

CAPITAL CREDITS

By Pat McGonagle, Vice President & Chief Financial Officer



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Capital credits are one of the core financial concepts unique to cooperatives, distinguishing them from investor-owned utilities. In a cooperative, members own and govern the organization, sharing in its successes and financial outcomes. Capital credits represent the allocation of the cooperative's excess revenues, or margins, to its members based on

their usage or patronage. Rather than paying dividends to external shareholders, cooperatives reinvest their margins into the cooperative's infrastructure, maintenance and expansion needs to serve their communities better. When financially feasible, these accumulated margins are returned to members as a retirement of capital credits.

The allocation process for capital credits begins at the end of each fiscal year. After covering all operational expenses, including investments in infrastructure, any remaining margins are allocated to members as capital credits. The specific amount assigned to each member reflects their contribution to the cooperative's revenue that year, making it a fair system of margin-sharing directly proportional to energy usage. Over time, these capital credits accumulate into a personal account for each member within the cooperative.

Retiring, or paying out, these capital credits is a structured process governed by the Board of Directors. The cooperative has policies for capital credit retirement, driven by its financial health, strategic needs and specific

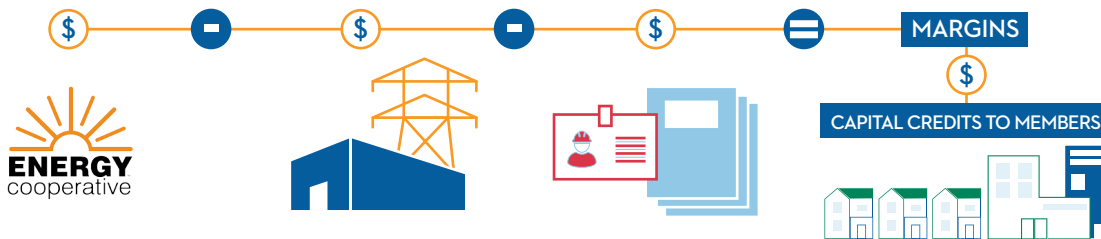
commitments to members. When the cooperative decides to retire capital credits, it essentially returns a portion of the member's allocated credits back to them in the form of a check or bill credit, providing a tangible benefit of cooperative membership.

The Board of Directors approved this year's capital retirement plan at the September board meeting. The Board was pleased to announce that the projected retirement (payout) to electric members for this year is \$634,558. The cooperative retired capital credits for the years 1983 and 2003. Members who received electric service during those years will receive a portion of their capital credits.

Of the amounts allocated for those years, 100% of 1983 and 11.1% of 2003 are being retired. If you were a member in 1983 or 2003, your capital credits retirement will be reflected as a check or a credit on your electric bill.

Capital credits are a vital mechanism that aligns the financial success of the cooperative with member interests, ensuring that as the cooperative grows and succeeds, the members share in the benefits. This cooperative approach to ownership and margin-sharing fosters loyalty, strengthens community ties, and exemplifies *Cooperative Principle #3: Members' Economic Participation*.

Retiring capital credits has been a high priority for The Energy Cooperative Board of Directors and the employees, past and present. All of us are proud that we can provide this important benefit to our members. We thank you for your continued support and membership in our cooperative family.



In 2024, **\$634,558** in capital credits will be paid to members in form of a check or a credit on your electric bill.

The following years' capital credits are currently being paid in 2024:

1983 → *100% of the year will be paid at this time

2003 → *11.1% of the year will be paid at this time