



Policy Number: 18

Adoption Date:

June 28, 2018

Subject: Financial Reserves Policy

Purpose: Peninsula Clean Energy (PCE) will maintain Financial Reserves as described in this policy to:

- Meet PCE's strategic objectives
- Secure favorable commercial terms with vendors, including power producers
- Secure future stand-alone PCE credit rating
- Provide a contingency to provide rate stability for PCE customers
- Provide a source of funds for unanticipated expenditures

Policy Guidelines: PCE will maintain the reserves at the following funding levels:

- Operating / Working Capital Reserve equal to 120 days of operating expenses, including power supply expenses;
 - The Operating / Working Capital Reserve includes the Rate Stabilization/ Contingency Reserve equal to 15% of projected revenues to mitigate volatility in the power markets and the Power Charge Indifference Adjustment (PCIA).
 - If the Rate Stabilization Reserve calculation exceeds 120 days of operating expenses, the Operating Reserve will be increased accordingly.

Spending Authority: Authority to spend from the reserves must align with Board approved budgets and must be approved by the Board.

Review of Policy: PCE staff will review the Reserve Policy annually to ensure it meets the needs of the agency.