

*The following summarizes the proposed bylaw amendments compared against the currently approved DCEC Bylaws revised August 24, 2024. The proposed changes are limited to Article I, Membership, and Article VII, Non-Profit Operation and Capital.*

*Redline excerpts are provided below to show the exact proposed bylaw language.*

**Proposed Change #1** – Make changes to ARTICLE I, Section 5 and add Section 8 as shown to authorize the Cooperative to establish fair and reasonable service connection fees for new Large Load Members prior to service connection, and to authorize the Board of Directors to implement, amend, or change rate classes and related terms for certain non-residential rate classes classified as Large Load Members, with reasonable notice to affected Members?

## **ARTICLE I – Membership**

Additions to the bylaws as shown below:

**Section 5. *Membership and Service Connection Fees.*** The membership fee shall be five dollars, upon the payment of which a member shall be eligible for one service connection. An additional fee of five dollars shall be charged for each additional service connection. Membership and service connection fees for inactive members or services shall be transferred to donated capital. Notwithstanding anything to the contrary in these by-laws, new Large Load Members (as defined below) shall, prior to service connection, be subject to fair and reasonable service connection fees as agreed to by the Large Load Member and the Cooperative.

**Section 8. *Rate Classes.*** The board of directors may implement, and from time to time, amend or change, various rate classes to ensure the fair, reasonable, and efficient performance of the Cooperative's function. Notwithstanding anything to the contrary in these by-laws, with respect to certain non-residential rate classes –("Large Load Members"), the board of directors may implement such additional terms as may be fair and reasonable given the nature and scope of the existing or proposed Large Load Member use. The Cooperative reserves the right to change or amend the terms of any Member's rate class with reasonable notice. For purposes of these bylaws, "Large Load Members" means certain non-residential Members or prospective Members that the Board of Directors determines, by policy, rate classification, or contract, have load size, load characteristics, facilities requirements, or cost-of-service impacts materially different from ordinary Cooperative service.

**Proposed Change #2** - Make changes to ARTICLE VII as shown to allow patronage and patronage capital credits to be allocated by revenue class, rate class, contract class, patronage class, or separate allocation unit, as fairly and reasonably determined by the Board of Directors, and to provide the Board with additional flexibility regarding the timing, method, priority, order, amount, and terms of patronage capital credit retirements, including General Retirements, Small Balance Retirements, and Authorized Early Retirements?

## ARTICLE VII –Non-Profit Operation and Capital

Section 1 – update sub-section “d”

(d) "Patronage" shall mean the quantity or value of the goods or services purchased by the Patrons during the fiscal year and used by the Cooperative for allocating Patronage Capital Credits in a proportionate manner to each Patron. With respect to the furnishing of electric energy, the patronage of each Patron shall be determined by the Member's proportional share of Cooperative revenue, which may be determined separately for each revenue class, rate class, contract class or separate allocation unit– as the board of directors may fairly and reasonably direct pursuant to authority provided elsewhere in this Article. ~~allocated to each rate class at the fair and reasonable direction of the Board of Directors. is measured on the basis of the proportionality of the revenue billed by the Cooperative to the individual Patron for electric energy with respect to the total revenue billed by the Cooperative to all Patrons for electric energy.~~ With respect to the furnishing of goods and services on a patronage basis, other than electric energy, the patronage of each Patron is measured separately for each such good or service and on the basis of the proportionality of the revenue billed by the Cooperative for such good or service to the individual Patron, within each separate rate class as the board of Directors may fairly and reasonably direct pursuant to authority provided elsewhere in this article. ~~with respect to the total revenue billed by the Cooperative to all Patrons for such good or service.~~

Section 3. Add a new sub-section "e" and re-letter the following sub-sections.

(e) Notwithstanding other provision of this article, the board of directors, acting through policy, has the authority to determine the kind, timing, method and type of allocation to each rate class; provided however, that such methods are fair and reasonable and on the basis of Patronage. Such allocation methods may include separate allocation units and patronage classes for recognizing differences in contributions to margins among rate classes and/or services provided. Such policies shall also consider the separate allocation and retirement of Patronage Capital Credits received by the Cooperative from other entities and organizations providing goods or services to the Cooperative on a patronage basis. Nothing in this subsection shall create a right of any individual Patron to negotiate a separate allocation or retirement of Patronage Capital Credits outside of a Board-approved policy, contract, rate classification, allocation unit, or patronage class.

Previous sub-section "f through i" now sub-section "g through j" updated as follows:

(g) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding Patronage Capital Credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board of directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then allocated and credited to the Patrons' or former Patrons' accounts may be generally retired in full or in part ("General Retirement"). Subject to sound business and management practices, the timing, method, priority, order and amount of such General Retirements shall be determined separately for each allocation unit and patronage class and are at the discretion of the board of directors. ~~Provided, however, any such Retirements of capital shall be made in order of priority according to the year in which the capital was allocated and credited, the capital first received by the Cooperative being first retired.~~ In no event, however, may any such capital be retired unless, after the proposed Retirement, the capital of the Cooperative shall equal at least thirty per centum (30%) of the total assets of the Cooperative EXCEPT that if, after the proposed Retirement, the capital of the Cooperative shall be less than thirty per centum (30%) of the total assets of the Cooperative, a Retirement of Patronage Capital Credits may nonetheless be made up to but not more than 25% of the net margins received in the previous year less the amount of Authorized Early Patronage Capital Credit Retirements as defined herein.

(h) When the Patronage Capital Credits of any Patron no longer receiving service from the Cooperative comes to a total amount of less than a fixed sum determined by the board of directors, the same shall be retired in full, at full value, with such retirements made ~~only when and at the same time that a~~ general retirement to other Patrons is made ("Small Balance Retirement").

(i) When ~~such retirements~~ Retirements of capital are made to the patrons, the Cooperative shall be obligated to pay to each Patron or former Patron his share of the capital so retired in accordance with these By-laws in whatsoever manner (i.e. cash, check or bill credit) that the board of directors determines most efficient and convenient. The board of directors may also establish a nominal fixed amount below which a check shall not be issued and the amount of such retired but unpaid Patronage Capital Credits will be paid in the first following year when the total amount of Patronage Capital Credits qualifying for retirement exceeds that nominal amount set by the board of directors, including the amount carried over. Regardless of the nominal fixed amount set by the board of directors, however, a check shall be issued to a former Patron if all such retirements fully retires the capital credits balance of such former Patron.

(j) The board of directors, acting under policies of general application or as may be negotiated from time to time, may approve an Authorized Early Retirement. Authorized Early Retirements may include payments to a former Member's estate, to write down recoup or offset bad debt, or for such other special purpose as the Board of Directors may direct from time to time. Such Authorized Early Retirement may also take into consideration differences, including contract requirements, among separate allocation units and patronage classes.

- (1) -Provided, however, the payment portion of such Authorized Early Retirement shall be on a discounted and net present value basis in order to reflect the time value of money due to the early retirement of said Patronage Capital Credits. For purposes of Authorized Early Retirements, net present value shall consider the following factors:
  - a market based or rate based discount interest rate as determined by the board of directors and;
  - \_\_\_\_\_ a discount period of no greater than the time between the Authorized Early Retirement and the normal expected retirement date of those Patronage Capital Credits.
- (2) The difference between the total of the amount of Patronage Capital Credits retired and the cash payment of ~~such any~~ Authorized Early Retirement shall be considered a contribution of capital to and part of the net savings of the Cooperative.