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## POLICY

SUBJECT: Capital Credits Allocation Method

POLICY: In accordance with Article VII of the Cooperative's Bylaws, the Cooperative shall operate on a cooperative non-profit basis for the mutual benefit of its members. Through their patronage, members of the Cooperative shall furnish capital to the Cooperative. The Cooperative shall account for all amounts receivable in excess of operating costs and expenses, which may be referred to as the Cooperative's margins. All margins are received with the understanding that they are furnished by the members as capital. The Cooperative shall keep records in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall, within a reasonable time after the completion of the independent audit of the Cooperative's financial statements, notify each member of the amount of capital so credited to his or her account.

The amount of margin credited to each member's capital account shall be allocated on a pro-rata basis, according to each member's dollars of patronage as a share of the Cooperative's total revenues. The word dollars is underscored to set it apart from other allocation methods that shall not be used, such as each member's kWh of energy purchased.

Receivables for goods or services other than electric service sold by the Cooperative or reimbursements to the Cooperative shall not be eligible for capital credits so long as such goods, services, or reimbursements are priced to cover only the Cooperative's costs and do not contribute to the Cooperative's margin.

PROCEDURE: Above policy shall be carried out by the billing department in coordination with the finance department and in consultation with the Cooperative's attorney as may be determined necessary.

RESPONSIBILITY: General Manager and Finance Manager

DELAWARE COUNTY ELECTRIC COOPERATIVE, INC.

Approved by Board of Directors

May 24, 2016