

VALLEY CLEAN ENERGY ALLIANCE

DIVIDEND PROGRAM GUIDELINES

Purpose: VCE's customer dividend program allows VCE to provide rate relief to customers, maintain financial stability and focus on its primary goals: a cleaner environment, meeting the members' climate action goals, building agency reserves, offering custom tailored programs, and awarding customers for their loyalty and trust.

Program Guidelines:

- VCE, at a minimum, reviews and sets customer rates on an annual basis as outlined in VCE's cost recovery rate policy. VCE's rate adjustment policy is used for within-year rate adjustments for significant cost impacts.
- VCE requires a minimum 5% net margin (less principal debt payments) before consideration of providing dividends to VCE customers. Customer dividends are provided in the form of bill credits.
- Annually based on the audited financial statements:
 - Calculate the Net margin less principal debt payments.
 - If Net margin < 5% - no customer dividends and Board determines allocation of net margin to Cash reserves and & Local Program reserves.
 - If Net margin > 5% - Board determine allocation of any surplus (over 5%) to Cash reserves, Local Program reserves and Customer Dividends.
- Guidelines of Allocation of Net Margin
 - Net Margin <= 5%
 - Up to 95% to Cash Reserves (Until 180-days of operational cash reserves met).
 - At least 5% to Local Program Reserves.
 - Net Margin > 5%
 - Follow guidelines for Net Margin up to 5%.
 - Net margin in excess of 5%:
 - At least 50% to Operational Cash Reserves until 180 days cash reserve target is met (Rating agency minimum requirements).
 - At least 25% to Rate Stabilization Reserves until 60 days cash reserve target is met.
 - Discretionary Board Allocations (above 75% until the minimum cash reserve targets are met). Remaining excess allocated between

additional cash reserves, customer dividends, and Local Programs Reserve at the discretion of the Board annually.

- Board approves allocation of Net Margin on or around the April Board meeting
- Any surplus allocation to customer dividends will appear as bill credits. Any customer dividends will appear as bill credits in the form of a future rate discount. The prospective bill credit provides for additional financial stability as VCE achieves the primary goals set in the strategic plan.