

## Basic Information

**What are Capital Credits and where do they come from?** When your cooperative develops a budget each year, we plan to bring in slightly more revenue than we spend to be fiscally responsible. These margins are then returned to members as capital credits. That means you, not a group of private investors, benefit from any margins produced by the Cooperative.

Each month, your electric bill covers the cost of your electricity and the day-to-day operating costs and margins associated with maintaining a safe and reliable system.

.....

### How are they allocated and retired?

Operating margins left over at the end of the year are allocated, or assigned, to a capital credit account in your name based on the amount of energy you purchased (*patronage*).

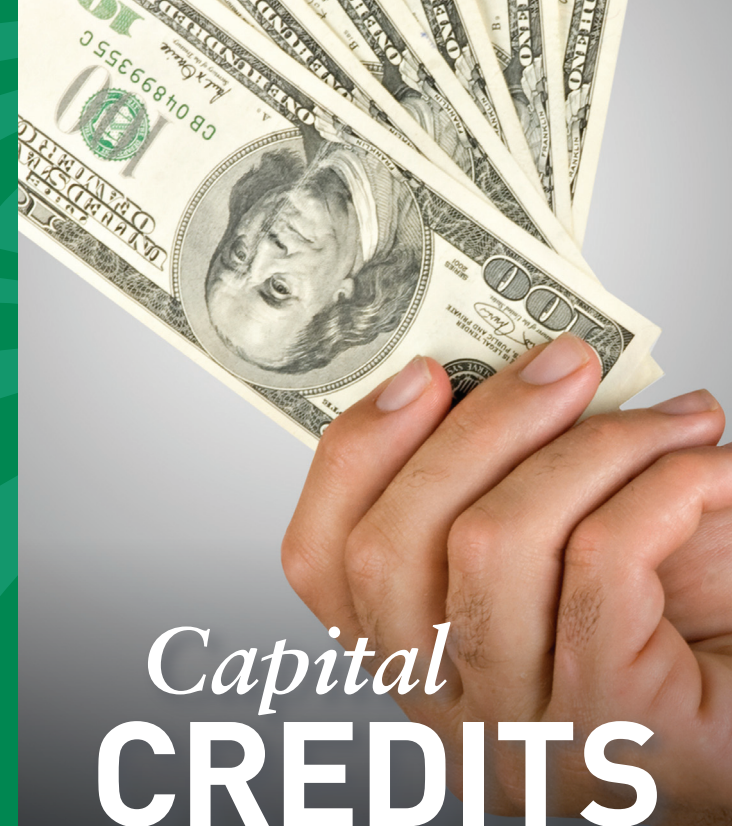
Your capital credit account, similar to a savings account, is the accumulation of margins which have been allocated to you each year based on your patronage.

Each year, the Board of Directors determines if capital credits will be retired. Retirements of these capital credits can come in different forms. If you are an active member, you will receive a credit on your bill (*if over \$5 and under \$300*) or a check (*if \$300 or over*). For former (*inactive*) members, a check will be sent if the amount is over \$25. Refer to the "What you should do..." section for information on what happens when you are no longer a member of the Cooperative.

People's Energy Cooperative is a not-for-profit, member-owned, electric utility.

*Abiding by one of the Cooperative's Seven Principles: Member Economic Participation, the Board of Directors determines the retirement of capital credits to its members, based on the Cooperative's financial stability.*

*Capital Credits are just one of many differences that set cooperatives apart from other utility business models.*



People's Energy Cooperative

.....

1775 Lake Shady Avenue South  
Oronoco, Minnesota 55960  
*ph: 507.367.7000 toll-free: 800.214.2694*

.....

[www.peoplesenergy.coop](http://www.peoplesenergy.coop)



People's Energy Cooperative

Your Touchstone Energy® Cooperative 

.....

**INCLUDES:** *basic information, helpful definitions, and what to do if your account status changes.*

## Helpful Definitions

**MEMBER:** *As a recipient of electrical service from PEC, you are more than a customer, you are a member-owner.*

**OPERATING COSTS:** *The cost to build, maintain, and repair the electric system (poles, wires, substations, etc.).*

**MARGINS:** *At the end of the year, PEC subtracts operating expenses from the operating revenue collected and the balance is called operating margins, or simply margins.*

**ALLOCATION:** *When margins are assigned to an individual's capital credit account.*

**PATRONAGE:** *At PEC, your annual patronage is the amount of money you paid for electricity that year.*

**RETIREMENT:** *A payout from your capital credit account.*

## What you should do...

**...if you need to separate a joint account's benefits (divorce, separation, etc.).**

- For inactive electric accounts, a *Request to Transfer Capital Credits Form* must be signed by both parties if the capital credits are to be split between the joint members.
- For active electric accounts, a *Name Maintenance Form* needs to be completed by both parties to remove one member from the account if the capital credits are to remain with the other member on the account.

**...if you move.**

- Inform the Cooperative of a forwarding address so future checks can be mailed to you for any eligible retirements.

**...when someone dies.**

- For inactive electric accounts, you must provide a copy of the death certificate along with either legal documentation from the estate or a completed *Affidavit for Collection of Personal Property* provided by the Cooperative.
- For active electric accounts, the account must first be closed out and paid in full. Contact the Cooperative for further details.
- Upon request, capital credits may be retired to an estate based on present value.

## Questions & Answers

**How often are Capital Credits paid out?**

The Board generally authorizes a general retirement of capital credits each October. In the case of a death, they may be paid out for the present value, which is done once a month, around the 15th of the month.

**What sort of schedule dictates the payout of these credits?** Currently, we are on a 25-year payout schedule. Fifty percent of the retirement amount is retired to the oldest capital credit accounts; the other 50 percent is retired to all other capital credit accounts, so newer members also reap the benefit from being a member-owner.

**Why don't I get a check each year?**

Active members whose capital credit retirement amount is below \$300 will receive a credit on their bill. Inactive members receive a check when the capital credit retirement amount is \$25 or more. If a non-active member does not accumulate a retirement of at least \$25 in a year, the system will continue to add the retirement amounts together each year until the amount is over \$25 and then a check will be issued.

**Are capital credits taxable?** Capital credits are tax free if the property served by the Cooperative was used strictly as a residence. If the residence was used for business purposes, members should consult with their tax advisor about potential tax liability.