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Frequently Asked Questions about Capital Credits

What is a cooperative?

A cooperative is a business that is owned and controlled by the people who use its services.

What are capital credits?

A cooperative does not earn profits in the sense that other businesses do. Instead, any margins, or revenues remaining after all expenses have been paid, are returned to the members in proportion to their usage of the co-op's services through capital credits allocations and retirements. Capital credits represent each member's share of the cooperative's margins and ownership of the co-op. Our cooperative tries to run the business with very tight margins which keeps rates low. Because there is little or no margin, there is little or no money to work with to retire capital credits.

What do cooperatives do with capital credits?

Every business needs to maintain a suitable balance between debt and equity to ensure its financial health and stability. Capital credits are the most significant source of equity for most electric cooperatives. Equity is used to help meet the expenses of the co-op, such as paying for new equipment to serve members and repaying debt. Capital credits help keep rates at a competitive level by reducing the amount of funds that must be borrowed to improve the system.

Example: You have equity in the co-op like you have equity in your home. You've built equity in your home by maintaining and improving it through the years. We've built equity in our system, plant and infrastructure by maintaining and improving it through the years. In either case, the equity in your home is not cash to spend and the equity in our system is not cash to retire capital credits.

Can the capital credits be used to pay my electric bill?

No. Allocated capital credits from the previous year may not be used to pay your current bill. Your electric bill is due now, whereas you may not be entitled to be paid your capital credits for many years.

Will I receive an Allocation Notice every year?

Yes. You will receive a letter annually after the finances for the previous year have been audited.

How does the cooperative determine who receives capital credits?

Each member of the cooperative contributes capital credits. The board of directors determines the basis for the allocation. The allocations are based on the total dollar amount billed to the member for electrical service.

How are capital credits disbursed?

Each year the board of directors determines whether the co-op's financial position permits the return or retirement of capital credits and, if so, what amount of capital credits will be retired. Jasper County REMC is retiring capital credits using the First-in First-out, or FIFO, method. That means that the capital credits that have been invested in the cooperative for the longest period of time are returned to members first.

In 2010, we updated the co-op's long range financial plan which includes returning capital credits in November of 2011. Our CEO, board of directors and financial advisors worked to develop options that enable us to return capital credits to the membership while still maintaining financial stability for the cooperative.

Our last retirement of capital credits was in 1999 for year 1965. We will return capital credits in November 2011 to members who were on our lines between 1965 and 1978.

What happens to a member's capital credits if the member moves off the system?

A member who terminates service no longer receives additional capital credits allocations. The balance in the member's capital credits account is maintained until it is retired. *It is the member's responsibility* to notify the co-op of any changes in address so that the member can be located when it is time for the co-op to retire capital credits allocated to the member's account.

What happens to a member's capital credits if the member dies?

Capital credits in the member's account belong to the member's estate. After the heirs fill out the appropriate "Agent's Appointment Card," the heirs are entitled to the capital credits as they are retired by the co-op.

What happens if the check is returned to the cooperative?

If the check is returned to the cooperative, a full listing of the unclaimed checks will be printed in the Electric Consumer newsletter approximately two months after the checks were initially mailed. The check is kept at the cooperative for two years in case somebody does come forward to claim the money. After the two years, the corporation will decide how the unclaimed money will be reallocated.