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Date: March 23, 2018
To: North Little Rock City Council
From: C. Jason Carter
RE: Risk Management Committee Quarterly Report (Q4, FY17)

I. INTRODUCTION

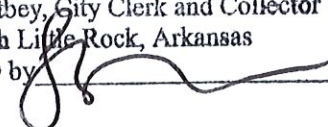
This quarterly report is submitted to the North Little Rock City Council in compliance with the North Little Rock Energy Risk Management Policy (“Risk Management Policy”) adopted on October 26, 2015 as Ordinance No. 8771, and thereafter amended from time to time. The Risk Management Policy created the City’s Risk Management Committee, delegated certain authority to the Risk Management Committee, and imposed quarterly reporting requirements. The quarterly report must include: (1) an assessment of the program's results and effectiveness; (2) confirmation that the program guidelines are being followed, and (3) a discussion regarding recommendations for material modifications to the Risk Management Policy. This report will address all activity of the Risk Management Committee in the fourth quarter of 2017.

II. ASSESSMENT OF RESULTS AND EFFECTIVENESS

During the fourth quarter of 2017, implementation of the Risk Management Policy has proven effective. This conclusion is supported by evaluating the Risk Management Policy against its stated objectives, which are summarized as follows:

1. Manage the price volatility and volume risk of the City’s net position consistent with the risk tolerance of the City Council.
2. Manage credit risks and monitor movements in the forward market price (mark-to-market) for wholesale power and fuel.
3. Provide the requisite information to NLRED staff given the responsibility for oversight of power management and the risks inherent in it.
4. Allow NLRED staff to proactively demonstrate to the City Council that appropriate diligence is being exercised regarding oversight of power supply activities.

During the fourth quarter of 2017, the Risk Management Committee held three (3) regular meetings and one special (1) meeting. At each regular meeting, the City’s Power Manager briefed members on weather, relevant industry changes, existing portfolio risk, market activity, and opportunities to manage market risk. The following transactions were approved and subsequently executed:

FILED 8:45 A.M. _____ P.M.
 BY Jason Carter ^{via} Email
 DATE 3-26-18
 Diane Whitbey, City Clerk and Collector
 North Little Rock, Arkansas
 RECEIVED by 

DATE APPROVED	PRODUCT	VOLUME	DELIVERY PERIOD	AUTHORIZED PRICE	EXECUTED PRICE
10/12	FTR PP → NLR	0 – 10.9 MW (SELL)	DEC, 2017 (Peak)	\$0 – \$0 / MWh (any positive price)	Did not execute
10/12	FTR Ark → NLR	0 – 5.0 MW (BUY)	DEC, 2017 (Off Peak)	\$0 - \$0.10 / MWh	Did not execute
10/12	FTR Ark → NLR	0 – 5.1 MW (BUY)	DEC, 2017 (Peak)	\$0 - \$0.10 / MWh	Did not execute
10/12	FTR Ark → NLR	0 – 0.1 MW (BUY)	JAN, 2018 (Peak)	\$0 – \$0 / MWh (any negative price)	Did not execute
10/12	FTR Ark → NLR	0 – 0.1 MW (BUY)	FEB, 2018 (Peak)	\$0 – \$0 / MWh (any negative price)	Did not execute
11/9	FTR PP → NLR	0 – 9.4 MW (SELL)	DEC, 2017 (Peak)	\$0 – \$0.15 / MWh	Did not execute
11/9	FTR PP → NLR	0 – 4.4 MW (SELL)	JAN, 2018 (Peak)	\$0 – \$0 / MWh (any positive price)	Did not execute
11/9	FTR PP → NLR	0 – 4.4 MW (SELL)	FEB, 2018 (Peak)	\$0 – \$0 / MWh (any positive price)	Did not execute
11/9	FTR Ark → NLR	0 – 0.4 MW (BUY)	DEC, 2017 (Off Peak)	\$0 – \$0 / MWh (any negative price)	0.4 MW @ -\$0.25/MWh (-\$42.38)
11/9	FTR Ark → NLR	0 – 0.1 MW (BUY)	JAN, 2018 (Peak)	\$0 – \$0 / MWh (any negative price)	0.1 MW @ -\$0.33/MWh (-\$11.66)
11/9	FTR Ark → NLR	0 – 0.1 MW (BUY)	FEB, 2018 (Peak)	\$0 – \$0 / MWh (any negative price)	0.1 MW @ -\$0.37/MWh (-\$11.77)
12/14	ENERGY	5 MW	JUL - AUG, 2018 (Peak)	\$32.00/MWh (\$112,640)	\$31.55/MWh (\$111,056)

Each transaction was recommended by the Power Manager. Each recommendation was supported by nonvoting members of the Risk Management Committee and unanimously approved by the voting members of the Risk Management Committee.

Fourth-quarter transactions reduced the City's net exposure to price volatility of energy. Only one energy purchase was made during the quarter which included 3,520 MWh at a cost of \$111,056.00, resulting in an average price of \$31.55/MWh. This purchase was targeted to reduce the risk of price exposure during peak hours in July and August of 2018, when prices are typically at the highest point for the year. Nominal FTR bids were submitted to manage the risk of price differentials between our notional transaction point (ARK) and our local price node (NLR), and to gain value for the unused capacity on our transmission pathway to the Plum Point Energy Station (PP). However, the only bids that cleared auction were from Arkansas to North Little Rock, which sold to the City sold at a negative price. Fourth quarter FTR transactions resulted in net revenue for the City of \$65.81. No capacity purchases were made during the fourth quarter.

Overall, twelve (12) transactions were authorized, but only four (4) transactions were executed during the quarter. This continued slower pace reflects the City’s stable energy position near the upper hedge limits established by the Risk Management Plan.

III. COMPLIANCE

The Risk Management Policy constrains the Risk Management Committee, and members, from certain acts described below.

<i>YES</i>	<i>NO</i>	<i>N/A</i>	<i>Requirement</i>
<u>X</u>	___	___	1. Code of Conduct compliance.
<u>X</u>	___	___	2. Annual acknowledgement of Risk Management Policy.
<u>X</u>	___	___	3. Counterparty suitability.
<u>X</u>	___	___	4. Transactions do not exceed counterparty credit limit (\$5M)
<u>X</u>	___	___	5. Transactions limited to approved products (App. B).
<u>X</u>	___	___	6. Maturity of each transaction within policy limit (72 months).
<u>X</u>	___	___	7. Term of each transaction within policy limit (60 months).
<u>X</u>	___	___	8. Notional dollars of each transaction within policy limit (\$10M).
<u>X</u>	___	___	9. Segregation of duties maintained.
<u>X</u>	___	___	10. Speculative trading prohibited.
<u>X</u>	___	___	11. Hedge compliance.
<u>X</u>	___	___	12. Procedural compliance.
<u>X</u>	___	___	13. Record-keeping compliance.
___	___	<u>X</u>	14. Emergency operations

Comments:

1. No emergency operations were necessary.

IV. RECOMMENDATIONS

None.