



**COMMUNITY
POWER COALITION
OF NEW HAMPSHIRE**

RISK MANAGEMENT COMMITTEE – MINUTES

Meeting Type: **Risk Management Committee**
Meeting Location: **Council Chambers, Lebanon City Hall, 51 N. Park Street, Lebanon, NH & Microsoft Teams Meeting**
Meeting Date: **Tuesday, September 20, 2022**
Meeting Time: **Noticed for 9AM**

Committee Members in Attendance:

- Risk Management Committee Chair Matt Miller, Town of Pembroke Director (virtual)
- Clifton Below, City of Lebanon Director
- Peter Kulbacki, Town of Hanover Alternate
- Jackson Kaspari, City of Dover Alternate (virtual)
- Nick Devonshire, Town of Exeter Director (virtual)
- Treasurer Kimberly Quirk, Town of Enfield Director

Committee Members in Absence:

- April Salas, Town of Hanover Director
- Kevin Charette, City of Portsmouth Director

Guests:

- Scott Wrigglesworth, Ascend Managing Director of Operations and Strategy, CPCNH Project Lead
- Carlos Blanco, Ascend Managing Director for Risk Management
- Devin Gaby, Ascend Manager of Software Services
- Samuel Golding, Community Choice Partners
- Henry Herndon, Herndon Enterprises


Notes

Meeting participants introduced themselves. Carlos Blanco provided an overview of Enterprise Risk Management Policy (ERMP) which would include Energy Portfolio Risk Management Policy (EPRM), Cost Sharing Agreement, and Financial Reserve Policy. The agenda included discussion of ERMP Scope, Governance and Amendments, Risk Exposures (definitions, impact for CPCNH, mitigation and controls).

Enterprise Risk Management Policy (EPRM): Overview and Objectives

ERMP objectives include: competitive rates and choices; fiscal stability; financial reserves; development of renewable and battery storage projects. ERMP means a Board policy framework to enable CPCNH to **identify, mitigate, and manage financial, operational, and strategic risks**. Identify risks associated with procurement of power supply; identify those responsible for administering various elements of risk management policy; set parameters and methodologies for managing risk, including specification of authorized products, terms, and transaction limits; provide accrual for financial reserve funds.

Mr. Blanco provided examples from Valley Clean Energy (VCEA), Silicon Valley Clean Energy (SVCE).

 <p>COMMUNITY POWER COALITION OF NEW HAMPSHIRE</p>	RISK MANAGEMENT COMMITTEE – MINUTES	
	Meeting Type:	Risk Management Committee
	Meeting Location:	Council Chambers, Lebanon City Hall, 51 N. Park Street, Lebanon, NH & Microsoft Teams Meeting
	Meeting Date:	Tuesday, September 20, 2022
	Meeting Time:	Noticed for 9AM

Nick Devonshire asked which risks/goals would be outside of Ascend’s scope. Scott Wrigglesworth noted he anticipated Ascend would be involved in all, but some, like legislative and regulatory risks, might be better led by others.

ERMP will need processes for administration and amendments clarifying governance of ERMP.

Risk exposures include opt-out, market price (flat price & basis; market liquidity), net revenue (revenues; costs), counterparty performance (failure to deliver/take delivery; bankruptcy and performance), liquidity (funding operations; collateral and margin), volumetric (load forecasting; energy delivery), operational (people; systems, data, facilities; process & governance), regulatory/legislative, and reputation. For each, there will be a metric and/or body responsible for oversight (e.g., RMC vs. FinCom vs. CEO). Some risks will be measured with metrics and incorporated into Ascend models; other risks will be more qualitative and will be monitored and discussed as needed through Committees and other governance/operational/administrative channels. Ascend will share risk reports monthly.

Energy Portfolio Risk Management Policy (EPRM): Introduction, governance, hedging program goals, portfolio management and hedging strategies, portfolio diversification and hedge execution, scope of hedge portfolio and sharing mechanisms, hedge portfolio horizon and volumetric limits, reporting requirements and metrics. Risk policy defines permitted financial instruments; the portfolio may consist of both contracts for physical power, and financial instruments such as insurance, options, etc.


Director Matt Miller asked about the frequency and timeline for taking action on products. Mr. Blanco clarified that daily and hourly loads and trades will have a frequent cycle of action. For new investments in things like batteries, the cycle is several months or weeks. It depends on the decision and different types of decisions will have different timelines. In the event a big decision may need to occur between regularly scheduled RMC meetings, a process will be needed for that, e.g., calling an emergency meeting, delegation of authority.

Scope of Hedge Portfolio and Sharing Mechanisms. CPCNH will manage one whole portfolio for its Member CPAs. The smaller portfolio of each CPCNH member community will not be individually managed to avoid sub-optimal behavior for the overall portfolio.

Limit Setting Principles: Enable staff to conduct required business effectively – volume and dollar limits adequate to reliably meet physical and financial requirements at prevailing prices. Reflect risk-reward tradeoffs. Duration, volume dollar, and exposure limits appropriate for associated risks. Etc. Etc.

Front office is directly involved with product procurement and transactions. The middle office is responsible for risk management and modeling. The back office is responsible for verifying, validating accounting, processing, reconciling and settling all transactions.

The front office will be a combination of Ascend and its sub-contracted Load Serving Entity (LSE). CPCNH may well internalize some front office function by hiring someone internally who is in charge of procurement.

 <p>COMMUNITY POWER COALITION OF NEW HAMPSHIRE</p>	RISK MANAGEMENT COMMITTEE – MINUTES	
	Meeting Type:	Risk Management Committee
	Meeting Location:	Council Chambers, Lebanon City Hall, 51 N. Park Street, Lebanon, NH & Microsoft Teams Meeting
	Meeting Date:	Tuesday, September 20, 2022
	Meeting Time:	Noticed for 9AM

As CPCNH builds up reserves, it can register as an LSE and become a direct market participant and vote in ISO New England and NEPOOL committee processes.

Financial Reserves Policy: Background, purpose and goals, reserve target levels (\$, days of operation), funding the reserve account, excess reserves, periodic review of targets, conditions of use of reserves, reporting.

Director Clifton Below asked how many days of operating capital was a good target for the reserve fund. Mr. Blanco responded that 2-4 months of operating cash was reasonable.

The Committee discussed leveraging reserves for outside financing for project development, and also making use of tax-exempt revenue bonds to finance projects. There may be pooled reserves, traceable to individual member CPAs, such that if that Member withdrew, it would be remitted its portion of the pooled reserves, or, a member CPA could tap its own reserves for a specific project/program.

Director Kimberly Quirk asked if there would be multiple separate auditors. Mr. Golding clarified there would be an audit organizational audit, and via RMC, an every-other-year operational audit. It could be one or multiple firms.

Scott Wrigglesworth noted some things will need to be approved up front, such as the Enterprise Risk Management Policy (ERMP). Other things will need to be acted on monthly via RMC. There could be rare urgent matters where meetings would need to be called out of cycle. Ascend generally puts together a packet once per month for RMC. Certain hedging activities Ascend will not perform without express consent from CPCNH. CPCNH may delegate authority to an individual or individuals (e.g., CEO and Treasurer) to approve 15-minute executions, which could be scheduled such that the information went out, for example, every Tuesday at 9am, response occurs, and executions were made. This would not require a public meeting.

CPCNH RMC is scheduled for first Wednesday of each month, 9-11am. Ascend will participate.

Once the technical assessment is complete, Scott Wrigglesworth may present it to CPCNH.

Meeting adjourned by unanimous consent at 10:58am without objection.