FALL RIVER RURAL ELECTRIC COOPERATIVE, INC.

GENERAL POLICY NO. 315
SUBJECT: EQUITY MANAGEMENT

I. PURPOSE:

The Cooperative is a non-profit corporation organized under the laws of the State of Idaho. In addition to these legal requirements, the Cooperative is guided in its operation by the various regulations and operational practices. Beyond these legal and official requirements, the Cooperative has an obligation to its members to ensure the financial integrity of the Cooperative so that it can provide high quality, reliable service to its members at the lowest possible cost.

II. POLICY:

It will be the policy of the Cooperative to reach, through an established financial program, the equity range set by the Board of Directors and maintain equity in that range to ensure the Cooperative's members receive electric service at cost.

III. RESPONSIBILITY:

The CEO/General Manager is responsible for seeing that the provisions of this policy are carried out.

IV. PROVISIONS:

Particular areas of concern included under this policy for which specific goals and practices need to be established are:

A. Develop a long-range financial plan and goals that will guide and ensure the Cooperative of meeting all financial obligations through sound equity planning, which includes the following:
    1. Maintain required working capital and cash reserve.
    2. Maintain necessary funds for debt retirement.
    3. Maintain necessary loan fund balances and sources to meet needed plant additions.

4. Ensure that funds are available for established capital credit retirement program.
5. Maintain TIER (Times Interest Earned Ratio) level of 1.5 – 2.0 and DSC (Debt Service Coverage Ratio) minimum level of 1.25 to meet loan eligibility requirements as a borrower.

B. Develop a capital credit rotation program which complies with Policy No. 309 (Allocation and Retirement of Patronage Capital) and 314 (Retirement of Decedent's Capital Credits). Retirements to be determined by the Board of Directors based on the financial condition of the Cooperative.

C. To reach and maintain the above goals by using CFC's Equity Management Plan, which determines revenue requirements to meet margins, equity level, rotation of capital credits, debt service goals and to forecast necessary retail rate increases.

In the implementation of this policy, it is recognized that the above goals need to be reviewed periodically to adjust for certain variables i.e., cost of debt capital, growth of electric plant, and margins.

V. PRIMACY OF POLICY:

This policy supersedes any existing policy that may be in conflict with the provisions of this policy.

APPROVED BY THE BOARD OF DIRECTORS

Doug Schmier, President

DATE APPROVED: January 18, 1988
DATE REVISED: May 31, 1994
DATE REVISED: November 27, 2000
DATE REVIEWED: August 24, 2009
DATE REVISED: May 22, 2017
DATE REVIEWED: November 18, 2019