VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL RESERVE POLICY

The VCE Board recognizes the importance of developing cash reserves to:

- Ensure financial stability
- Ensure access to credit at competitive rates
- Ensure rate stability
- Fund local programs

To achieve these objectives, VCE targets an operating cash reserves account minimum balance of 120 days of operating expenses, with a goal of building and maintaining a reserve of 180 days of operating expenses. Additionally, VCE targets a Rate Stabilization Reserve account with a minimum balance of 60 days of operating expenses. VCE Local Programs and Dividends are designated by the Board of Directors during the annual budget process and dividend program allocation process.

VCE Rates, Power Portfolio Resource mix, and Operating Budget will be adjusted as needed to meet and maintain VCE's target reserves and an investment grade credit rating. If the Reserves are projected to fall below the minimum balance, VCE will implement plans, such as increasing rates/lowering VCE's discount by use of the rate adjustment policy, to return Operating Reserves to the target of 180 days within two years. Such plans will be provided in subsequent budget and rate discussions with the Board of Directors.

Definitions

Operational Reserve – As described above, operational reserve funds are used to meet VCE's strategic objectives, secure favorable commercial terms, secure future stand-alone VCE credit rating(s), and provide a source of funds for unanticipated expenditures.

Rate Stabilization Reserve – Rate stabilization funds provide a contingency to provide rate stability for VCE customers given factors such as, but not limited to, new or changed regulations, increased power costs, and Power Charge Indifference Adjustment (PCIA) charges from the investor-owned utility (PG&E).

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