

NEW MEMBER RESERVE POLICY

I. PURPOSE

The New Member Reservice Policy (Policy) is established for the purpose of ensuring that all net revenues established by the existing members of Pioneer Community Energy ("Pioneer") as of the date the new member begins receiving electricity from Pioneer, are for the exclusive benefit of Pioneer ratepayers within the jurisdiction of the existing members and not used to subsidize the rates or programs of new members.

II. SUPPLEMENT TO EXISTING RESERVES POLICY

Pioneer currently has a Cash Reserves Policy (Existing Reserves Policy) with the purpose of managing risk associated with economic uncertainties including rate instability, volatile energy prices and other unexpected expenditures. This New Member Reserve Policy should be considered a supplement to the Existing Reserves Policy.

III. DEFINITIONS

"Baseline Reserve" is defined to mean the dollar amount of Reserves accumulated by Pioneer ratepayers and identified by the Governing Board on the date a new member begins receiving electricity from Pioneer. If two or more members begin receiving electricity from Pioneer at the same time, this Policy will apply to the new members collectively.

"New Member" is defined to mean any public agency that becomes a member of Pioneer Community Energy after December 31, 2021.

"Pioneer Founding Members" include the Cities of Auburn, Colfax, Lincoln, Rocklin, the Town of Loomis and Unincorporated Placer County.

Category: Finance

“Minimum Reserve Target” is defined to equal 120 days of cash on hand based on the following fiscal year’s operating budget expenditures.

“Target Net Reserves” is defined as the difference between the Minimum Reserve Target based on twelve months of budgeted operating expenditures to serve the new member(s) and the minimum reserve target before expansion.

- Example:
 - The minimum reserve target based on the following twelve months of operating expenses without expansion is \$27 million.
 - The minimum reserve target adjusted for incremental operating expenses due to serving new member(s) is \$45 million.
 - The target net reserves would be the difference of \$45 million less \$27 million or \$18 million.

IV. LIMITATIONS ON USE OF BASELINE RESERVE

The Baseline Reserve may be used for any lawful purposes of Pioneer as determined by the Governing Board except the following expenditures:

- a) Subsidizing customer rates in the jurisdiction of a new member or members that are not based on the cost of service.
- b) Subsidizing economic development rates for commercial or industrial customers in the jurisdiction of a new member or members.
- c) Paying, in whole or in part, for the costs of financing or constructing local energy projects located in the jurisdiction of a new member or members.

V. SUNSET OF POLICY TO NEW MEMBERS

The terms of this policy shall cease to apply on the earlier of three years from the date the new member(s) begins receiving electricity from Pioneer or when the new member(s) contributes an amount of net reserves to Pioneer that are equal to or exceed "Target Net Reserves."