

# Equity Management Plan Policy

## PEDERNALES ELECTRIC COOPERATIVE, INC.

### EQUITY MANAGEMENT PLAN POLICY PEDERNALES ELECTRIC COOPERATIVE, INC. BOARD ADOPTED: September 15, 2014 EFFECTIVE: January 1, 2015

#### 1. PURPOSE:

This policy ~~Policy~~ addresses the ~~plan for future~~ intent of the Board to continue maintaining a financially healthy cooperative through equity stabilization.

#### 2. ANNUAL TARGET EQUITY RANGE:

1.1. ~~Annually, Management should propose a budget that, in concert with the Board approved~~ The Board uses a number of measures to determine the financial health of Pedernales Electric Cooperative (the "Cooperative") but for purposes of this Policy, the Board emphasizes the ratio of Total ~~Capital Credits~~ Policy and the Cooperative's financing needs related to construction, will provide for Equity, as a ~~percent~~ percentage of Total Assets, ~~to stay within an Annual Target Equity Range of 32% to 45%.~~

#### 3. ANNUAL ASSESSMENT:

##### 2. At least annually, Management SCOPE:

2.1. This Policy applies to all PEC employees and PEC Board of Directors.

#### 3. DEFINITIONS:

3.1. Total Assets – Total Assets used for purposes of implementing the Equity Management Plan Policy represent the same asset accounts that make up the "Total Assets" of the Cooperative as reported on the most recent audited financial statements.

3.2. Total Equity – Total Equity used for purposes of implementing the Equity Management Plan Policy are comprised of the same equity accounts used for determining "Total Equities" on the most recent audited financial statements.

3.3. Target Equity Range – Target Equity Range is defined as achieving a ratio of Total Equity to Total Assets in the range of 32% - 45%.

#### 4. POLICY STATEMENT AND IMPLEMENTATION:

4.1. At least annually, the Board will review the projections for operating and capital expenditures along with the projections for equity and debt balances. The Board will review such projections with respect to the Target Equity Range. If an updated projection is not available, the Board-approved budget will suffice to assess the Cooperative's financial health relative to the Target Equity Range.

#### 5. PROCEDURE RESPONSIBILITIES:

5.1. The Board of Directors assigns the Chief Financial Officer the responsibility of reporting on the Cooperative's performance relative to the Target Equity Range. At least annually, management will report an assessment of the

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financial position of the Cooperative and will outline any actions which are deemed necessary to ~~keep the Equity within~~maintain the Target Equity Range.

### **6. ENFORCEMENT:**

**6.1.** The Board of Directors is responsible for enforcing this Policy.

### **7. SUPERSEDING EFFECT:**

**7.1.** This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.

### **8. REFERENCES AND RELATED DOCUMENTS:**

Capital Credits Policy

**8.1.**

**8.2.** Budget Policy

Policy Title:	Equity Management Plan Policy
Review Frequency:	Every three years
Last Reviewed:	<del>January 1, 2015</del> <u>XX,XX,XXXX</u>
Date Adopted:	January 1, 2015
Effective Date:	<del>January 1, 2015</del> <u>XX,XX,XXXX</u>
Amendment Dates:	<u>XX,XX,XXXX</u>
Approver:	PEC Board of Directors
Applies to:	All PEC Employees and Board of Directors
Administrator:	Finance - <del>CFO</del>
Superseding Effect:	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this <del>policy</del> <u>Policy</u> .