Summary of the Cash Reserve Policy for the Undesignated Reserve minimum and maximum levels:

Undesignated Reserves	Purpose	Target (Minimum) Calculation	Rationale	Maximum Amount	Electric	Water
Operating Reserve (Working Capital) - Operations & Maintenance, including Power Supply Costs *excluding Operating & Maintenance expenses funded with restricted or designated reserves*	Ensures sufficient resources to pay budgeted operating, maintenance expenses, including power supply costs, recognizing the timing difference between payment of expenses and receipt of revenues.	Equal to 60 days of operating expenses based on the most recent audited financial statements.	Billing and collection cycle is 60 days – difference between delivery of service and receipt of payment.	Equal to 90 days of operating expenses based on the most recent audited financial statements.	✓	✓
Rate Stabilization	Mitigate rate shock due to temporary and transitional regulatory changes, loss of a major resource, sharp demand reduction or market volatility.	10% of Operating Revenues	Based on low-end of risk quantification for power cost uncertainty due to load reduction, market energy price fluctuations, unit contingencies, transmission costs, and regulatory mandates.	20% of Operating Revenues	✓	
		7% of Operating Revenues	Based on historic fluctuation of retail sales from year to year due to unforeseen events (eg. recession, drought).	15% of Operating Revenues		✓

Summary of the Cash Reserve Policy for the Undesignated Reserve minimum and maximum levels:

Undesignated Reserves	Purpose	Target (Minimum) Calculation	Rationale	Maximum Amount	Electric	Water
Capital - Emergency	Provide funds to ensure ability to repair system after an emergency or natural disaster such as a flood, earthquake or major windstorm	1% of depreciable capital assets as reported on the most recent audited financial statements.	Consistent with APPA guidelines for emergency reserves. Provides funds to pay for needed expenditures to be reimbursed by FEMA or other sources	2% of depreciable capital assets as reported on the most recent audited financial statements.	✓	✓
Capital – System Improvements	Provide funds to ensure continuity of construction over fiscal years to be reimbursed by bond proceeds or other resources.	6 months of the ~~following year's approved~~ ***average of the 3 years*** Capital Improvement expenditures (CIP) *including previous year expenditures, current year budget, and following year budget, less CIP funded with restricted or designated reserves other than bond proceeds*	Provides sufficient funding to meet planned capital expenditures – recognizing the time to procure funding (e.g., bond sale, grant)	9 months of the following year's approved Capital Improvement expenditures (CIP).	✓	✓

Summary of the Cash Reserve Policy for the Undesignated Reserve minimum and maximum levels:

Undesignated Reserves	Purpose	Target (Minimum) Calculation	Rationale	Maximum Amount	Electric	Water
Debt Service	Ensure ability to make debt service payments in an extreme event that may impact RPU's ability to provide services, thus impacting revenues at a time critical infrastructure repairs are needed to restore systems.	Maximum debt service payment (semi-annual) in the upcoming fiscal year.	Prevent an event where RPU would be unable to pay its debt service.	Maximum debt service payment (semi-annual) in the upcoming fiscal year.	✓	✓