



POLICY

SUBJECT: Capital Credits Allocation Method

DEFINITIONS:

Member: As used within this policy, "Member" shall mean (1) a member in accordance with the Cooperative's Bylaws; or (2) a non-member purchasing electric energy, having completed a membership application, agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any policies, rules and regulations adopted by the board of directors, and awaiting acceptance of his or her membership by the board of directors. Member, as defined herein, only includes members in accordance with the Bylaws and those with pending membership applications in accordance with the Bylaws.

Patronage: As used within this policy, "Patronage" shall mean the amount paid, in dollars, for electric service purchased by Members during the fiscal year and used by the Cooperative for allocating Patronage Capital Credits in a proportionate manner to each Member.

Patronage Capital Credits: As used within this policy, "Patronage Capital Credits" shall mean the amounts allocated to and contributed by the Member to the Cooperative as capital.

POLICY: In accordance with Article VII of the Cooperative's Bylaws, the Cooperative shall operate on a 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 Member, 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 in accordance with the Cooperative's Bylaws.

With respect to the furnishing of electric service, the amount of margin credited to each Member's capital account (Patronage Capital Credits) shall be allocated on a pro-rata basis, according to each Member's dollars of electric service patronage as a share of the Cooperative's total electric service 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. Electric service revenues include fixed monthly service charges, demand charges, energy charges, power cost adjustment charges, formulary rate adjustment charges, fees, penalties, and adjustments thereto



Receivables for goods or services other than electric service sold by the Cooperative or reimbursements to the Cooperative, whether sold to or reimbursed by a Member or non-Member, 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. Revenues for goods or services other than electric revenue, if excluded from the allocation process, shall be excluded from both the numerator and denominator when calculating each Member's share of the Cooperative's margin.

Receivables for goods or services other than electric service sold by the Cooperative to a non-Member, shall not be eligible for capital credits. Margins attributable to the sale of goods or services other than electric service to non-Members (shall be administered as described in the following table:

Scenario	Administration of Non-Member Margin, Not from Electric Service
Cooperative incurred losses during the current year or any prior year	Margin is used, to the extent needed, to offset losses, either from current or prior year(s).
Cooperative has no losses from the current year and no losses from prior year(s), which have not previously been offset	Margin shall be allocated to the current year's Members on a Patronage basis.

In this way, all dollars of margin shall be allocated to a Member.

For the avoidance of doubt, the table below describes how each of the Cooperative's business areas are treated with respect to capital credits:

Business Area	Purchaser	Treatment of Margin
Electric Service	Members	Allocated to Members proportionate to dollars of electric service revenue
Hot water heater sales or re-sale of any other inventory item	Members	Priced to cover only costs – do not contribute to margin
Hot water heater sales or re-sale of any other inventory item	Non-Members	Priced to exceed costs and contribute to margin. Allocated to Members receiving electric service proportionate to dollars of electric service rather than being allocated to non-Members who purchase hot water heaters or any other inventory item.



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
Revised by Board of Directors	Jan 23, 2018
Revised by Board of Directors	Mar 26, 2019
Reviewed by Board of Directors	Apr 26, 2022