

EQUITY DEVELOPMENT

I. OBJECTIVE

To establish a plan and schedule for optimizing the members' equity in GVEA while, at the same time, maintaining the required Times Interest Earned Ratio (TIER) and Debt Service Coverage (DSC) levels in order to provide electric service to the members at a reasonable cost consistent with sound economy, wise use of resources and good utility practices.

II. POLICY

A. Rates charged by GVEA for electric service will be at levels adequate to meet loan covenant requirements and which yield revenues adequate to:

1. Maintain the financial integrity and credit worthiness of GVEA;
2. Maintain the facilities of GVEA in a safe and reliable operating condition;
3. Maintain not less than a budgeted 1.79 Operating Times Interest Earned Ratio (O-TIER) and a minimum of a 1.25 Debt Service Coverage (DSC) levels;
4. Construct needed additions to GVEA's plant and facilities using a combination of long-term debt and general funds that is consistent with GVEA 's optimum equity ratios;
5. Provide adequate working capital and cash reserves (without including the sinking fund reserves) of approximately 60 days of operating and maintenance expenses;
6. Retire capital credits in the manner specified by Policy No. 5.3; and
7. Increase the equity of the members in GVEA to its optimum level, within a 30 percent to 40 percent equity ratio range, and, once that level is attained, to maintain it.

B. The optimum equity level for GVEA is that level set by the Board, at which GVEA's rates for electric service are the minimum necessary to meet the capital credits rotation period and the TIER objectives established by the Board, taking into account the overall blended cost of GVEA's long-term debt and the growth rate of GVEA's total capitalization.

III. RESPONSIBILITY

- A. The President & CEO is responsible for implementing the Equity Development Plan consistent with this Policy. At least once each year the President & CEO will report to the Board the results of the Plan for the prior fiscal year and will propose revisions to the Plan, if appropriate, reflecting current data.
- B. The Board is responsible for the adoption of appropriate revisions to the Equity Development Policy.

ADOPTED: June 27, 1988
AMENDED: June 26, 2017