

## August bills to reflect capital credit refund

Citizens' Board of Directors voted at the December 2009 meeting to refund approximately \$1 million for capital credits during the summer of 2010. This is the first capital credit retirement since 2005.

If you purchased electricity from Citizens Electric in 1990 or 1991, you will receive a credit on your August bill according to the amount of electricity you purchased during that time. The average residential member who used approximately 1,000 kilowatt hours of electricity per month will receive a credit of around \$16.

Although capital credit checks were mailed in the past, refunds are being applied to bills, which will save the Corporation thousands of dollars in postage expense.

### What are capital credits?

Since CEC conducts business as a not-for-profit cooperative, revenues that exceed expenses (i.e. margins) are allocated annually proportionate to the amount of electricity each member purchased.

Capital credits are not like a savings account, but rather a form of equity in hard assets such as poles, wire, trucks, equipment and buildings – not necessarily in cash. Capital credit information is stored separately from billing information. These credits only become a liquid asset to members as the board approves retirements for specific years.

### When are capital credits retired or allocated?

Capital credits are allocated (assigned) each year whenever revenues exceed expenses. They are only retired (refunded) at the sole discretion of the Board of Directors whenever doing so will not cause financial harm to the Corporation.

The amount allocated to each member's capital credit account depends on the allocation factor and the amount of revenue the member contributed. The allocation factor varies each year according to the percentage of excess margins compared to total revenue received during the current year.

### How does CEC pick what years to refund?

Retirements are done on a rotation basis where the oldest capital credits are paid out first. In the cooperative world, this is known as FIFO (first in and first out).

### Why haven't capital credits been refunded in the past four years?

Refunding capital credits is like a balancing act. If the Corporation repays too many too quickly, then it could deplete working capital needed to maintain current operations.

In addition, CEC's by-laws prohibited refunding capital credits whenever the equity ratio was lower than 40 percent. Shareholders voted to modify the by-laws at the 2009 Annual Meeting.

### What happens to my capital credits if I move away?

As capital credits are refunded, we try to locate members who no longer have active service with CEC. It's important that you keep us informed about your mailing address if you move outside of our service territory.

Capital credits that are unclaimed two years after the retirement date are considered donated capital and are reassigned as current year margins.