

Board of Directors Policy

Subject: Allocation & Retirement of Patronage Capital			Policy No: 205
Original Issue: 10/21/87	Last Revised: 10/21/09	Last Reviewed: 10/21/09	Page 1 of 2

I. OBJECTIVE

To establish a policy for annually allocating and retiring capital credits, subject to the board of directors' discretion and the cooperative's financial condition.

II. ALLOCATION POLICY

- A. Patronage Capital (Capital Credits) shall be allocated pursuant to ARTICLE VII – NON-PROFIT ORGANIZATION, Section 3- Capital Members/Consumers in Connection with Furnishing Electric Energy of the BYLAWS OF LA PLATA ELECTRIC ASSOCIATION, Inc.
- B. Operating net margins will be allocated on the VALUE method (dollar amount of purchases). Calculation for value method follows: (individual member's yearly gross operating dollar purchased from the cooperative, divided by LPEA's total gross operating sales, times LPEA's net operating margins).
- C. Non Operating margins will be allocated on the Quantity method (kilowatt hours purchased). Calculation for the Quantity method follows: (individual members yearly total KWh purchased from the cooperative, divided by LPEA's total gross KWh hours sold to all members, times LPEA's net non operating margins).

III. RETIREMENT POLICY

- A. Patronage Capital (Capital Credits) shall be retired pursuant to ARTICLE VII – NON-PROFIT ORGANIZATION, Section 3 – Capital Members/Consumers in Connection with Furnishing Electric Energy of the BYLAWS OF LA PLATA ELECTRIC ASSOCIATION, INC.
- B. The accumulative retirement of G&T Patronage Capital to LPEA Members will at no time be greater than the amount of accumulated cash retirement of Capital Credits received by LPEA from Tri-State Generation.
- C. If immediate retirement is allowed by the Board of Directors, as directed by the BYLAWS of LPEA, the amount of the capital credits allocated to the Decedent's estate shall be discounted to present value so as to retire the estate's capital credits on an equitable basis with the retirement of the capital credits for all other members/consumers. To achieve an equitable basis, the present value of the capital credits allocated to the Decedent's estate shall be computed on the basis of the current capital credit rotation cycle, pursuant to the Cooperative's Board Policy no. 202, EQUITY MANAGEMENT POLICY, and a discount rate equal to and pursuant to Rule no. 21-DEPOSITS, of the Cooperative's schedule of rates, rules and regulations. An example of the discounting computation is attached hereto as Exhibit "A". The residual portion of the estate's capital credits that is not retired as a result of discounting shall be accounted for as donated capital.

LA PLATA ELECTRIC ASSOCIATION, INC.
DURANGO, COLORADO

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- D. The capital credits of any corporation or partnership member/consumer which has dissolved will be retired under the provisions of the Bylaws of the Cooperative and will not be retired under the above policy for the retirement of capital credits for a Decedent's estate.
- E. Under the Bylaws of the Cooperative, whenever a member/consumer no longer receives electricity from the cooperative and is delinquent in the payment of his/her inactive account, the Board of Directors, in its discretion, shall have the power to retire capital credits allocated to such member/consumer's account and apply them to the delinquent balance. The amount of capital credits allocated to the member/consumer's account shall be discounted to present value so as to be retired on an equitable basis with the retirement of capital credits for all other members/consumers. The present value of capital credits shall be computed on the basis of the current capital credit rotation cycle, pursuant to the Cooperative's Board Policy no. 202, EQUITY MANAGEMENT POLICY, with a discount rate established pursuant to Rule no. 21-DEPOSITS, of the Cooperative's schedule of rates, rules and regulations. The discounted amount shall be accounted for as donated capital to the Cooperative. The portion of capital credit, if any, that is not necessary to satisfy the delinquent account shall remain in the member/consumer's capital credit account and be distributed as otherwise set forth in the Bylaws.

IV. RESPONSIBILITY

The CEO and CFO shall have the responsibility to adhere to this policy.

____ October 21, 2009 _____
Date



Secretary