

ORDINANCE NO. _____

AN ORDINANCE AMENDING THE ENERGY RISK MANAGEMENT POLICY FOR THE NORTH LITTLE ROCK ELECTRIC DEPARTMENT; DECLARING AN EMERGENCY; AND FOR OTHER PURPOSES.

WHEREAS, the North Little Rock Electric Department (“NLRED”) manages the city-owned electric utility system for the City of North Little Rock (“the City”), providing electric service to areas in North Little Rock, Sherwood and surrounding areas within Pulaski County, Arkansas; and

WHEREAS, some of the most significant expenditures made by the City relate to the purchase of wholesale power; and

WHEREAS, since the adoption of Ordinance No. 8771 on October 12, 2015, the City manages the risk of wholesale power cost fluctuations through the North Little Rock Electric Department Energy Risk Management Policy (“Risk Management Policy”); and

WHEREAS, the City added a hedge plan as Exhibit E to the City’s Risk Management Policy through the adoption of Ordinance No. 8786 on January 25, 2016, and later amended the same through the adoption of Ordinance No. 8815 on May 23, 2016; and

WHEREAS, the Risk Management Policy requires the Risk Management Committee, NLRED staff, and the City’s Power Manager to follow the hedge plan in order to manages the City’s exposure to wholesale power cost fluctuations within acceptable risk limits; and

WHEREAS, the City’s current hedge plan is based on annual limits which do not adequately reflect the quality and quantity of risk that the City may bear from one month to the next; and

WHEREAS, the City’s current hedge plan includes actual generation of city-owned assets, which can vary significantly from expected performance and cause significant challenges to hedge policy compliance; and

WHEREAS, the Risk Management Committee unanimously recommended an amendment to replace Exhibit E (Hedge Plan) which imposes monthly hedge limits and assumed levels of generation based on historical averages.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTH LITTLE ROCK, ARKANSAS:

SECTION 1: That the table in Appendix E (North Little Rock Electric Department Hedge Plan) to the City’s Risk Management Policy (Ordinance No. 8771, as amended) establishing the City’s programmatic hedge schedule is hereby deleted in its entirety and replaced with the Hedge Plan attached hereto as Exhibit A.

SECTION 2: That the City Attorney’s Office is directed to incorporate the amendments described in this ordinance into the Risk Management Policy.

SECTION 3: That all ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of the conflict.

SECTION 4: That the provisions of this Ordinance are hereby declared to be severable, and if any section, phrase or provision shall be declared or held invalid, such invalidity shall not affect the remainder of the sections, phrases or provisions.

SECTION 5: It is hereby found and determined that the amendments to the Hedge Plan within the City's Risk Management Policy contemplated by this Ordinance will improve the function and accountability of the City's Risk Management Program, which is of great benefit to the community and NLRED customers; THEREFORE, an emergency is hereby declared to exist, and this Ordinance being necessary for the immediate preservation of the public peace, health and safety, shall be in full force and effect from and after its passage and approval.

PASSED:

APPROVED:

Mayor Joe A. Smith

SPONSORS:

ATTEST:

Mayor Joe A. Smith

Diane Whitbey, City Clerk

APPROVED AS TO FORM:

Amy Beckman Fields M.B.M.

Amy Beckman Fields, City Attorney

PREPARED BY C. JASON CARTER, ATTORNEY AT LAW

FILED	<u>10:50</u>	A.M.	_____	P.M.
By	<u>Asst City Atty Marie Miller</u>			
DATE	<u>10-22-19</u>			
Diane Whitbey, City Clerk and Collector North Little Rock, Arkansas				
RECEIVED BY	<u>H. Thomas</u>			

The Risk Management Committee (“RMC”) will enter contracts as authorized by the Risk Management Policy to maintain the City’s exposure to market risk within the limits described in this hedge plan, and promptly report to City Council any noncompliance. In principle, the RMC will decrease the City’s exposure to market volatility at any given time through incremental transactions conducted over months or years. Thus, as shown in the table below, required hedge percentages increase as the City nears the prompt month of market purchases.

The hedge limits described in this plan assume that the City’s long-term power resources (such as, the Plum Point Energy Station, Murray Hydroelectric Plant, and City-owned distributed generators) will function in a manner consistent with averages over the previous five years. The RMC will manage the financial risk of under-production from these long-term power resources independently from the Hedge Plan.

Limits applicable to shoulder months (April, May, October and November) will be five percent lower than those shown on the chart below.

	Minimum Hedge Percentage	Maximum Hedge Percentage		Minimum Hedge Percentage	Maximum Hedge Percentage
Current Month	80	100	Month +21	66	88
Month +1	79	100	Month +22	66	88
Month +2	78	98	Month +23	65	87
Month +3	77	98	Month +24	65	87
Month +4	76	96	Month +25	65	87
Month +5	76	96	Month +26	64	86
Month +6	75	95	Month +27	64	86
Month +7	75	95	Month +28	64	86
Month +8	75	95	Month +29	63	85
Month +9	74	94	Month +30	63	85
Month +10	73	93	Month +31	63	85
Month +11	72	92	Month +32	63	85
Month +12	72	92	Month +33	63	85
Month +13	71	91	Month +34	62	84
Month +14	70	91	Month +35	62	84
Month +15	70	91	Month +36	62	84
Month +16	69	90	Month +42	60	80
Month +17	68	90	Month +48	60	80
Month +18	67	89	Month +54	60	80
Month +19	67	89	Month +60	60	80
Month +20	66	88			

Appendix E - Hedge Plan (PROPOSED)

