Silicon Valley Clean Energy Authority
Executive Committee Meeting
Tuesday, April 25, 2017
11:30 am

Silicon Valley Clean Energy Authority Office
Conference Room
333 W El Camino Real, Suite 290
Sunnyvale, CA

AGENDA

Call to Order

Roll Call

Public Comment on Matters Not Listed on the Agenda
The public may provide comments on any item not on the Agenda. Speakers are limited to 3 minutes each.

Consent Calendar (Action)
1a) Approve Minutes of the March 28, 2017, Executive Committee Meeting

Regular Calendar
2) Energy Risk Management Policy (Discussion)
3) Introduction to Strategic Plan (Discussion)

Committee/Staff Remarks

Adjourn

svcleanenergy.org
333 W El Camino Real
Suite 290
Sunnyvale, CA 94087
Call to Order
Chair Sinks called the meeting to order at 11:39 a.m.

Roll Call
Present:
Chair Rod Sinks, City of Cupertino
Vice Chair Rob Rennie, Town of Los Gatos
Director Daniel Harney, City of Gilroy
Director Margaret Abe-Koga, City of Mountain View
Director Howard Miller, City of Saratoga

Absent:
Director Liz Gibbons, City of Campbell

Public Comment on Matters Not Listed on the Agenda
No speakers.

Consent Calendar
1a) Approve Minutes of the February 22, 2017, Executive Committee Meeting
MOTION: Director Miller moved and Vice Chair Rennie seconded the motion to approve the Minutes of the February 22, 2017 Executive Committee Meeting as submitted.

The motion carried unanimously with Director Gibbons absent.

Regular Calendar
2) Elect Executive Committee Chair and Vice Chair (Action)
Chair Sinks nominated Vice Chair Rennie as Chair and Director Harney as Vice Chair of the Executive Committee.

Chair Sinks opened the floor for additional nominations; seeing none, Chair Sinks closed nominations.
MOTION: Chair Sinks moved and Director Miller seconded the motion to elect Rob Rennie as Chair and Daniel Harney as Vice Chair of the Executive Committee.

The motion carried unanimously with Director Gibbons absent.

Following selection of the Chair, newly appointed Chair Rennie thanked Director Sinks for his time as Chair and presided over the remainder of the meeting.

3) Approve the Cancellation of the Regularly Scheduled November and December 2017 Executive Committee Meetings and Approve the Scheduling of an Alternative Meeting Date (Action)

Chair Rennie presented the item.

MOTION: Director Abe-Koga moved and Vice Chair Harney seconded the motion to approve the cancellation of the regularly scheduled November 28, 2017 and December 26, 2017 Executive Committee meetings and approve the scheduling of a meeting on Tuesday, December 5, 2017.

Chair Rennie opened public comment.
No speakers.
Chair Rennie closed public comment.

The motion carried unanimously with Director Gibbons absent.

4) Alternative to Type 2 Renewable Energy

CEO Tom Habashi presented the staff report and responded to Executive Committee questions.

Executive Committee and staff reviewed the four options presented to fill the vacancy of Portfolio Content Category 2 (PCC2) and discussed the various costs and requirements for PCC types (1, 2, and 3).

Hilary Staver, Regulatory/Legislative Analyst, provided input on the presented options and information on other Community Choice Aggregation groups (CCAs).

The Executive Committee discussed an additional option of replacing the PCC2 open position with double the quantity of PCC3 resources. Committee members requested adding this additional option to the presentation to the Board at the next Board meeting as well as include a table that details financial information for each of the options.

Melody Tovar, Regulatory Programs Manager for the City of Sunnyvale, provided information on city measurements for greenhouse gas inventory for electricity usage and responded to Executive Committee questions.

5) Development of SVCE Renewables Bill Credit Transfer (RBCT) Tariff

Don Bray, Manager of Account Services, presented the staff report and responded to Executive Committee questions. CEO Habashi provided additional information.
Committee/Staff Remarks

Chair Rennie inquired if a standing legislative bill review should be a future agenda item for Executive Committee meetings; CEO Habashi stated a Regulatory/Legislative update would be included in the CEO Report brought to the Board each month.

Director Sinks provided his thoughts on forming a legislative strategy for SVCE and the idea of Board members from different CCAs joining together.

CEO Habashi reported he spoke with the CalCCA Board of Directors regarding the formation of a regulatory/legislative group of elected officials. CEO Habashi noted that strategies, tactics, and goals for legislative and regulatory issues for SVCE will be included in SVCE’s strategic plan.

Regulatory/Legislative Analyst Staver noted there is an effort to put together a formal CalCCA protocol for developing legislative positions.

Adjournment

Chair Rennie adjourned the meeting at 1:18 p.m.
Energy Risk Management Policy

April 25, 2017
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1 Overview

Silicon Valley Clean Energy’s (SVCE) Energy Risk Management (ERM) policies and procedures is a comprehensive framework to manage the strategic, operational, regulatory and reporting risks associated with the acquisition of power supply. SVCE’s ERM Policy and related framework sets out a methodology and process for identifying risks, defining responsibilities, and establishing controls and procedures for reporting on risks and results against metrics to the SVCE Risk Oversight Committee and appropriate SVCE staff and management.

ERM encompasses the implementation of cost-effective controls and contingency plans with the intent of exceeding goals and objectives subject to approved risk tolerances, including the minimization of costs and liabilities.

The SVCE Board is responsible for review of the ERM policies and procedures. Periodically, but no less than once every two years, the Board is responsible for verifying that any updates to the ERM policies and procedures are consistent with SVCE’s mission and risk tolerance, as well as those that may be required to address industry and regulatory changes.

The ERM Risk Oversight Committee is responsible for establishing and reviewing SVCE’s risk tolerance, reviewing risk exposures, adequacy of controls and reporting mechanisms, limit breaches, and financial adequacy to support trading objectives. In addition, the ERM Risk Oversight Committee is responsible for attesting to the adequacy of procedures and controls required to comply with outside entities’ rules, regulations and requirements for risk monitoring and control. The ERM Risk Oversight Committee also reviews all major strategies and positions for their impact on the risks facing SVCE.

The Trading Group (Front Office) is responsible for developing and implementing strategies designed to fill SVCE’s Net Open Position (NOP), while comporting to boundaries and limits established by the trading and credit policies. NOP is based on forward forecasts of load and supply volumes over a future period (next month, next quarter, next year and beyond) and the value at risk for the unhedged open position based on forward price curves and volatility.

The Front Office is also responsible for complying with all controls and procedures including the capture of executed transactions, notifying the Middle Office of market trends, and changes to market rules or procedures that affect market dynamics. Finally, the Front Office is tasked with immediately reporting to the Middle Office discrepancies or deviations from accepted practices, policies or procedures, including breaches of established trading and risk limits, unauthorized trading activities and failure of controls.

The Risk Group (Middle Office) is responsible for overseeing the risk management framework and reviewing the effectiveness of key mitigation strategies. This includes determining SVCE’s NOP, value of the NOP relative to current market prices, costs and revenue relative to expected costs, contract performance, hedging effectiveness,
investigation of trade discrepancies, monitoring risk limits and ensuring that trades can be tracked from cradle to grave. The Middle Office conducts quarterly reviews to ensure that emerging risks, such as those from changes in market structure and design, organizational restructures and operational issues, are identified and responses are developed.

The Settlement Group (Back Office) is responsible for ensuring that trades executed by the Front Office are settled in accordance with the terms and conditions of the contract and payment of invoices and receipt are consistent with timing specified by the governing documents. The Back Office is also responsible for ensuring that trades captured by the Front Office are transferred correctly to the settlement system. Finally, the Back Office is responsible for providing feedback to the Front Office of other charges or payments that affect the value of the trading strategy and monitoring changes in rules, regulations and procedures that affect the value of trading strategies.

2 Energy Risk Management Objective
SVCE is committed to providing competitively priced power to its customers, serving the following objectives:
- Maintaining risk within desired tolerances for a defined period in the future
- Participating in the energy markets primarily for hedging purposes, while taking advantage of market opportunities within defined policy limits
- Mitigating the effect of price volatility to its customers
- Maintaining stable cash flow

3 Governance Structure Roles and Responsibilities
3.1 SVCE Board
The SVCE Board consists of the following representatives:
- Campbell
- Cupertino
- Gilroy
- Los Altos
- Los Altos Hills
- Los Gatos
- Monte Sereno
- Morgan Hill
- Mountain View
- Santa Clara County
- Saratoga
- Sunnyvale

The SVCE Board is responsible for:
- Reviewing and approving ERM policies and procedures
- Annually affirming that the ERM policies reflect changes to SVCE’s mission and risk tolerance
- Reviewing, and if warranted approving, participation in commodity markets and derivative instruments
- Establishing guidance by which counterparty credit limits are set and monitored, and delegating development and implementation to SVCE’s Risk Oversight Committee
3.2 Risk Oversight Committee
The Risk Oversight Committee (ROC) is formed by SVCE’s Chief Executive Officer to:
- Define and ensure that all transaction strategies are consistent with SVCE’s risk tolerance
- Develop the framework for the Middle Office to develop risk management controls, practices and procedures that are sufficient to monitor and maintain potential loss of value and increased costs within acceptable tolerances
- Report risks, procurement activities and financial information to its SVCE Board of Directors

3.3 Front Office
The Trading Group (Front Office) is established to transact within the Western Electricity Coordinating Council (WECC) to satisfy SVCE’s load obligations and resultant NOP. The Front Office is responsible for transacting within limits established and authorized by the ROC, recording all transactions in the deal capture system and reporting activities to the Middle Office, including potential Risk Policy violations.

3.4 Middle Office
The Risk Group (Middle Office) is responsible for:
- Ensuring that SVCE’s accounting, financial and treasury function, internal control, risk management and compliance systems satisfy the ERM policies
- Overseeing and monitoring the accountability process and the quality of internal and external reporting
- Reporting regularly to the ROC on each of its purposes and duties and notify the ROC immediately upon findings of discrepancies or breach of limits or procedures that are of material significance or have the potential to result in material significance
- Performing routine internal audits
- Not less than annually, reviewing Front Office resources, including qualifications, skills, experience, funding and equipment
- Developing and approving procedures consistent with ERM policies
- Ensuring that key risk profiles, material changes to the profiles, trends, emerging risks, and the risk management program are reported to the ROC
- Reviewing with the ROC the effectiveness of internal controls, compliance and risk management systems
- Reviewing the controls in place for unusual transactions and significant risk exposures
- Publishing a quarterly risk report that notifies the ROC of any issues of concern and requires an annual assurance from the ROC that effective risk management processes in relation to material business risks are in place

3.5 Back Office
The Settlement Group (Back Office) is responsible for:
- Settling transactions based on agreed upon terms and conditions specified by the agreement governing the transaction
- Receiving amounts owed and paying amounts due, and ensuring that collateral and postings are sufficient to allow the Front Office to effectively perform its functions
- Ensuring that trade details (price, location, product, tenor, counterparty) transacted by the Front Office and recorded by the trade capture system are accurately reflected in the settlement system and reporting any discrepancies to the Middle Office and if necessary, the ROC

4 Hedging

4.1 Hedging Policy and Objectives
SVCE’s hedging policy is designed to satisfy the following objectives:
- Effectively identify and quantify financial and regulatory risks to SVCE
- Accurately monitor those risks
- Execute transactions to appropriately balance risk with minimizing cost and price stability to SVCE’s customers
- Provide transparency of the procurement process as appropriate throughout the SVCE organization

4.2 Net Open Position (NOP) Definition and Assessment
The NOP is defined as the difference between demand obligations and supply relative to market prices over a forward period. The NOP is calculated consistent with Risk Management procedures with the following results:
- NOP capacity, energy, renewable portfolio standards (RPS) and carbon-free volumes by period from prompt month through the next five years
- Conversion of NOP to tradeable products (for example, on-peak and off-peak blocks)
- Expected dollar value of the NOP
- Forward price curves
- Volatility of forward prices
- Load obligation forecast in MW and MWh
- Supply expectation in MW and MWh

4.3 NOP Management
NOP is to be managed to ensure stable, competitive rates to SVCE customers. To achieve that goal, the management of the NOP requires a matching of supply with load at rates designed to minimize exposure to price volatility while ensuring compliance with RPS mandated volumes. NOP shall be closed consistent with percentages established in the ERM Policy over periods as shown below:
- Prompt month
- Prompt quarter
- Remaining quarters over the next 12 months (four quarters)
- Year after the next 12 months
• Next five years after the next 12 months

4.4 Measuring NOP
The Middle Office shall calculate SVCE’s NOP based on the following criteria:
• Supply contracts expected delivery
• Failure rate of supply contracts
• Load forecast and customer acquisition/retention outlook
• Forward market prices
• Forward market price volatility
• Optionality of supply and demand contracts (dispatchability based on market prices)
• Contract tenor
• Contract delivery and customer load location
• RPS compliance period requirements
• Greenhouse gas allowances and obligations
• Type of revenue streams (fixed vs. floating)
• Type of contract costs (fixed vs. floating)

4.5 Monitoring NOP
Results of monitoring SVCE’s NOP shall include the following:
• Volume in MWh, MW by standard on-peak and off-peak periods for the following periods:
  o Prompt month
  o Prompt quarter
  o Balance-of-year
  o Prompt calendar year
  o 2-5 years
• Value in dollars
• Impact to rates to SVCE customers
• Renewable Energy Certificates (RECs) by compliance period
• Greenhouse gas emissions-free energy volume

4.6 Closing NOP
There are two processes for closing SVCE’s NOP: the first is a result of the NOP being out of tolerance; the second is implementing a hedging strategy to maintain the NOP within tolerances.

Transactions to bring the NOP into tolerance shall be executed by the Front Office as soon as practical upon notification from the Middle Office. The Front Office shall notify the Middle Office that the transactions have been executed no later than the close of business on the day that the transactions were executed.

Transactions that are executed as a result of strategies designed to maintain the NOP within tolerances shall be consistent with the strategies. The resultant NOP shall be
updated to reflect the new transactions as soon as practical but no later than the next business day.

NOP energy tolerances shall be set at the following:

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Tolerance</th>
<th>Maximum Tolerance</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt month</td>
<td>90% of load</td>
<td>105% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Prompt quarter</td>
<td>85% of load</td>
<td>105% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Balance-of-year</td>
<td>85% of load</td>
<td>105% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Prompt calendar year</td>
<td>80% of load</td>
<td>105% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Second calendar year</td>
<td>70% of load</td>
<td>90% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Third calendar year</td>
<td>55% of load</td>
<td>75% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Fourth calendar year</td>
<td>40% of load</td>
<td>60% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Fifth calendar year</td>
<td>0% of load</td>
<td>50% of load</td>
<td>n/a</td>
</tr>
</tbody>
</table>

NOP RPS tolerances shall be set at the following:

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Tolerance</th>
<th>Maximum Tolerance</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2017 to December 31, 2017</td>
<td>90% of forecast</td>
<td>110% of forecast</td>
<td>25% of 2017 of retail sales</td>
</tr>
<tr>
<td>January 1, 2018 to December 31, 2018</td>
<td>80% of forecast</td>
<td>100% of forecast</td>
<td>25% of 2017 and 2018 retail sales</td>
</tr>
<tr>
<td>January 1, 2019 to December 31, 2019</td>
<td>70% of forecast</td>
<td>90% of forecast</td>
<td>25% of 2017 through 2019 retail sales</td>
</tr>
<tr>
<td>January 1, 2020 to December 31, 2020</td>
<td>55% of forecast</td>
<td>75% of forecast</td>
<td>25% of 2017 through 2019 retail sales + 33% of 2020 retail sales</td>
</tr>
<tr>
<td>Post 2020</td>
<td>40% of forecast</td>
<td>60% of forecast</td>
<td>33% of retail sales</td>
</tr>
</tbody>
</table>

NOP Capacity tolerances shall, at a minimum, be set at the following:

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Tolerance</th>
<th>Maximum Tolerance</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt month +1</td>
<td>100% of req’d</td>
<td>100% of req’d</td>
<td>115% of peak load</td>
</tr>
<tr>
<td>Prompt month +2</td>
<td>100% of req’d</td>
<td>100% of req’d</td>
<td>115% of peak load</td>
</tr>
<tr>
<td>Prompt quarter</td>
<td>100% of req’d</td>
<td>100% of req’d</td>
<td>115% of peak load</td>
</tr>
<tr>
<td>Balance-of-year</td>
<td>75% of req’d system and flex; 100% of req’d local</td>
<td>100% of req’d</td>
<td>115% of peak load</td>
</tr>
<tr>
<td>Prompt calendar year (as of August)</td>
<td>50% of req’d</td>
<td>90% of req’d</td>
<td>n/a</td>
</tr>
<tr>
<td>Prompt calendar year (as of October)</td>
<td>75% of req’d system and flex; 100% of req’d local</td>
<td>100% of req’d</td>
<td>103.5 % of summer months peak load for system and flexible capacity; 100% of obligation for local</td>
</tr>
<tr>
<td>Post Prompt Year</td>
<td>0% of req’d</td>
<td>50% of req’d</td>
<td>n/a</td>
</tr>
</tbody>
</table>
5 Authorized Transaction and Trading Limitation

5.1 Energy Trading and Authority Policy Objectives
SVCE’s Energy Trading and Authority (ETA) policy is designed to satisfy the following objectives:

- Ensure that market participation is consistent with SVCE’s customer needs
- Provide SVCE with viable market tools with which to transact without exposing SVCE to undue risk
- Provide SVCE’s traders and origination team with structure upon which to transact
- Ensure that agreements that govern transactions and allow for trading are suitable for transacting and do not expose SVCE to undue risk

5.2 Trader and Origination Team Authorization Process
The Front Office shall request that the Middle Office begin the trader authorization process. The Middle Office shall verify that the trader’s background is consistent with the criteria established by the ERM Risk Oversight Committee and is approved by the ERM Risk Oversight Committee. Criteria for approval shall consist of the following:

- Trader name
- Experience
- Verification that trader is not currently under investigation for market manipulation
- Verification that trader has not been previously investigated for market manipulation
- Verification that trader has read and understands SVCE’s trader policies regarding closing SVCE’s NOP, and prohibition of speculation and market manipulation

Once the trader is authorized by the ERM Risk Oversight Committee to transact on behalf of SVCE, the Middle Office shall then notify the Front and Middle Offices of the ERM Oversight Committee’s decision. For an approved trader, the Middle Office shall add the trader to the trade capture system with the appropriate limits and authorizations. The Middle Office shall maintain documentation indicating SVCE’s authorized traders, origination team members along with markets, trading instruments and term for which they are approved.

5.3 Approved Market Participation
Approved markets in which SVCE authorized traders and origination team members can participate are as follows:

- Bilateral energy and capacity within the WECC
- Bilateral renewable energy within the WECC
- Bilateral transmission and associated services within the WECC
- Bilateral carbon and emissions within California
- California Air Resources Board (CARB) emissions/carbon auctions
- Bilateral financial energy
- California Independent System Operator (CAISO)
  - Day-Ahead energy and ancillary services
  - Real-Time energy and ancillary services
  - Congestion Revenue Rights (CRRs)
  - Virtual bidding

5.4 Trading Instruments
Approved trading instruments in which SVCE authorized traders and origination team members can utilize are as follows:
- Physical energy, capacity and transmission transactions
- CAISO energy, ancillary services, inter-scheduling coordinator trades (ISTs), CRRs and virtual bidding
- Financial energy fixed-for-floating swaps
- Financial contracts-for-differences
- Basis transactions
- Greenhouse gas emissions allowances
- Renewable Energy Certificates (RECs)
  - Portfolio Compliance Category 1 (PCC1)
  - PCC2
  - PCC3

5.5 Enabling Agreements
Approved enabling agreements under which SVCE transactions are governed are as follows:
- Western System Power Pool (WSPP)
- Edison Electric Institute (EEI)
- CAISO Tariff
- Individual Power Purchase Agreements approved by the SVCE Board of Directors

5.6 Authorized Trading Limits
The table below lists authorized trading limits for personnel authorized to transact on behalf of SVCE.\(^1\)

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\(^1\) Note that except for CRRs and Convergence Bids, all limits are expressed in notional value of the contract, that is price times quantity. For example, 5 MWh x $20/MWh is a notional value equal to $100. CRRs and Convergence Bids are expressed in Value at Risk, that is the amount that the value of the CRR can expected to vary within a confidence interval. The confidence interval for CRRs and Convergence bids is 95%. 

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</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Real-Time</td>
<td>Balance-of-period until next unscheduled Day-Ahead Period</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
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<td>Capacity</td>
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<td>Transmission</td>
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<tr>
<td>Financial Energy</td>
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<tr>
<td>Energy</td>
<td>Day-Ahead</td>
<td>Balance-of-period until next unscheduled Day-Ahead Period</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
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<td>Capacity</td>
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<tr>
<td>Transmission</td>
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<td>Financial Energy</td>
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<tr>
<td>Energy</td>
<td></td>
<td>Next unscheduled Day-Ahead Period until end of current month</td>
<td>$5,000,000</td>
<td>100</td>
<td>$2,500,000</td>
<td>50</td>
</tr>
<tr>
<td>Capacity</td>
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<tr>
<td>Transmission</td>
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<tr>
<td>Financial Energy</td>
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<tr>
<td>Energy</td>
<td></td>
<td>Prompt Month</td>
<td>$7,500,000</td>
<td>200</td>
<td>$2,000,000</td>
<td>50</td>
</tr>
<tr>
<td>Capacity</td>
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<td>Transmission</td>
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<td>Financial Energy</td>
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<tr>
<td>Energy</td>
<td></td>
<td>Balance-of-Year</td>
<td>$25,000,000</td>
<td>250</td>
<td>$6,250,000</td>
<td>50</td>
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<tr>
<td>Capacity</td>
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<td>Transmission</td>
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<td>Financial Energy</td>
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<tr>
<td>Energy</td>
<td></td>
<td>Current Month through 36 Months</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
</tr>
<tr>
<td>Capacity</td>
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6 Counterparty Credit

6.1 Credit Risk Policy Objective
SVCE’s Energy Credit Risk policy is designed to satisfy the following objectives:

- Ensure that counterparty risk is recognized and managed to prevent financial loss and regulatory noncompliance due to nonperformance
- Provide SVCE with a broad range of viable counterparties
- Provide SVCE with enough counterparty diversity to obtain market-representative products, prices and location

6.2 Credit Authorization Process
For each potential new counterparty, the Middle Office will develop a counterparty credit template that will be used as the basis for vetting the counterparty’s suitability for transacting with SVCE. The counterparty credit template shall consist of the following:

- Counterparty name
- Investment grade
- Financial measures such as assets-to-liability ratio and debt-to-equity ratio
- Organization’s size (personnel, assets, dollars)
- Payment history
- Reputation in industry
- Depth of resources
- Enabling agreement type (WSPP, EEI, or custom)
- Litigations in progress and concluded
- Government entity
- Counterparty limits as described in Section 6.5 below (if counterparty is approved)

Once the credit template is completed, the Middle Office is responsible for determining whether the counterparty is suitable for transacting with SVCE and if so, corresponding limits and collateral if necessary. The recommendation and credit template are then provided to the ERM Risk Oversight Committee for final approval, rejection or modification of limits. The Middle Office shall then notify the Front and Middle Offices of the ERM Risk Oversight Committee’s decision. For approved counterparties, the Middle Office shall add the counterparty to the trade capture system with the appropriate limits.

6.3 Counterparty Credit Limits
Counterparty credit limits that are entered in the trade capture system and monitored are as follows:

- Total dollars owed or are owed
- Total volume sold or purchased (MW and MWh) remaining to be delivered or received
• Total dollar value of transaction
• Total transaction volume sold or purchased (MW and MWh)
• Percentage of dollars owed or are owed relative to all counterparties
• Percentage of volume sold or purchased relative to all counterparties

Prior to entering into any new transaction, the effect of the potential transaction shall be incorporated to ensure that limits prescribed to the potential counterparty shall not be breached. If any of the limits are breached, the transaction shall not be executed.

6.4 Counterparty Credit Monitoring
Counterparty credit monitoring shall be originated using the counterparty credit monitoring template. All pertinent information shall be included and updated using the counterparty credit template. The counterparty credit template shall be used by Middle Office personnel to enter relevant information into the trade capture system for tracking against transactions and settlements.

The transaction capture system shall compare the effect of potential transactions prior to executing a transaction. Transactions that are within limits can then be executed. Transactions that exceed limits shall not be executed.

6.5 Counterparty Credit Limit Exceedances
Counterparty credit limit exceedances shall result in immediate suspension of trading with that specific counterparty. Should that occur, the following actions to remedy shall be performed:
• No new transactions shall be executed with the affected counterparty
• Middle Office shall be notified immediately
• Middle Office shall investigate and identify the root cause of the exceedance
• Middle Office shall notify the ERM Risk Oversight Committee
• The exceedance shall be rectified as soon as possible via actions recommended by the Middle Office and approved by the ERM Risk Oversight Committee
• A comprehensive report shall be developed by the Middle Office and provided to the ERM Risk Oversight Committee and subsequently the SVCE Board of Directors

7 Reporting
As described in the ERM procedures, the Middle Office will develop reports to provide feedback to the SVCE Risk Oversight Committee regarding NOP management, risk management and pertinent issues affecting SVCE. They will also develop reports for the Front Office to state how well the contracts and transactions performed relative to expectations. At a minimum, reports shall consist of the following:
• Summary of energy risk management meetings
• NOP summary
  o NOP by period and type (energy, capacity, RPS, and carbon-free)
  o Value of NOP in dollars
- Transactions executed and resultant change to NOP during the month
- Strategies for closing NOP
- Transactions that were required to close NOP as a result of tolerance exceedance
- Result of transactions on NOP

- Contract performance
- Summary of new transactions
- Financial report (costs and revenues associated with load obligations, contracts, resources and resultant NOP)
- Identification of violations of the Risk Policy along with mitigation measures
- Counterparty summary
  - List of counterparties
  - Credit limits (approved values)
  - Current dollar and volume amounts and remaining limits
  - Current credit rating
  - Total dollar value and quantity of transaction by counterparty
  - Ratio of contract value per counterparty to all contracts
  - Transactions that exceeded limits
    - Counterparty
    - Transaction type
    - Dollar amount of transaction
    - Quantity of transaction
    - Limit that was exceeded
    - Root cause of exceedance
    - Resolution

- RPS status
- Transaction Summary Report (quarterly or as requested by CEO to Risk Oversight Committee)
  - List of transactions
  - Volume and dollar amounts of transactions
  - Types of transactions
  - Effect of transactions on NOP
- Exceptions (as requested by CEO to Risk Oversight Committee)
  - Transactions that exceeded limits
  - Counterparty
  - Transaction type
  - Dollar amount of transaction
  - Quantity of transaction
  - Limit that was exceeded
  - Root cause of exceedance
  - Resolution
Reviewed and Approved by:

Tom Habashi – CEO, SVCE

Date

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MISSION STATEMENT: Reduce dependence on fossil fuels by providing carbon free, affordable and reliable energy and innovative programs for the SVCE community.

I. Goals, Strategies, and Tactics

Best Place to Work

Goal 1: Be a high performing team with 90% employee engagement and less than 10% employee turnover per year

Strategy 1.1: Build an environment that encourages creativity and innovation

1.1.1) Support professional development by paying for memberships, conferences and other continuing education mechanisms
1.1.2) Encourage staff to attend conferences and networking events

Strategy 1.2: Support employee health and wellness

1.2.1) Promote healthy habits
1.2.2) Provide flexible schedules to accommodate family needs

Strategy 1.3: Build a fun company culture

1.3.1) Monthly, arrange for staff lunch outings and social hours
1.3.2) Annually, sponsor family events (holiday party, summer picnic, etc.)
1.3.3) Promote team building through volunteer work
1.3.4) Maintain an open-door policy for CEO and directors

Strategy 1.4: Provide effective feedback processes

1.4.1) Research and develop an annual feedback process to be implemented in 2018
1.4.2) Conduct an annual survey to measure employee engagement

Strategy 1.5: Provide opportunities for cross team interaction and collaboration

1.5.1) Establish a monthly all hands meeting

Strategy 1.6: Reward staff to keep them happy

1.6.1) Annually, update compensation schedule to account for cost of living adjustment
1.6.2) Continue to provide great benefits
1.6.3) Ensure that staff has the tools to effectively do the job
Marketing and Community Engagement

Goal 2: Achieve Customer Awareness of 50% by 2019

**Strategy 2.1:** Update baseline customer awareness

2.1.1) Conduct customer survey in Q1 of 2018 and biennially thereafter

**Strategy 2.2:** Build awareness and trust through continuous interaction with the SVCE community

2.2.1) Hold an annual community meeting, one per member agency, highlighting the value that SVCE brings to its customers
2.2.2) Annually, place booth/table in 6 regional events that emphasize energy efficiency, sustainability, and efficient use of natural resources
2.2.3) Sponsor community and industry events that promote resource efficiency, alternative transportation and clean energy
2.2.4) Create a Speaker’s Bureau to present to community groups, environmental organizations, trade allies, large commercial customers and neighborhood schools at their respective meetings

**Strategy 2.3:** Engage the media to inform the community of SVCE product offerings

2.3.1) Submit quarterly news features to all local papers
2.3.2) Monthly, draft an op-ed on behalf of each board member for submission into their local newspaper
2.3.3) Quarterly, pitch one story for earned media

**Strategy 2.4:** Leverage the SVCE member agencies' sustainability and communication staff to disseminate information to the communities we serve

2.4.1) Organize and conduct monthly calls for the Communications Working Group for SVCE member agency sustainability and communication staff
2.4.2) Attend bi-monthly regional PIO meetings
2.4.3) Provide updates at council meetings once a quarter via board of directors or other SVCE representative
2.4.4) Organize quarterly meeting between C&I customers and various interest groups to promote renewable resources, decarbonization, and advanced technologies for energy storage

**Strategy 2.5:** Leverage partnerships with other CCAs to increase general CCA “brand recognition” among consumers

2.5.1) Promote the undertaking of joint marketing campaigns with Peninsula Clean Energy and other regional CCAs
2.5.2) Co-brand of publicly visible energy service infrastructure (e.g. EVSE, solar carports, etc.)

Goal 3: Achieve 95% customer satisfaction by 2020

**Strategy 3.1:** Establish measurement methodology and baseline
3.1.1) Develop methodology by Q4 of 2017
3.1.2) Establish baseline in 2018

**Strategy 3.2:** Create a customer-centric culture

3.2.1) Ensure that customer contact center reps are trained and deliver pleasant and effective customer experiences
3.2.2) Randomly monitor and listen to calls, live or recorded, each quarter
3.2.3) Monitor customer service stats to ensure adherence to Service Level Agreements
3.2.4) Offer a post-transaction survey to customers

**Strategy 3.3:** Recognize GreenPrime customer’s added contribution to SVCE’s mission

3.3.1) Biannually, conduct an event to recognize large commercial customers participating in the GreenPrime program
3.3.2) Quarterly, pitch customer stories featuring residents and businesses who have upgraded to GreenPrime

**Strategy 3.4:** Promote Customer Programs

3.4.1) Advertise programs in order to maximize participation among customers

**Goal 4:** Work with the community to achieve GHG reduction of 30% from baseline by 2021

**Strategy 4.1:** Utilize local GHG data and key ‘clean electric’ operating measures to guide SVCE program activities

4.1.1) Working with member agencies, establish/document baseline GHG inventory for SVCE service territory by Q1 2018
4.1.2) Working with member agencies, identify and document common CAP goals and measurement methods relevant to SVCE, and quantify penetration of related ‘clean electric’ infrastructure by Q1 2018
4.1.3) Establish and document an initial set of SVCE ‘clean electric’ operating metrics, and targets where related to an SVCE program by Q1 2018

**Strategy 4.2:** Provide carbon-free and renewable electricity to additional customers in the SVCE service area

4.2.1) Annually, communicate renewables and CO2 in SVCE electric supply to support local GHG accounting efforts and customer GHG accounting (e.g. Power Content Label, emissions intensity, recognized certifications)
4.2.2) On an on-going basis, engage with selected DA customers and large bundled customers who have opted out, to review options and benefits of service from SVCE

**Strategy 4.3:** Maintain an SVCE decarbonization program roadmap, and related processes for management, prioritization and stakeholder input
4.3.1) Establish high-level evaluation criteria and weighting to assess relative program impact and value by June 2017

4.3.2) Identify and document candidate programs that promote decarbonization via fuel switching to clean electricity, and more efficient uses of energy by July 2017

4.3.3) Generate an initial ranking of candidate programs vs evaluation criteria, and confirm top-ranked ‘starter programs’ with SVCE Board by Q3 2017

4.3.4) Establish process and mechanisms for ongoing stakeholder input and review by August 2017

**Strategy 4.4:** Develop and conduct SVCE programs that promote decarbonization via fuel switching to clean electricity, and more efficient uses of energy

4.4.1) Plan and launch initial ‘starter programs’ as prioritized and ratified by the Board in item 4.3.3 above, in Q4 2017

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**Power Supply**

**Goal 5:** Annually, acquire sufficient renewable type 1 resources (PCC1) to meet 100% of the state’s annual mandates for renewable resources regardless of the allowance that the state makes for type 2 or type 3 renewables

**Strategy 5.1:** Stagger acquisitions to accommodate regulatory and supply price risks

5.1.1) Hedge PCC1 at 100% for 2017, reduce the hedge by 10% every year for the next 5 years
5.1.2) Starting 2018, acquire the equivalent of a minimum of 10% of the state renewable mandate through long-term project participation agreement

**Strategy 5.2:** Diversify the use of technologies to meet PCC1 resource needs

5.2.1) Ensure that supply acquisitions would limit any single technology to no more than 50% of the renewable resources needed to meet state mandate
5.2.2) Annually, invest up to 2% of expected supply resource cost in storage capacity

**Goal 6:** Acquire sufficient carbon free credits to ensure that SVCE’s demand will be sourced from 100% carbon free resources

**Strategy 6.1:** Strike a balance between hydro and other unbundled renewable resources to meet the remainder of SVCE demand following the acquisition of the type 1 renewable resources

6.1.1) Annually, conduct an analysis to determine the most effective and economical way to acquire sufficient renewable and carbon free credits to support the 100% carbon free resource goal
6.1.2) Consider acquiring additional unbundled renewable credits to exceed 100% of SVCE’s needs to contribute to the region’s decarbonization efforts
**Strategy 6.2:** Promote regionalization to enhance the value of out-of-state renewable resources and speed the timeline for achieving carbon neutrality

6.2.1) Support the CAISO’s effort to establish a western-wide balancing authority and promote the development of renewable resources throughout the Western interconnected grid

6.2.2) Conduct a study to compare the value of investing in-state versus out-of-state for renewable resources by March 2018

**Finance**

**Goal 7:** Achieve an A or higher credit rating by 2020

**Strategy 7.1:** Develop and maintain comprehensive policies for the governance of SVCE financials

7.1.1) Develop SVCE dashboards that include key financial metrics by September 2017

7.1.2) Develop an annual budget and update mid fiscal year

7.1.3) Annually, develop 10 year financial forecasts to predict rate adjustments

7.1.4) Frequently monitor discretionary expenses (non-power supply) to ensure that they remain within 5% of budget

**Strategy 7.2:** Establish a Rate Stabilization Fund to hedge unexpected variation in power supply costs

7.2.1) Hold retail rates at 1% below PG&E’s rates for 2017-18 and sweep net operating margins into the rate stabilization fund

7.2.2) Target RSF balance of 50% of operating expenses

7.2.3) Establish a range of 30-70% of operating expenses for the balance of the RSF

7.2.4) Retire lines of credit by December 2017; pay back loan from member agencies by the end of FY 2017-18

**Strategy 7.3:** Promote reliance on power supply contracts rather than development of renewable resources

7.3.1) Maintain a debt-to-equity ratio of 0.5 or less and debt service coverage ratio of 2.0 or higher

**Goal 8:** Preserve and enhance SVCE’s market share within its territory

**Strategy 8.1:** Maintain rate and price competitiveness

8.1.1) By Fall 2018, conduct a study comparing power supply cost of SVCE to PG&E and other regional CCAs

8.1.2) Annually, identify major shifts in key cost components and recommend an approach to minimize risks associated with those shifts

**Regulatory/Legislative**
Goal 9: Engage regulators and legislators to promote least-cost carbon neutrality while maintaining electric grid reliability

Strategy 9.1: Help build CalCCA into a stable, resilient institution and a respected political brand that can advocate for SVCE values regionally

9.1.1) Take an active role in the conversation about what CalCCA should look like as an institution in its “mature” state, and help build a roadmap for how to get there

9.1.2) Support CalCCA staff in facilitating and hosting CalCCA conference calls, meetings, and other forms of communication

9.1.3) Contribute to the development of protocols and procedures to govern CalCCA activity

9.1.4) Develop orientation materials to be distributed to staff at new CalCCA member CCAs that pass on knowledge from existing members

9.1.5) Author comments, testimony, articles for the media, and other documents to be released under the CalCCA name as necessary until CalCCA has its own staff

Strategy 9.2: Use strategic lobbying to foster a regulatory and legislative environment that supports SVCE’s existence and GHG mitigation efforts

9.2.1) Coordinate with CalCCA lobbyists to maximize legislators’ awareness of CCA issues

9.2.2) Leverage the voices of community leaders within SVCE’s territory by arranging for them to contact and meet with their legislators to discuss CCA issues

9.2.3) Ensure that climate and CCA stewardship are part of the conversation during local elections for municipal and state legislative positions

Strategy 9.3: Facilitate and coordinate cross-CCA marketing and partnership efforts via CalCCA

9.3.1) Initiate a marketing executive committee with one-to-two representatives from each active CCA

Strategy 9.4: Foster support for CCAs and least-cost carbon neutrality among key community stakeholder organizations

9.4.1) Quarterly, attend or cohost a community meeting or event to engage individual community leaders and groups

9.4.2) Reach out to members of local organizations to participate in broad lobbying by calling and emailing legislators

Strategy 9.5: Conduct comparative research to quantify the impact of the CCA model and the benefits CCA members receive under CCA operation

9.5.1) Annually, use data collected during SVCE operations to provide quantitative evidence of the qualitative benefits of CCA membership (rate stability, carbon savings, community engagement, etc.)
9.5.2) Publish results in peer-reviewed journals or industry publications where they can be seen and shared
9.5.3) Share results with other CCAs and encourage them to do the same in order to identify best practices and opportunities for improvement

**Information Technology**

**Goal 10:** SVCE's Information Technology infrastructure must be secure, reliable and disaster resilient to provide 24/7/365 online access

**Strategy 10.1:** Information to be easily available anytime-anywhere

10.1.1) Implement qualitative and quantitative metrics to gauge the overall information technology
10.1.2) Provide 24/7/365 continuous support, 100% system reliability and 0% data breaches by third parties
10.1.3) Maintain up-to-date capabilities of systems with software version upgrades
10.1.4) Ensure that all applications and services work on mobile devices
10.1.5) Implement cloud based computing and storage cycles

**Strategy 10.2:** Maintain secure, integrated access in the cloud and/or SVCE servers

10.2.1) By September 2017, complete a strength, weakness, opportunities, and threats (SWOT) analysis to identify and analyze the internal and external factors that have an impact on the IT infrastructure
10.2.2) By August 2017, inventory all hardware and software used in SVCE to include program name, manufacturer and version number
10.2.3) By October 2017, identify and map SVCE's network routes, including cable, routers, and switches