

Financial Policy B.2

Available Fund Balance, and Operating, Program and Collateral Reserves

SCP has an Operating Reserve for the purpose of supporting agency credit, a Program Reserve that allows multi-year program funding commitments, and a Collateral Reserve to allow the posting of collateral for energy and related purchases.

SCP shall maintain a minimum of 120 days of cash reserves at all times.

Target balances are:

Operating Reserve	50% of total annual budgeted expenses
Program Reserve	10% of total annual budgeted expenses
Collateral Reserve	10% of annual energy expenditures

Prior to reaching these targets, the following shall apply to Sonoma Clean Power Authority's financial management:

1) Rate Setting and Budgeting:

A. Definitions

- i. "Rates" shall mean the Average Retail Generation Rate inclusive of All Fees.
- ii. "Average Retail Generation Rate" is the total revenue collected for generation divided by the total kilowatt-hours of energy sold.
- iii. "All Fees" is the sum of those fees separately charged to SCP customers as determined by the CPUC. Today this includes the Power Charge Indifference Adjustment and Franchise Fee.

B. SCP Rates Less Than 2% Above Bundled Service. When SCP can set its Rates to not more than 2% above PG&E's Rates, then a minimum of 3% of revenues shall be recovered through rates to provide for the Operating, Program and Collateral Reserves.

C. SCP Rates Between 2% and 7% Above Bundled Service. When SCP sets its Rates between 2% and 7% above PG&E Rates, it shall maintain existing reserves without contribution or expenditure.

Adopted: June 5, 2014

Amended: January 8, 2015, June 4, 2015, April 5, 2018, and April 2, 2020

- D. SCP Rates More Than 7% Above Bundled Service. When SCP sets its Rates more than 7% above PG&E Rates, it may use funds from reserves to offset customer rates so long as a minimum of 120 days of cash is maintained in reserves at all times.

2) Allocating the Increase in Available Fund Balance, if any:

- A. 75% to Operating Reserves to support credit and mitigate financial risks.
- B. 15% to Program Reserves to support programs that have financial commitments which extend beyond the current fiscal year consistent with SCPA's mission. Program Reserve usage must be authorized by the SCPA Board of Directors with prior review by the Community Advisory Committee.
- C. 10% to the Collateral Reserves to provide a source of collateral for purchasing energy and energy-market products.

Annual Increase in Available Fund Balance shall be determined based on information reported in the annual audited financial statements. Available fund balance at the end of a fiscal year is equal to assets convertible or expected to be converted into cash within 90 days.

When one or two of the reserve targets are met, greater percentages shall be contributed to the unmet target(s) at the Board's direction.

Upon reaching the target balances, rates and budgets shall be set to maintain the target balances.

Adopted: June 5, 2014

Amended: January 8, 2015, June 4, 2015, April 5, 2018, and April 2, 2020