



AGENDA

Finance/Audit Committee Meeting

October 6, 2026 at 12:00 noon

Incident Room, Operations Center

Engineering & Operations Building, 3355 Highway 43 N., Greenville, NC

Vision

To provide safe, innovative, and sustainable utility solutions that serve as the foundation of growth for the Greenville region.

Mission Statement

Greenville Utilities is dedicated to enhancing the quality of life for those we serve by safely providing reliable utility solutions at the lowest reasonable cost, with exceptional customer service in an environmentally responsible manner.

Call to Order and Ascertain Quorum

[Committee Chair Dillon Godley]

Safety Brief

[Tony Cannon]

Acceptance of the Agenda

[Committee Chair Dillon Godley]

1. Approval of Minutes

[Tony Cannon]

March 4, 2026

2. Consideration of Natural Gas Risk Management Policy Update

[Durk Tyson : Freddie Martin]

3. Annual Review of Investment Policy

[Jeff McCauley]

4. FY 2025-26 Audit Update

[Jeff McCauley : Amanda Wall]

Adjournment



Agenda Item # 1

Meeting Date: October 6, 2026

Board Committee:	Finance/Audit Committee
Item:	Approval of Minutes
Contact:	Tony Cannon
Explanation:	Finance/Audit Committee Meeting: March 4, 2026
Strategic Plan Elements:	Strategic Themes: • Exceptional Customer Service • Future Focused Objectives: • Exceeding customer expectations • Embracing change to ensure organizational alignment and efficiency Core Values: • Exceed Customers' Expectations • Support the Community and Assist Vulnerable Customers • Deliver Reliable Services
Previous Board Actions:	N/A
Fiscal Note:	N/A
Recommended Action(s):	Approval of minutes as presented or amended

GREENVILLE UTILITIES COMMISSION
FINANCE/AUDIT COMMITTEE
GREENVILLE, NORTH CAROLINA
March 4, 2026

The Finance/Audit Committee of the Greenville Utilities Commission met on Wednesday, March 4, 2026, at 12 noon in the Board Room with the following members and others present.

Committee Members Present:

Dillon Godley, Committee Chair
Ferrell L. Blount III
Justin Fuller
Dr. Bob Shaw

Other Board Members Present:

Mark Garner, Chair
Dr. Wanda Carr, Secretary
Simon Swain

GUC Staff Present:

Tony Cannon, General Manager/CEO	Lou Norris
Chris Padgett	Amanda Wall
Phil Dixon	Jessica Hardy
Jeff McCauley	Jonathan Britt
Ken Wade	Molly Ortiz
Durk Tyson	Paige Wallace
Todd Cannon	
Scott Farmer	
Scott Mullis	
Steve Hawley	
Amy Wade	
Richie Shreves	

Others Present:

Ginger Livingston, The Daily Reflector

Committee Chair Godley called the meeting to order at 12:00 noon and Commissioner Blount ascertained that a quorum was present.

Safety Brief

Tony Cannon, General Manager/CEO, provided a safety brief and explained the plan of action should there be an emergency at today's meeting.

A motion was made by Mr. Fuller, seconded by Dr. Shaw, to accept the agenda as presented. The motion carried unanimously.

APPROVAL OF MINUTES (Agenda Item 1)

A motion was made by Mr. Blount, seconded by Mr. Fuller, to approve the October 2, 2025, Finance/Audit Committee minutes as presented. The motion carried unanimously.

END-OF-YEAR PROJECTION/DRAFT REVENUES AND EXPENDITURES PROPOSAL FOR UPCOMING FISCAL YEAR (Agenda Item 2)

Mr. Jeff McCauley, Chief Financial Officer, provided an update on end-of-year financial projections for FY 2025-26 and the proposed budget for FY 2026-27. These areas include current status, capital investment, five-year capital plans, rate models, and the long-term financial forecast. A memorandum and supplemental materials were provided in the agenda packet.

- End-of-year Projections for FY 2025-26 (current year)
- Proposed FY 2026-27 Budget
- FY 2027-31 Financial Forecasts
- FY 2027-31 Capital Improvement Plan

Key metrics, such as fund balance and debt-service coverage ratios, were included in the materials.

End-of-Year Projections

Mr. McCauley stated that the current budget adopted for FY 2025-26 provided appropriations of \$19.8M in capital outlay improvements, more than \$98.4M in operations, and transfers of \$2.5M to the capital projects fund. The FY 2025-26 original budget was 3.9% more than the previous year's budget and provided funding for operating and capital infrastructure improvements while maintaining competitive rates.

Total adjustments of \$6.2M to the original budget are due to increases in Purchased Commodities and a transfer to the Electric Rate Stabilization Fund.

In reviewing the end-of-year projection, the financial viability of each fund is considered to ensure that GUC is positioned to meet its mission and future financial obligations. The 2025-26 projection draft revenues and expenditures of all combined funds is a \$320M budget with purchase power/gas as the highest expenditure.

Key Performance Indicators such as debt-service coverage ratios, fund balances, and days cash on hand are primary components of the review. These factors are also monitored by the NC Local Government Commission (LGC) and credit rating agencies in determining GUC's ability to borrow funds at a favorable interest rate.

Proposed FY 2026-27 Budget

Mr. McCauley reviewed cost drivers and discussed the purchased power cost drivers associated with Full Requirements Purchased Power Agreement (FRPPA) System Average Energy Rate True-ups. NCEMPA has riders to accommodate these adjustments/true ups. This includes

NCEMPA Rider 1-22 that was implemented in April 2024, Rider 1-23 that was implemented in October 2024, Rider 1-24 that will be implemented in April 2026, and Rider 1-25 that will be implemented in October 2026.

The Purchased Power Adjustment (PPA) electric rate rider passes through fluctuations in wholesale power costs. The April 1 PPA modification will reflect NCEMPA's April 1 FRPPA rate increase and Rider No. 1 charges. The adjustment will have a net -\$1.30 bill change beginning April 1.

NCEMPA anticipates wholesale cost increases to tract with the Duke combined system retail rate increase of approximately 2.5%-3.5% per year. NCEMPA will benefit from the combination of the Duke Energy Carolinas and Duke Energy Progress (one utility), however, the magnitude of the merger is not clear at this time.

Highlights of the FY 2026-27 proposed budget are listed below:

Mr. McCauley reported on the cost drivers and goals of each of the four funds and the highlights of the FY 2026-27 proposed budget are listed below.

- Expenditures budgeted for FY 2026-27 have increased by 5.1%, or \$15.9M, when compared to the FY 2025-26 budget. Key points are:
 - \$8.7M increase in operations
 - \$3.3M increase in purchased power
 - \$1.6M increase in capital outlay
 - \$1.3M increase in purchased gas
 - \$29k increase in debt service
 - \$315k decrease in City turnover
 - \$869k increase in transfers to capital projects
- 1.9% rate increase for the Electric Fund, a 0.2% increase from last year's forecast
- 3.7% rate increase for the Water Fund, a 0.5% increase from last year's forecast
- 3.9% rate increase for the Sewer Fund, a 1.2% increase from last year's forecast
- 4.0% rate increase for the Gas Fund, a 0.2% decrease from last year's forecast
- Funding for a 4.3% employee merit/market adjustment
- Funding for 5.0% employer 401(k) contribution
- Continuation of a self-insured health insurance plan which includes a high-deductible Health Savings Account option
- Continuation of self-insured dental insurance plan
- Funding to hire replacements prior to the retirement of key personnel to facilitate succession planning, leverage the knowledge and experience of long-term employees for training on critical issues and ensure smooth transitions
- Continuation of investment in the Greenville ENC Alliance to promote economic development in our region
- Transfer to Other Post-Employment Benefits (OPEB) of \$500K
- Transfer of \$150K to City's Energy Efficiency Partnership
- Investment of \$21.4M for capital outlay to maintain system reliability and comply with regulatory requirements

- Annual turnover or transfer of \$8.7M to the City of Greenville in accordance with the Charter issued by the North Carolina General Assembly

Across-the Board 2.7% Miscellaneous Fee Increases:

- **Electric** – Outdoor lighting, temporary service, underground residential & commercial service installations
- **Water** – Tap, temporary service, and meter testing
- **Sewer** – Tap and system development fees (per Analysis phase-in plan)
- **Gas** – Cut-on service, delivery pressure change, tap, and additional service line footage
- **Customer Service Fees** – Cut-on/set-up/transfer service, meter read, restore accounts, and theft and trouble calls

Long-term Financial Forecast

Mr. McCauley reviewed the long-term financial forecast that included the five-year plan through FY 2027-31 and shared GUC's 10 largest projects associated with the five year plan.

He shared the Capital Improvement Projects that are scheduled to be adopted with the FY2026-27 Budget as listed below:

Line #	Dept	Project Description	Project Amount
1	Electric	Peak Shaving Generator Plant – Phase 2	\$6,600,000
2		Subtotal Electric	\$6,600,000
3	Water	Backwash Pump Replacement	\$400,000
4		Subtotal Water	\$400,000
5	Sewer	Sewer Outfall Rehabilitation Phase 5	\$5,000,000
6	Sewer	Greene Street Pump Station	\$3,500,000
7		Subtotal Sewer	\$8,500,000
8	Gas	Northwestern Loop High-Pressure Gas Main Extension Phase II	\$300,000
9		Subtotal Gas	\$300,000
10		TOTAL	\$15,800,000

In summary, Mr. McCauley added that the proposed FY 2026-27 budget is a balanced budget, and he asked for the Finance/Audit Committee to endorse the end-of-year projections and the proposed preliminary budget.

Following discussion, a motion was made by Mr. Blount, seconded by Dr. Shaw, for the Finance/Audit Committee members to endorse for the full Board to move forward with appropriate actions related to the current end-of-year fiscal forecast and the proposed preliminary FY 2026-27 budget as presented. The motion passed unanimously.

RECOMMENDATION TO AWARD AUDITING SERVICES CONTRACT (Agenda Item 3)

Mr. Jeff McCauley, Chief Financial Officer, introduced Controller Amanda Wall to share information on auditing services. Ms. Wall stated that in accordance with the Commission's charter, a single auditing firm must be used to perform the City's and the Commission's financial statement audits. Costs associated with the audits are based on the number of hours expended for each organization's audit engagement.

In 2024, an RFP for auditing services was issued requesting proposals for a five-year engagement. The City and Commission staff recommended Cherry Bekaert, LLP for another five-year term, subject to approval of a contract on an annual basis. Last year's audit fee for the Commission was \$62,840. The proposed audit fee for fiscal year ending 2026 is \$66,840.

After discussion, a motion was made by Mr. Blount, seconded by Mr. Fuller, for the Finance Audit Committee to concur with staff to recommend to the full Board to proceed with executing the fiscal year 2026 auditing services contract with Cherry Bekaert, LLP, in the amount of \$66,840. The motion passed unanimously.

ADJOURNMENT

There being no further business to conduct, Committee Chair Godley adjourned the meeting at 12:45 p.m.

Respectfully submitted,

Amy Carson Wade
Executive Secretary



Agenda Item # 2

Meeting Date: October 6, 2026

Board Committee:	Finance / Audit Committee
Item:	Consideration of Natural Gas Risk Management Policy Update
Contact:	Durk Tyson : Freddie Martin
Explanation:	The GUC Board of Commissioners approved the Gas Risk Management Plan, which includes the Hedging Plan, almost 21 years ago. Upon the advice of our consultant, staff recommends updates to the Hedging Plan to match current industry best practices. Minor edits have also been made to update the policy based on recent organizational changes.
Strategic Plan Elements:	Strategic Themes: • Exceptional Customer Service • Safety, Reliability & Value • Future Focused Objectives: • Exceeding customer expectations • Providing competitive rates, while maintaining the financial stability of the utility Core Values: • Exceed customers' expectations • The foundation for our relationships is integrity and transparency • Deliver reliable services of the highest quality
Previous Board Actions:	Gas Risk Management and Hedging Plan approved by Board of Commissioners on November 5, 2005.
Fiscal Note:	N/A
Recommended Action(s):	Approval of revised policy as presented or amended

Greenville Utilities Commission

Natural Gas Risk Management Policy



September-October 200526

Greenville Utilities Commission Natural Gas Risk Management Policy

OUTLINE

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- 3.0 OBJECTIVES
- 4.0 GOVERNANCE AND CONTROLS
 - ~~Risk Oversight~~ Gas Rate Committee
 - Composition
 - Primary Roles and Responsibilities
 - Segregation of Functions
- 5.0 AUTHORIZATIONS
 - ~~Schedule of Authorizations~~
 - Instruments
 - Hedge Methodology Parameters and Limits
 - Credit Limits
- 6.0 REPORTING
- 7.0 POLICY REVIEW

HEDGE PLAN

CREDIT RISK POLICY

- 1.0 INTRODUCTION
- 2.0 POLICY OVERVIEW
- 3.0 RESPONSIBILITIES
 - Gas Rate Committee
 - Director of Gas Systems ~~Director~~
 - Chief Financial Officer or Designee
 - Natural Gas Supply Officer
 - ~~Commission Attorney~~ General Counsel
- 4.0 CREDIT EVALUATION/SET-UP/MONITORING STEPS

ATTACHMENTS

- 1 Glossary of Energy Risk Management Terms
- 2 Employee's Acknowledgement of Natural Gas Management Policy and Procedures ~~Compliance Form~~

Greenville Utilities Commission Policies & Procedures

1.0 INTRODUCTION

~~Recent changes to Greenville Utilities' tariff status, involving a transportation-only agreement with Piedmont Natural Gas, have created an environment in which Greenville Utilities is better positioned to take advantage of opportunities that may benefit customers. At the same time, fundamental reality faced by the utility industry is that volatile natural gas costs create present risks, the control of which is different from Greenville Utilities' historical business practices that require a more proactive approach than Greenville Utilities has historically taken. For this reason, Greenville Utilities has will become proactive invested in natural gas planning, establishing a well-defined approach for purchasing natural gas that will discover reveal opportunities for specific strategies and favorable prices. Effectively managing both the opportunities from which benefits can be derived and the risks associated with volatile natural gas costs is essential to maintaining competitive rates for Greenville Utilities' customer base.~~

This policy ~~document~~ defines and establishes the broad-based approach ~~for~~ managing risks associated with Greenville Utilities Commission's ~~Utilities'~~ natural gas procurement and sales activities. The advantages of a defined natural gas risk management ~~program~~ policy for Greenville Utilities Commission (GUC) are as follows:

- ~~• Benefits to the customer due to the ability to continue offering the Gas AdvantageBill Program~~
- Ability to offer a fixed price program to industrial customers
- Control over historically favorable natural gas prices
- Opportunity for a defined and quick entry into pricing decisions
- Management of gas cost volatility
- Utilization of alternative pricing tools, specifically caps and collars, to diversify the portfolio

~~Greenville Utilities~~GUC has a low tolerance for risk, not only from an economic perspective, but from a legal and regulatory perspective as well. A natural gas hedge plan can mitigate risks through the establishment of a disciplined and diversified approach.

The content of this document, and its hedge plan, establishes and describes Greenville Utilities'GUC's policy in assuming, assessing, and controlling the level of natural gas risk exposure associated with meeting its commitment to provide customers with exceptional gas service.

The standards of this policy are formulated to ensure that the natural gas risk management oversight function remains independent of risk-taking activity. This oversight role, in addition to other internal controls, is necessary for a natural gas risk

management program and will serve to consolidate the natural gas purchasing and sales actions taken within ~~Greenville Utilities~~GUC.

2.0 RISK _____

The primary components of ~~Greenville Utilities~~GUC's natural gas risk exposure are operational risk, market risk, credit risk and administrative risk. This policy is designed to address the management of these risks collectively. Natural gas risk management practices will be utilized by ~~Greenville Utilities~~GUC to quantify and minimize, when applicable, the risk for the following distinct categories:

- [1] Operational Risk - the risk that not enough natural gas is available to meet load requirements.
- [2] Market Risk - the potential change in value of a commodity contract, liability, or cash flow caused by adverse fluctuations in market factors.
- [3] Credit Risk - the risk of counterparty non-performance, either physically or financially.
- [4] Administrative Risk - the risk of human error or fraud, or the risk that the system of control will fail to adequately transact, record, monitor and account for transactions or positions.

3.0 OBJECTIVES

This document presents the natural gas risk management policy for ~~Greenville Utilities~~GUC to use in identifying, measuring, and controlling the net effect of all natural gas risks incurred. These natural gas risk management methodologies are to work in conjunction with ~~Greenville Utilities~~GUC's operating practices.

~~Greenville Utilities~~GUC's primary natural gas risk management objectives are to:

- Design and implement an effective infrastructure to identify and manage natural gas risk
- Identify and control natural gas commodity costs by determining historic value
- Establish a diversified supply portfolio to decrease the effect a single contract has on the overall portfolio
- Mitigate the effects of natural gas volatility to ~~the customer in order to~~ provide price stability for customers

- Minimize the risk of high energy input costs (i.e. natural gas purchases) for retail load customers through cost pricing protection
- Minimize ~~Greenville Utilities'GUC's~~ operational and financial exposure due to counterparty default by ensuring that the entities with which ~~Greenville UtilitiesGUC~~ enters into transactions are able to meet their operational and financial commitments

~~Greenville UtilitiesGUC~~ will not over-hedge. Over-hedging is defined in this document to mean purchasing natural gas in quantities greater than 100% of anticipated firm volume needs during the current year. Additionally, natural gas speculation, or trading solely to earn a return based on anticipated favorable market movements without the intended use of natural gas, is strictly prohibited.

4.0 GOVERNANCE AND CONTROLS

Governance starts with strategic guidance and policy setting at the ~~Greenville Utilities'GUC's~~ Board level and is then followed by oversight accountability by the Assistant General Manager/~~COO~~. Implementation of the policy will be managed ~~through what has been found to be by~~ an industry best practice organizational structure, with a clear assignment of duties and controls.

Gas Rate Committee

A Gas Rate Committee (GRC) with multi-department representation has been established and is charged ~~to set~~~~with setting~~ hedge policies and operations plans, monitor fuel risks, and ~~en~~assure risks are managed in accordance with this policy.

Composition

<u>Chairman:</u>	Director of Customer Relations Director
<u>Members:</u>	General Manager/CEO
	Assistant General Manager/ COO
	Director of Gas Systems Director
Director	Designee of Chief Financial Officer (Designee) Finance
	Natural Gas Supply Officer
	Natural Gas Supply Analyst
	Financial Planning and Analysis Manager
<u>Other Attendees:</u>	Chief Financial Officer and Appropriate Staff
(as is necessary)	Consultants

Primary Roles and Responsibilities

- Establish the strategic direction and risk thresholds

- Establish procedures and controls for the implementation of effective natural gas market/credit risk management
- Oversee enforcement of natural gas risk management activities
- Define the required reporting mechanisms and associated frequency for natural gas risk management activity communication
- Review periodic reports
- Review current natural gas risk management operations and policies at semi-annual meetings
- Make amendments to policies, procedures, and controls, as necessary
- Grant approval or denial of transactions which fall outside of authorized limits

The GRC will meet ~~semi~~-annually, as scheduled by the Director of Customer Relations ~~Director, in August and April of each year~~. The purpose of the ~~two required~~ meetings is to discuss natural gas risk management, operating processes, ~~trading controls and authorizations~~ hedge plan benchmarking for the preceding twelve months. Additional meetings may be called as is necessary by any member of the GRC. A quorum of at least 50 percent plus one of committee voting membership must be present.

Segregation of Functions

Industry best practices call for the separation ~~between of~~ business functions (i.e., front, middle and back office) ~~as well as and~~ the ~~development of an~~ independent position ~~that~~ oversees risk issues. The individual selected to oversee risk should not be involved in ~~the~~ daily ~~natural gas~~ transacting activities of the natural gas risk management program. Appropriate segregation of duties should be established and maintained throughout the system of controls over financial and operational risks. The GRC must be diligent in ensuring the appropriate segregation of duties is being adhered to on an on-going basis given any continuing organizational changes.

Front Office

The front office is responsible for the implementation of Greenville Utilities' GUC's natural gas risk management strategies. This includes deal execution, the initial capturing and logging of a transaction's terms and conditions and communication of trade details to the Middle/Back Office. GUC's front office positions are the Natural Gas Supply Officer and the ~~Gas Engineer~~ Natural Gas Supply Analyst.

Middle Office

The middle office is independent of the front office, as it is responsible for monitoring the front office's compliance with the Natural Gas Risk Management Policy and reporting any violations. Functions of the middle office include deal validation and the ~~performing completion~~ of reporting requirements to be reviewed by the GRC. GUC's middle office function will be performed by the Director of Gas Systems ~~Director with support from an independent auditor~~.

Back Office

The back office provides support to the front office in the areas of accounting, invoicing, check-outs and contract administration. GUC's back office is the Finance Department.

Independent Overseer of Risk

GUC's independent position to oversee risk issues will be the Chief Financial Officer.

5.0 AUTHORIZATIONS

The GRC's oversight and approval of authorized personnel, instruments and limits are essential in implementing ~~Greenville Utilities'~~GUC's natural gas risk management program. Monitoring adherence to these policy authorizations and limits is the responsibility of the ~~Director of Gas Systems~~Director/Risk Manager, while the Natural Gas Supply Officer will perform the ~~day-to-day~~day-to-day duties, maintaining compliance with industry best practices.

Instruments

A primary responsibility of the GRC is the review and approval of tools acceptable for implementation of the fuel procurement risk management strategy. The various hedging instruments that ~~Greenville Utilities~~GUC expects to use in hedge program implementation are described as follows:

(Forward) Physical Contract A contract for future delivery of a designated quantity of a commodity at a designated price, time and location. Physical forward contracts obligate both the buyer and seller to accept the agreed-upon price, regardless of the market price when the delivery takes place.

Physical Option Contract A contract which gives the holder the right, but not the obligation, to purchase or sell the underlying contract at a specified price within a specified period of time in exchange for a one-time premium payment. The contract also obligates the seller, who receives the premium, to meet these obligations.

Structured Contracts A contract which may incorporate combinations or elements of ~~any of~~ the above listed instruments covered by this policy.

The GRC must approve the use of any instruments listed above or any that do not fit into one of the preceding categories.

HEDGE METHODOLOGY PARAMETERS & LIMITS

Natural gas price volatility can produce a significant deviation from forecasted natural gas costs. This price risk can be mitigated through the use of a natural gas hedging program.

~~Greenville Utilities'GUC's~~ natural gas limits are derived from a hedging strategy based on physical product needed to meet customer load requirements, current market prices in relation to ~~Greenville Utilities'GUC's~~ current Fiscal Year budget, historical price benchmarks and a time triggered component that provides a form of dollar-cost-averaging assuming price benchmarks are not reached. ~~Greenville UtilitiesGUC~~ will quantify, to the best of its ability, the amount of natural gas needed and the approved or anticipated budget price in order to serve its customers on a short and long-term basis. As load forecasts change, there may be a need for ~~Greenville UtilitiesGUC~~ to sell any over-hedged positions. Any adjustment of this sort should be first cleared by the ~~Director of Gas Systems~~~~Director~~.

~~Greenville Utilities'GUC's~~ natural gas hedge plan is outlined in a specified section of this document.

CREDIT LIMITS

Credit exposure might exist under long-term contracts. The GRC credit risk policies, as well as the methods to adhere to set policies, are outlined in a specified section of this document.

6.0 REPORTING

An additional internal control to support the on-going compliance with ~~Greenville Utilities'GUC's~~ Policies and Procedures is the implementation of formal reporting. The designated ~~Director of Gas Systems~~~~Director/Risk Manager~~ will be responsible for providing these reports. The GRC will receive monthly report summaries as a tool in monitoring adherence to established GRC hedge program limits.

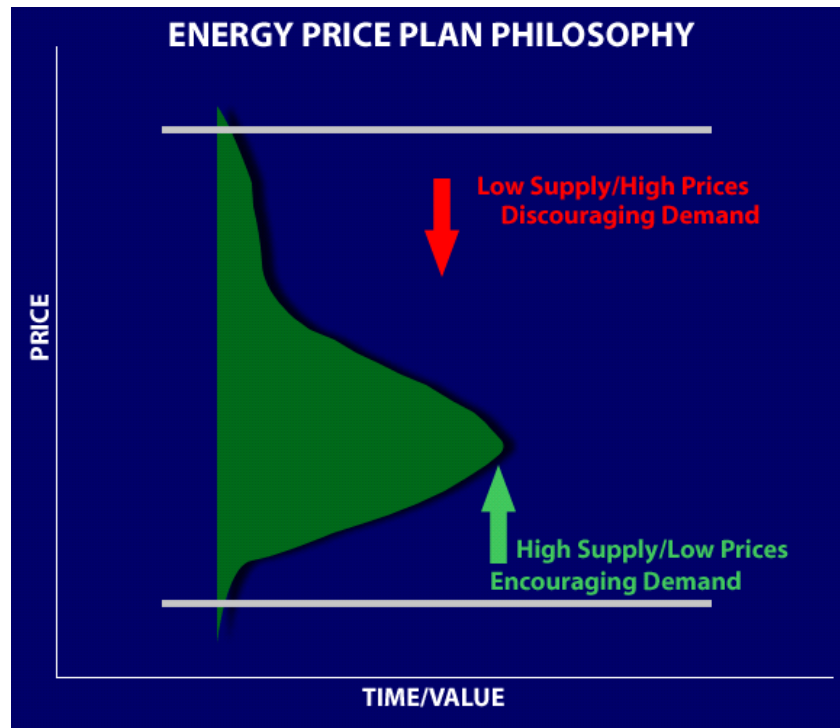
7.0 POLICY REVIEW

As ~~a result of changes in the market conditionsenvironment and/or~~ industry best practices ~~change~~, the ~~GRC Greenville Utilities Board of Commissioners willshall~~ review the document ~~annually in May, making and seekrequest approval from the Greenville UtilitiesGUC Board of Commissioners for any~~ modifications ~~asdeemed~~ necessary.

Greenville Utilities Commission Hedge Plan

OVERVIEW

Natural gas prices, like all freely traded commodities, exhibit strong mean reversion tendencies over time. When prices rise to historically high levels, the high prices encourage more production and discourage demand, eventually driving prices lower. Conversely, when prices are historically low, plant construction is curtailed and usage of gas tends to increase, ultimately supporting a price rally – as illustrated below:



Because the natural gas market has evolved into an investment sector that attracts not only purchasers, but speculative interests, such as commodity funds, a more defined and disciplined approach to procuring natural gas has become the standard among municipal utilities. This more disciplined approach to procuring future natural gas needs usually includes price, time, and budgetary targets. The Greenville Utilities GUC Hedge Plan will use four variables to achieve reasonable and rational pricing diversification. Specifically, these criteria are:

- (1) Historic prices
- (2) Time parameters
- (3) Stop loss limits
- (4) Discretionary review

HISTORIC PRICE MODEL DEVELOPMENT

The hedge program is designed to identify prices that represent reasonable and low values and secure those prices. Greenville Utilities' GUC's hedging program will look at natural gas purchases for a ~~two~~three year period into the future. The program is intended to minimize the amount and duration of higher ~~purchased~~needed natural gas ~~costs~~that is purchased, while keeping in mind the main objectives, Competitive Rates and Budget Certainty.

For example, four years of daily prices are ~~gathered~~collected for the ~~desired~~specified location. ~~Once the data is~~After compilation, the data is an ~~adjusted~~compiled, an ~~adjustment~~ for inflation (using the PPI monthly index) and processed through a weighted average formula ~~-under which~~ 40% of the ~~price~~value is attributed to the most recent year (short term) and 60% ~~attributed~~ to the ~~previous~~preceding three years (long term)—~~are~~applied. The ~~is~~ weighted distribution ~~component~~gives the matrix ~~introduces~~ a bias toward recent prices, thereby enhancing the matrix's ~~allowing for greater market~~ sensitivity related to the current ~~environment~~market conditions. The matrix data is updated and re-calculated at the end of each calendar month. The matrix utilizes a rolling 48 months of prices, implying when the most recent month is added the oldest month is removed. The resulting data is displayed in a distribution model of deciles between 0% and 100%.

Data Compilation
RMStoneX's matrix is created from daily continuous settlements for the front month NYMEX contract. This matrix is compiled and updated on a monthly basis upon the expiration of the spot month. The data is broken down into 2 matrices -- a winter and a summer season price matrix with: <i>Winter : November - March</i> <i>Summer : April - October</i> Data for each season goes back 4 years on a rolling monthly basis.
Matrix Elements
Once compiled, the data is adjusted to today's dollar using the current PPI Index. After adjustment, this data is broken down into a long-term model, which follows the same 4 year time as described above, and a short-term model which goes back one calendar year (including the current month). Final matrix figures reflect a weighted average of long-term data (60%) and short-term data (40%).

Establishing Price-Driven Parameters

Using the market sensitive data previously described, the ~~RMStoneX~~ Price Matrix is broken into deciles which represent 10% statistical distribution increments of historic prices from the highest to the lowest prices in the matrix. These deciles serve as the basis for the development of meaningful BUY points for hedge position execution in each individual month of the given season. The median value (50th%) represents the midpoint of all the historic prices used in the matrix and serves as the starting BUY trigger in

establishing long-term positions within the hedge program pricing strategy. The 50th% and four deciles below represent the price benchmarks applied in the hedge program design.

The daily NYMEX monthly prices, for the respective months, will be monitored against the ~~RM~~StoneX Price Matrix seasonal decile price points to determine if and when a trade should be initiated. (If prices stay ~~historically high~~ above the matrix median, the time variable becomes more important in hedge program design ~~and will be discussed next~~).

Establishing Time-Driven Parameters

In the event that prices remain high and do not reach the hedge program's BUY trigger points, a time restriction is added prior to a particular season. If a specified quantity of the hedge totals is not protected by specific date deadlines, then a minimum amount of coverage must be executed at current market levels for each month in the approaching season. This time parameter component ~~insures~~sensures that ~~Greenville Utilities~~GUC will have some degree of diversification and ~~needed~~price stability prior to the start of a particular summer or winter season.

A simple example follows:

The past four years of price data will be populated over a “matrix decile” that defines prices in a decile range. Thus, the top 10% of price histories from the last 4 years would be in the 90th – 100th decile, the next 10% in the 80th - 90th decile, and so on, down to the lowest 10% prices in the 0 – 10th decile.

Sample Matrix

NATURAL GAS		
	SUMMER STRIP	WINTER STRIP
Mean	6.05	5.84
Median	6.23	6.13
90% - MAX	7.65 - 10.85	7.66 - 10.51
80% - 90%	7.14 - 7.65	7.13 - 7.66
70% - 80%	6.81 - 7.14	6.69 - 7.13
60% - 60%	6.54 - 6.81	6.44 - 6.69
50% - 60%	6.23 - 6.54	6.13 - 6.44
40% - 50%	5.95 - 6.23	5.61 - 6.13
30% - 40%	5.41 - 5.95	5.18 - 5.61
20% - 30%	4.57 - 5.41	3.98 - 5.18
10% - 20%	4.08 - 4.57	3.57 - 3.98
MIN - 10%	2.68 - 4.08	3.05 - 3.57

VALUE AREA



Monitoring/Execution

Price Targets

The forward prices for the respective target years will be monitored against the [RMIStoneX](#) Price Matrix to determine if and when a purchase target is reached. As mentioned above, the tier approach to targets provides a scale-down methodology ~~to~~[for](#) purchasing. By not committing to purchases until the 50th decile or lower (below the median), there is flexibility to participate in lower prices without being committed to long-term values that are higher than historical norms. In addition, the lower prices move, demonstrating greater value, and more of the uncovered position will be purchased.

~~Being mindful that volumes~~[Volumes](#) defined by forecasted monthly load profiles become less reliable further out in time; ~~the~~ the procurement targets ~~will be~~[are](#) reduced accordingly. Thus, while the first season, Periods [1 and 2](#) (See chart below), would see procurement targets up to 75% of needed volume, the ~~second~~[third and fourth](#) seasons, Periods [23 and 4](#), would be up to 45%. Periods [35 and 6](#) would have a lower target of ~~320%~~[20%](#), ~~Period 4 would be 20%~~ and beyond that there would be no price targets until the current seasons roll out and they become the approaching seasons. [Time-based volume secured will be applied to volume targets at lower levels of value triggers.](#)

Time Targets

Time-Driven Parameters will be used when 45% of its total requirements have not been satisfied by a specified date prior to starting a fiscal year. Volumes will be broken down into increments and procured at different times throughout the previous fiscal year if the price targets have not yet been reached. If the following volumes have not been reached based on price targets, then 6 months from the start of a season, 15% coverage (15% of 45%) should be obtained; 4 months out, another 15% (30% of 45%) should be obtained; and 2 months out, the final 15% should be obtained for a total of 45%.

Tools

When trigger points are reached in the [RMIStoneX](#) pricing matrices or the time element requires action, [GUC may employ](#) GRC-approved financial tools ~~will be used at the~~[its](#) discretion ~~of Greenville Utilities~~. [When market conditions permit, RMIStoneX recommends that Greenville UtilitiesGUC attempt to hedge a balanced hedge structure consisting of approximately 50% fixed price positions and 50% options onfor both time-based triggers and price-based triggers.](#) Examples of possible tool strategies are provided below. The ~~Greenville Utilities GRC~~[Natural Gas Supply Officer](#) will ~~review evaluate the various these~~ strategies and determine which ~~instruments specific strategies~~ to ~~implement~~[approve](#).

~~The three possible~~[Possible](#) pricing tools [available](#) are caps, collars, call spreads, options combinations or fixed pricing. The mix of pricing tools applied will help ~~to~~ provide both price stability and market sensitivity to the overall gas portfolio. Caps and collars

guarantee a maximum price above the market, but also allow [Greenville UtilitiesGUC](#) to participate in lower prices (in the case of the collar, ~~prices are you are~~ limited by the floor value) if the market trend is lower. Fixed price, caps, collars, call spreads and options combinations guarantee significant upside protection while reducing downside risk. While caps have a premium cost, collars may be placed at or close to “costless”. These strategies are particularly helpful when executing a position at higher price levels. In volatile market scenarios, placing a collar with a cost allows the hedger greater flexibility in setting protection levels. Fixed pricing gives the portfolio a more definitive price guarantee to add balance to the overall gas ~~costs, but costs but~~ is most effective when prices are historically lower.

DISCRETIONARY REVIEW

The experience of [RMStoneX](#) has been that a well-defined and disciplined approach to purchasing provides a natural gas utility with price stability through a diversified portfolio. While the guidelines described above are meant to be followed, there will be market scenarios that require more discretionary review. When there are questions regarding specific procurement transactions, the approval process should mirror the current authorization procedures. [RMStoneX](#) further recommends that reports be generated quarterly, or on a more frequent basis as circumstances dictate, ~~in order~~ to keep the GRC engaged in the on-going natural gas purchasing process. Discretion may be used in, but is not limited to, the following scenarios:

- As price triggers are hit, [Greenville UtilitiesGUC](#) will have a reasonable number of days (up to 5 business days) to execute approved price coverage.
- If market conditions exhibit extreme volatility, the GRC may authorize changes to the approved Natural Gas Risk Management Policy on an as needed basis.
- ~~The Natural Gas Supply Officer will submit annual recommendations on instrument application to the GRC for approval.~~
- As the market exhibits extreme volatility and the risk/reward ratio of certain positions in the portfolio change, the Natural Gas Supply Officer may work to re-position these hedges to create more favorable value.
- [Greenville UtilitiesGUC](#) will also utilize other market resources for fundamental and technical information to supplement the procurement plan. Examples of these market resources include, but are not limited to, the following: [RMStoneX](#)’s Morning Report; [RMStoneX](#)’s Matrix Variance Report; Marketer’s Daily Report; EIA Data; ~~and~~ Prophet-X [and MarketView](#) software.

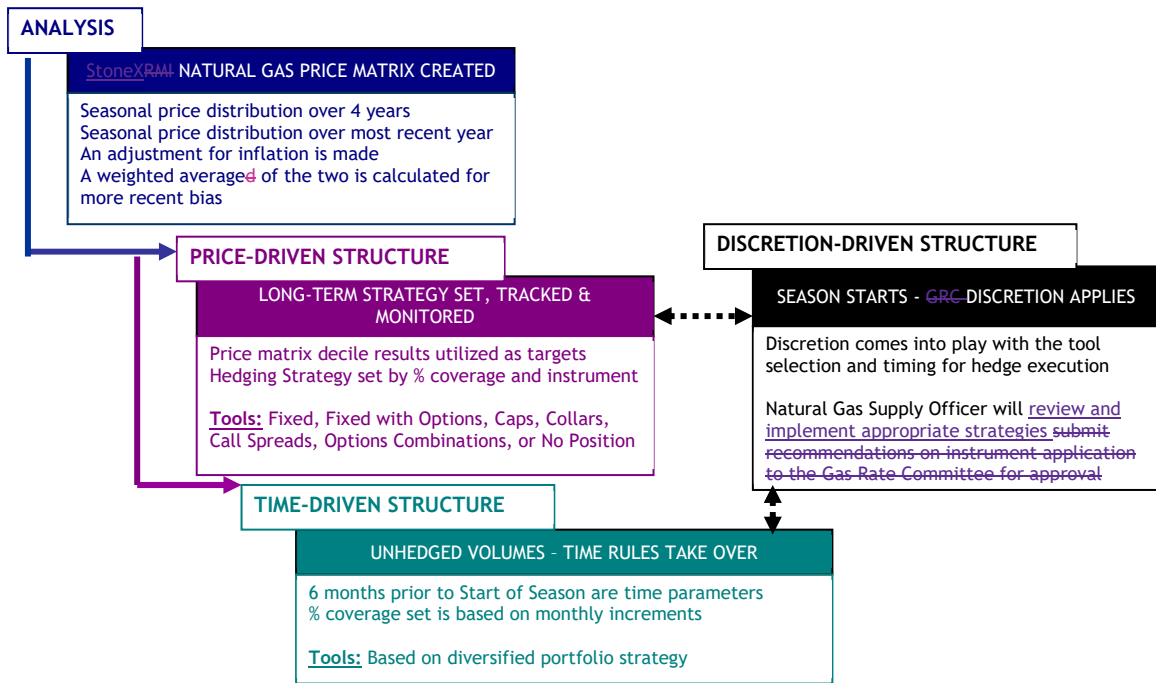
Greenville Utilities **GUC** Hedge Plan

Pricing Period	Season	NYMEX Settlement	Price Triggers						Time Triggers Prior to Season Start			
			50th Decile	40th Decile	30th Decile	20th Decile	10th Decile	MAX Hedge %	6 months	4 months	2 months	MIN Hedge %
WINTER Nov-Mar		6/3/2026	3.72	3.48	3.33	3.10	2.82					
SUMMER Apr-Oct			3.03	2.91	2.74	2.57	2.34					
1	Winter 26-27	3.87	25%	25%	25%	-	-	75%	15% (May26)	15% (Jul26)	15% (Sep26)	45%
2	Summer 2027	3.20	20%	25%	30%	-	-	75%	15% (Oct26)	15% (Dec26)	15% (Feb27)	45%
3	Winter 27-28	4.10	15%	15%	15%	-	-	45%	15% (May27)	15% (Jul27)	15% (Sep27)	45%
4	Summer 2028	3.41	15%	15%	15%	-	-	45%	15% (Oct27)	15% (Dec27)	15% (Feb28)	45%
5	Winter 28-29	4.17	10%	10%	-	-	-	20%	15% (May28)	15% (Jul28)	15% (Sep28)	45%
6	Summer 2029	3.37	10%	10%	-	-	-	20%	15% (Oct28)	15% (Dec28)	15% (Feb29)	45%

Season	Nymex Settlement	Time Triggers Prior to Season Start			Price Triggers					
WINTER Nov-Mar SUMMER Apr-Oct	9/2/2005	6 months	4 months	2 months	Pricing Period	50th	40th	30th	20th	10th
						W 5.61 - 6.13 S 5.95 - 6.23	W 5.18 - 5.61 S 5.41 - 5.95	W 3.98 - 5.18 S 4.57 - 5.41	W 3.57 - 3.98 S 4.08 - 4.57	W 3.05 - 3.57 S 2.68 - 4.08
Nov05-Mar06	12.23	15% (May05)	15% (Jul05)	15% (Sep05)	1	15%	15%	20%	25%	-
Apr06-Oct06	9.37	15% (Oct05)	15% (Dec05)	15% (Feb06)	2	-	15%	15%	15%	-
Nov06-Mar07	10.13	15% (May06)	15% (Jul06)	15% (Sep06)	3	-	-	10%	10%	10%
Apr07-Oct07	8.45	15% (Oct06)	15% (Dec06)	15% (Feb07)	4	-	-	-	10%	10%
Nov07-Mar08	9.26	15% (May07)	15% (Jul07)	15% (Sep07)	5	-	-	-	-	-

The table above is for illustrative purposes and is indicative of market conditions on June 3, 2026. Seasons roll forward on the settlement date of the first month of an upcoming season.

Hedge Plan Process Summary



Greenville Utilities Commission Credit Risk Policy

1.0 INTRODUCTION

The purpose of ~~Greenville Utilities'~~GUC's credit risk policy is to establish a consistent process whereby the credit risk of future financial loss due to counterparty physical or financial non-performance is significantly diminished for natural gas purchases and/or sales. This objective will be accomplished by a pre-contract qualification and renewal review process for all natural gas suppliers and/or purchasers in combination with effective on-going monitoring systems and established limits. Any natural gas transaction conducted by ~~Greenville Utilities~~GUC will be governed by this Credit Risk Policy.

2.0 POLICY OVERVIEW

In general, all natural gas suppliers and/or purchasers will be subject to a financial review in accordance with ~~Greenville Utilities'~~GUC's standards for determination of creditworthiness. Evaluation of a counterparty's financial health and its ability to deliver its product or to pay is crucial. Such review procedures prior to contract execution are designed to protect ~~Greenville Utilities~~GUC from undue exposure to losses that could arise from an insolvent counterparty not being able to pay for natural gas that it has purchased or to cover replacement costs incurred for term contracts that have positive economic value in relation to current market prices.

A credit review cannot be viewed as the only mechanism to prevent any and all losses, but it can help identify ~~those~~ counterparties with past~~where~~ performance ~~has been a~~ problems ~~in the past or that~~ may present a problem in the future. Established limits, combined with proper monitoring systems, will help ~~enable Greenville Utilities~~GUC to effectively mitigate possible losses due to counterparty insolvency.

3.0 RESPONSIBILITIES

Gas Rate Committee

The Gas Rate Committee (GRC) will approve all credit policies developed by the Director of Gas Systems~~Director~~. The GRC will review the ongoing work of the Director of Gas Systems~~Director~~ and the credit exposures faced by ~~Greenville Utilities~~GUC on a timely basis. The GRC will determine the desired reports for distribution to members on an ongoing basis to allow performance of their oversight function, but the reports that might be deemed appropriate for review include:

- Summaries of credit exposures

- Lists of all approved counterparties
- Status reports on credit requests and annual renewals
- Summaries of all credit actions taken by the ~~Gas Systems Director~~ Director of Gas Systems during the period under review, including limits approved, renewed, declined, cancelled and amended, temporary approvals granted, and limit overages
- Lists of any legal documentation required by the terms of the credit approval but still outstanding, with an indication as to whether trading has begun

The GRC will be informed, in writing by the ~~Gas Systems Director~~ Director of Gas Systems, any time there is a change ~~in regards to the mark-to-market or any other material credit-related procedures of marking to market or any other material enhancement of the credit policies and procedures.~~ This ~~reporting report~~ will be ~~presented~~ conducted at the first GRC meeting following the change. If the change is substantial and defines a significant result, the subject will be discussed by the GRC prior to the modification taking place.

Director of Gas Systems ~~Director~~ Risk Manager

The Director of Gas Systems ~~Director~~ will work with ~~the Greenville Utilities~~ GUC staff ~~regarding for~~ the submission of credit policies and procedures to the GRC. ~~The Director of Gas Systems Director~~ and maintains ~~the~~ accountability for initial and on-going counterparty credit assignments in concurrence with the ~~Designee~~ Finance Director ~~and within GRC~~ approved guidelines. ~~This manager~~ The Director of Gas Systems Director will work closely with the Natural Gas Supply Officer and ~~the~~ operations staff in the development and maintenance of appropriate trading relationships. The Gas System Director will monitor the credit exposures created through the trading of approved natural gas and derivative ~~products, and products and~~ ensure that ~~Greenville Utilities~~ GUC does not incur inappropriate credit exposure.

The responsibilities of the Director of Gas Systems ~~Director~~ include, but are not limited to:

- Obtaining ~~needed~~ required counterparty information to conduct evaluations and providing this information and evaluations to ~~the Finance Director~~ Designee
- Reviewing financial analysis and recommendations provided by ~~Finance Director~~ Designee, and determining if counterparty qualifies for credit extension
- For qualifying counterparties, extending external and internal credit limits within GRC ~~approved~~ limits and ~~Finance Director~~ Designee's approval
- Extending temporary credit lines

- On-going monitoring of real-time counterparty credit strength
- ~~Monitoring of~~Monitoring credit exposures created by the trading of natural gas and/or natural gas derivative products
- Executing credit mitigation techniques, as needed
- Maintaining credit files
- Overseeing the credit portfolio of ~~Greenville Utilities~~GUC, including the summary reporting of exposures, trading exceptions and limit excesses to senior management in accordance with the standards established by the GRC
- Coordinating legal documentation appropriate for each counterparty
- Preparing accounts receivable and accounts payable, as needed
- Overseeing the development of the systems necessary to support the above activities

~~Finance Director~~Designee

The ~~Finance Director~~Designee will work closely with the ~~Gas Systems Director~~Director of Gas Systems to ensure counterparty financial strength and ~~that~~ corresponding limits are properly assessed and assigned. ~~The~~is-director will be involved in the initial and on-going counterparty review process, providing necessary background information and insight to ~~Greenville Utilities~~GUC staff to make appropriate decisions regarding trading with counterparties.

The ~~Finance Director~~Designee will be responsible for the following:

- Assisting with counterparty information gathering, as needed, and performing initial counterparty financial evaluation
- Approving credit limit decisions made by the ~~Gas Systems Director~~Director of Gas Systems with signature
- Conducting ~~annual~~reviews of previously approved counterparties, as necessary
- Serving as adviser to ~~Greenville Utilities'~~GUC's staff regarding financial activities with counterparties, responding to requests as they may arise

Natural Gas Supply Officer

The Natural Gas Supply Officer initiates the credit evaluation process~~ssdure~~ by requesting approval of identified trading partners. In addition, the Natural Gas Supply Officer serves as the market front line for ~~Greenville Utilities~~GUC in the acquisition of timely and pertinent counterparty information.

Primary duties of the Natural Gas Supply Officer include:

- Submitting counterparty credit requests to the ~~Gas Systems Director~~Director of Gas Systems
- Monitoring trade activity for compliance ~~to~~with limits
- Keeping abreast of market trade talk and communicating knowledge to the ~~Gas Systems Director~~Director of Gas Systems

~~General Counsel~~Commission Attorney

~~Greenville Utilities' GUC's Commission~~ General Counsel~~Attorney~~ maintains the accountability for supporting the ~~Gas Systems Director~~Director of Gas Systems in counterparty agreement negotiations and documentation. The ~~General Counsel~~Commission Attorney will be responsible for the following:

- Evaluation and approval of all counterparty credit documentation
- Assistance in negotiating all counterparty contractual obligations

4.0 CREDIT EVALUATION/SET-UP/MONITORING STEPS

1. The Natural Gas Supply Officer will complete a Credit Limit Request Form and submit it to the ~~Gas Systems Director~~Director of Gas Systems for analysis.
2. The ~~Gas Systems Director~~Director of Gas Systems will either obtain or request~~z~~ from the prospective counterparty~~z~~ the necessary information to complete the credit scoring process.
3. The ~~Finance Director~~Designee will conduct a review and analysis of the counterparty's financial information, providing results to the ~~Gas Systems Director~~Director of Gas Systems.
4. A determination by the ~~Gas Systems Director~~Director of Gas Systems will be made regarding ~~whether or not~~whether credit will be extended, and the ~~Finance Director~~Designee will confirm agreement with signature.

5. A temporary credit approval will be established, if appropriate, while the ~~Gas Systems Director~~Director of Gas Systems authorizes the agreements needed and credit lines applicable to the given counterparty.
6. The ~~Gas Systems Director~~Director of Gas Systems will determine various credit limits to be imposed including, but not limited to, the amount and tenure of transactions within GRC-approved guidelines.
7. The ~~Gas Systems Director~~Director of Gas Systems, in conjunction with the ~~General Counsel~~Commission Attorney, will ~~attempt to~~ execute the appropriate Master Agreement with the newly approved counterparty.
8. On-going monitoring of counterparty business conditions will be conducted by the Natural Gas Supply Officer through publications and trade talk.
9. Credit reports will be compiled by the ~~Gas Systems Director~~Director of Gas Systems to determine if limit breaches exist.
10. Mitigation techniques will be used by the ~~Gas Systems Director~~Director of Gas Systems, as needed, ~~in order~~ to rectify credit limit breaches.
11. ~~At least annually, and more often if needed,~~ approved counterparties will be re-evaluated by the ~~Finance Director~~Designee, as necessary to determine if limits should be adjusted.

ATTACHMENT 1 – GLOSSARY OF ENERGY RISK MANAGEMENT TERMS

Arbitrage – The simultaneous purchase and sale of similar or identical commodities in two different markets.

Back-to-Back Trading – A process in which a company that buys (or sells) into a particular position will then sell (or buy) the identical position.

Backwardation – Market situation in which prices are progressively lower in distant delivery months.

Basis – The differential that exists at any time between the futures or forward price for a given commodity and the comparable cash or spot price for the commodity. Basis can reflect different time periods, product qualities, or locations.

Bid/Ask – A measure of market liquidity. The bid is the price level at which buyers are willing to buy, and the ask is the price level at which sellers are willing to sell.

Black-Scholes Model – An option valuation model created by Fischer Black and Myron Scholes which is appropriate for options on spot positions consistent with the assumptions of lognormal price behavior and constant volatility.

Call Option – An option that gives the buyer the right (but not the obligation) to buy at a predetermined strike price, and obligates the seller to sell at that price, should the option be exercised.

Clearinghouse Function – The function at a trading exchange that guarantees fulfillment of the obligations of all parties who enter into contracts through that exchange. A clearinghouse eliminates bilateral trading risk.

Collar – Options strategy designed to minimize upfront costs of a cap or floor through the sale of a cap or floor.

Contango – Market situation in which prices are progressively higher in succeeding months than the nearest delivery month. Opposite of Backwardation.

Counterparty – The person or institution standing on the opposite side of a transaction.

Credit Risk – The risk of default by either counterparty in a transaction.

Current Period – Greenville Utilities' GUC's Fiscal Year (July 1 – June 30).

Delta – A first-order risk sensitivity measurement of the impact on the value of a contract, position, or portfolio given a one-unit change in the underlying price.

Economy Energy Purchase – Energy that does not have to be delivered for any reason at the discretion of [Greenville Utilities'GUC's](#) seller.

Economy Energy Sale -- Energy that does not have to be delivered for any reason at the discretion of the Greenville Trading Group

Energy Input Transaction – A transaction executed to protect [Greenville Utilities'GUC's](#) exposure to the approved or forecasted purchased power, natural gas or coal FY forecasts.

Financial Hedge – A transaction that is settled in cash and used to offset exposure that arises from physical requirements.

Forward Contract – Standardized contract for the purchase or sale of a commodity which is traded for future delivery not under the provisions of an established exchange.

Futures Contract – A standardized forward contract offered at an exchange with a clearinghouse function and margin accounts.

Governmental Accounting Standards Board (GASB) – The GASB is the independent, not-for-profit organization formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments.

Hedging – Using a market instrument in order to lock in a value that would otherwise be variable. Hedging is employed as a form of financial protection against adverse price moves in the cash market.

Implied Volatility – A market-to-market volatility implied from actual market option quotes.

In-the-Money – An option which has intrinsic value at expiration. Opposite of Out-of-the-Money.

Insurance – A product purchased at a premium to protect [Greenville Utilities'GUC's](#) assets against potential losses.

Intrinsic Value of an Option – The difference between the underlying strike price and current market price of an option.

Liquidity – The relative amount of units being traded of an asset or financial instrument in a particular market.

Long – A position in which an asset or right is owned.

Margin Account – An account used by the clearinghouse at an exchange for managing exposure to open interest contracts. The participant deposits a certain amount into its

margin account; the balance of that account tracks the value of the contract, with a gain entitling a withdrawal of the difference; while a loss requires a deposit of additional funds.

Marking-to-Market (MTM) – The process of valuing a position or portfolio against a market clearing-price.

Netting Agreement – A contingency agreement in which debit and credit positions are allowed to offset each other in the event of either counterparty defaulting.

Open Interest – Describes the volume of contracts that have been entered into (generally on an exchange) and have not yet expired.

Out-of-the-Money – An option which has no intrinsic value at expiration.

Over-hedging – Purchasing energy in quantities greater than anticipated needs or selling energy in quantities greater than anticipated excess within reasonable operational guidelines.

OTC (Over-the-Counter) – Purchase and/or sale of financial and/or physical instruments not conducted on an organized exchange.

OTC (Over-the-Counter) Swap – A financial instrument not conducted on an organized exchange.

OTC (Over-the-Counter) Physical – The purchase or sale of a physical instrument that is settled with physical delivery.

Physical Hedge – An energy input purchase or retail/wholesale sale transacted to meet physical requirements.

Put Option – An option that gives the buyers the right (but not the obligation) to sell at a predetermined strike price and obligates the seller to buy at the strike price, should the option be exercised.

Revised Five Year Forecast – Revised current fiscal year forecast and 4 year forecast approved by the General Manager.

Short – A position in which an asset or right is not owned.

Spark Spread – A contract that derives its value from the spread between electricity and natural gas prices, commonly based on the heat-exchange rate.

Speculation – The opposite of hedging in which the speculator holds no offsetting cash market position and deliberately incurs price risk in order to reap potential rewards.

Stress Testing - A form of risk measurement that calculates the change in a contract or portfolio value given a change in a variable that is assumed to replicate a highly stressful condition.

Wholesale Energy Transactions - Transactions to maximize, with the use of prudent risk limits, the value of ~~Greenville Utilities'~~GUC's assets through marketing temporary excess capacity, energy, or transmission. Arbitrage or "back to back" transactions opportunities are included in this transaction classification.

(Sources: *Energy Risk Management*, P. Fusaro; *Managing Energy Risk*, J. Wengler)

**ATTACHMENT 2 –
EMPLOYEE'S ACKNOWLEDGMENT OF NATURAL GAS RISK MANAGEMENT POLICY &
PROCEDURES**

The undersigned member of the Gas Rate Committee hereby certifies that he/she has read the ~~Greenville Utilities'~~***GUC's*** ***Natural Gas Risk Management Policy*** and will adhere to all provisions contained therein. The undersigned further acknowledges and understands that any violation of these policies or procedures shall be considered grounds for disciplinary action.

Signature

Type or Print Name

Title

Date



Agenda Item # 3

Meeting Date: October 6, 2026

Board Committee:	Finance/Audit Committee
Item:	Annual Review of Investment Policy
Contact:	Jeff McCauley
Explanation:	It is the policy of GUC to invest public funds in a manner which will provide the highest return with the maximum security while meeting the daily cash flow demands of GUC and conforming to all state and local statutes governing the investment of public funds. To that end, GUC's Investment Policy requires that a review of the investment policy be conducted on an annual basis by the Finance/Audit Committee.
Strategic Plan Elements:	Strategic Themes: • Exceptional Customer Service • Safety, Reliability & Value • Future Focused Objectives: • Providing competitive rates, while maintaining the financial stability of the utility • Exceeding customer expectations Core Values: • Exceed Customers' Expectations • Act with Integrity and Transparency • Value Employees • Support the Community and Assist Vulnerable Customers
Previous Board Actions:	October 2, 2025 – The Investment Policy was reviewed with no changes by the Finance/Audit Committee.
Fiscal Note:	N/A
Recommended Action(s):	Review of Investment Policy

GREENVILLE UTILITIES COMMISSION

INVESTMENT POLICY

I. POLICY

It is the policy of Greenville Utilities Commission to invest public funds in a manner which will provide the highest return with the maximum security while meeting the daily cash flow demands of Greenville Utilities Commission and conforming to all state and local statutes governing the investment of public funds.

II. SCOPE

These investment policies apply to all cash-related assets included within the scope of the Commission's audited financial statements and held directly by the Commission. These funds are accounted for in the Commission's Comprehensive Annual Financial Report and include:

1. Operating Fund
2. Capital Projects Fund
3. Capital Reserve Fund
4. Rate Stabilization Fund

Funds of the Commission will be invested in compliance with the provision of North Carolina General Statutes 159-30.

Deposits into trustee held funds including proceeds from debt financings and investments into the Other Post-Employment Benefits Trust Fund (OPEB) are excluded from the scope of this policy.

III. OBJECTIVES

The Commission's investment objectives, in priority order are:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the Greenville Utilities Commission shall be undertaken in a manner that seeks to ensure the preservation of capital in the total portfolio.

Liquidity: The Director of Financial Services shall assure that funds are constantly available to meet immediate payment requirements including payroll, accounts payable and debt service.

Market Yield: The Commission's investment strategy utilizes a passive approach and is the basis used to determine whether market yield is being achieved. The investment portfolio shall be designed with the objective of regularly exceeding the average return on 90-day U.S. Treasury Bills.

*The 90-day T bill is considered a benchmark for risk-free investment transactions and therefore represents a minimum standard for the portfolio's rate of return.

IV. PRUDENCE

Investments shall be made with judgement and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise, in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be received.

The standard of prudence to be used by investment officials shall be the "prudent person" and/or "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, the investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

*This is a realistic standard of knowledge and professional expertise to expect from a reasonably well-informed person who will be responsible for managing the Commission's investments.

V. RESPONSIBILITY

The authority for investing the funds of Greenville Utilities Commission lies with the Chief Financial Officer and the Director of Financial Services. The primary authority is the Chief Financial Officer. Management responsibility for the investment program is delegated to the Director of Financial Services who shall serve in the capacity of Investment Officer and be responsible for all transactions undertaken and shall establish a system of controls to regulate investment activity and appropriate procedures in the absence of the Chief Financial Officer. The Director of Financial Services is charged with the day-to-day operations of the Commission's investment portfolio, including the placement of purchase and sell orders with dealers and financial institutions and the preparation of reports as required.

The Director of Financial Services shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should reference safekeeping, wire transfer agreements, banking service contracts, collateral/depository agreements and selection of appropriate investments. Investment procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Financial Services.

VI. INVESTMENT DIVERSIFICATION

Diversification to avoid undue risk is achieved by varying the type of investment to ensure liquidity, purchasing from sound and different financial institutions and brokers to reduce the chance of loss, and varying maturity length to ensure availability of funds to meet cash needs.

The funds of the Commission may be invested in the following instruments, as allowed by North Carolina General Statutes 159-30, in the following percentages that are listed in Table 1. If applicable, the table also defines other restrictions to reduce risk in the Commission's portfolio.

TABLE 1

INSTRUMENT	MAXIMUM % OF PORTFOLIO	Other Restrictions
U.S. TREASURY OBLIGATIONS (BILLS, NOTES, BONDS)	100%	None
U.S. GOVERNMENT AGENCY SECURITIES ALLOWED BY STATE STATUTES	100%	No more than 50% of the Commission's total portfolio may be invested in any one agency
NORTH CAROLINA CAPITAL MANAGEMENT TRUST (LOCAL GOVERNMENT POOL)	100%	None
MONEY MARKET ACCOUNTS	100%	No more than 50% of the Commission's total portfolio may be invested in any one financial institution
CERTIFICATES OF DEPOSIT (BANKS AND SAVINGS AND LOAN ASSOCIATIONS)	70%	No more than 50% of the Commission's total portfolio may be invested in any one financial institution
BANKER'S ACCEPTANCES (BA'S)	45%	No more than 25% of the Commission's total portfolio may be invested in any one entity
COMMERCIAL PAPER (CP)	50%	No more than 25% of the Commission's total portfolio may be invested in any one entity
STATE OF NORTH CAROLINA AND LOCAL GOVERNMENT SECURITIES WITH AAA RATING OR BETTER	20%	None

With respect to those instruments that are allowed under the state statutes the following have been omitted from this list and will not be purchased unless this investment policy is amended to include those instruments. They are:

- Repurchase agreements
- Commingled investment pool established by G.S. 160-A-464
- Participating shares in a mutual fund for local government
- Evidences of ownership of future interest and principal payments of direct obligations of the U.S. government

Relative safety and liquidity of each investment type determine the appropriate percentage of the portfolio. Investments are arranged approximately by level of risk, with the safest investments first. State and local government securities with a AAA rating are low risk but also low interest.

VII. DIVERSIFICATION BY MATURITY

Recognizing the Commission's need for funds is not constant, the Director of Financial Services shall schedule investments in coordination with all funds such that there is as little idle cash as practical. Investments shall be limited to maturities not exceeding five years. Maturities should be selected in consideration of the Commission's cash flow requirements.

Investments in Treasuries, Agencies and Instrumentalities may be purchased with maturities exceeding 3 years. All others (with maturities greater than 3 years) are prohibited without the expressed approval of the Commission Board.

Length of Maturity is calculated to be the number of days from the date of the purchase of the investment to the maturity date of the investment.

VIII. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

Before the Commission invests any surplus funds in secondary market investments, competitive bids shall be obtained. Records will be kept of the bids offered, the bids accepted, and a brief explanation of the decision made.

IX. QUALIFIED INSTITUTIONS

The Commission shall maintain a listing of all authorized dealers and financial institutions which are approved for investment purposes. Written procedures and criteria for selection of financial institutions will be established by the Director of Financial Services. Any firm is eligible to apply to provide investment services to the Commission and will be added to the list if the selection criteria are met. Additions or deletions to the list will be made by the Director of Financial Services. Firms performing investment services for the Commission shall provide their most recent financial statements upon request.

X. INVESTMENT POOLS / MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. The following information should be available to the Investment Officer:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced, and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

XI. SAFEKEEPING AND COLLATERALIZATION

In accordance with state statutes, the Governing Board shall designate as its official depositories one or more banks, or trust companies in North Carolina. The amount of funds on deposit shall be secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home Loan Bank, or investment securities of such nature, in a sufficient amount to protect the Commission.

Investment securities purchased by the Commission shall be delivered by either book entry or physical delivery and held in third party safekeeping by a bank designated as primary agent. The trust department of the bank designated as primary agent may be a third party for the purposes of safekeeping of securities purchased from that bank. The purchase and sale of all securities will

be on a payment versus delivery basis. The primary agent shall issue a safekeeping receipt to the Investment Officer listing the specific instrument, rate, maturity, and other pertinent information.

Deposit-type securities (i.e. certificates of deposit, money market accounts, and checking accounts) shall be 100% collateralized as required by North Carolina General Statutes.

XII. ACCOUNTING METHOD

Investments will be recorded at cost. Realized gains or losses from investments will be credited or charged to interest income at the time of maturity or sale. For instruments purchased at a price greater than par or less than par and not sold, the purchase price premium or discount will be accounted for in accordance with generally accepted accounting principles (GAAP). Investments will be reported annually at market value.

XIII. REPORTING REQUIREMENTS

The Chief Financial Officer and/or Director of Financial Services shall submit an Annual Statement of Investment Policy to the Commission, noting compliance with Commission policies. This statement shall be filed no later than August 31 of each year.

The General Manager/CEO and appropriate Finance Department staff will review the Investment Policy with the Finance/Audit Committee annually by no later than October 31 of each year.

The Chief Financial Officer and/or Director of Financial Services shall provide the Commission with a monthly investment report, which will provide, at a minimum, the following information:

- CUSIP Number
- Issuer or Broker/Dealer (Financial Institution)
- Type of Investment
- Effective Yield
- Purchase Date
- Maturity Date
- Cost
- Par Value
- Where Held (Safekeeping)

The monthly investment report shall include all investments held in the Commission's portfolio as of the end of the month and shall be issued with the monthly financial report. Market values shall be reported semi-annually.

Any investment that does not meet policy guidelines due to Board adopted changes will be temporarily exempted for a period not to exceed six months. Investments must come in

conformance with the policy within six months of the policy's adoption or the Board must be presented with a plan through which investments will come into conformance.

If a violation does occur, the Chief Financial Officer and/or the Director of Financial Services shall report such violation in a timely manner to the General Manager/CEO along with a plan to address the violation. The violation and plan will then be reported to the Board.

XIV. INTERNAL CONTROLS

The Director of Financial Services shall maintain a system of written internal controls, which shall be reviewed by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

XV. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager/CEO any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Commission. This disclosure need not include normal banking or brokerage relationships that are at normal market rates and conditions available to the public.

XVI. POLICY REVIEW AND ADOPTION

This investment policy may be reviewed by the Board of Commissioners of Greenville Utilities Commission at their pleasure and amended and adopted at any time.

Last Revised: November 18, 2021

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services

to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are back by the FHA, VA or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have

the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

TREASURY BILLS: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



Agenda Item # 4

Meeting Date: October 6, 2026

Board Committee:	Finance/Audit Committee
Item:	FY 2025-26 Audit Update
Contact:	Jeff McCauley : Amanda Wall
Explanation:	The fiscal year-end audit has been progressing nicely. Staff have been providing the auditors with information in a timely manner. At this time the auditors have not made staff aware of any auditing issues, and it is anticipated that the Commission will receive a clean audit opinion. Staff are on track to deliver the audited financial statements to the NC Local Government Commission (LGC) by October 31, 2026. Presentation of the full audit report to the Board will be scheduled to occur in December. Based on Generally Accepted Accounting Principles (GAAP), the preliminary increase in net position (net income) for the Commission is \$30.17 million for fiscal year-ended June 30, 2026. A presentation on the status of the audit will be provided at the Finance/Audit Committee meeting.
Strategic Plan Elements:	Strategic Themes: • Exceptional Customer Service • Safety, Reliability & Value • Future Focused Objectives: • Providing competitive rates, while maintaining the financial stability of the utility • Exceeding customer expectations Core Values: • Exceed Customers' Expectations • Act with Integrity and Transparency • Value Employees
Previous Board Actions:	Approved Audit Contract in March 2026

Fiscal Note:

N/A

**Recommended
Action(s):**

N/A