

Board of Directors Policy

Subject: Allocation & Retirement of Patronage Capital			Policy No: 205
Original Issue: 10/21/87	Last Revised: 2/19/20	Last Reviewed: 1/30/2023	Page 1 of 3

I. OBJECTIVE

To establish the process for annually allocating and retiring capital credits of La Plata Electric Association, Inc. (Cooperative), subject to the discretion of the Board of Directors (Board) and the Cooperative's financial condition.

II. ALLOCATION POLICY

- A. Patronage Capital (Capital Credits) shall be allocated pursuant to Article VII, Section 3 of the Bylaws of the Cooperative.
- B. Operating net margins will be allocated on the Value method (dollar amount of purchases). Calculation for Value method follows: individual member/consumer's yearly purchases (gross operating dollars) the Cooperative (including base charges paid), divided by the Cooperative's total gross operating revenues, and multiplied by the Cooperative's net operating margins. For members who are on a net metered tariff, "yearly purchases" shall consist of the base charge paid to the Cooperative plus any net energy purchased as of the true update in April and less any net payment made to the member as of the true update in April.
- C. Non-operating margins will be allocated on the Quantity method (kilowatt hours purchased). Calculation for the Quantity method follows: individual member/consumer's yearly total kWh purchased from the Cooperative, divided by the Cooperative's total gross kWh hours sold to all members/consumers, multiplied by the Cooperative's net non-operating margins. For members who are on a net metered tariff, "yearly total kWh purchased" shall consist of all kWh purchased from the Cooperative less all kWh hours sold to the Cooperative in accordance with the net metering tariff as of the true-up date in April.
- D. The portion of non-operating margins from a generation and transmission cooperative (G&T) which are allocated to members/consumers will be accounted for separately from other non-operating Cooperative margins. The kWh's sold under special incentives or discounted rates to a member/consumer of the Cooperative that do not contribute to the non-operating margins from a G&T shall be excluded in the allocation of G&T margins under this section.

III. RETIREMENT POLICY

- A. Patronage Capital (Capital Credits) shall be retired pursuant to Article VII, Section 3 of the Bylaws of the Cooperative.

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- B. The Board shall review the economic ability and the financial goals of the Cooperative to retire equity prior to retiring any and all capital credits.
- C. The accumulative retirement of G&T Patronage Capital to Cooperative members/consumers will at no time be greater than the amount of accumulated cash retirement of Capital Credits received by the Cooperative from its G&T.
- D. For estates retirements, if authorized by the Board and pursuant to Article VII, Section 3 of the Bylaws of the Cooperative, 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 and a discount rate equal to the weighted average of the Cooperative's long-term debt at the end of the previous year. 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.
- E. 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.
- F. For a member/consumer who no longer receives electricity from the cooperative and is delinquent in the payment of the member/consumer's inactive account, the Board, 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, pursuant to Article VII, Section 3 of the Bylaws of the Cooperative. 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 and a discount rate equal to the weighted average of the Cooperative's long-term debt at the end of the previous year. 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.
- G. For a member/consumer whose account is in arrears with the Cooperative, the capital credits retired shall first apply against the amounts owed to the Cooperative.

LA PLATA ELECTRIC ASSOCIATION, INC.
DURANGO, COLORADO

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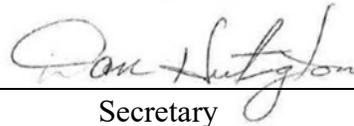
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IV. RESPONSIBILITY

- A. The President of the Board of Directors shall be responsible for the administration of this policy.

1/30/2023

Date



Secretary