (with a range of generation profiles that are generally complementary to the manner in which OCPA's customers use electric power). Due to known production variability and supply uncertainty related to renewable and other carbon-free energy products, OCPA includes planning margins in its procurement of such products to ensure that related targets/mandates are achieved.

OCPA manages load forecasting and related weather risks by contracting with qualified data management and scheduling coordinators, which independently or jointly provide the systems and data necessary to forecast and schedule load using good utility practice. Load variability is also considered in establishing appropriate planning margins for renewable and other carbon free energy sources.

OCPA's load scheduling strategy, as executed by its scheduling coordinator, shall be in accordance with adopted Load Bidding/Scheduling Guidelines. This strategy shall ensure that price risk in the day-ahead and real-time CAISO markets is managed effectively and is consistent with good utility practice.

6.5 Operational Risk

Operational risks are managed through:

- Adherence to this Policy, and oversight of procurement activity including delegation of authority;
- Conformance with applicable human resources policies and guidelines;
- Staff resources, expertise and/or training reinforcing a culture of compliance;
- Use of qualified, highly experienced contractors on an as-needed basis in the event that necessary expertise does not exist within OCPA's own organization;
- Ongoing and timely internal and external audits; and

- Cross-training amongst staff

To ensure proper controls for executing energy transactions and to facilitate the efficient operation of OCPA in its ordinary course of business, the Board delegates transactional authority that is commensurate with responsibility and capability. Accordingly, by approving this Policy, the Board delegates the following energy procurement authorities by product type, tenor, volume and notional value to its Chief Executive Officer and the ROC:

Delegation of Authority: Title/Governing Body	Product Type	Tenor Limit	Volumetric Limit	Notional Value Limit
Chief Executive Officer	System Power	Up to 3 years	2,000 GWh	$ 75 M
	Resource Adequacy	Up to 3 years	3,000 MW	$ 30 M
	Renewables	Up to 3 years	1,500 GWh	$ 25 M
	GHG-free	Up to 3 years	1,000 GWh	$ 10 M
OCPA Board	All Products	Any	Unlimited	Unlimited

Any changes to the delegation of authority will require Board approval.

6.6 Liquidity Risk

OCPA manages liquidity risk through adherence to its loan and power purchase agreement credit covenants; limiting commitments to provide security consistent with adopted Credit Guidelines; ensuring it has adequate loan facilities, prudent cash and investment management; and adherence to any applicable reserve policies. OCPA monitors its liquidity (defined as unrestricted cash, investments, and unused bank lines of credit) no less than weekly. OCPA utilizes scenario and sensitivity analyses while preparing budget, rate, and pro forma analyses to identify potential financial outcomes and ensure sufficient liquidity under adverse conditions.

6.7 Regulatory/Legislative Risk

OCPA manages its regulatory and legislative risk through active participation in working groups and advocacy coalitions. OCPA regularly monitors and participates in, as necessary, regulatory rulemaking proceedings and legislative affairs to protect OCPA's interests.

7.0 Risk Management Policy Governance

7.1 OCPA Board of Directors

The OCPA Board is responsible for adopting this Policy. The Board also approves OCPA's annual budget, contracting authorities and delegated responsibilities for the management of OCPA's operations to its Chief Executive Officer and staff. The Board is responsible for reviewing and recommending approval of substantive changes to this Policy, as needed, and for initiating and overseeing a review of the implementation of this Policy as it deems necessary. The Chief Executive Officer and Risk Oversight Committee (described below) may make reports and seek approval for any substantive changes to this Policy, and any such changes would be subject to Board approval.

7.2 Risk Oversight Committee (ROC)

To ensure the implementation of and compliance with this Policy, the Board will establish a Risk Oversight Committee prior to the commencement of retail electric service by OCPA. Members of the ROC will be selected by the Chief Executive Officer, who will serve as the ROC's Chair. The ROC will have authority to:

- Meet at least once per quarter, or as otherwise called to order by the ROC's Chair.
- No less than once per quarter, provide a report to the Board regarding its meetings, deliberations and any other areas of concern.
- From time to time, adopt and/or adapt risk management guidelines defining internal controls, strategies and processes for managing market risks incurred through or attendant upon wholesale trading, retail marketing, long-term contracting, CRR trading and load and generation scheduling.
- Specify the categories of permitted transactions and set risk limits for wholesale trading. The ROC will receive and review information and reports regarding risk management, wholesale trading transactions, and the administration of supply contracts.
- Have direct responsibility for enforcing compliance with this Policy. Any material violations of this Policy, as determined by the ROC, shall be reported to the Board for appropriate action.

ORANGE COUNTY POWER AUTHORITY
Staff Report – Item 5.2

To: Orange County Power Authority Board of Directors

From: Antonia Graham, Chief Operating Officer

Subject: UPDATE ON CALIFORNIA PUBLIC UTILITIES COMMISSION ENERGY EFFICIENCY PROGRAM FUNDING

Date: July 13, 2021

RECOMMENDED ACTION

Receive and file and direct Staff accordingly.

DISCUSSION

At the May 11, 2021, Board Meeting, Staff presented an update on seeking funding from the California Public Utilities Commission (CPUC) for energy efficiency program implementation. Since that time, Staff has been meeting weekly with Staff from The Energy Coalition (TEC) and has spoken with nearly every CCA who has applied for funds from the CPUC along with CPUC Energy Division Staff.

Currently, three CCAs in California have successfully secured this type of funding for customer programs, with one additional CCA program application pending approval from the CPUC. Once approved, CCAs become an administrator of these funds that are collected from California electric ratepayers through a non-bypassable charge authorized by the CPUC for energy efficiency and conservation programs. The CPUC authorized funding covers all costs associated with the implementation and administration of these programs with no impact on CCA operational budgets.

The CPUC regulates ratepayer-funded energy efficiency programs. There are two pathways for the Authority to seek funding 1) Elect to Administer (ETA) and 2) Apply to Administer (ATA). Both pathways would enable Authority Staff the ability to administer programs, but the ATA pathway would allow for more flexibility and access to a higher level of funding. Below is a table that outlines the details of both programs:

	Elect to Administer (ETA)	**Apply to Administer (ATA)**
Budget Caps	Set by SCE investment in non-regional/statewide programs	No set budget cap.
Annual Budget	Approximately $115,000 to $1,000,000 annual cap (in discussions with CPUC)	Budget set by CCA in its funding application. (MCE authorized $7.4 million in 2021)

Process to Secure Funding	File Tier 3 Advice Letter with Program Plan every three years Reviewed and approved by CPUC	Submit Portfolio Application (every 4-years) and Business Plan (every 8-years) with technical updates every 2-years. Reviewed and approved by CPUC
Timing	Submit Q3 2021 for 2022-2024 Implementation (3 years)	Submit February 2022 (flexible) for 2024-2031 implementation (8 years)
Population Served	OCPA customers only	OCPA and SCE customers within territory served
Cost Effectiveness Requirements	1.0 Total Resource Cost (TRC) for Program Plan over 3-year period	1.0 TRC for Resource Acquisition programs (over 4-year period) None for 30% of the funding which can be used for market support and equity programs
Other Requirements in Filing	- Program Plan - Listing of Performance Metrics - Audit and Reporting Requirement - EM&V protocols	Same as ETA plus: - Total System Benefit Goal - Common Metrics Reporting - More detailed budget reporting - Implementation Plan
Funding Authorization – Start Date	Q2 2022 (depends on time required for CPUC review and approval process)	January 2024 (could be sooner based on CPUC discussions)

It is Staff's intention that the Authority submit filings to the CPUC for both pathways. Part of the formulation of the Business Plan that will be filed for both funding pathways will include comprehensive stakeholder engagement, which is a requirement set by the CPUC. Staff along with TEC will coordinate and facilitate engagement with community groups, OCPA member city Staff, the Community Advisory Committee, local business groups, and labor groups, and will post a survey on the Authority website to gain feedback on types of programs that the community would be interested in utilizing. Staff will return to the Board for a final decision on what types of programs will ultimately be submitted to the CPUC for consideration.

FISCAL IMPACT

It is estimated that the cost for the filing for both pathways shall not exceed $100,000. Funds for consulting services are budgeted in the Fiscal Year 2021/2022 budget. Staff will return to the Board for authorization to amend the existing professional services agreement with the Energy Coalition if it exceeds authorized spending authority.

ATTACHMENT

1. None.