Subject: CAPITAL CREDITS		Policy No: 21
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I. OBJECTIVE

A. To establish a policy of the board of directors (Board) of Empire Electric Association, Inc. (EEA) to govern the allocation and retirement of capital credits.

II. POLICY

A. CAPITAL CREDITS:
1. It is the policy of the Board to make general allocations and retirements of capital credits in accordance with the bylaws.
2. The Board adopts the following allocation and retirement process, subject to final Board approval, budget availability, EEA's articles of organization and bylaws, and any applicable laws
   a. CO-OP capital credits (operating margin):
      i. Allocate the CO2 Loop members based on the SCS tariffs.
      ii. Allocate retail revenue to retail rate classes based on cost of service; then, allocate to individual members of each rate class based on revenue/patronage.
      iii. Retire on a first-in-first-out (FIFO) basis and a 20-year retirement cycle.
   b. G&T capital credits (wholesale electric power supplier – Tri-State G&T):
      i. Allocate to CO2 Loop, Large Power, and Transmission Service rate classes based on purchase power costs and to each individual member of each rate class based on energy (kWh) usage.
      ii. Allocate to all other rate classes based on cost of service; then, allocate to individual members of each rate class based on kWh usage.
      iii. Retire after retirements are received from the wholesale electric supplier.
   c. OTHER capital credits (non-operating and non-G&T margin):
      i. Only allocate revenue received from associated organizations (Western United, CFC, Federated, NISC, CoBank, and CRC); maintain all other non-operating revenue (BP115, BYOR, interest income, property sales, etc.) as permanent equity.
      ii. Allocate to rate classes based on number of accounts in each rate class; then, allocate to individual members of each rate class based on revenue/patronage.
      iii. Retire after allocated revenue has been received in cash.
3. Notification of patronage capital credits will be conducted in accordance with the bylaws in a manner determined by the Board.
4. Capital credit retirements to estates of deceased patrons may be made in a manner as determined by the Board.
5. Capital credit retirements to offset indebtedness:
   a. Retirements to offset indebtedness may be made in accordance with the bylaws if normal collection practices have failed to collect the indebtedness.
   b. The offset shall be made on a present value (discounted) basis in a manner as determined by the Board.

c. Capital credits allocated above and beyond the amount necessary to satisfy the indebtedness will remain on the account to be retired in a manner as determined by the Board.
d. Indebtedness remaining beyond the amounts available from the retirement of capital credits will be sent to a collection agency.

6. Unclaimed capital credits:
   a. Capital credits are determined to be unclaimed after proper notification procedures are followed in accordance with the bylaws and applicable law. In accordance therewith, such capital credits may be declared forfeited by the Board under such terms and conditions as they may elect.
   b. The Board hereby declares all unclaimed capital credits forfeited on the last day of the year three years following issuance.
   c. The Board hereby elects to use unclaimed capital credits predominately for donations in accordance with Policy 17 – Donations and Sponsorships but reserves the right to use them for other uses on a case-by-case basis as allowed by applicable law.
   d. Even though declared forfeited, a member or non-member may request the payment of capital credits declared forfeited by the Board. The request must be submitted to the Board within one year of the date that the credits were deemed to have been forfeited in accordance with this Section. Upon receipt of the request, and for good cause shown, the Board may direct that the request be paid out of the unclaimed capital credit account up to the balance of the account at the time of the claim.
7. The Board, on an annual basis, shall review the allocation and retirement procedure of capital credits as allowed under this policy and take action as to how EEA shall address capital credits for that year.

III. RESPONSIBILITY

A. The Board shall be responsible for any change or revision of this policy.
B. The general manager is responsible for administration of this policy and for making recommendations for changes.

President's Signature	Date: 11/13/2026