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MEMORANDUM

Date: February 1, 2021

To: North Little Rock City Council

From: Amy Beckman Fields, City Attorney

RE: Risk Management Committee Quarterly Report (Q4, FY 2021)

The North Little Rock Electric Department Energy Risk Management Policy (the latest version of which was adopted by Ordinance No. 9296 on October 26, 2020) requires the Risk Management Committee ("RMC") to provide a quarterly report to the North Little Rock City Council regarding the activities of the RMC and its adherence to the Risk Management Policy.

The RMC held three regular monthly meetings in the fourth quarter of 2021. At each meeting, the Committee reviewed NLRED's Portfolio Outlook for the upcoming 24-month period in order to assess on a monthly basis the total projected system load compared against projected total generation, plus bilateral electricity purchase agreements that have already been executed, in order to determine the projected remaining requirements for each month over the 24-month period. NLRED's Power Cost Analyst uses this data to produce a Hedge Policy Compliance Analysis. Copies of the Hedge Policy Compliance Analyses for October, November and December 2021 are attached, which reflect compliance with the Hedge Policy for the mandatory 12-month period.

The Power Supply Director, Power Cost Analyst and Power Manager did not make any recommendations for purchases in October. Based on recommendations in November, the RMC approved a bilateral purchase of power from NextEra Energy Resources for June - September 2023. The recommendation and approval was based on favorable pricing and known remaining requirements for that time period. At the December meeting, the Power Supply Director, Power Cost Analyst and Power Manager recognized that NLRED will need to layer on additional power purchases for April – September 2023, but recommended waiting at least a month to discuss any such purchase in the hope that market prices will continue to stabilize after trending higher throughout the summer and early fall months. The Power Supply Director and Power Cost Analyst are working with the Power Manager to identify favorable prices for purchase of capacity on a multi-year basis in order to manage the risk of a potential upward trend on capacity prices based a potential change in the regulatory structure for capacity purchases.

At each meeting, the Committee reviewed NLRED's All-In Cost of Power (Budget vs. Actual). NLRED's available data reflected that All-In Cost of Power was above budget for each of the months of August, September and October 2021. However, through October, the year-to-date actual cost of power remained below the budgeted cost of power, resulting in savings to NLRED customers through the Power Cost Adjustment rate.

FILED 8:30 A.M. _____ P.M.
BY email
DATE 2/7/22
Diane Whitbey, City Clerk and Collector
North Little Rock, Arkansas
RECEIVED by _____