

Management of Operating Reserve

Encorp's financial model requires a reasonable level of operating reserves to provide stability for the system. When these reserves rise above the amount deemed to be reasonable, measures are taken to reduce them to the appropriate level.

As indicated in the chart, reserves were reduced and in fact depleted by the end of 2009.

In 2010 Encorp has been able to start restoring reserves to an appropriate level. These reserves have been used to fund system costs that may otherwise have been reflected in consumer prices.

Encorp will continue to manage operating reserves within an optimal, pre-determined range over a span of years.

