



## Legislation Text

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### Resolution - Approval of Capital Credits Policy - J Davis

Submitted By: Sylvia Romero on behalf of John Davis

Department: Finance

Financial Impact and Cost/Benefit Considerations: Amendments to policy will allow Cooperative to better serve its members.

Pedernales Electric Cooperative, Inc., as a Texas electric cooperative, operates on a nonprofit basis and periodically returns revenues not required for its purposes to the members in proportion to the amount of business done with each member during applicable periods pursuant to Texas Utilities Code Section 161.059. Pursuant to Texas Utilities Code Section 41.055, the Board has the exclusive jurisdiction to set all terms of access, conditions, and rates applicable to services provided (other than wholesale transmission rates, terms of access, and conditions for wholesale transmission service set by the Public Utility Commission) and make any other decisions affecting the electric cooperative's method of conducting business.

The Board previously approved a Capital Credits Policy in 2010 and approved subsequent amendments. The amendments to the Capital Credits Policy to be considered today consist of the following revisions, among others:

- Sets the standard for allocating Capital Credits in a manner that is just and reasonable, not unreasonably preferential, prejudicial or discriminatory to the Cooperative's members and former members, and clarifies that member classes may have different calculations if the calculations conform to the standard.
- Clarifies that retirements of Capital Credits may be made through General Capital Credit Retirements and Special Capital Credit Retirements after the Board considers the financial health of the Cooperative.
- Early retirements of Capital Credits will be paid at a discount, using a discount factor that considers the Cooperative's cost of equity and the Retirement Schedule and only active accounts may request to opt-out from discounting.
- Replaced the direction to distribute General Capital Credit Requirements with approximately one-half from the oldest outstanding year(s) and the remainder from the most recent year(s) with the following direction, unless otherwise directed by the Board:
  - "a portion" from the oldest outstanding years
  - "a portion" from the most recent years
  - "a portion" from other years
- Clarifies that Non-Operating Margins will not be included in the allocation of Net Operating Margins, and defines what activities contribute to Non-Operating Margins.
- Removes the restriction that an inactive member wait 5 years for a retirement.
- Reflects state law unclaimed property requirements.

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that pursuant to its regular review of Board policies, the Board has reviewed and adopts the amendments to the Capital Credits Policy presented and discussed this day, with modifications, if any, as were approved by

the Board; and

**BE IT FURTHER RESOLVED**, that the Chief Executive Officer, or designee, is authorized to take such other actions as necessary to implement this resolution.