

## **POLICY 25. CAPITAL CREDITS**

**September 19, 2006**

**Amended June 21, 2010**

**Amended October 21, 2015**

**Amended May 24, 2017**

**Amended January 24, 2018**

### **I. OBJECTIVE:**

The objective of this Capital Credits Policy is to state the general policy of Salmon River Electric Cooperative, Inc. for allocating and retiring capital credits.

### **II. POLICY:**

The Cooperative shall allocate and retire capital credits in a manner that (1) is consistent with state and federal law; (2) is consistent with operating on a cooperative basis under federal tax law; (3) is fair and reasonable to the Cooperative's members and former members; (4) provides the Cooperative with sufficient equity and capital to operate effectively and efficiently; and (5) protects the Cooperative's financial condition. Subject to law, the Cooperative's articles of incorporation, and the Cooperative's bylaws, the allocation and retirement of capital credits are at the sole discretion of the Cooperative's Board of Directors.

### **III. EXPECTATIONS:**

- A. Board Approval. The Cooperative shall allocate and retire capital credits according to the manner, method, timing and amount approved by the Board.
- B. Patronage Earning Allocations. Net electric operating margins as stated in that fiscal year's audited financial statements represent those dollars that shall be allocated as patronage capital. **In addition, interest income derived from electric operations, gain from the sale of property, and patronage capital allocated from affiliated cooperatives shall be allocated as patronage capital.** Allocation will be based on the total dollar amount of purchases for electric service. Total dollar purchases are limited to energy, capacity and monthly access charges for electricity. ~~In addition, interest income derived from electric operations and patronage capital allocated from affiliated cooperatives shall be allocated as patronage capital.~~
- C. General Capital Credits Retirements. The Cooperative shall generally retire capital credits with goals of: (1) maintaining an equity level above forty-five percent (45%) of the Cooperative's total assets; (2) retiring capital credits every year; (3) retiring capital credits on a first-in, first-out (FIFO) basis; (4) retiring 5% of the SREC total capital credit account balance each year representing a twenty (20) year rotation cycle; (5) communicating and

promoting the Cooperative principles; (6) fostering loyalty and support among members and former members; and (7) maximizing public relations and political goodwill.

- D. Special Capital Credits Retirements. The Cooperative (1) may specially retire capital credits upon the death of a natural member ~~an individual member~~ or natural former member; ~~(2) may specially retire capital credits of an individual member or former member leaving SREC's system when that member or former member's capital credit account balance is less than \$100.00 and chooses to be paid a discounted amount for capital credits;~~ (23) shall specially retire capital credits when a member or former member has a delinquent account that is over ninety days owing and/or the account(s) has been formerly written off. The board shall retire on a discounted rate basis the member's capital credits in an amount equal to or less than the member's debt, ~~(3 -4)~~ may not specially retire capital credits upon the dissolution, liquidation, or cessation of existence of an entity member; and ~~(4 5)~~ may not specially retire capital credits upon the reorganization, merger, or consolidation of an entity member.
- E. Recoupment. After retiring, and before paying capital credits allocated to a member or former member, the Cooperative may recoup, offset, or set off any amount owed to the Cooperative by the member or former member by reducing the amount of retired capital credits paid to the member or former member ~~by the amount owed.~~

#### IV. LIMITATIONS:

- A. Forfeiture of Capital Credits. The Cooperative shall not enter contracts through which a member or former member forfeits the right to the allocation or retirement of capital credits. The Cooperative shall not require any member or former member to forfeit the right to the allocation or retirement of capital credits.
- B. Member Classes. As reasonable and fair, and as approved by the Board, the Cooperative may allocate or retire capital credits to classes of similarly situated members or former members under different manners, methods, timing and amounts, provided the Cooperative allocates and retires capital credits to similarly situated members and former members under the same manner, method, timing and amount.
- C. Notice of Allocation. Within eight and one-half (8 ½ ) months following a fiscal year, the Cooperative shall notify each member and former member in writing of the amount of capital credits allocation to the member for the preceding fiscal year included with a statement of their total capital credit allocation.

- D. Adverse Financial Impact. The Cooperative shall not retire any capital credits unless the Board first determines that the retirement will not adversely impact the Cooperative's financial condition.
- E. Special Retirement for Deceased. See Member Policy 24 RETIRING DECEDENT CAPITAL CREDITS. ~~The Cooperative may specially retire capital credits upon the death of a member or former member only upon receiving a written request from the appropriate legal representative, and only under terms and conditions agreed upon by the Cooperative and the appropriate legal representative.~~
- F. Minimum Amount. The Cooperative shall not retire and pay capital credits in an amount less than ten dollars (\$10.00). Exception: Amounts less than \$10.00 may be paid on inactive accounts to reduce future administrative costs.
- G. Payment and Notice of Retirement. After the Cooperative retires capital credits allocated to a member, the Cooperative shall pay the retired amount by sending a check to the member's most current address listed on the Cooperative's records or crediting a member's account. The Cooperative shall pay the retired amount to a former member by sending a check to the former member's most current address listed on the Cooperative's records.

~~H. Early Retirement. A member leaving SREC's system or a former member may choose to be paid a discounted price for capital credit account balances of \$100.00 or less. The discounted value will be the net present value. The member may choose to bypass the discounted rate by donating 100% of their capital credit account balance to the SREC scholarship fund.~~

$$\text{Net Present Value} = \frac{\text{Amount to be Retired}}{(1+i)^n}$$

~~i = Interest Rate (CFC's long term variable rate)~~

~~n = Number of yrs remaining until the normal retirement would have occurred~~

~~If multiple years are to be retired, then the net present value equals the sum of each year's retirement net present value.~~

- I. Delinquent Account Offsets. When the board offsets delinquent accounts the following criteria shall be established: (1) the debt is for supplying electric energy to the debtor in the ordinary course of the debtor's and the Cooperative's business; (2) the Cooperative, in the ordinary course of its business and pursuant to a bylaw or policy of general application, regularly retires and offsets capital credits to members or former members owing the Cooperative past due debts; and (3) the retirement and offsetting are made according to ordinary business terms. The discounted rate shall be equivalent to the cooperatives weighted cost of

capital. ~~the net present value of the applicable capital credit account(s) value.~~

~~J. Unclaimed Capital Credits. If a member or former member fails to claim the retired amount within seven (7) years from the retirement date, the Cooperative shall provide notice and take any other action required by law, and may use the amount as permitted by law.~~

K. Discounting Capital Credits. Capital credits that are to be discounted shall be discounted to the cooperative's weighted cost of capital. The weighted cost of capital is calculated as the average weighted cost of debt multiplied by the percent debt plus the cost of equity multiplied by the percent equity.

L. Unclaimed Capital Credits. See Member POLICY 26. UNCLAIMED CAPITAL CREDITS.

## V. RESPONSIBILITY

A. Implementation of Policy. The Cooperative's General Manager ~~or Chief Executive Officer~~ is responsible for implementing this Policy and for developing the practices and procedures necessary to allocate and retire capital credits according to this Policy.

B. Recommendations to Board. The Cooperative's Manager is responsible for (1) recommending to the Board the manner, method, timing and amount for allocating and retiring capital credits; and (2) when in the best interest of the Cooperative and its members and former members, recommending to the Board revisions to this Policy.

C. Review and Approval by Board. The Board is responsible for: (1) reviewing, discussing and evaluating the Manager's recommendations regarding the manner, method, timing and amount for allocating and retiring capital credits; (2) approving the manner, method, timing and amount for allocating and retiring capital credits; (3) reviewing, discussing, and evaluating this Policy every year; (4) reviewing, discussing, and evaluating the Manager's recommendations for revising this Policy; and (5) revising this Policy.

D. Compliance with Policy. The Board is responsible for the Cooperative's compliance with this Policy.

### **POLICY 26. UNCLAIMED CAPITAL**

**October 20, 2014**

**Amended January 24, 2018**

SREC allocates capital credits to its member owners annually ~~per~~. ~~In addition the SREC Board may retire member capital credits subject to~~ MEMBER POLICY 25. From time to time retired member capital credits become unclaimed, as the owner's whereabouts are unknown. SREC shall administer unclaimed capital credits according to the rules set forth below.

1. Unclaimed capital credits shall be considered abandoned, if they remain unclaimed by the owner for more than five (5) years after they become payable or distributable.
2. SREC shall maintain at all times a revolving fund in an amount equal to twenty-five percent (25%) of the accumulated capital credits presumed abandoned by the SREC Board of Directors or twenty thousand dollars (\$20,000), whichever is less.
3. SREC shall transfer funds in excess of the minimum amounts required in its revolving fund into its general fund to be used for any purpose for which it is incorporated.
4. SREC shall maintain and update at least ~~annually~~ ~~quarterly~~ a list of all reported owners of abandoned property, ~~including dollar amounts,~~ on a website maintained by SREC.
5. SREC shall ~~report monthly to the State Treasurer's office any owner's of unclaimed capital that have been paid out. In addition, annually SREC shall report unclaimed property to the State Treasurer's office using unclaimed property software. quarterly publish a notice in the official newspaper of each Idaho county stating when and where the quarterly website listing of SREC abandoned property will be accessible to citizens. There are currently thirty-seven (37) of these newspapers in Idaho.~~
6. Unclaimed capital credits shall remain in custody of SREC and payment shall be made once proper credentials are provided to SREC.
7. Unclaimed capital credits with a value less than fifty dollars (\$50) are not subject to the above State mandated reporting and custodial safe keeping. ~~However, SREC shall maintain and update a list of unclaimed capital credits with a value less than \$50 on its website.~~ SREC shall retain unclaimed capital with a value less than fifty (\$50) for three years after which it is not subject to payment and can be used for any purpose for which it is incorporated.

## **POLICY 15. DELINQUENT ACCOUNTS**

**Amended April 11, 1979**

**Amended January 21, 1987**

**Amended December 11, 1996**

**Amended August 11, 1999**

**Amended September 20, 2001**

**Amended January 8, 2003**

**Amended July 12, 2003**

**Amended February 14, 2006**

**Amended May 15, 2006**

**Amended June 18, 2012**

**Amended March 18, 2015**

**Amended February 21, 2018**

Accounts become delinquent/past due if not paid in full by the due date. Delinquent accounts will be charged a 1.5% finance charge per month. The Cooperative reserves the right to discontinue any and all services to a member/customer with a delinquent account.

### **Past Due Accounts**

Member/customers with a past due amount are in jeopardy of being disconnected. The Cooperative will read the meter, calculate a charge per the meter reading, add a disconnect notice fee, and send a disconnect notice before the account is disconnected.

The disconnect notice shall be mailed to the last known address, notifying the member/customer of the total amount now owing and that his/her service will be disconnected without further notice in ten (10) calendar days from the date of mailing of said notice unless payment is made in full or suitable payment arrangements are made.

### **Suitable Payment Arrangements**

Suitable payment arrangements will include a minimum 20% of the delinquent amount paid before the disconnect date and the remaining delinquent amount paid within a maximum period of three months. A minimum of one third (33%) of the delinquent amount and all current amounts must be paid monthly. A payment agreement will be executed in writing requiring the signature of the member/customer and the Cooperative's customer service representative. ~~Payment arrangements may be made only 2 times in the previous 12 month period otherwise payment in full is required. Member/customers with a good credit rating (payments in full and on time for the previous 12 months) may be granted a 30 day extension to the above mentioned payment arrangement.~~

If the member/customer does not pay in full or make suitable payment arrangements or does not adhere to a written payment agreement, the service will be disconnected without further notice. All current and delinquent amounts owing, a reconnect fee, security deposit, and finance charges must be paid in full before the member/customer can have the service reconnected

If a member/customer account is delinquent for over 90 days, the account may be

presented to the board for a write-off approval and becomes eligible for presentation to a collection agency.

**POLICY 18. METER TESTING**

**Amended March 17, 1999**

**Amended February 21, 2018**

The Cooperative will not charge for the member/customer's first request to have a Cooperative meter tested for accuracy. ~~For subsequent meter testing, the member/customer may be charged if~~ If meter testing is requested within two years of a previous test and the meter's accuracy is determined to be within acceptable tolerances, the member/customer may be charged.

**POLICY 20. ELECTRONIC PAYMENT SYSTEM**

**July 20, 1998**

**Amended June 9, 1999**

**Amended September 20, 2001**

**Amended September 19, 2006**

**Amended June 16, 2008**

**Amended June 18, 2012**

**Amended February 21, 2018**

Members have the option of viewing and paying their accounts via the Electronic Payment system. They may access the Electronic Payment system through the internet on-line ~~or by phone~~. Members may make payments using their bank savings account, checking account, or a major credit card. Accounts will be billed and made available on the system near the first of the month for the previous month's electric usage. Payment in full is due in our office on or before the 20<sup>th</sup> of each month.

Once a member is logged-in to their on-line account they may choose and optionally store a payment method. They may also select to go paperless (no statement mailed) and/or make payments automatically every month.

Detailed instruction for using the Electronic Payment system via the internet ~~or telephone~~ ~~are~~ is available on our website or from our office.