

Financial Policy B.2

Financial Reserves

Purpose

SCP maintains financial reserves to maintain good standing with rating agencies, provide liquidity when current income is insufficient, protect customers from sudden large changes in rates, and to mitigate energy market risks. This policy governs how financial reserves are built, maintained and used.

Reserve Balances

- Minimum Reserves: 180 days of the annual budgeted operating expenses.
- Target Reserves: 280 days of the annual budgeted operating expenses.
- Excess Reserves: Any reserve balances in excess of the Target Reserves must be returned to customers through lower rates or program incentives in the following year.

Building Reserves and Rate Setting

During periods when the Minimum Reserve is not met, SCP shall set rates in a manner to reach the required balance within 2 years.

During periods when SCP's reserves are above the Minimum Reserve but below the Target Reserve, SCP shall set rates to reach the Target Reserve balance within 5 years in a manner that best protects customers from unreasonable rates.

Use of Reserves

The expenditure of reserve funds requires a vote of the Board of Directors. However, the CEO has the authority to use reserves for operating liquidity in emergency situations in consultation with the Board Chair and Vice Chair, and such actions must be noticed to the Board of Directors in the next meeting.

Investing Reserve Balances

The investment of reserve funds is governed by Financial Policy B.5 Investments.

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