

Capital Region Northeast Water Service Commission

Rate Stabilization Reserve Fund Policy

Policy Statement: The purpose of this Reserve and the Rate Stabilization Reserve Fund Policy is to manage and mitigate the impact in change of revenue requirements to effectively reduce the impact on rates charged from year to year.

Philosophy

It will be the CRNWSC Board's desire to ensure that:

- the annual true up of Epcor Water financial rate model will not ever require a cash call from the Commission's Board members; and
- ensure that the variation in annual revenues due to weather affecting the volume of water consumed or significant increases in expenses and cash requirements will not result in extraordinary changes in rates from one year to the next.

In order to mitigate the impact of extreme revenue or expenditures changes on consumer rates the Commission will establish and maintain a rate stabilization reserve.

The reserve may be accessed as required to generate the necessary revenue requirements for system operations with a balanced budget that maintains a stable water rate.

Annually, the Board will review the balance contained within this reserve and at their discretion fund the reserve balance from any portion of the annual surpluses generated through the operation and maintenance budget. Secondly, should the Regional Water Customers Group at any time reduce the rate stabilization reserve they maintain by refunding the respective members, 100% of that refund will be transferred to this reserve.

Investment of Reserve Funds

Reserve funds may be invested for a term that will not exceed its expected date of need. The related investment income will be credited to the reserve on an annual basis.

All contributions to and/or withdrawals from investment portfolio to fund revenue requirements and/or Epcor Water annual rate model true up shall be approved by the Commission Board, specifically by resolution.

Date Approved: Jan 20/2020.