Energy Risk Management Policy

Version: 1.0
Approval Date: 11/19/20

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1.0 General Provisions

1.1 Background and Purpose of Policy

Clean Energy Alliance (CEA) participates in energy markets for purposes of fulfilling its role as a Community Choice Aggregator serving retail electricity customers located within the San Diego region. This Energy Risk Management Policy (Policy) has been developed to facilitate the achievement of CEA's organizational objectives while adhering to policies established by CEA's Board of Directors (Board), power supply and related contractual commitments, good utility practice, and applicable laws and regulations.

This Policy defines CEA'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 CEA is exposed in its normal course of business.

1.2 Scope of Business and Related Market Risks

Beginning in May 2021, CEA will provide electric energy to retail customers within its service territory, which requires completion of the following business activities: bilateral purchases and sales of electricity under short-, medium- and long- term contracts; scheduling of load and generation of electricity 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 carbon-free and Renewables Portfolio Standard (RPS) compliance; 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 California Public Utilities Commission (CPUC) Resource Adequacy (RA) requirements. Participation in such activities expose CEA 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

To mitigate CEA's exposure to such risks, this Policy has been drafted to focus on the following areas of concern:

- 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 CEA: fire, accident and casualty; health, safety, and workers' compensation; general liability; and other such typically insurable perils. The

term "risk management," as used herein, is therefore understood to refer solely to market risks as defined herein, and not those other categories of risk.

1.3 Policy Administration

This version of the Energy Risk Management Policy was adopted by the CEA Board of Directors on November 19, 2020. This Policy may be amended as needed by CEA's Board.

1.4 Policy Distribution and Acknowledgment

This Policy shall be distributed to all CEA employees and third-party contractors who are engaged in the planning, procurement, sale and scheduling of electricity on CEA's behalf and/or in other CEA departments providing oversight and support for these activities. All such employees and contractors are required to confirm in writing on an annual basis that they:

- Have read CEA's Risk Management Policy
- Understand pertinent terms and requirements of the Policy
- Affirm the intent to comply with the Policy
- Understand that any violation of the Policy shall be subject to employee discipline up to and including termination of employment.

1.5 Policy Interpretation

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

2.0 Risk Management Goals

The goals of CEA'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 CEA;

[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 CEA 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 CEA objectives.

3.0 Risk Management Principles

3.1 General Risk Management Principles

CEA manages its energy resources and transactions with the objectives of reducing greenhouse gas emissions, supporting local economic development and providing customers with stable, competitive electric rates while contemporaneously minimizing risks. CEA's risk management principles include the identification of relevant risks, systematic risk measurement and reporting, and strict adherence to established risk policies. CEA 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 CEA 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 CEA standards of personal conduct while employed by or affiliated with CEA.

3.2 Conflicts of Interest

All CEA Directors, management, employees, consultants, and agents participating in any transaction or activity within the coverage of this Policy are obligated to give notice in writing to CEA of any financial interest such person has in any counterparty that seeks to do business with CEA, and to identify any real or potential conflict of interest such person has or may have with regard to any existing or potential contract or transaction with CEA. Further, all persons are prohibited from personally participating in any transaction or similar activity that is within the coverage of this Policy, or prohibited by California Government Code § 1090, and that is directly or indirectly related to the trading of electricity and/or environmental attributes as a commodity.

If there is any doubt as to whether a prohibited condition exists, then it is the employee's responsibility to discuss the possible prohibited condition with her/his manager or supervisor.

3.3 Adherence to Statutory Requirements

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

Congress, FERC and CFTC have enacted laws, regulations, and rules that prohibit, among 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 any untrue statement of fact or omitting to state a material fact where the omission would make a statement misleading. Violation of these laws can lead to both civil and criminal actions against the individual involved, as well as CEA. This Policy is intended to comply with these laws, regulations and rules and to avoid improper conduct on the part of anyone employed by CEA. These procedures may be modified from time to time by legal requirements, auditor recommendations, requests from the CEO and/or ROC, and other considerations.

In the event of an investigation or inquiry by a regulatory agency, CEA will provide legal counsel to employees. However, CEA will not appoint legal counsel to an employee if CEA's General Counsel and Chief Executive Officer determine that the employee was not acting in good faith within the scope of employment. CEA employees are prohibited from working for another power supplier, CCA or utility in a

related position while they are simultaneously employed by CEA unless an exception is authorized by the Board. For clarity, this prohibition is not intended to prevent CEA staff from performing non-CCA activities on behalf of CEA in the normal course of its business.

3.4 System of Records

CEA will maintain a set of records for all transactions executed in association with CEA'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 CEA's participation in wholesale and retail markets as a Load Serving Entity (LSE) as well as CEA'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 approaches are necessary to manage exposure to pricing volatility within the CAISO or bilateral energy markets.

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

Another dimension of market price risk is congestion or "basis" risk. Congestion risks arise from the locational differences in prices between the point of delivery of CEA's load (meaning, power consumed by customers) and its contracted supply.

For CEA, 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 CEA's "open positions", meaning the volume of energy that will ultimately be required for delivery to CEA customers but that has not yet been purchased. Increases in market prices will increase CEA's costs when those open positions are eventually filled at the higher prices. Incurrence of higher than anticipated power costs can reduce funds available for financial reserves or other planned uses and can lead to the need for 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 CEA 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 CEA's competitive position and market share if other market participants (e.g., Direct Access providers or SDG&E) 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 CEA 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 a quick resale of the product elsewhere, possibly at a lower price;

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

[4] counterparties and suppliers may refuse to extend credit to CEA, possibly resulting in higher collateral posting costs, which could impact CEA'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. CEA 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 Integrated Resource Plan (IRP).

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 of 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 CEA'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 CEA's actual load is higher than scheduled in the day-ahead market, and real-time prices are comparatively high during such instances, then CEA 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 CEA 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 CEA credit covenants or thresholds – CEA 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 CEA'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 CEA may be the subject of legal or other claims arising from the normal course of business. Payment of a claim by CEA could reduce CEA's liquidity if the cause of loss is not covered by CEA'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 CEA. 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 CEA customers (relative to SDG&E 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 CEA's autonomy, increase its costs, or otherwise negatively impact CEA'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 and usual 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 by senior management in risk management 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 the IRP 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, and relevant training to ensure adequate knowledge to operate in and comply with rules associated with 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 on 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 IRP.

- It is the expressed intent of this Policy to prohibit the acquisition of risk beyond that encountered in the efficient optimization of CEA'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 CEA. In no event shall speculative transactions be permitted. Any financial derivatives transaction including, but not limited to futures, swaps, options, and swap options are also prohibited. If any questions arise as to whether a proposed transaction(s) constitutes speculation, CEA shall conduct an analysis of the transaction and the Board shall review the transaction(s) to determine whether the transaction(s) would constitute speculation and document its finding in the meeting minutes.

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

[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 CEA's procurement-related business activities and performance relative to stated goals.

CEA 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. 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, CEA 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, CEA will solicit market energy to close open positions and 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 CEA's planning models and related policies.

[4] Counterparty Credit Exposure – calculates the notional and mark-to-market exposure to each CEA counterparty by deal and 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, CEA staff will monitor CEA's reserves to ensure that they meet the 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 CEA adjusts its methods to reflect the evolving competitive landscape.

6.2 Market Price Risk

CEA manages market price risk using its planning models which define forecasted load, energy under contract and CEA's open positions across various energy product types including renewable energy (Portfolio Content Category I and II; CEA does not anticipate procuring Portfolio Content Category III products), carbon-free energy and system power relative to CEA's procurement targets.

CEA determines the quantity of energy it intends to place under contract each year 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 CEA intends to fill in the upcoming year. The planning models inform CEA's solicitation planning, including solicitation timing and strategy as well as the person/team responsible for related solicitations.

In general, CEA will seek to purchase some long-term renewable energy each year for purposes of diversifying market exposure while also avoiding potential "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, CEA 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, CEA manages congestion risks through the application of CRRs consistent with its Congestion Revenue Rights Risk Management Guidelines. CRRs are financial instruments used to hedge against transmission congestion costs encountered in the CAISO day-ahead market. CEA uses a third-party scheduling coordinator to manage its CRR portfolio. CEA primarily uses CRRs to reduce its exposure to congestion charges.

6.3 Counterparty Credit and Performance Risk

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

6.4 Load and Generation Volumetric Risk

CEA 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 CEA's customers use electric power). Due to known production variability and supply uncertainty related to renewable and other carbon-free energy products, CEA includes planning margins in its procurement of such products to ensure that related targets/mandates are achieved.

CEA 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.

CEA'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 CEA'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 CEA 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 1 year	400,000 MWh	$ 15,000,000
	Resource Adequacy	Up to 1 year	1,500 MW	$ 10,000,000
	Renewables	Up to 1 year	200,000 MWh	$ 3,500,000
	GHG-free	Up to 1 year	200,000 MWh	$ 1,000,000
Chief Executive Officer + CEA Board Chair	All Products	1 to 5 years	Unlimited	$ 75,000,000
CEA Board	All Products	Any	Unlimited	Unlimited

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

6.6 Liquidity Risk

CEA 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. CEA monitors its liquidity (defined as unrestricted cash, investments, and unused bank lines of credit) no less than weekly. CEA 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

CEA manages its regulatory and legislative risk through active participation in working groups and advocacy coalitions such as the California Community Choice Association. CEA regularly monitors and participates in, as necessary, regulatory rulemaking proceedings and legislative affairs to protect CEA's interests.

7.0 Risk Management Policy Governance

7.1 CEA Board of Directors

The CEA Board is responsible for adopting this Policy. The Board also approves CEA's annual budget, contracting authorities and delegated responsibilities for the management of CEA'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 CEA. 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.