

# Holy Cross Energy Corporate Policies

Capital Credits

Policy Number: 5.1

Original Effective Date: November 18, 2015

Revised Dates: May 18, 2022

## 1. OBJECTIVE

1.1 To provide for patronage capital credit refunds to members or former members as required by the Bylaws of the Holy Cross Electric Association, Inc., a/k/a Holy Cross Energy's ("Holy Cross").

## 2. POLICY

2.1 For the purposes of this Corporate Policy ("Policy") a patron of Holy Cross shall be defined as a member who receives or has received electric service from Holy Cross pursuant to its Tariffs, Rates and Regulations, as may be amended from time to time.

2.2 Each year, following the close of financial transactions for the preceding fiscal year, the Holy Cross Board of Directors ("Board") shall review the financial condition of Holy Cross, both current and anticipated, to determine the level, if any, of funds available to refund patronage capital to eligible patrons of Holy Cross.

2.3 If the Board determines that a refund of patronage capital can be made, the priority order of refunds shall be as follows:

2.3.1 The net present value ("NPV") of deceased eligible patrons' patronage capital balance. Such discounted sum shall be calculated based upon the deceased's settlement date and the anticipated refund dates currently in effect pursuant to this Policy.

2.3.2 The oldest unrefunded year, based upon a first-in, first-out ("FIFO") basis of patronage capital assigned to eligible patrons of Holy Cross and still outstanding on Holy Cross's records.

2.3.3 A sum not to exceed 50% of the prior calendar year's assigned patronage capital amount of each member discounted on an NPV basis, in recognition of the earlier retirement of such refund compared to the anticipated refund date currently in effect pursuant to this Policy. The unrefunded remaining percentage portion shall be refunded on a FIFO basis as provided within this Policy.

2.2 For the purpose of this Policy, the interest rate assumption used to calculate the NPV shall be the lesser of 6%, or Holy Cross's weighted average cost of capital (WACC), using a 50/50 blend of the 20 year and 30 year U.S. Treasury rates for the equity portion, calculated on December 31<sup>st</sup> of each year.

2.3 A record of patron's contributed equity sums, by year, as a result of the discounted/NPV procedure shall be maintained by Holy Cross and retained as equity of Holy Cross.

2.4 Capital credits are also known as "Member Equity". The term Member Equity is used in Holy Cross's consumer communications to describe the member's ownership interest in Holy Cross.

## 3. RESPONSIBILITY

3.1 The Board will be responsible for the administration of and compliance with this Policy.

3.2 The President and CEO shall ensure this Policy is adhered to by Holy Cross employees.