



Approval of Capital Credits Special Distribution during Calendar Year 2026

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PEC Capital Credit Policy

3.9. Special Capital Credits Retirements

3.9.1. The Cooperative may retire Capital Credits outside the Retirement Schedule after considering the determination of the Cooperative's financial health.

3.9.1.1. Estates - The Cooperative may specially retire Capital Credits when the Cooperative receives proper notification that a Member who is a natural person has died. If a Capital Credits Beneficiary was not established, upon request by the appropriate representative of the Member and upon receipt of appropriate legal documentation, the Cooperative will pay the estate its remaining Allocated Capital Credits after application of the Discount Factor. See Section 3.10 of this Policy for information on establishing a Capital Credits Beneficiary.

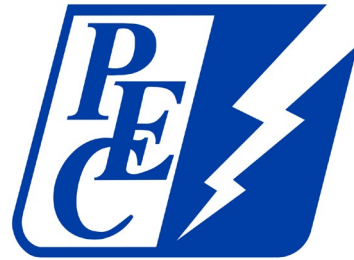
3.9.1.2. Non-Natural Members - The Cooperative may specially retire Capital Credits when the Cooperative receives proper notification of the dissolution, liquidation, or cessation of existence of any Non-Natural Member. Upon request of the appropriate representative of the entity and receipt of appropriate legal documentation, the Cooperative will pay the Non-Natural Member its remaining Allocated Capital Credits after application of the Discount Factor. A Non-Natural Member that has dissolved or otherwise ceased existence for the purposes of reorganizing will not be eligible for a Special Capital Credit Retirement under this section.

3.9.1.3. Inactive Accounts - The Cooperative may specially retire Capital Credits of a former member when the former member has been disconnected and is no longer receiving electric service from PEC. In addition to retiring the historically Allocated Capital Credits, the Cooperative may estimate and allocate the current period's capital credit amount for a Member disconnecting from service using the prior year's allocation percentage. The Cooperative will pay the former member its Allocated Capital Credits after application of the Discount Factor.

Recommended Distribution

2026 Distribution Proposal - Special Retirement - \$5.8M (Oldest/Newest)							
CC_Year	Beg. Balance	Retire %	Retire	Payout Percentage	Payout \$	Perm Equity	Balance
1996	2,045,201	100%	2,045,201	100.0%	2,045,201	-	-
1997	4,403,234	1%	47,665	93.1%	44,360	3,305	4,355,570
2011	4,791,662	100%	4,791,662	34.0%	1,630,759	3,160,903	-
2012	3,500,740	100%	3,500,740	31.7%	1,108,810	2,391,930	-
2013	2,631,555	100%	2,631,555	29.5%	775,717	1,855,838	-
2014	7,510	100%	7,510	27.4%	2,060	5,449	-
2015	10,884	100%	10,884	25.5%	2,779	8,105	-
2016	25,785	100%	25,785	23.8%	6,127	19,658	-
2017	22,064	100%	22,064	22.1%	4,879	17,185	-
2018	11,223	100%	11,223	20.6%	2,310	8,913	-
2020	232	100%	232	17.8%	41	191	-
2021	426	100%	426	16.6%	71	355	-
2022	358	100%	358	15.4%	55	303	-
2023	38,117	100%	38,117	14.4%	5,477	32,640	-
2024	1,281,365	100%	1,281,365	13.4%	171,354	1,110,012	-
	18,770,355		14,414,785		5,800,000	8,614,785	-
			BOD Proposed Amount		5,800,000		

- Recommend fully retiring inactive balances from newest (2014-2024) years and a portion of the oldest (1995-1996) years on record with discounting consistent with PEC's Capital Credits Policy.
- This allows the Cooperative to reduce outstanding its capital credit balance and reduce the administrative burden of record keeping for inactive accounts.



PEDERNALES ELECTRIC COOPERATIVE