

# **UAMPS Power Exchange Member Risk Management Policy**

## **Recitals:**

The electric utility industry is presently in transition from a highly regulated industry to a deregulated industry. The development of competitive wholesale electric power markets presents both risks and benefits for municipally-owned electric utilities, such as the municipal electric utility system (the "System") owned and operated by Hyrum City (the "City"). Such risks include, among other things, price volatility, reliability and counterparty performance in wholesale power markets. Such benefits include, in particular, the opportunity to reduce, and to ensure the continued stability of, the costs of purchased power and energy paid by the City. In addition, the potential for direct access legislation and customer choice requires the City to accurately match its future power supply resources with its future retail service requirements in order to avoid unrecoverable fixed costs and other stranded investments.

The City is one of the members (the "Members") of Utah Associated Municipal Power Systems, a political subdivision of the State of Utah ("UAMPS"), organized under the provisions of the Utah Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the "Act"). The City now purchases all or a portion of its external supply of electric power and energy from or through UAMPS. UAMPS presently operates a power pool (the "Power Pool") pursuant to those certain Pooling Agreements (the "Pooling Agreements") between UAMPS and each of its Members. The Power Pool provides a mechanism for the economic scheduling and utilization of the electric power and energy resources available to the members of UAMPS. Pursuant to an Appendix to each of the Pooling Agreements (the "PX Appendix") and as a component of its Power Pool, UAMPS has now established its Power Exchange (the "PX") which enables each of the Members of UAMPS to enter into forward transactions with one another and with UAMPS for the purchase, sale and exchange of firm electric power and energy.

## **Purpose and Authority:**

The City has adopted and approved this Risk Management Policy to (1) authorize, confirm, ratify and approve the execution and performance by the City of the PX Appendix, (2) set forth the principles governing its risk management activities, the transactions that may be utilized to manage risks, (3) establish procedures for the periodic review of those risk management transactions that are entered into by the City and (4) expressly prohibit certain activities.

This Risk Management Policy has been adopted and approved pursuant to the City's power and authority under the laws of the State of Utah, including without limitation, the provisions of the Act and Titles 10 and 55, Utah Code Annotated 1953, as amended, to own and operate the System, to purchase, sell and exchange electric power and energy and to take all actions necessary for the prudent operation and management of the System.

**Authorization of Transactions in UAMPS PX:**

The execution and delivery of the PX Appendix by the City's designated representative to UAMPS is hereby authorized, approved, confirmed and ratified. All payments and expenses incurred by the City as a result of any transaction made by it under the PX Appendix shall constitute an operating expense of the System and a cost of purchased electric power and energy and shall in no event constitute a general obligation liability or indebtedness of the City under the laws of the State of Utah. Any receipts and income realized by the City as a result of any transaction made by it under the PX Appendix shall be deposited into the City's electric utility enterprise fund.

The risk management transactions within the UAMPS PX that are authorized by this Risk Management Policy include the purchase and sale of electric power and energy through the UAMPS PX in order to reduce those price, reliability and counterparty risks that are present in competitive, deregulated wholesale power markets and to enable the City to match its generating resources and wholesale power supply sources with the requirements of the customers served by the System.

**Risk Management Policy:**

The City will enter into transactions within the UAMPS PX only to the extent that such activities and instruments are consistent with, and in furtherance of, the prudent and businesslike operation of the System and its power supply requirements and resources. Only existing and reasonably forecasted power supply loads and resources will be the basis for transactions by the City within the UAMPS PX.

The purchase and sale of electric power and energy by the City in future periods, to the extent consistent with this Risk Management Policy, within the UAMPS PX is hereby authorized and approved. This authorization and approval is based upon, among other things, the City's participation in the governance of UAMPS and of the operation of the PX, the stability and credit standing of UAMPS and the members of UAMPS participating in the PX and the limited forward period for transactions within the PX.

Margaret Poppleton; Tom Cooper; \_\_\_\_\_;  
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hereby designated as the City's "Power Exchange Representative(s)" for purposes of the PX Appendix, shall have daily responsibility for supervising the risk management activities of the City and is hereby authorized to enter into risk management transactions within the UAMPS PX with an aggregate notional value not exceeding \$ 750,000 and a maximum forward period not exceeding 13 months. The Power Exchange Representative shall report not less frequently than monthly to the City Council of the City with respect to all risk management transactions entered into by the City.

**Prohibited Transactions:**

The use of any of the risk management activities and instruments described herein for the purpose of speculating on future prices of electric power and energy or for the purpose of trading

solely to generate profits is prohibited. No officer and employee of the City shall directly or indirectly own or trade in, for his or her personal account, any risk management or financial contract relating to electric power and energy, whether within the UAMPS PX or otherwise.

Adopted and approved this 15th day of February, 2024.

HYRUM CITY

By \_\_\_\_\_  
Mayor

[Seal]

Attest:

\_\_\_\_\_  
City Recorder