



## Official Proposed Changes to the Code of Regulations

As Paulding Putnam Electric Cooperative (PPEC) continues to evolve, it is essential to ensure our governance structure reflects the cooperative's expanding role in delivering not only safe and reliable energy but also high-speed fiber internet services. These proposed updates to the Code of Regulations are vital to strategically align PPEC with its mission to serve members with innovative solutions, integrate non-electric members into the cooperative model, and position the organization for long-term growth. The changes address three critical areas: the mission statement, board qualifications, and capital credits.

Each recommended change will show the current language, the current language with deletions ~~having a strikethrough~~ and additions underlined in red, and then the final language. A brief **highlighted summary is included to explain why this change is recommended by the board.**

Your Board has reviewed all four (4) proposed changes and recommends the membership approve the changes. The complete Code of Regulations can be viewed online at [www.PPEC.coop](http://www.PPEC.coop), or members can request a copy by mail. Please call our office at 800-686-2357 with any questions.

---

### Change #1: Mission Statement

#### **Current Language:**

To safely provide our member-owners and our communities with quality electric service, sustainable energy solutions, and superior customer service at fair and reasonable prices.

#### **Recommended Change:**

To provide safe, reliable, and sustainable energy and communications services to our members and communities with superior customer service and innovative solutions. ~~safely provide our member-owners and our communities with quality electric service, sustainable energy solutions, and superior customer service at fair and reasonable prices.~~

#### **Final Language:**

To provide safe, reliable, and sustainable energy and communications services to our members and communities with superior customer service and innovative solutions.

#### **Reason for Change:**

*This update reflects the cooperative's expansion into high-speed fiber internet services. By explicitly including "communications services," it aligns with the cooperative's broader service offerings and future growth strategies.*

---

## Change #2: Article III, Trustees

### Current Language:

#### **Section 2. (b) Qualifications**

No person shall be eligible to become or remain a member of the board who:

2. is in any way employed by or financially interested in a competing enterprise or a business selling electric power and/or energy, or supplies to the cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the cooperative.

### Recommended Change:

#### **Section 2. (b) Qualifications**

No person shall be eligible to become or remain a member of the board who:

2. is in any way employed by or financially interested in a competing enterprise or a business selling electric power, energy, broadband services, and/or any other services provided to the members of the cooperative. ~~and/or energy, or supplies to the cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the cooperative.~~

### Final Language:

#### **Section 2. (b) Qualifications**

No person shall be eligible to become or remain a member of the board who:

2. is in any way employed by or financially interested in a competing enterprise or a business selling electric power, energy, broadband services, and/or any other services provided to the members of the cooperative.

### **Reason for Change:**

*This adjustment ensures that board members are free from conflicts of interest that could arise from involvement in businesses competing with the cooperative's new internet services. It strengthens governance and strategic alignment for future growth.*

---

## Change #3: Article VIII, Capital Credits (Electric)

### Current Language:

#### **Section 2. Patronage Capital in Connection with Furnishing Electric Energy**

All such amounts in excess of operating costs and expenses at the moment of receipt by the cooperative are received with the understanding that they are furnished by the patrons as capital. The cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the cooperative shall with a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the cooperative corresponding amounts for capital.

All other amounts received by the cooperative from its operating in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided; and the board of trustees shall direct any such cash (or credit) payment be withheld from any member who has any outstanding debt owed to the cooperative.

**Recommended Change:**

**Section 2. Patronage Capital in Connection with Furnishing Electric Energy**

All such amounts in excess of operating costs and expenses at the moment of receipt by the cooperative are received with the understanding that they are furnished by the patrons as capital. The cooperative is obligated to pay by credits to a capital account for each patron (capital credit) all such amounts in excess of operating costs and expenses. The books and records of the cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the cooperative shall with a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the cooperative corresponding amounts for capital.

If operating costs and expenses exceed the amounts received and receivable from the furnishing of electric energy, hereinafter referred to as "loss", then the board of trustees shall have the authority, under accepted accounting practices, loan covenants, and federal cooperative tax law, to prescribe the manner in which such loss shall be handled in determining patronage capital.

All other amounts received by the cooperative from its operating in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year, as determined by the board of trustees, (b) used to establish unallocated reserves and retained capital not currently distributable to the patrons except upon dissolution of the cooperative and ~~(b)~~ to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided; and the board of trustees shall direct any such cash (or credit) payment be withheld from any member who has any outstanding debt owed to the cooperative.

**Final Language:**

**Section 2. Patronage Capital in Connection with Furnishing Electric Energy**

All such amounts in excess of operating costs and expenses at the moment of receipt by the cooperative are received with the understanding that they are furnished by the patrons as capital. The cooperative is obligated to pay by credits to a capital account for each patron (capital credit) all such amounts in excess of operating costs and expenses. The books and records of the cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the cooperative shall with a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the cooperative corresponding amounts for capital.

If operating costs and expenses exceed the amounts received and receivable from the furnishing of electric energy, hereinafter referred to as "loss", then the board of trustee shall have the authority, under accepted accounting practices, loan covenants, and federal cooperative tax law, to prescribe the manner in which such loss shall be handled in determining patronage capital.

All other amounts received by the cooperative from its operating in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year, as determined by the board of trustees, (b) used to establish unallocated reserves and retained capital not currently distributable to the patrons except upon dissolution of the cooperative and (c) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided; and the board of trustees shall direct any such cash (or credit) payment be withheld from any member who has any outstanding debt owed to the cooperative.

**Reason for Change:**

*These changes are being made to add clarity to future capital credits generated by the internet segment of the co-op's business. The previous language was silent as to situations where losses may arise.*

---

## Change #4: Article VIII, Capital Credits (Other Services)

**Recommended Change: Add a new section**

**Section 3. Patronage Capital in Connection with Furnishing Other Services**

In the event that the cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of cost and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, retained by the cooperative in amounts not in excess of the reasonable needs of the cooperative or allocated to the cooperative's patrons as its board of trustees may determine from time to time. Patronage capital allocated and retired pursuant to this Section 3 shall be made consistent with the following:

- (a) The board of trustees shall determine which other goods or services and to whom such other goods or services are provided on a patronage basis. Accordingly, the term "patron" may refer to members only or to all patrons, members and nonmembers alike. All such determinations, required from time to time under this Section 3 and made by the board of trustees shall be through applicable authority, including policy, resolution or contract;
- (b) The board of trustees shall have the authority under accepted accounting practices, loan covenants and federal cooperative tax law to prescribe the manner in which losses derived from such other goods or services may be handled;
- (c) The retirement of capital credits allocated to such patrons shall be considered and made by the board of trustees from time to time subject to the same limitations and guidance of Section 2, except as otherwise provided for in policy; and
- (d) To the extent other goods or services are provided on a non-patronage basis, the purchasers of which are not entitled to receive an allocation of capital credits, the net earnings of which shall be retained as part of the cooperative's unallocated reserves and retained capital and subject to the property rights of members.

**Reason for Change:**

*Adding this new section ensures non-electric members, such as internet-only customers, are integrated into the cooperative's capital credits system, if the board so chooses. It reflects the cooperative's commitment to treating all members equitably while fostering loyalty and patronage.*