

EGYPTIAN ELECTRIC COOPERATIVE ASSOCIATION
POLICY BULLETIN NO. 311

SUBJECT: EQUITY MANAGEMENT POLICY

OBJECTIVE: The objective of this policy is to set forth policy relating to the management of the Cooperative's equity, including its role in the long-term financing of facilities, as well as periodic rotation of patronage capital returns.

POLICY:

A. Equity Management Considerations

Development and implementation of this Board's plan to manage the Cooperative's equity will take into account any relevant economic, strategic, regulatory and other considerations including:

1. The Cooperative's growth prospects and need for utility plant financing and its expected debt service earnings coverage capacity.
2. Its rate competitiveness, including factors such as the need to accumulate equity or reduce member-consumers' effective costs by returning their capital as patronage dividends.
3. Legal, tax and other regulations, and accounting principles.

B. Approval of Equity Management Plan

As directed by the Board, Cooperative management will prepare or update its equity management plan, including the following elements:

1. A range of forecasted growth rates in total capitalization of the cooperative, based upon expected increases in memberships and electricity sales.
2. Estimated debt financing requirements and their blended costs.
3. Goals for debt service coverage, from earnings and debt/equity ratio, over the forecast period.
4. A capital credit rotation cycle that is consistent with the Cooperative's Capital Credit policy.
5. Balance sheet equity goals.

C. Monitoring and Correction of Equity Management

Management shall be held accountable for achievement of the Cooperative's equity management plan, as approved by the Board, and will routinely report on progress toward its objectives, as well as opportunities to improve the cooperative's plans and this policy.

Adopted: 06/29/2021

Attested: Kevin Liefer, Secretary