

5.05.010-P Maintaining, Establishing and Using Net Assets Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	May 23, 2012	R633	May 2015
Board Decision	September 25, 2013	R677	Sept 2016
Policy Committee	September 8, 2016	R800	Sept 2019
Board Decision		R914	July 2023
Board Decision	October 14, 2020	R921	July 2023

POLICY ON MAINTAINING, ESTABLISHING AND USING NET ASSETS

1. Energy Trust shall maintain four categories of net assets: Efficiency Program Reserves by Utility, Renewable Program Reserves by Utility, Other Funding Sources, and Contingency Reserves.
2. The amount of Efficiency Program Reserve Targets by Utility shall be established in annual funding negotiations with utilities. Board action shall be required only if staff proposes to use more than 50% of any individual utility efficiency program reserve, provided such usage is clearly identified in the quarterly report to the board and the OPUC.
3. The Renewable Program Reserves by Utility can vary based on utility collections at any given time. Renewables programs are funded through SB1149 as a percent of electric utility collections. The amount of revenue is locked at that percent. There is no reserve target or negotiated revenues for the Renewable Program Reserves, but they are monitored to ensure funds are available to make commitments for long-lived projects.
4. The reserve target for Other Funding Sources, other than the Business Development fund pool, shall be established in the annual budget process, pursuant to a risk assessment by staff and reviewed by the Finance Committee.
5. The Contingency Reserves shall be divided into two pools: the Emergency Contingency Reserve and the Operational Contingency Reserve.
 - a. Staff is authorized to use the Emergency Contingency Reserve in emergency or other catastrophic situation to maintain or restore operations, provided that staff shall inform the board after such use and clearly identify it in the quarterly report to the board and the OPUC.
 - b. Staff is authorized to use the Operational Contingency Reserve to address other organizational needs that might arise as a result of revenue shortfalls derived from weather, opportunities or initiatives that can reasonably be expected to maximize the effectiveness and reach of Energy Trust's public purpose charge revenue, renewable energy projects for which other funds are insufficient or unavailable, or support for energy efficiency projects in the event Efficiency Program Reserves by Utility are otherwise insufficient or unavailable, provided that, in all cases, staff shall obtain prior board authorization or, if prior board action is not practicable, with executive director authorization and board ratification at the board

meeting immediately following the use of the Operational Contingency Reserve. In addition, staff shall identify such use in the monthly financial statements to the board and the OPUC.

- i. Should the Operational Contingency Reserve be drawn down below the reserve target established above in this policy, it shall be replenished as follows and in the order below:

First, through repayment of any amount drawn down by a funding utility in the event Efficiency Program Reserves by Utility or renewable program budgets are otherwise insufficient or unavailable.

2. Next, with investment income earned on the Emergency Contingency Reserve and the Operational Contingency Reserve.

3. Then, with up to 25% of the total investment income earned on the Efficiency Program Reserves by Utility and the Renewable Program Reserves by Utility.

- ii. In the event the replenishment amounts identified above are not adequate to restore the Operational Contingency Reserve to the target reserve established above in this policy, staff shall report the deficit amount to the Finance Committee at the Finance Committee's next regularly scheduled meeting and provide risk assessment and a proposal for alternatives to full replenishment.

6. Energy Trust staff will maintain a Net Assets Procedures document to provide detail on the establishment, maintenance and use of Energy Trust's net asset categories.
7. The Finance Committee shall undertake a review of this policy not less than every three years to determine, among other things, whether the reserve targets established for the Contingency Reserves are appropriate. Any changes to the reserve targets for the Contingency Reserves shall be presented by staff and committee for the full board consideration and approval.