

CAPITAL CREDITS

Unlike investor-owned utilities who provide electric service for a profit, Roughrider Electric is a member-owned organization that returns profits, called "margins" in the cooperative business, back to its members.

1

When you move into a home, or establish a business in Roughrider Electric's service territory, you become a member of the cooperative.

2

A capital credit account is established in your name and Roughrider Electric uses this to record your investment in the cooperative.

3

Each year, any funds remaining after expenses have been paid, are allocated to your capital credit account. Notice of this allocation will be sent out to you on an allocation statement.

4

Capital credits are based on the amount of electricity you use, so your allocation will vary each year with your annual energy usage.

5

Each year, the board evaluates the financial condition of the co-op to determine if we can retire capital credits. Capital credits may not be retired every year.

ALLOCATION & RETIREMENT

An **allocation** is made annually for each member, based upon the amount of electricity you purchased the previous year. An allocation is your share of the amount of net margins Roughrider Electric sets aside into a separate account to be used as operating capital for reliability improvements and maintenance over a period of years.

A **retirement** is the amount you receive back as a capital credit refund. It is a percentage of your total capital credit balance. The amount retired is decided annually by the board of directors based on the financial needs of the cooperative.





COMMON CAPITAL CREDIT QUESTIONS AND ANSWERS

What are capital credits?

An electric cooperative operates on an at-cost basis by annually "allocating" to each member the operating revenue remaining at the end of the year, based upon the member's amount of electricity purchased. Later, at the discretion of the board and as financial conditions permit, these allocated amounts – capital credits – are retired.

Where does the money come from?

Member-owned, not-for-profit electric cooperatives set rates to generate enough money to pay operating costs, make payments on any loans and provide an emergency reserve. At the end of each year, they subtract operating expenses from the operating revenue collected during the year. The balance is called an operating "margin."

Are capital credits retired every year?

The board of directors, at its discretion, decides whether to proceed with a general retirement of capital credits for that calendar year. During some years, the co-op may experience high growth in the number of new accounts, or severe storms may result in the need to spend additional funds to repair lines. These and other events might increase costs and decrease member equity. For this reason, Roughrider Electric's ability to retire capital credits reflects the cooperative's strength and financial stability.

How are margins allocated?

Margins are allocated to members as capital credits based on how much power the members used.

Do I lose my capital credits in the years the co-op decides not to make a retirement?

No. All capital credits allocated for every year members have been served by Roughrider Electric are maintained until such time they are retired.

Why can't Roughrider Electric write me a bigger check; it's hardly worth cashing?

Capital credit allocations are based on your patronage of the cooperative on an annual basis. If your patronage is small for that period of time, your check will reflect it.

Why doesn't Roughrider reduce rates instead of sending members capital credit checks?

Roughrider Electric needs to plan for the future and remain fiscally sound. During some years, the co-op may experience high growth in the number of new accounts, or severe storms may result in the need to spend additional funds to repair lines. These and other events might increase costs and decrease member equity. A rate decrease would be a reaction to a short-term issue.