

**EXH. PAH-3  
DOCKET UE-25\_\_\_\_  
2024 PCA COMPLIANCE FILING  
WITNESS: PHILLIP A. HAINES**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of the Petition of  
PUGET SOUND ENERGY  
For Approval of its 2024 Power Cost  
Adjustment Mechanism Report**

**Docket UE-25\_\_\_\_**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF**

**PHILLIP A. HAINES**

**ON BEHALF OF PUGET SOUND ENERGY**

**APRIL 30, 2025**



# ENERGY RISK POLICY

APPROVED BY PSE'S BOARD OF DIRECTOR  
AUDIT COMMITTEE ON February 19, 2025

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# 1. CHANGE LOG

Document Owner	Document Approver	Date Issued / Revised
Director, Enterprise Risk Management	Energy Management Committee	5/3/23

Date of Change	Version	Summary of Change	Preparer
5/3/23	1.0	Original draft for EMC review	Kyle Stewart
2/19/25	1.1	Various annual Policy updates	Kyle Stewart

## 2. INTRODUCTION AND PURPOSE

Puget Sound Energy (“PSE” or “the Company”) is fundamentally engaged in providing electric and natural gas service to its customers in a safe, dependable and efficient manner. That mission entails some inherent risks; however, it is PSE’s policy that such risks—and others associated with pursuing that mission—should be anticipated, evaluated and controlled, and, when appropriate, mitigated. This Energy Risk Policy (“*Policy*”) describes PSE’s philosophy of energy supply risk assessment, treatment and mitigation, and outlines the roles and responsibilities for performing those activities. The associated Energy Supply Transaction and Hedging Procedures Manual (“*Procedures*”) defines and describes roles, responsibilities, controls and reporting more specifically.

Managing electric and gas portfolio risks is of critical importance for PSE and its customers. The nature of operating generation and distribution facilities, obtaining transmission service, securing fuel and other necessary services, and participating in wholesale energy markets generally is such that there is continuous exposure to various risks including market, asset reliability, operational, liquidity, model, and counterparty credit risk.

This *Policy* summarizes the purpose and scope of PSE’s energy risk management activities within the electric and gas supply portfolios and sets forth the key risk management principles and policies to be followed in the management of these portfolios. In broad terms, this *Policy* also outlines a business structure for performing those roles.

## 3. MARKET RISK OVERSIGHT AND GOVERNANCE FRAMEWORK

### 3.1. GOVERNANCE STRUCTURE

An effective organizational structure is essential for appropriate risk governance and oversight and to promote independence and segregation of duties across functions. PSE’s governance framework is a distributed risk management structure whereby authority is delegated from the Board of Directors and Chief Executive Officer (“CEO”) to each level of the organization; first to the CEO, then to the Energy Management Committee (“EMC”), and then further to the business functions to operationalize policy-level requirements.

PSE’s oversight and governance framework are comprised of the:

- Board of Directors
- Chief Executive Officer
- Energy Management Committee

- VP of Energy Supply
- Chief Financial Officer

## 3.2. DELEGATION OF AUTHORITY

Delegation of Authority (“DOA”) is the formal transfer of authority types, consistent with the philosophy of decentralized decision-making and accountability. DOA is initiated at the Board-level, delegated to the CEO and further delegated to the EMC. Certain specific authorities are delegated by the CEO and EMC to VP of Energy Supply and Chief Financial Officer including but not limited to, short-term authorizations of PSE issued collateral during volatile market conditions.

Transaction authorities are defined in the Schedules A located in the Procedures, consistent with approved hedging strategies. Transactions can only be negotiated and executed by authorized personnel with appropriate DOA unless otherwise approved by the EMC.

## 3.3. ROLES AND RESPONSIBILITIES

Risk management requires a collaborative effort across multiple departments and among staff, senior Management, and the Board of Directors to be effective. At the same time, lines of authority and the responsibility for managing and controlling risk must be clearly defined. To provide a proper control environment there must be a clear separation between the Front, Middle and Back Office functions. Segregation of duties is to be established and maintained throughout the system of risk controls. For the purposes of this *Policy*, “Roles” refer to positions within the organization (e.g. CEO, CFO, etc.) and “Responsibilities” refer to the tasks, duties, and requirements for a particular role.

### 3.3.1. BOARD OF DIRECTORS

The Board of Directors has responsibilities as described in PSE’s corporate by-laws which may include certain oversight and delegation of authorities applicable to this policy.

### 3.3.2. CHIEF EXECUTIVE OFFICER

The CEO is responsible for:

- Maintaining an Energy Management Committee primarily composed of senior-level officers
- Delegating authority and oversight of PSE’s management to conduct day-to-day operations of PSE
- Ensuring that the requisite procedures are in-place to comply with this policy
- Has unilateral authority to kill or cancel any deal

### 3.3.3. ENERGY MANAGEMENT COMMITTEE

The Energy Management Committee (“EMC”) receives its authority from the CEO through delegation of authority to implement this *Policy*. The EMC Charter “*Charter*” details the membership, roles and responsibilities of the EMC. The EMC is required to meet monthly to provide policy-level and strategic

direction for management of the energy supply portfolio (including PSE-owned or controlled resources) and to review and approve the acquisition or disposition of significant resources and contracts. EMC is comprised of the officers noted below as listed in the EMC Charter:

- Senior Vice President, Energy Resources, (Chair);
- Senior Vice President & Chief Financial Officer;
- Vice President Clean Energy Strategy;
- Vice President, Business Development and M&A; and
- Director Assistant General Counsel

The EMC's responsibilities include:

- Reviewing and submitting the Risk Policy and Procedures annually for the Board of Directors Audit Committee approval;
- Approving intra-year amendments to the Risk Policy and Procedures;
- Overseeing the Procedures (including documenting meeting minutes of decisions made);
- Communicating, seeking guidance, and providing updates and reports as needed to the Board of Directors;
- Ensuring that energy portfolio performance and an account of material policy issues is reported to a sub-committee of the Board of Directors quarterly;
- Ensuring that the necessary resources and tools are in place to achieve all risk management objectives;
- Reviewing the adequacy and the compliance of the established risk tolerance and risk limits;
- Reviewing and assessing the performance and risks of existing strategies and strategy changes;
- Reviewing limits of authority delegated to Management;
- Maintaining adequacy and monitoring of internal control system; and
- Monitoring risk levels, DOA violations, and compliance violations

For details on the roles and responsibilities of the EMC (and participating members) refer to the EMC Charter.

### 3.3.4. AUDIT COMMITTEE

The Audit Committee is responsible for reviewing results of both internal and external audits and overseeing remediation activities.

## 4. PORTFOLIO MANAGEMENT OBJECTIVES

### 4.1. COMMERCIAL OBJECTIVES

The Company's energy supply portfolios aim to achieve the following primary commercial objectives:

- Maintain supply for retail customers
- Engage in transactions to reduce risks and volatility in the electric and gas portfolios
- Engage in transactions to optimize returns from unused capacity from assets across the portfolio
- Manage the Company's electric and gas portfolios to balance return against price stability, risk mitigation, and efficient costs

Staff will document hedging and transaction strategies and will report on them to the EMC monthly.

### 4.2. RISK MANAGEMENT OBJECTIVES

The Company's constructs and manages its energy supply portfolios to balance three primary risk management objectives:

- Ensure physical energy supplies are available to serve retail customer requirements
- Manage portfolio risks to serve retail load efficiently while limiting undesired impacts or risks (Specific risks controlled by this Policy are maintained in Appendix A)
- Manage the risks associated with optimizing the value of PSE's energy supply assets and excess capacity.

Wholesale market transactions should be conducted to maintain adequate energy supply for the Company's energy portfolio, reduce costs and risks where feasible, and reduce volatility in costs of supply in the portfolio.

### 4.3. VALUATION OBJECTIVES

The Company values positions consistent with market prices and other reasonable indicators. ERC is responsible for:

- Marking all positions against an appropriate price curve which assigns a fair value to the underlying asset



- Utilizing market prices for liquid markets per published indices, forward curves, price quotes and market intelligence
- Establishing market prices for illiquid markets and time periods (or where third party forward curves are not available), per a model subject to EA independently validating the assumptions and outputs used to value positions

## 4.4. HEDGING ACCOUNTING

See the Derivative Accounting policy for details on hedge accounting policies.

# 5. SEGREGATION OF DUTIES

PSE has adopted a Three-Lines-of-Defense model. This model provides segregation of duties between operating groups and allows for proper, independent review and control of risk activities.

The three lines of defense are:

- First Line of Defense (“LOD1”) – risk owners and managers in the Front Office, Resource Acquisition, and Natural Gas Resources groups.
- Second Line of Defense (“LOD2”) – risk control and compliance personnel in the Middle Office and Back Office.
- Third Line of Defense (“LOD3”) – risk assurance personnel in Internal Audit

## 5.1. LOD1 RESPONSIBILITIES

LOD1 activities and responsibilities are conducted by members of Front Office, Resource Acquisition, and Natural Gas Resources groups. Those roles and responsibilities are noted below for each group.

### 5.1.1. ENERGY SUPPLY MERCHANT

The Energy Supply Merchant (“ESM”) organization is responsible for:

- (a) Executing approved transactions in pursuit of commercial objectives
- (b) Making commercial management, asset optimization, and hedging strategy recommendations to the EMC and implementing the approved hedging strategy
- (c) Managing commercial valuation and structuring models
- (d) Fully documenting all trading related transactions initiated by Front Office within the system of record by the close of business on the same day the transactions are executed (including Liaising with representatives of other PSE business units outside of ESM and entering deals in trading)

systems on behalf of other deal-making business units, such as Resource Acquisitions and Natural Gas Resources)

Further details on processes and activities carried out by LOD1 personnel, as well as controls, permissions, and prohibitions, are noted in the *Procedures*. All Authorized Traders who transact on behalf of PSE must operate within approved limits set forth in or pursuant to those *Procedures*, including any applicable credit or transaction limits. ESM Management oversees compliance of their staff with this *Policy* and authorization as outlined in the *Procedures*.

### 5.1.2. RESOURCE ACQUISITION

The Resource Acquisition (“RA”) organization is responsible for:

- (a) Communicating transactions and acquisitions with ERC, Finance, Regulatory, Accounting and ESM to facilitate portfolio integration and transactions are accurately reflected within the ETRM Systems
- (b) Adhering to the transaction authorization process as outlined in the *Procedures* (Section III – Transaction Control) and coordinate new acquisitions and transaction amendments with ERC and ESM to evaluate various strategic, operational and financial risks prior to seeking EMC approval
- (c) Consulting with, and obtaining approval from, ERC and Treasury for credit provisions of contracts
- (d) If considering a transaction that gives PSE the right to use, operate, direct others to operate, or control access to property, plant and equipment, discussing and reviewing the transaction criteria with EA and technical Accounting (TA) to determine the applicability of accounting standards
- (e) If a long-term power purchase contract provides PSE control outside of voting rights, discussing and reviewing the transaction with EA to determine the applicability of consolidation guidance.

### 5.1.3. NATURAL GAS RESOURCES

The NGR organization is responsible for:

- (a) Coordinating and communicating transactions and acquisitions with ERC and ESM via email to facilitate transaction capture within the ETRM Systems
- (b) If considering a transaction that gives PSE the right to use, operate, direct others to operate, or control access to property, plant and equipment, NGR should discuss and review the transaction criteria with EA to determine the applicability of accounting standards

## 5.2. LOD2 RESPONSIBILITIES

LOD2 activities and responsibilities are conducted by members of the ERC and EA. Those roles and responsibilities are noted below for each office.

## 5.2.1. ENERGY RISK CONTROL

The Energy Risk Control (“ERC”) organization is responsible for:

- (a) Implementing, updating, and assisting in maintaining data integrity within the ETRM Systems including confirming that all executed transactions are captured into the appropriate ETRM systems, with all required details.
- (b) Managing risk control and credit functions such as independently monitoring, measuring, and reporting the exposures of physical and financial positions, preparing risk reports, and monitoring compliance with risk limits approved by the EMC (as defined in the *Procedures*)
- (c) Tracking the execution of EMC-approved hedging programs for the gas and power portfolios
- (d) Reviewing and administering the terms and conditions for master enabling agreements including WSPP, NAESB, ISDA, and others as well as provide commentary and forms of confirmations, as well as stand-alone physical energy supply and financial agreements, as well as pipeline contracts
- (e) Administering confirmations of power and gas transactions, verifying that unconfirmed transactions are addressed and resolved by PSE with counterparties consistent with underlying master agreements.
- (f) Notifying the appropriate party of any known or suspected violation of the *Procedures* Manual
- (g) Issuing the official power and natural gas price marks.
- (h) Maintaining relevant Sarbanes Oxley (“SOX”) Section 404 documentation.
- (i) Reviewing, testing and implementing modeling assumptions for development of position and Exposure Reports and validating modeling effectiveness.

## 5.2.2. ENERGY DERIVATIVES ACCOUNTING

The Energy and Derivative Accounting (“EA”) organization is responsible for:

- (a) Monthly closing processes to ensure accuracy and completeness in gas, hourly bilateral and energy imbalance market (“EIM”) power and derivative transactions.
- (b) Researching and communicating changes in derivative accounting policies and/or Variable Interest Entities (“VIE”) accounting to management and confirming compliance with Generally Accepted Accounting Principles (“GAAP”) standards and SOX controls and procedures.
- (c) Developing, implementing and maintaining procedures for documenting trades/contracts that impact derivative accounting as well as maintaining documentation of derivative and VIE evaluations, all journal entries.

- (d) Performing reconciliation with counterparty statements for power and natural gas accounts.
- (e) Monitoring Internal Controls Over Financial Reporting (ICOFR) and actively updating and performing SOX 404 procedures.
- (f) Reviewing contracts on a monthly basis to determine the applicability of accounting treatments.
- (g) Researching and implementing GAAP and SEC regulations that affect energy and derivative accounting or VIE.
- (h) Resolving counterparty disputes in accordance with the defined Power and Gas Settlement Dispute Resolution Policy.
- (i) Following the settlement and payment schedules as defined by the California Independent System Operator ("CAISO") including EIM related transactions.
- (j) Monthly accounting reviews
- (k) Reconciling the General Ledger to ETRM data

## 5.3. INTERNAL AUDIT RESPONSIBILITIES

Internal Audit ("IA") is responsible for:

- (a) Conducting controls testing
- (b) Opining on the design and operating effectiveness of controls and other risk framework elements
- (c) Providing assurance to Senior Management
- (d) Conducting and performing (or outsourcing) regulatory required audits for the business

# 6. MARKET RISK IDENTIFICATION AND CONTROL

PSE is active in the power and natural gas commodities markets. By participating in these markets, PSE is open to a variety of market-related risks. Risk management at PSE focuses on avoiding negative financial impacts and the practice of building a portfolio of positions that collectively meet PSE's objectives in accordance with EMC approved strategies. Accordingly, the Middle Office will aggregate, monitor, and own the reporting of the risks associated with all energy positions.

## 6.1. PRE-DEAL MARKET RISK IDENTIFICATION

ESM is responsible for:

- Executing only transactions including approved products (per section Schedule A of the Procedures and Section 9.1 Prohibited Transactions) and instruments
- Executing only transactions adhering to risk limits (including credit limits)
- Executing hedge positions in accordance with hedging strategies as defined in the Procedures

ERC is responsible for

- Counterparty onboarding and credit analysis
- For structured contracts, conducting pre-deal analysis of key market, operational, credit, regulatory and accounting risks prior to being executed as defined in detail in the Procedures

## 6.2. POST-DEAL MARKET RISK CONTROL

ESM is responsible for:

- Monitoring changing market dynamics and identifying the impacts to the risk profile of the portfolio

ERC is responsible for:

- Validating the accuracy of trade entry, exposures, and valuation
- Monitoring the methodology for calculating risk exposure, and to propose to the EMC when new measurements may be appropriate

# 7. RISK MONITORING AND REPORTING

ERC is accountable for monitoring, and reporting risks, including new and emerging risks, and any known violation of a policy, procedure or regulation, to EMC in accordance with the escalation provisions of the applicable policies and procedures.

## 7.1. MARKET RISK LIMIT MONITORING AND MANAGEMENT REPORTING

EMC is accountable for:

- Overseeing the measurement of risk, compliance, and performance of hedging activities

ERC is responsible for:

- Ensuring the successful generation and delivery of risk exposure and limit reports

- Preparing Management reporting of the performance of hedging strategies and risk exposures for the EMC

## 7.2. MARKET RISK REPORTING

ERC measures and reports on the Company's risk profiles (inherent/residual) and portfolios on the daily, weekly and monthly basis. The primary purpose of risk reporting is to report on market and credit risk positions for compliance relative to the Company's risk limits. The Risk Management produced reports will be considered the report of record and will be reviewed by the EMC.

ERC is responsible for:

- Ensure the validity of input data - market data and forward curve structure
- Validate the results of the valuation and risk calculations

# 8. REGULATORY COMPLIANCE

PSE and its personnel are subject to various laws and regulations of the jurisdictions we operate. Violations of these laws and regulations subject PSE and its personnel to serious consequences. All personnel must act in a manner which complies with this *Policy*, applicable laws and regulations, and our Code of Conduct.

## 8.1. TRADE SURVEILLANCE

Trade Surveillance involves monitoring of trading activities and Prohibited Transactions for indications of misconduct. Scope of data surveillance activities include review of trade and transactional data and electronic and audio communication. Under each category, different data points shall be monitored, and various sampling methods of data should be employed.

To mitigate cyber security risk and ensure trading oversight compliance, PSE employees are prohibited from accessing work related content on personal devices (excluding BYOD devices which are PSE managed). To avoid any doubt, logging into third party websites, portals, databases, systems, apps etc. via personal devices are explicitly prohibited.

Trade Compliance is accountable for:

- Designing and executing a trade surveillance program
- Operating the monitoring and surveillance tools to ensure accuracy and completeness trade compliance testing
- Identifying and investigating issues raised by the trade established process and tools that are used for monitoring. This may include the disposition of "False Positives".
- Investigating, documenting, and analyzing all findings.
- Reporting unresolved issues to the EMC

ERC is responsible for:

- Confirming the sufficiency of existing controls
- Assisting in validating issues and in determining the path forward for confirmed exceptions

## 9. TRADING PROHIBITIONS

A failure to abide by the policies and limits outlined in this document may result in disciplinary actions, up to and including termination. PSE employees are prohibited from engaging in trading for personal gain in any transactions in financial, natural gas or electric commodity markets. Questions with respect to the enforcement of this provision will be addressed by the Ethics and Compliance Officer or the EMC.

### 9.1. PROHIBITED TRANSACTIONS

A prohibited transaction is any transaction that is not expressly included on the approved list of transaction types in the DOA including commodity type, transaction type, exchange, tenor, volume, or counterparty. In the event approved transaction is considered abusive, or prohibited by regulators, exchanges, counterparties, or debt covenants, then the transaction is prohibited. Additionally, any speculative activities are explicitly prohibited.

Examples of unauthorized transaction include:

- Results in an exceedance of portfolio-level risk limits
- Is entered into without the appropriate level of approval
- Is executed outside the commitment authority (exceeds or violates DOA)
- Is entered into with an unapproved counterparty
- Exceeds approved credit limits
- Violates exchange rules
- Violates market rules

## 10. POLICY ADMINISTRATION

The primary responsibility for the administration of this *Policy* rests with the EMC. Violations of this *Policy* and the *Procedures* may result in disciplinary action up to and including termination of employment or service contract. If staff become aware of a violation of this *Policy* or any *Procedures* that is not mitigated

within the required time-period referenced in the *Procedures*, it must be brought to the attention of the EMC.

## 10.1. COMMUNICATION AND TRAINING

Within ESM, there is a dedicated team of Front Office Compliance personnel responsible for the delivery of training to the business and tracking of attendance.

Front Office Compliance is responsible for

- Communicating policy changes to applicable personnel, including the effective date of the change
- Delivering training to the business and tracking attendance, including training associated with policy changes prior to the effective date of the change

## 10.2. POLICY EXCEPTION

Exceptions to this *Policy*, by actions or failures to act, may increase PSE's risk exposure beyond a level which was intended by Management. Any exception to this *Policy* requires the authorization of the EMC.

## 10.3. POLICY VIOLATION ESCALATION

The risk governance structure is designed to control business activities and manage risk exposure within a defined tolerance. Violations are classified into two categories: Limit violations caused by market movement and policy violations.

In the case of a limit violation, ERC is responsible for:

- Notifying the EMC of the violation

If the violation is not corrected, the EMC is responsible for:

- Determining the management and disposition of the position

Violations of this *Policy* must be escalated in accordance with Escalation Procedures as defined in the *Procedures*.

## 10.4. PROCEDURES MANUAL

The Company has developed, and the EMC has adopted, a *Procedures* Manual that provides the guidelines and processes, and identifies roles and responsibilities, required for the Company to manage its electric and natural gas supply portfolios. Pursuant to this *Policy*, the EMC is responsible for overseeing the implementation of, and conducting a periodic review of, those *Procedures*, the sooner of annually or when a change is made to either document. All activities governed by the *Procedures* shall be within the guidelines and limits of this *Policy*.



## 11. POLICY AUTHORIZATION

This *Policy* is reviewed on an annual basis or as material changes to the business occur.

The ERC is responsible for:

- Reviewing all recommendations for amendment
- Upon satisfactory review, recommending approval to the EMC.

## 12. POLICY ACKNOWLEDGEMENT

All applicable PSE personnel shall acknowledge, in writing or electronically, their understanding and acceptance of this *Policy* annually. By acknowledging this *Policy*, it is expected that each individual is also acknowledging the supporting documents listed in the Appendices Transaction authority will not be granted or may be revoked until written acknowledgement of this *Policy* has been received.

## 13. CONFIDENTIALITY

This document and the *Procedures* are confidential and intended for the sole use of PSE staff and its related entities. These documents contain proprietary information belonging to PSE and must not be wholly or partially reproduced nor disclosed without prior written permission from PSE Legal. Outside distribution is strictly prohibited unless as required for legal, regulatory, or audit requirements.

## 14. NEW REGULATIONS

If new accounting, regulatory or tax provisions would negatively impact transaction and hedging strategies or objectives for PSE, the EMC may address such issues by appropriately amending the *Procedures*.

# 15. APPENDIX

## APPENDIX A – RISK DEFINITIONS

The focus of this *Policy* is the following risks:

### MARKET RISK

Market risk is the risk of financial losses to the portfolio caused by adverse price movements. This can be due to exposure to movements in commodity prices, volatilities, and correlations. Within market risks there are static and dynamic risks.

Static risks are linear exposures to movements in underlying energy prices where volumes are constant. PSE will measure its static market risk using mark-to-market ("MtM) and potentially value at risk ("VaR") measures. Dynamic risks are characterized by optionality. PSE will quantify dynamic risks using the "Greeks" which measure the dynamic risk due to the change of the underlying commodity.

### ASSET OPERATIONS RISK

Asset operations risk is the risk associated with an asset's inability to perform as planned. An example of this risk is a forced outage, such as an unplanned reduction in capacity due to mechanical failure or external events at an industrial plant or logistical terminal.

### LIQUIDITY RISK

Liquidity risk is the risk that can occur due to some markets being illiquid or becoming illiquid during times of uncertainty. As such, PSE may not be able to liquidate or hedge its positions quickly in these situations. For markets that are illiquid, supplemental measures such as stress tests or scenario analysis may be required to accurately report the risk exposure to standard MtM and potentially 1-Day VaR. Where liquidity is low in certain segments of the markets or delivery periods, there will be a control, in the form of exposure limits, which prevent risk concentrations from building in any one segment of those markets.

### OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events occur due to inefficiencies that may cause transactions to be lost, delayed, or processed incorrectly. Operational risk also encompasses fraud risk arising from purposeful concealment, mis-valuation, and the failure to record or incorrectly represent positions in internal or external systems.

### MODEL RISK

Model risk is defined as the risk that potential errors or inappropriate actions or decisions are made based on models which are:

- Incorrect (e.g., uses a poor methodology or theory, contains implementation errors, developed errors during a change or update, etc.);
- Mis-specified (e.g., uses bad data, improperly calibrated, out-of-date training data set, etc.); and / or
- Misapplied (e.g., a sound model is used for an inappropriate task, user error, misinterpreted results, etc.)

PSE has established a separate Model Risk Management Policy governing the utilization of key financial and volumetric models in support of the business.

# APPENDIX B – EMC NOTIONAL AND TEMPORAL LIMITS

EMC delegates authority for ESM to transact without additional approval as described in Schedule A of the *Procedures* document. Transactions that are not within ESM’s delegated authority require additional approval. EMC is authorized to approve transactions as defined in the below table. Agreements outside of the EMC’s approval authority must be approved by the Board of Directors.

APPROVER	NOTIONAL SIZE	TENOR
EMC	LESS THAN \$400M	11 YEARS OR LESS
BOARD OF DIRECTORS	\$400M OR GREATER	GREATER THAN 11 YEARS

# APPENDIX C – AUTHORIZED SIGNATORIES

Pursuant to the Company’s Certificate of Transaction Authority dated January 30, 2023, the following are authorized signatories on behalf of the Company.

No authority to execute agreements or transactions that may be considered a “swap” is delegated unless a Dodd-Frank compliance review is completed before execution.

	AUTHORIZED TO EXECUTE ISDA MASTER AGREEMENTS	AUTHORIZED TO EXECUTE CONFIRMATIONS FOR FORWARDS, SWAPS, OPTIONS, AND OTHER FINANCIALLY SETTLED TRANSACTIONS
SVP, ENERGY RESOURCES	✓	
DIRECTOR, ENERGY SUPPLY MERCHANT	✓	✓
MANAGER, POWER SUPPLY OPERATIONS		✓
MANAGER, POWER SUPPLY OPERATIONS		✓

# APPENDIX D – DELEGATED COMMITMENT AUTHORITY

The Company’s Commitment Authority Policy describes delegated authorities across the organization by transaction type. Those related to commercial and wholesale energy transactions are as follows:

## Delegated Commitment Authority

TRANSACTION TYPE	DELEGATED AUTHORITY <sup>1</sup>
ENERGY PORTFOLIO MANAGEMENT	SEE ENERGY SUPPLY HEDGING AND OPTIMIZATION PROCEDURES MANUAL
ENERGY PORTFOLIO SUPPORTING SERVICES	DIRECTOR RESPONSIBLE FOR ENERGY PORTFOLIO SUPPORTING SERVICES
FINANCIAL DERIVATIVE MASTER AGREEMENTS (ISDA)	DIRECTOR RESPONSIBLE FOR FINANCIAL DERIVATIVE AGREEMENTS
NATURAL GAS RESOURCE AGREEMENTS	DIRECTOR RESPONSIBLE FOR NATURAL GAS AGREEMENTS
TRANSMISSION AND DISTRIBUTION LINE SERVICES	DIRECTOR RESPONSIBLE FOR TRANSMISSION AND DISTRIBUTION LINE SERVICES
TARIFF AGREEMENTS WITH CUSTOMERS	DIRECTOR RESPONSIBLE FOR TARIFF AGREEMENTS WITH CUSTOMERS
CONTRACTS, AGREEMENTS AND SETTLEMENTS WITH MAJOR CUSTOMERS	DIRECTOR RESPONSIBLE FOR CONTRACTS, AGREEMENTS AND SETTLEMENTS WITH MAJOR CUSTOMERS

The titles identified represent the current position with the functional responsibility for the type of transaction(s) described. The title(s) may change over time. Unless otherwise specified, the position with the responsibility for the transaction type shall continue to have the delegated authority even if the title itself changes.

This table is a summary of commitment authorities for ESM. The complete listing of Company authorities can be referenced in the Commitment Authority Policy, Exhibit 1 – Delegated Commitment Authority.

No authority to execute agreements or transactions that may be considered a “swap” is delegated unless a Dodd-Frank compliance review is completed before execution.

