

Energy Risk Management Policy
of the
Orange County Power Authority

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**Energy Risk Management Policy
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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 July 13, 2021. 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 scheduling coordinator 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.