

Effective Strategies for Managing Inactive Capital Credit \$\$\$

Presented By:

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Reporting Basics



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- Where to Report?
 - Priority Rules/Texas v. New Jersey
 - Holder Domicile: The holder's state of incorporation or organization
 - Last Known Address: The location of the owner of unclaimed property as reflected on the holder's records; often meaning sufficient for the purposes of the delivery of mail.
- All states and the District of Columbia, Virgin Islands, Guam and Puerto Rico have UP Laws
- Several Provinces in Canada Now Mandate Unclaimed Property Compliance
- Foreign Address Property

- What Property is Reportable?
 - Abandoned Intangible Property; the Presumption of Abandonment
 - Monetary & other assets such as bank accounts, refunds, uncashed checks, securities, and credit balances
- When to Report?
 - Varies by State – Typically Fall & Spring
- Why Report?
 - It's the Law...Avoid Penalty and Interest

Typical Dormancy Periods

- Depends on the Property Type and the State
 - Some states allow deductions and others exempt certain property types completely
- Typical Dormancy Periods:

– Utility Deposits	UT01	1-5 Years
– Utility Refunds/Rebates	UT03	1-5 Years
– Capital Credit Distributions	UT04	1-5 Years
– Accounts Payable	MS08	3-5 Years
– Accounts Receivable	MS09	3-5 Years
- Recent Activity Includes Numerous States Reducing Dormancy Periods In Order To Close Budget Gaps

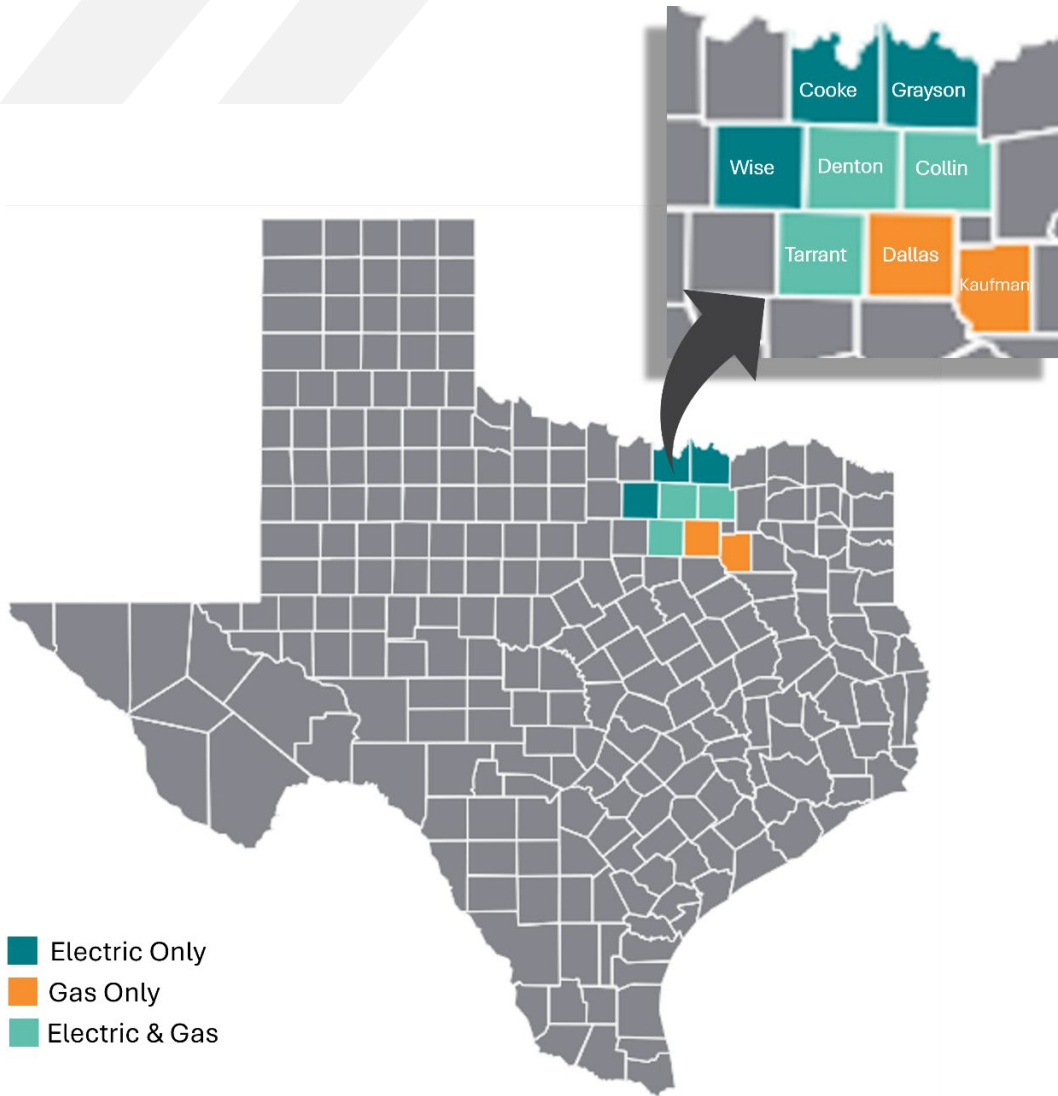
- Determining Your Liability:
 - Know the law: how far are we to look back?
 - What records/documents will we need?
 - Corporate structure
 - Chart of accounts & Trial balances
 - Systems/ERP history
 - Prior UP reporting/Audit activity
 - O/S Check listings from all disbursement accounts
 - Accounts receivable aging reports
 - Journal entries of amounts written-off
 - Description of third party administered programs
 - Mergers/Acquisitions

CoServ

A journey of multi-state compliance



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ABOUT COSERV

- Electric Cooperative & Gas distribution company serving North Texas for 88 years.
- Serving 8 counties with Electric & Gas, some of which are among the fastest-growing in the country.
- 470,268 Combined Electric & Gas Meters
 - 308,874+ electric
 - 161,394+ gas
- 15,611 Total Miles of Electric & Gas Infrastructure
 - 12,971+ miles electric lines
 - 2,640+ miles gas mains
- 575+ Employees
- CoServ Charitable Foundation has distributed over \$20 million dollars in grants since it's inception in 2004.

About CoServ (cont.)

- 61,345 apartment units at 12/31/24
- 14,909 new meters added in 2024
- 93,528 accounts final billed in 2024
- Capital credits retired on a discount basis
- No early retirements except for estates
- 2024 General Retirement
 - Applied to all active members except for key accounts
 - Mailed 136,604 checks
 - No checks under \$5 unless final retirement
 - All 50 states, DC, 3 US territories, various countries such as Japan, Australia, and India
 - 18% of checks to addresses outside of Texas
 - Currently 56K+ checks still outstanding

Unclaimed Property Reporting

- Contacted by State of Texas in 2011
- Reciprocity – 10 items up to \$1000
 - 15,000+ items over \$100,000
- Texas v New Jersey – first priority rule
- Not addressed in by-laws
- Internally developed application
- Spreadsheets
- Aggregate
- Due Diligence
- Dormancy Periods
- Special Funds
 - Economic Development
 - Energy Efficiency
 - Education

 AR Abandoned Pd thru 06.30.21

 AZ Abandoned Pd thru 06.30.21

 CA Abandoned Pd thru 12.31.19

 CO Abandoned thru 03.01.21

 DC Abandoned Pd thru 06.30.21

 DE Abandoned Pd thru 12.31.18

 FL Abandoned thru 03.01.21

 GA Abandoned Pd thru 06.30.19

 HI Abandoned Pd thru 06.30.19

 IA Abandoned Pd thru 06.30.21

 ID Abandoned Pd thru 06.30.19

 IL Abandoned thru 03.01.21

 IL Abandoned thru 12.31.19

 IN Abandoned Pd thru 06.30.23

 KS Abandoned Pd thru 06.30.19

 KY Abandoned Pd thru 06.30.23

 LA Abandoned Pd thru 06.30.19

 MA Abandoned Pd thru 06.30.21

 MD Abandoned Pd thru 06.30.21

 ME Abandoned Pd thru 06.30.21

 MI Abandoned Pd thru 12.31.20

 MN Abandoned Pd thru 06.30.23

 MO Abandoned Pd thru 06.30.19

 MS Abandoned Pd thru 06.30.19

 MT Abandoned Pd thru 06.30.19

 NC Abandoned Pd thru 06.30.21

 NE Abandoned Pd thru 06.30.21

 NH Abandoned Pd thru 06.30.19

 NJ Abandoned Pd thru 06.30.21

 NV Abandoned Pd thru 06.30.21

 NY Abandoned Pd thru 06.30.21

 OH Abandoned Pd thru 06.30.21

 OK Abandoned Pd thru 06.30.19

 OR Abandoned Pd thru 06.30.21

 PA Abandoned Pd thru 12.31.20

 PR Abandoned Pd thru 06.30.19

 RI Abandoned Pd thru 06.30.21

 SC Abandoned Pd thru 06.30.19

 TX Abandoned Pd thru 03.01.21

 TX Abandoned thru 03.01.21

 VA Abandoned Pd thru 06.30.19

 VT Abandoned Pd thru 12.31.20

 WA Abandoned Pd thru 06.30.21

 WI Abandoned Pd thru 06.30.19

 WV Abandoned Pd thru 06.30.21

First Electric Cooperative Corporation

A journey of a cooperative friendly state law



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First Electric Cooperative Corporation

Corporate Office is in Jacksonville, Arkansas

104,350 Meters

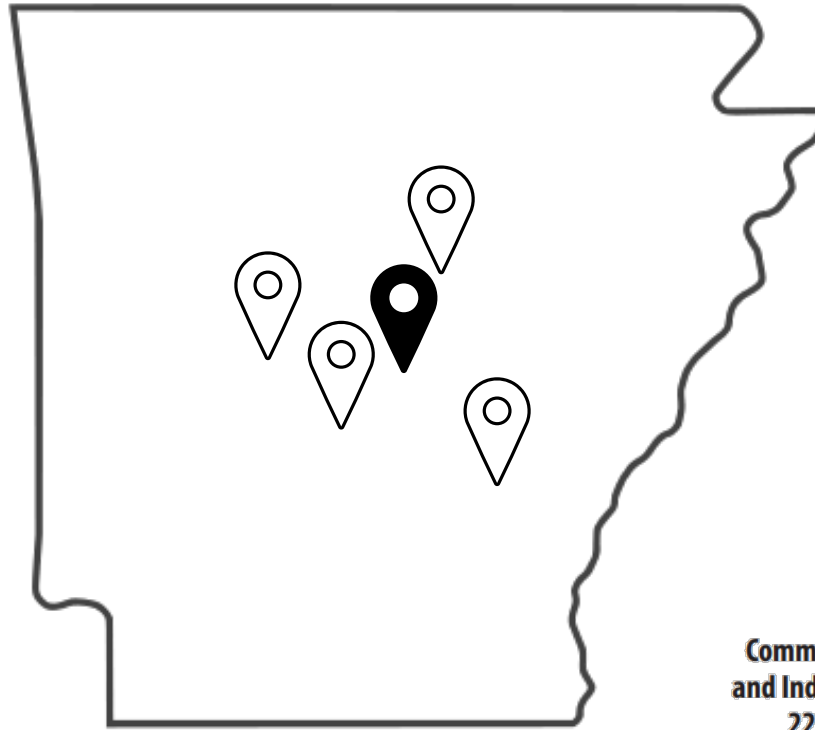
10,200 Miles of Distribution Line

100% CFC Borrower

Monthly power cost ranges from \$7-13 Million

Fiber Subsidiary – Connect 2 First, LLC

Arkansas is regulated by the Public Service Commission

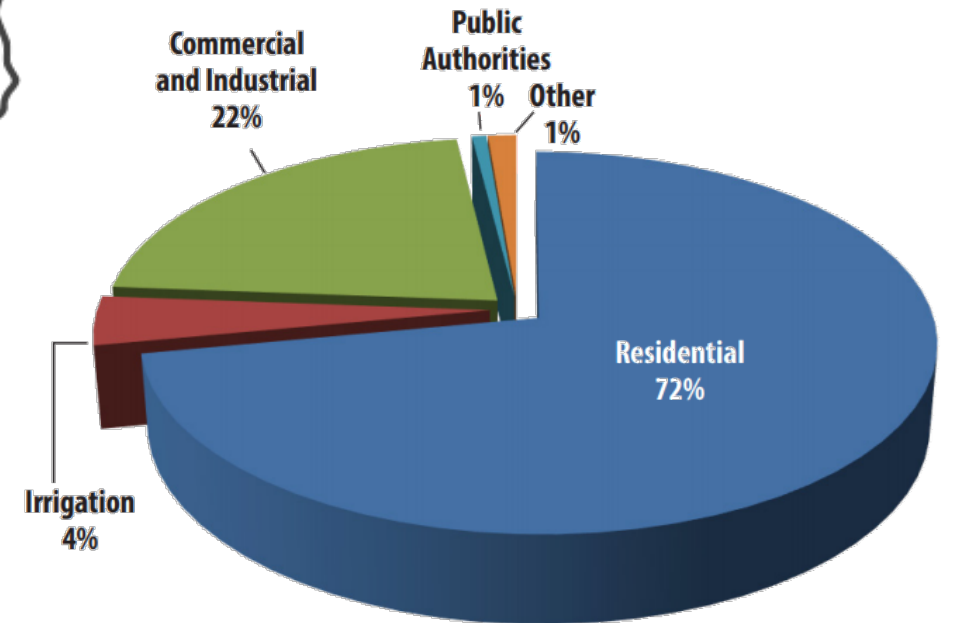


Five Board Director Districts cover portions of 18 counties in Central Arkansas

281 Employees

7 in Accounting (including CFO)

Revenue is primarily from residential accounts, with a significant portion also coming from commercial, industrial, and agriculture accounts.



Our Story

No state
requirement to
escheat

Bylaws

Estate
Retirements

Donated Capital/
Permanent Equity

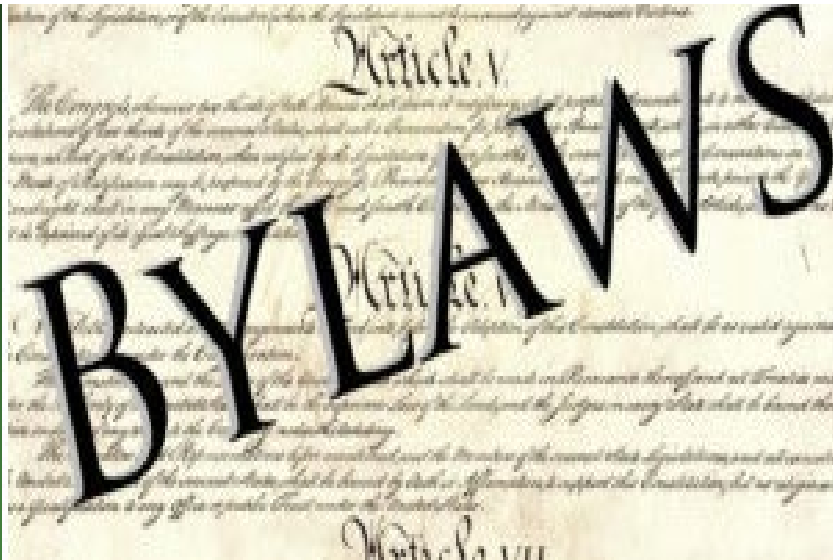


SECTION 6. Patron. It shall be the duty of each patron of this Cooperative to keep the Cooperative informed of his, her or its full legal name and address at all times. It is understood and agreed by and between all parties concerned that the failure of any patron to do so for a period of five (5) years from the date that the Cooperative decides to make an actual cash refund shall result in any patronage refunds which may be due and payable to such patron to be classed and considered as donated capital by the patron of the Cooperative.

Date	Debit ▼	Credit	Reference	Account Desc	Acct
10/31/2024	1,602,845.17	0.00	Escheat Process	RETIRED CAP CR-GAIN	217.00
10/31/2024	0.00	1,602,845.17	Escheat Process	Cap Credit Clearing	142.96
10/31/2024	1,602,845.17	0.00	Escheat Process	Cap Credit Clearing	142.96
10/31/2024	0.00	1,602,845.17	Escheat Process	DONATED CAPITAL	208.00

Impact to Equity - None

83.24% \$ 11,434,422.53 Arkansas
16.76% \$ 2,302,311.95 Other States
\$ 13,736,734.48

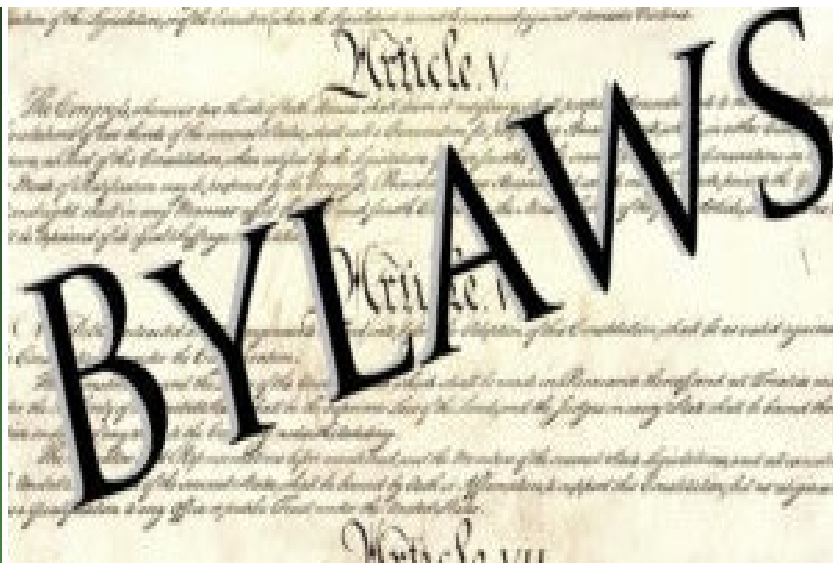


Notwithstanding any other provision of these bylaws, the Board at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of the estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Date	Debit ▼	Credit	Journal Desc	Account Desc	Acct
12/16/2024	6,615.59	0.00	Estate Retire	PATRONS CAP CREDIT	201.10
12/16/2024	1,849.79	0.00	Estate Retire	PATRONS CAP CR AECC	201.11
12/16/2024	46.46	0.00	Estate Retire	RETIRED CAP CR-GAIN	217.00
12/16/2024	0.00	3,643.27	Estate Retire	DONATED CAPITAL	208.00
12/16/2024	0.00	4,868.57	Estate Retire	PATRONAGE CAP PAYABLE	238.10
	8,511.84	8,511.84			

Impact to Equity – reduction of \$4,868.57

WACC	
2020	5.95%
2021	5.85%
2022	5.70%
2023	5.28%
2024	5.29%



A Consultant's View

Managing Unclaimed Capital Credit Retirements
through Effective Retirement Methodologies



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Prevention is the Best Cure – No kidding, but How?

1. Understand state law.
2. Understand your cooperative's bylaws.
 - *Bring into compliance with state law.*
 - *Revisit capital credit retirement provisions for flexibility.*
3. Determine the Cooperative's mix of equity -
 - *What percent is derived from non-member?*
 - *What is the long-term goal and strategy for capital credit retirements?*
4. Revisit your general retirement methodology – in particular the target retirement cycle - in light of long-term goals.

Prevention is the Best Cure – No kidding, but How?

5. Develop a special retirement strategy that involves members that are leaving the system.
 - ***Prevent the problem from getting worse; cash out these members on a net present value basis within reasonable time after disconnecting. Don't forget allocation for the year of disconnect.***
 - ***Target retirement cycle drives the discount period.***
 - ***Establish a methodology for setting the discount rate periodically based on an estimated cost to the current members.***

Prevention is the Best Cure – No kidding, but How?

5. Develop a special retirement strategy that involves members that are leaving the system (Continued).
 - *Determine which **capital credit types** to include. Does it make sense to include G&T and other types?*
 - ***Include option** as part of disconnect and/or membership application process.*
 - *Estimate annual, average cash payouts and **set limits** for protecting general retirements.*
 - *Remember, this **works in conjunction** with general retirements (takes care of prior year disconnects).*

Prevention is the Best Cure – No kidding, but How?

6. Benefits should include more than just managing unclaimed capital credits.
 - ✓ *Co-op benefits from a reduced number of unclaimed capital credit retirements in the future.*
 - ✓ *Member leaving the system benefits from receiving cash that most likely would not be received.*
 - ✓ *Current members benefit from a discounted retirement.*
 - ✓ *Future members benefit from (1) less cash needed to fund general retirements and (2) an equity balance that is more in line with who pays the rates.*
7. Commit to the **long haul**.

Contact Us



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Questions?