

ENERGYUNITED ELECTRIC MEMBERSHIP CORPORATION
FINANCE AND ACCOUNTING POLICY MANUAL

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FAP-01: FINANCE AND ACCOUNTING POLICY MANUAL

Version: 2015.12.17

1. OBJECTIVE:

To establish the basis for the formulation, approval, publication, and distribution of written finance and accounting policy statements to provide guidance to the Members, Board of Directors ("Board"), Chief Executive Officer ("CEO"), management, employees, contractors, and other persons and entities in furtherance of the purposes, objectives, plans, viewpoints, and operational requirements of the Cooperative.

2. POLICY CONTENT:

- a. The Board hereby recognizes its responsibility for finance and accounting policy planning and development through observation, study, and analysis of the affairs of the Cooperative which, together with the recommendations of the CEO, provide the basis for financing and accounting policy content.
- b. Financing and accounting policies will be developed and placed in written form. All finance and accounting policies shall be placed in a finance and accounting policy manual that is available to Members, Board of Directors ("Board"), Chief Executive Officer ("CEO"), management, employees, contractors, and other persons and entities in furtherance of the purposes, objectives, plans, viewpoints, and operational requirements of the Cooperative.
- c. If any position with the Cooperative referred to in finance and accounting policies is replaced by another position, then the financing and accounting policies shall be interpreted as referring to the replaced position without the necessity of any further action being taken.
- d. The Board may, in its sole discretion, modify finance and accounting policies at any time. The CEO and Corporate Attorney may make administrative corrections and non-substantive modifications to finance and accounting policies without Board approval. Administrative corrections and non-substantive modifications include, but are not limited to, format changes, spelling corrections, style modifications, numbering changes, etc.

3. RESPONSIBILITY:

- a. The Board is responsible for the review, consideration, and approval of finance and accounting policies.
- b. The CEO is responsible to the Board for recommendations covering the areas of need where finance and accounting policies are required, such recommendations shall include the finance and accounting policy statement, content, and responsibility

requirements which are to be reviewed for revision, correction, and appropriate action by the Board.

- c. The requirements for finance and accounting policies are to be determined by the Board in consultation with the CEO. The CEO is solely responsible for all internal operational procedure statements that are required relative to procedures necessary in the accomplishment of their responsibilities.

FAP-02: FINANCIAL BUDGETS AND WORK PROGRAMS

Version: 1998.10.01

1. OBJECTIVE:

To establish the necessary guidelines for financing and operating the system on both a short and a long-range basis.

2. POLICY CONTENT:

- a. Annual Work Programs and Operating Budget: There shall be prepared for the Board of Directors ("Board"), not later than the December Board meeting, a work program and budget covering all phases of operations for the succeeding fiscal year.
- b. Construction and General Expansion Plans and Budget: There shall be prepared and presented to the Board an outline of construction and general plant expansion plans for the succeeding year together with a budget reflecting the capital expenditures necessary to carry out such expansion. This plan and budget are to be presented to the Board at the same time as the annual work program and operating budget.
- c. Long-Range Financial Planning (The Ten-Year Plan): Periodically there shall be presented to the Board a ten-year financial forecast, by years, of future construction and operation of the Cooperative, together with recommendations as to how the financing requirements are to be met. The forecast shall consist of the following:
 - i. Annual construction expenditures.
 - ii. Annual operation revenues, expenses, margins, and accumulated general funds and general fund investments.
 - iii. Balance sheet data as of the end of the fifth and tenth future year reflecting estimated total gross plant, depreciation reserves, current assets, net obligations, and net worth.

3. RESPONSIBILITY:

- a. It shall be the responsibility of the Chief Executive Officer ("CEO") to present the necessary information to the Board to comply with this policy and the Board will review and approve work programs and budgets to serve as guidelines to management in the operations of the system.
- b. Any significant modification of approved work programs or budgets shall be brought to the attention of the Board by the CEO.

FAP-03: DEPRECIATION RATES

Version: 1998.10.01

1. **OBJECTIVE:**

To maintain depreciation rates which are realistic and meet the needs of the Cooperative in accordance with accounting principles the following is hereby authorized.

2. **POLICY CONTENT:**

The depreciation rates in effect in the Cooperative shall be reviewed by the Board of Directors at least every five years at which time annual depreciation rates shall be approved and adopted.

3. **RESPONSIBILITY:**

It shall be the responsibility of the Chief Executive Officer to administer this policy.

FAP-04: CHECK SIGNING AND HANDLING OF MONIES

Version: 2015.12.17

1. OBJECTIVE:

To establish guidelines for handling of funds, the following policy is set forth.

2. POLICY CONTENT:

- a. Handling of Monies: The handling of all monies shall be in accordance with the general policies set forth in this section.
- b. Check Signing:
 - i. Operating Account: The Chief Executive Officer ("CEO") and Chief Financial Officer are authorized to sign checks drawn on the Cooperative operating account.
 - ii. Special Construction Account: The President, Vice-President, Treasurer, Secretary, and CEO are authorized to sign checks drawn on the Cooperative special construction account.
- c. Depositories: The Board of Directors ("Board") shall approve all depositories. Every depository shall be federally insured, unless such depository is a cooperative bank with an ongoing relationship with the Cooperative. It shall be the policy of the Board to give due consideration to depositories located in the area served by the Cooperative. Accounts such as money market accounts with federally insured financial institutions are acceptable depositories.

3. RESPONSIBILITY:

- a. It shall be the responsibility of the CEO to administer this policy.
- b. It shall be the responsibility of the Secretary to advise the Board of non-adherence to this policy.

FAP-05: REVOLVING LOAN FUND APPROVAL AND ADMINISTRATION PLAN

Version: 2022.04.21

1. OBJECTIVE:

To establish the necessary policy and guidelines to administer the EnergyUnited EMC Revolving Loan Fund ("RLF") so that we can continue to improve the quality of life in rural areas by helping to leverage projects that create and retain job opportunities for rural residents; that provide technical assistance, education, or medical care to rural businesses or rural residents; that further the use of advanced telecommunications services and computer networks for medical, educational, and job training services; and that upgrade the public infrastructure to improve the economic development potential of rural areas and the health, safety, and medical care of rural residents.

2. POLICY CONTENT:

- a. EnergyUnited EMC ("EnergyUnited") will accept and consider applications for loans from the RLF for projects that will significantly benefit rural areas, without restriction to EnergyUnited's service area or any other area.
- b. EnergyUnited will not condition the approval of a loan from the RLF with the requirement that the prospective recipient purchase electrical or telecommunication services from EnergyUnited.
- c. The Board of Directors of EnergyUnited ("Board") is the sole authority for approval or denial of loans from the RLF and is responsible for all decisions and actions of the RLF.
- d. The RLF is not intended to compete with other public or private lenders. The RLF will collaborate with other lenders to provide the financial package necessary to make the project happen, but at the same time to minimize the RLF financing component.
- e. To avoid potential conflicts of interest, or the appearance of conflicts of interest, an RLF loan will not be made to any Board member or employee of EnergyUnited, or close relative thereof, or to any subsidiary or affiliated organization in which the EnergyUnited has a financial interest.
- f. The RLF is an equal opportunity lender and requires loan recipients to adhere to all equal opportunity laws.
- g. All information regarding RLF loan requests will be kept confidential by the members of the Board and EnergyUnited staff responsible for loan application review. If necessary, the RLF may seek the advice and counsel of outside consultants and sources in order to adequately perform due diligence regarding the project.

- h. Amendments to this Rural Development Plan will require the approval of the Board. However, no action will be taken to amend this plan without the prior written approval of the USDA Rural Business Cooperative Service ("RBS").

3. REVOLVING LOAN FUND MANAGEMENT:

- a. Administration of the Revolving Loan Fund: Management of the RLF will be by EnergyUnited's staff, although other community resources may be used. Up to, but not more than, 10% of the USDA grant funds received can be used for RLF administration.
- b. Loan Review:
 - i. RLF loan applications will be reviewed by EnergyUnited's staff, although other community resources may be used. The EnergyUnited staff will perform necessary credit analysis and due diligence in order to make a written recommendation to the Board, which has final authority regarding all actions of the RLF. Staff will meet on an as needed basis under the terms of the application procedures listed below.
 - ii. The Board has the authority to establish loan terms and security requirements within compliance of USDA requirements.
 - iii. EnergyUnited staff responsible to review loan applications will be, in part, because of their experience with lending and/or economic and community development projects. Initially, staff will include EnergyUnited's Chief Operating Officer ("CEO"), Chief Financial Officer, and VP of Energy Services.

4. PROVISIONS:

- a. RLF Eligibility: In general, eligible projects for subsequent loans can include any business venture, governmental public body, or non-profit entity involved in a community or economic development project that promotes job creation and/or provides needed community services that benefit rural areas, including loans to for-profit businesses and loans to not-for-profit entities. Uses of RLF loan proceeds may be for land, fixed assets, machinery and equipment, or working capital needs. Working capital loans will only be considered in conjunction with the purchase of other assets as previously specified.
- b. RLF Ineligible Uses: Ineligible uses of RLF funds include pre-development costs; refinances of existing debts; illegal activities; legal activities that in the opinion of the Board adversely affect the RLF or cooperative's interests; general improvement loans related to normal replacement needs of a business and unrelated to business expansion/job creation; and loans to projects which have alternative sources of financing at reasonable interest rates.
- c. Loan Amounts and Supplemental Financing Requirements:

- i. The minimum RLF loan will be \$5,000.00 and the maximum RLF loan will be determined by the Board based on available funding and financial needs of the proposed project.
 - ii. RLF projects must include a minimum of 20% funding from other sources. Greater leveraging of outside resources enhance the chances for approval of an RLF loan request.
- d. Interest Rate and Fees:
- i. An annual loan servicing fee of up to 1% of the unpaid balance may be charged to help cover administrative costs of the RLF. Interest rates on all RLF loans will not exceed the prevailing prime rate as published in the Wall Street Journal and will be determined based on the evaluation of ability to repay and the necessity of below market financing to make the project happen. Interest earned on any RLF loan must stay in the fund for use in making additional RLF loans.
 - ii. In addition to accrued interest and loan servicing fee, the RLF may charge borrowers for loan closing costs, attorney's fees, filing fees, etc., as necessary to complete loan documentation. All loan fees will be addressed in the Loan Agreement between the RLF and the loan recipient.
- e. Loan Terms:
- i. The term of an RLF loan shall not exceed 10 years and may be less than 10 years as determined by the Board. Loan deferments of up to 2 years may be considered on a project-by-project basis. Monthly or annual payments schedules may be established at the discretion of the Board.
 - ii. EnergyUnited staff will make a recommendation concerning the term of the loan depending upon project need, the expected life of the security, and the applicant's ability to repay. The term of the loan will not exceed the expected life of the asset being used as collateral. While not mandatory requirements, the following maturities will be used as a general guideline:

LOAN TERM GUIDELINES	
Project Description	Term
Building	10 Years
Real Estate	10 Years
Equipment	5 to 7 Years

f. Collateral:

- i. RLF loans will be collateralized, as determined necessary by the Board, to secure its participation in the project, and can include, but is not limited to, mortgages, liens, letters of credit, and/or personal and corporate guarantees. Other terms and conditions may be required as determined by the RUS Borrower's board, depending upon individual circumstances, including but not limited to assignment of leases, subordination agreements, life insurance, etc. EnergyUnited's attorney will prepare legal documents necessary to complete the loan transaction and secure the indebtedness.
- ii. The loan recipient will be required to maintain appropriate insurance on all secured assets and name the RLF as loss payee.

5. APPLICATION PROCEDURES AND LOAN ADMINISTRATION:

a. Process:

- i. EnergyUnited staff will analyze each project and make a written recommendation to the Board.
- ii. The Board will normally review RLF applications at their regularly scheduled monthly Board meeting. However, if needed and at the Board's option, the Board may call a special meeting to review a loan application.
- iii. The Board shall have final authority to approve or deny all RLF loan requests, and to determine appropriate terms and conditions.
- iv. For approved loans, a loan agreement addressing all of the terms and conditions, including monitoring procedures, repayments, delinquencies, defaults, and remedies for that project will be prepared by EnergyUnited. In addition, EnergyUnited shall prepare all other legal documents it deems necessary to close the loan.

b. Loan Monitoring:

- i. At a minimum, financial statements will be requested and reviewed on an annual basis. EnergyUnited reserves the right to require submission of annual financial reports as audited by a certified public accountant.
- ii. Company progress reports may also be required from RLF borrowers.
- iii. EnergyUnited staff will compile an annual review and report of the outstanding loans of the RLF for presentation to the Board.

c. Loan Disbursements:

- i. Before RLF funds can be disbursed to the borrower, all requirements and terms of the loan agreement must be met and supplemental financing must be received or committed in writing. In general, RLF funding is to be the last disbursed to the project and based on actual approved expenses as approved by EnergyUnited.

6. RESPONSIBILITY:

- a. The CEO is responsible for the administration of this policy.
- b. The Board is responsible for monitoring all RLF loans to ensure that loan proceeds are spent as identified in the RLF application, and that the benefits of the project are accomplished as stated in the RLF application.
- c. The Board is responsible for ensuring that RLF loans are secured by adequate collateral and that periodic financial statements from RLF borrowers, as the Board deems necessary to supervise the RLF loan, are submitted.

FAP-06: ALLOCATION AND RETIREMENT OF CAPITAL CREDITS

Version: 2020.05.14

1. OBJECTIVE:

To establish the standards, rules, methodologies, and procedures governing the Cooperative's allocations and retirements of capital credits.

2. POLICY CONTENT: The Cooperative will retire capital credits in accordance with the following standards, rules, methodologies, and procedures:

a. Allocations:

- i. Basis of Calculations: Capital credits for each Member shall be calculated on the basis of his or her annual electric service billing or as provided for in a contractual agreement with the Member.
- ii. Non-Patronage Sourced Income: The Cooperative shall not allocate non-patronage sourced income. Any capital credits allocated to the Cooperative by another cooperative shall be non-patronage sourced income.

b. General Retirements:

- i. Each such retirement will be made only upon authorization by the Board of Directors ("Board") based upon its determination that such is in the best interest of the Cooperative and will not impair the Cooperative's financial condition. Such retirements shall also be subject to any applicable restrictions contained in the Cooperative's mortgages or loan contracts with the United States Rural Utilities Service (RUS), National Rural Utilities Cooperative Finance Corporation (CFC), or any other lender of funds to the Cooperative.
- ii. Such retirements in any given year shall be made in such aggregate amounts and for all or a portion of such one or more prior years as the Board in its discretion shall determine.
- iii. Such retirements shall be a combination of: [1] first-in, first-out and [2] a portion of the prior year's allocation, that is, outstanding capital credited for the earliest year plus a portion of the outstanding capital credited for the most recent audited year.
- iv. To the extent of the present day value of all of the outstanding capital credited or creditable to the patron or former patron's account on the books of the Cooperative, based upon the assumptions: [1] that such credits would otherwise be revolved and retired on the basis of a cycle to be determined by the Board from year to year and [2] that the discount rate will be the CFC long term fixed rate on the 1st of the month prior to the month in which capital credit retirements are processed

- v. Capital credits may be retired to Cooperative patrons or former patrons in cash or by way of billing credits, whichever is decided by the Cooperative's executive management to be most effective and in the Cooperative's best interest.
 - vi. The Cooperative need not mail capital credit retirement checks to former patrons unless and until it has their proper address. However, when the Cooperative does not have the proper address, it shall, after three full calendar months next following the date of its mailing of retirement checks to existing patrons, publicize the availability of such retirements in reasonable ways, which may include newsletter or special mailing announcements, newspaper, radio or television announcements, and the like. If, after nine full calendar months next following the date of its mailing of retirement checks to existing patrons, a former patron has not been identified as to proper address, or has not claimed the retirement, or the check mailed to a former or an existing patron has not been cashed and returned, such retirement funds shall be transferred by the Cooperative to an appropriate account. Such funds shall not thereafter be assigned to any other patrons of the Cooperative and such funds shall, from the date of the expiration of such nine calendar months, be deemed unclaimed for the purpose of fixing the beginning of the period at the end of which such funds must be reported to the State of North Carolina for escheat purposes. If, prior to such escheating, the patron or duly appointed representative thereof shall duly file claim therefor with the Cooperative, it will pay the funds to such patron or duly appointed representative thereof accordingly. Until such funds have been so paid or paid to the escheats fund of the State of North Carolina, the Cooperative may use them for any proper purpose. No interest shall accrue or be owed by the Cooperative with respect to such funds.
- c. Retirements to Estate of Decedent Patrons:
- i. Such retirements shall be made upon authorization of the Board based upon its determination that such is in the best interest of the Cooperative and will not impair the Cooperative's financial condition. (Just such authorization and determination will have been made upon the approval and adoption by the Board of this policy and such authorization and determination shall remain in effect until and unless this policy is rescinded or altered by subsequent action of the Board.) Such retirement shall also be made subject to any restrictions contained in the Cooperative's mortgages or loan contracts with RUS, CFC, or any other lender of funds to the Cooperative. Such retirements shall be paid by check in the name of the estate of the decedent patron, or for a former patron who is a legal entity, such check shall be make payable in the name of that legal entity.
 - ii. To the extent of the present day value of all of the outstanding capital credited or creditable to the deceased former patron or legal entity that has been dissolved, liquidated, or otherwise ceased to exist on the books of the Cooperative, based upon the assumptions: [1] that such credits would otherwise be revolved and retired on the

basis of a cycle to be determined by the Board from year to year and [2] that the discount rate will be the CFC long term fixed rate that was in effect on the 1st of the month capital credit retirements are processed for the year preceding the year the refund is made, and is the rate that is equivalent to the number of years then remaining to be retired.

- iii. Any capital donated to the Cooperative pursuant to implementation of (II)(B)(2) or (II)(B)(3) foregoing shall be executed in writing by the representatives or heirs of the deceased patron. Such capital shall thereafter be transferred to an appropriate donated capital account of the Cooperative and may be used by the Cooperative for any proper purpose, but it shall not be reassignable to any other patron or patrons.
- iv. Capital credited or creditable for a portion of the year in which the patron dies shall be treated as follows:
 - (1) They will be computed on the basis of the assumption that the capital credits for such deceased patron will be same as would be the case were they consistent with what the Cooperative has budgeted for capital credits for that particular calendar year.
 - (2) Any capital not retired or over retired as a result of the employment of the foregoing method shall be an incidental part of the Cooperative's margins to be adjusted as capital credits to the remaining patrons with respect to that particular calendar year.

d. Discounts: Retirements shall be made in accordance with the following method:

- i. To the extent of the present-day value of all of the outstanding capital credited or creditable on the books of the Cooperative, based upon the assumptions: [1] that such credits would otherwise be revolved and retired on the basis of a thirty year cycle and [2] discount rate determined by the Board in (II)(C)(2)[2] above.
- ii. The Cooperative shall not attempt to mail check to a former Member for allocated capital credits when such payment is less than \$15.00.

e. Uncollected Accounts: The Cooperative shall apply any outstanding indebtedness of the Member against capital credit refund made.

3. RESPONSIBILITY:

Except for the determination that from time to time are required by this policy to be made by the Board, the Chief Executive Officer ("CEO") shall have full responsibility and authority to implement this policy. "Executive management" as used in this policy means the CEO and, through them, such of their staff to whom they may duly delegate responsibility and authority for implementing this policy.

ATTACHMENT TO BOARD POLICY 6-02B

EXHIBIT A

NOTICE OF DISSOLUTION OF LEGAL ENTITY AND
REQUEST FOR RETIREMENT OF CAPITAL CREDITS

ENERGYUNITED ELECTRIC MEMBERSHIP CORPORATION

NOTICE OF DISSOLUTION OF LEGAL ENTITY AND
REQUEST FOR RETIREMENT OF CAPITAL CREDITS

Name of Organization: _____

Federal Tax ID/SSN: _____

Member #: _____ Account #(s): _____

Former Service Address: _____

Type of Organization: _____ Corporation _____ Limited Liability Company

_____ Partnership _____ Sole Proprietorship

_____ S-Corporation _____ Other (describe): _____

The undersigned, being duly sworn, says:

(1) The organization is a legal entity that has been dissolved and a true copy of the documents filed with the appropriate authority dissolving the organization are attached; or

(2) The organization is not a legal entity and has ceased to exist; and

(2) I have the authority to sign this document and to take possession of or assign the organization's capital credits; and

(3) I have reviewed Board Policy 6-03B and I understand that the organizations capital credits may be discounted in accordance with EnergyUnited EMC's policies and governing documents and authorize such discounting, if applicable; and

(4) I will indemnify and hold EnergyUnited EMC harmless against all claims arising out of the disbursement of the organization's capital credits in connection with this application.

Signature: _____(SEAL)

Printed Name: _____

Printed Organization Name: _____

Printed Title: _____

(NOTARY BLOCK FOR ORGANIZATIONS THAT ARE NOT LEGAL ENTITIES)

NORTH CAROLINA

_____ COUNTY

I, _____, a Notary Public in and for said County and State, do hereby certify that _____ personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

WITNESS my hand and notarial seal this _____ day of _____, 20____.

Notary Public

My Commission Expires: _____

(NOTARY BLOCK FOR ORGANIZATIONS THAT ARE LEGAL ENTITIES)

NORTH CAROLINA

_____ COUNTY

I, _____, a Notary Public in and for said County and State, do hereby certify that _____ personally appeared before me this day and acknowledged that he/she is the _____ (Title) of _____ (Entity), and that he/she, as _____ (Title), being authorized to do so, executed the foregoing instrument on behalf of _____ (Entity).

WITNESS my hand and notarial seal this _____ day of _____, 20_____.

Notary Public

My Commission Expires: _____

FAP-07: ENERGY HEDGING ACTIVITY

Version: 2017.10.12

1. OBJECTIVE:

To establish the necessary guidelines for energy hedging as used to stabilize the Cooperative's purchase power cost.

2. POLICY CONTENT:

The Board of Directors ("Board") has resolved that the statements contained herein shall govern the use of energy hedging.

- a. Energy Hedging Trading Account(s): To open a trading account requires a Board resolution.
- b. Trading Activity: The energy hedging trade process is as follows:
 - i. Trade Initiation: The Chief Financial Officer ("CFO") shall initiate the trade.
 - ii. Trade Notification: The CFO will notify the Chief Executive Officer ("CEO") and Senior Financial Analyst ("SFA") of the trade immediately upon execution of the trade. Such notification will be in the form of an email.
 - iii. Trade Verification: All trade verifications will be reviewed by the SFA. Hedging counterparties will be instructed to confirm the trade with the SFA. Any discrepancies will be communicated directly to the CEO.
- c. Periodic Reporting of Trading Activity: The CEO will report all trading activity to the Board at its monthly scheduled Board meeting.
- d. Speculative trading is prohibited.

3. METHODOLOGY:

- a. The guidelines for recommended hedges positions of market-priced energy commodities imbedded in the overall wholesale power cost will be in the range of forty to eighty percent. The Cooperative may hedge positions for known and identifiable energy cost exposure during any period (year) for which it can reasonably quantify its known exposure. Any hedging beyond such time periods and/or above the percentages of exposure permitted by Sections III(A)-(B) of this policy shall be considered speculative.
- b. In the event that energy prices fall dramatically, or if otherwise deemed appropriate by the CFO and Vice President of Power Supply ("VPPS"), the Cooperative may hedge a

percentage of its exposure greater than eighty percent, and up to but not to exceed one hundred percent, but only with the prior approval of the CEO.

- c. The hedging committee, consisting of the CEO, CFO and VPPS, will always engage at least one outside resource to provide expertise, strategy, and advice on hedging energy exposure. This outside resource may be comprised of either outside consultants or hedging specialists from one of the Cooperative's wholesale power cost suppliers.
- d. Tools to be utilized in order to effectively hedge market volatility may include puts, calls, swaps, strips, and collars. Some of these tools may be used in combination in order to achieve the hedging objective. In addition, any conversion from floating to fixed energy pricing through our wholesale electric supplier will follow this hedging policy and shall be reflected accordingly in hedging practices.
- e. The methodology guidelines outlined above may be modified from time to time, due to extreme volatility of market conditions and access to obtaining credit with hedging counterparties. Changes from these guidelines will be reported to the Board at its next regularly scheduled meeting.

4. RESPONSIBILITY:

It shall be the CEO's responsibility to carry out this policy and bring periodic reports to the Board regarding adherence thereto.

FAP-08: WHOLESALE POWER COST ADJUSTMENT POLICY

Version: 2026.09.17

1. OBJECTIVE:

The purpose of this Wholesale Power Cost ("WPCA") Policy is to ensure that the Cooperative can responsibly and transparently recover fluctuations in wholesale power supply costs while maintaining reliable electric service to members, long-term rate stability, financial integrity and creditworthiness, and flexibility to respond to volatile energy markets.

2. POLICY CONTENT:

a. Guiding Principles.

The WPCA shall be administered consistent with the following principles:

- (1) Rates should recover the cost of providing service over time.
- (2) Wholesale power costs are a component of retail rates and may fluctuate.
- (3) Member affordability, reliability, and financial stability should be balanced.
- (4) The Board provides oversight and the Chief Executive Officer manages day-to-day administration.

b. Covered Costs.

Wholesale power costs include, but are not limited to:

- (1) Energy charges.
- (2) Capacity charges.
- (3) Purchased power costs.
- (4) Fuel costs and fuel adjustments.
- (5) Transmission charges.
- (6) Congestion and imbalance charges.
- (7) Ancillary services.
- (8) Market settlement costs.
- (9) Other wholesale power supply costs.

c. Wholesale Power Reserve Objective.

- i. The Board recognizes that wholesale power costs can be significantly affected by severe weather, natural gas price volatility, fuel supply disruptions, generation outages, and other market conditions.
- ii. To help reduce rate volatility and provide protection from extraordinary wholesale power cost events, the Board has established a long-term planning benchmark equal to two (2) months of wholesale power supply costs.
- iii. For purposes of this policy, the benchmark shall be calculated annually by dividing the previous calendar year's total wholesale power supply costs by twelve (12) and multiplying the result by two (2).
- iv. This benchmark is intended as a planning guideline only. It is not a required account balance, recovery target, surcharge trigger, or refund trigger.
- v. The CEO retains full discretion regarding the use, accumulation, recovery, and replenishment of WPCA balances.

d. WPCA Mechanism.

- i. The WPCA tracks the difference between wholesale power costs included in retail rates and actual wholesale power costs incurred by the Cooperative. The resulting balance may be either:
 - (1) Under-collected, when actual costs exceed expected costs, or
 - (2) Over-collected, when actual costs are lower than expected costs.
- ii. Balances may be recovered from or credited to members through a WPCA adjustment or other approved rate mechanism.
- iii. The Cooperative may use actual, forecasted, or smoothed cost data when administering the WPCA.

e. CEO Authority.

- i. The CEO, or the CEO's designee, is authorized to administer the WPCA and may:
 - (1) Determine the timing and amount of WPCA adjustments.
 - (2) Implement surcharges or credits.
 - (3) Delay, accelerate, or smooth cost recovery.
 - (4) Temporarily under-recover or over-recover costs.

- (5) Coordinate WPCA decisions with budgeting, power supply, hedging, financial planning, and rate design strategies.
- ii. Nothing in this policy requires automatic or formula-based adjustments.
- f. Funding and Recovery.
 - i. WPCA balances shall be managed in a manner that supports rate stability and financial strength.
 - ii. Under-collected balances may be recovered through a temporary WPCA charge or other approved mechanism.
 - iii. As determined by the CEO, over-collected balances may be:
 - (1) Retained within the WPCA;
 - (2) Used to reduce or eliminate a surcharge; or
 - (3) Credited to members.
 - iv. In evaluating WPCA balances, management may consider the Board's long-term benchmark. However, the CEO is not required to maintain the account at any specific level.
 - v. WPCA adjustments may be implemented at intervals determined appropriate by management.
 - vi. No provision of this policy requires automatic refunds, credits, surcharges, or rate adjustments.
- g. Member Class Allocation.

The WPCA shall generally be applied consistently across member classes unless modified through a Board-approved rate, tariff, or cost-of-service action.
- h. Administration Considerations.

In administering the WPCA, management may consider:

 - (1) Member affordability.
 - (2) Bill stability.
 - (3) Weather impacts.
 - (4) Market conditions.

- (5) Future power costs.
- (6) Hedging positions.
- (7) Liquidity needs.
- (8) Financial metrics.
- (9) Credit requirements.
- (10) Member communication needs.
- (11) All other relevant information.
- i. Board Oversight.
 - i. The Board shall:
 - (1) Approve this policy and major policy changes.
 - (2) Receive periodic reports on WPCA balances and wholesale power costs.
 - (3) Provide oversight of the Cooperative's financial and rate stabilization objectives.
 - ii. Day-to-day WPCA decisions are delegated to the CEO.
- j. Compliance.
 - i. WPCA administration shall comply with applicable legal, regulatory, accounting, contractual, and tariff requirements.
 - ii. Within those constraints, management retains discretion in estimating, forecasting, allocating, and reconciling wholesale power costs.
- k. Member Communications.
 - i. The Cooperative will provide members with information regarding WPCA adjustments when appropriate, including:
 - (1) General wholesale power cost drivers.
 - (2) Reasons for adjustments.
 - (3) Expected bill impacts.
 - ii. Communication methods and timing shall be determined by management.
- l. Risk Management.

The WPCA should be administered in coordination with the Cooperative's broader risk management strategy, including:

- (1) Power supply planning.
- (2) Hedging programs.
- (3) Long-term contracts.
- (4) Liquidity management.
- (5) Financial planning.

m. **Policy Flexibility.**

- i. This policy establishes guiding principles rather than prescriptive rules.
- ii. Nothing in this policy shall be interpreted to:
 - (1) Require automatic cost recovery.
 - (2) Require automatic refunds or credits.
 - (3) Require a specific WPCA balance.
 - (4) Limit the CEO's discretion in administering the WPCA.
 - (5) Prevent management from prioritizing member affordability, financial stability, or long-term rate management.

3. **RESPONSIBILITY:**

a. The Board of Directors shall:

- i. Approve and oversee this policy.
- ii. Review periodic WPCA reports.

b. The Chief Executive Officer shall:

- i. Administer the WPCA.
- ii. Determine recovery and credit actions.
- iii. Report to the Board.
- iv. Coordinate WPCA administration with financial and power supply strategies.

- c. Staff shall:
 - i. Maintain WPCA calculations and records.
 - ii. Monitor balances and prepare reports.
 - iii. Support management and Board oversight.