

**I. OBJECTIVE:**

To retain the Cooperative's Non-Operating Margins and assign them to the Non-Operating Reserve Account, to provide for the best overall financial stability for the member/owners, and to insure protection against catastrophic losses.

**II. REASONS FOR NOT ALLOCATING:**

Reasons that the Cooperative chooses to retain non-operating margins and build a cash reserve are: (1) prepare financially for losses related to forest fires and winter storms, (2) system load growth, (3) mitigation of the fluctuating and increasing wholesale power costs, i.e., rate stabilization, (4) the increasing cost of power system infrastructure materials, (5) increase member/owner equity level, and (4) investments in power supply.

**III. EXPECTATIONS:**

The expectation of the Board is that allocated non-operating margins will be retired only after:

- A. Non-Operating Reserve Account: the Cooperative has established this account and set a target account balance goal of \$1,500,000.
- B. Review: review/evaluate this account on an annual basis.

**IV. RESPONSIBILITY:**

- A. Implementation of Policy: the General Manager/CEO shall be responsible for the administration of this policy.
- B. Recommendations to Board: the General Manager/CEO is responsible for keeping the Board of Trustees aware of the account status and making recommendations to the Board of Trustees for any revisions to this policy.
- C. Review and Approval by Board: The Board of Trustees is responsible for reviewing, discussing, and evaluating the General Manager's recommendations for revising this policy.

D. Compliance with Policy: The Board of Trustees and General Manager/CEO are responsible for the Cooperative's compliance with this policy.

V. **REVIEW DATE:**

This policy shall be reviewed at the first Board of Trustees meeting two years after the last revision or review.

VI. **APPROVED:**

  
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President - Beartooth Electric Cooperative

  
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Secretary - Beartooth Electric Cooperative

Approved: May 26, 2010  
Revised:  
Reviewed: