

Operating Procedures for the ESMEC-Energy Trust Electric Supply Portfolio

September 2021

Overview

This document contains established operating procedures for the Eastern Shore of Maryland Educational Consortium's Energy Trust (ESMEC-ET) electric supply portfolio (herein referred to as "portfolio") with the licensed service provider (LSP) and management by Enel X, North America, Inc. (Enel X). These procedures are intended to ensure efficient operation of the portfolio and cover the following general categories:

- Roles and responsibilities.
- Transaction's authorization.
- Transaction execution.
- Account billing and payment responsibility.
- Portfolio reporting.
- Communications among parties and recordkeeping.

Portfolio Description

The ESMEC-ET electric supply portfolio was established to provide maximum energy price risk management flexibility and lower energy costs to the ESMEC-ET members (ESMEC-ET public entities participating in the ESMEC-ET electric supply portfolio). As such, ESMEC-ET adopted a managed portfolio approach utilizing a dedicated PJM subaccount. The basic portfolio structure is a cost plus, block and index style of purchasing for the entire portfolio with the average cost of the portfolio billed to all ESMEC-ET members (distinctions made for general categories of users, e.g., general service, outdoor lighting, etc.). A block and index style purchasing uses fixed volumes of fixed price power to stabilize costs over time (hedges) with usage above or below fixed volumes charged or credited, respectively, at the prevailing spot market power prices. All ESMEC-ET member Delmarva Power electric accounts are enrolled in a separate dedicated PJM sub account established by the LSP. All costs of the portfolio are captured in the subaccount and billed to the ESMEC-ET members as a cost-plus arrangement. Costs include the PJM hourly day ahead and real time energy prices, fixed rate block purchases, unforced capacity obligation (UCAP), transmission, ancillary costs and credits, costs of Maryland regulatory renewable purchases and licensed service provider fees. The LSP bills each ESMEC-ET member monthly based on the local delivery company (LDC) metered usage and the approved unitary billing rates (¢/kWh).

Roles and Responsibilities

The portfolio is managed through a triad structure consisting of ESMEC-ET, the Portfolio Energy Adviser (PEA), and the Licensed Service Provider (LSP). ESMEC-ET consists of representatives selected by the participating ESMEC-ET member entities to oversee the management of the portfolio and strategy implementation.

The responsibilities of ESMEC-ET include:

- Select the PEA and LSP.
- Approve the portfolio risk management plan and implementation guidelines.
- Authorize portfolio transactions including delegation of authorities.
- Ensure compliance with the portfolio risk management policy.
- Approve portfolio billing rates and billing rate reset periods.
- Approve excess working capital balance target(s) held with the LSP
- Ensure that members submit proper accounts for enrollment.

Operating Procedures for the ESMEC-Energy Trust Electric Supply Portfolio

September 2021

The responsibilities of the Portfolio Energy Advisor (PEA) include:

- Direct the procurement activities of the LSP within approved portfolio limits.
- Develop the portfolio risk management plan and implementation guidelines.
- Submit authorized account enrollments/de-enrollments to the LSP.
- Direct the execution of authorized transactions between ESMEC-ET and the LSP.
- Provide Day Ahead Scheduling to the LSP.
- Make annual transmission path selections for the ESMEC-ET subaccount
- Advise on regulatory renewables purchases and coordinate thereof
- Ensure and report on compliance with the approved risk management policy.
- Prepare annual supply portfolio budget and individual member energy budgets
- Monitor and report on the portfolio results.
- Recommend ESMEC-ET member billing rates and billing rate reset periods based on PEA recommended and ESMEC-ET approved excess working capital balance target(s).
- Prepare and submit the annual Maryland RPS compliance filing with the Maryland Public Service Commission
- Provide energy market updates on an ongoing basis

The responsibilities of the Licensed Service Provider (LSP) include:

- Establish separate dedicated PJM sub account for the ESMEC-ET member accounts and ensure objective cost segregation from other LSP customers.
- Enroll and un-enroll authorized ESMEC-ET member accounts in the dedicated PJM sub account per PEA instructions.
- Obtain fixed price block quotes upon request by the PEA.
- Execute authorized fixed rate block purchases.
- Implement day ahead scheduling.
- Execute approved regulatory renewables purchases based on upon PEA direction
- Approve and administer portfolio billing rates and billing rate reset periods.
- Provide summary monthly billing to ESMEC-ET members.
- Respond promptly to ESMEC-ET members billing inquiries.
- Provide monthly supply portfolio cost and daily working capital balance summary

Transaction Authorization

Neither the PEA nor the LSP may execute any transactions in the ESMEC-ET portfolio without duly authorized instructions from ESMEC-ET. Following is a summary of transaction authorities granted by the ESMEC-ET:

ESMEC-ET Energy Trust - Manager, Chairman, Vice Chairman – All transactions, except enrollment / un-enrollment, which must be confirmed by the PEA.

PEA - PEA authorized representatives: Request fixed price energy block transaction pricing from LSP or other potential counterparties that can affect delivery via the LSP, provide fixed price transaction affirmation in the absence of ESMEC-ET representative subject to ESMEC-ET Portfolio Guidelines,

Operating Procedures for the ESMEC-Energy Trust Electric Supply Portfolio

September 2021

Submit Day-Ahead schedules/bids, enroll / un-enroll accounts, submit ESMET-ET approved billing rates to the LSP. Transaction authority may be delegated within PEA to appropriate staff.

LSP - LSP authorized representatives: Execute fixed price energy block or Day ahead transactions per PEA or ESMEC-ET instructions, as appropriate, enroll or un-enroll accounts per PEA instructions, change ESMEC-ET approved billing rates as provided by the PEA, make any administrative elections with local distribution company (Delmarva Power) or PJM necessary to facilitate effective electric delivery to participating ESMEC-ET member accounts. Transaction authority may be delegated within LSP to appropriate staff.

Transaction Execution

Fixed Rate Block and Capacity Purchases

- ESMEC-ET will designate a primary and backup individual who are authorized to approve fixed rate block purchases on behalf of the portfolio (herein referred to as “ESMEC-ET authorized transactor”).
- The PEA will initiate block purchase discussions with ESMEC-ET and the authorized transactor in accordance with the approved energy price cost management policy and implementation guidelines.
- The PEA will initiate an email request to the LSP’s designated trading desk contact for fixed rate block quotes. The email will include a standard quote form. Although not required, the PEA will make best efforts to give the LSP trading desk 24 hours notice.
- The LSP will provide a minimum of three (3) quotes for the required block term(s) to the PEA which the PEA will share with the ESMEC-ET authorized transactor.
- The ESMEC-ET authorized transactor will authorize execution of the requested block purchase(s).
- The LSP will submit to the authorized ESMEC-ET transactor and the PEA, the block purchase confirmation.
- The authorized ESMEC-ET transactor will execute the confirmation and scan/email copies to the LSP and PEA.

Account Enrollment and De-enrollment Procedures

- Each ESMEC-ET member will designate two individuals who are authorized to enroll and de-enroll accounts with the LSP on behalf of their respective organizations.
- Each ESMEC-ET member will provide the authorized names and changes to the authorized names to both the PEA and LSP.
- The PEA will provide the PEA and LSP contact names and contact information to the ESMEC-ET members for account enrollments, de-enrollments and authorization changes.
- Account enrollments and de-enrollments will be submitted to the LDC once a month by the LSP.
- Authorized ESMEC-ET individuals must submit account enrollment requests to the PEA contact by the 25th day of each month to be included in the next month’s account enrollment submission by the LSP to the LDC.
- The PEA will maintain a database of the ESMEC-ET member electric accounts.
- The PEA will update the account database and submit the enrollment request for all valid accounts along with the appropriate billing rate to the LSP. The submission will be sent once a month to the LSP by the 30th of each month.

Operating Procedures for the ESMEC-Energy Trust Electric Supply Portfolio

September 2021

Day Ahead Scheduling

- ESMEC-ET has delegated Day Ahead Scheduling authority to the PEA.
- The PEA will provide the LSP in electronic form the desired Day Ahead scheduled load on a weekly and or daily basis by 10:00 AM on the business day preceding the day to be scheduled.
- The LSP will implement day ahead purchases based on the Day Ahead Schedule provided by the PEA. If no schedule is provided a default schedule of 80% of the forecasted Day-Ahead load will be used by the LSP.

Account Billing and Payment Responsibility

- The PEA will determine the portfolio billing rates; however, they must be approved by both ESMEC-ET and acceptable to the LSP.
- The PEA will submit the approved billing rates to the LSP billing contact.
- The PEA will recommend the billing rate reset period, which must be approved by ESMEC-ET and the LSP.
- The LSP will submit in electronic form, the monthly ESMEC-ET member billing to the designated ESMEC-ET member utility bill processors.
- The monthly billing will include the LDC account number, account location name, service address, the utility reported usage, the approved billing rates, and total energy charge. Copies of the billings will be provided to the designated PEA individuals.
- The LSP will provide on a quarterly basis to the ESMEC-ET authorized transactor and the PEA an accounts receivable aging report by ESMEC-ET member.
- ESMEC-ET members are expected to pay all billed usage presented by LSP in a timely manner. Bill adjustments, as appropriate, will be handled as a debit/credit on future bills.

Portfolio Reports and Reporting

The PEA and LSP will provide the following reporting on portfolio status and performance:

LSP Reports

- **Monthly Portfolio Statement** – Summary statement of all costs charged to ESMEC-ET portfolio, which includes PJM billing, bilateral energy, supply based local delivery company charges, local regulatory charges, LSP fees (service fee and carry cost, as appropriate), etc.
- **Monthly Daily Working Capital Balance Report** – Summary statement of total billings and receipts to / from ESMEC-ET members that shows cash receipts daily. Report will also include net working capital balance outstanding.

PEA Reports

- **Monthly Portfolio Performance** – Monthly statement of portfolio performance versus budget / cost expectations. Report will be provided on a bi-monthly basis
- **Monthly Hedge Report** – report illustrating positions, targets, market values, and overall compliance with strategy. Report will be provided on a bi-monthly basis.
- **Billing Rate Reconciliation** – Report reconciling actual portfolio costs with actual billings. Report will be provided on a bi-monthly basis

Operating Procedures for the ESMEC-Energy Trust Electric Supply Portfolio
September 2021

- **Working Capital Balance Report** – Report showing monthly cash disbursement and receipts and monthly working capital balance as well as forecasted disbursement, receipts, and balances. Report will be provided on a bi-monthly basis.
- **Capacity and Transmission Reporting** - Report showing most recent three years capacity requirement (MW) and Transmission capacity requirement (MW) and capacity price chart showing historical and known annual capacity prices for the Delmarva Zone.
- **Renewables Purchases Report** – Report showing historical and fiscal year to date renewable purchases including quantities, prices, and costs by Maryland Renewable Portfolio Standard (RPS) tier.

Communications among Parties and Recordkeeping

Communications between parties may be verbal or written; however, all executed transactions must be documented in writing (electronic versions are suitable). Both PEA and LSP will maintain documentation supporting transactions and billing for review by ESMEC-ET upon request. **The electric supply portfolio operating procedures herein are approved by following and effective as of the date of this document. Further changes must be approved by all parties.**

ESMEC-ET:	Portfolio Energy Advisor:	Licensed Service Provider:
Mark E. Miller Chairman ESMEC-ET	Noel P. Chesser Principal Energy Advisor Enel X North America, Inc.	Kevin Anderson Director, Electric Supply and Trading WGL Energy Services

ESMEC-ET:

R. Allan Gorsuch
Trust Manager
ESMEC-ET