



Q&A about capital credit retirements

What is a capital credit?

It is the member-owner's equity, which is the owner's payments in excess of the cost of furnishing his/her electric service. Each dollar paid by a member in excess of the cost of providing electric service represents an investment in the co-op. Members are entitled to recover that at some time.

What is a capital credit retirement?

It is the return of members' capital. Retiring capital credits is a way of ensuring that each generation of members pays its own way.

An electric cooperative operates on an at-cost or nonprofit basis by annually allocating to each member, based on the member's purchase of electricity, operating revenue remaining at the end of the year. Later, as finances permit, these allocated amounts — or capital credits — are returned to members.

Will Kenergy retire capital credits in 2016?

Yes, approximately \$3 million in capital credits will be retired in June 2016. The amount represents margins allocated in 1986 (50 percent), 1987 (100 percent) and 1988 (75 percent). Only member-owners who bought electricity from Kenergy or its predecessors during those years are eligible to receive capital credits this year.

How will I get my capital credit retirement?

If you are a current member, you will receive a credit on your June bill. If you are a former member who has moved off Kenergy's service, checks for more than \$5 will be mailed to your present residence. Because of the high cost involved in producing and mailing checks, Kenergy does not mail checks for less than \$5.

Are capital credits retired each year?

Each year, Kenergy's Board of Directors makes a decision whether to retire capital credits based on the financial health of the cooperative. During some years, the co-op may experience high growth or severe storms, which increases costs and lowers margins. For this reason, Kenergy's ability to retire capital credits reflects the cooperative's strength and financial stability.

I did not buy electricity from Kenergy or its predecessors in 1986, 1987 or 1988. Will I receive a capital credit retirement?

No. This year, capital credit retirements will be made only to member-owners who purchased electricity during those years.

What if I have moved?

If you move or no longer have electric service with Kenergy, it is important that you inform the cooperative of your current address so future retirements can be properly mailed to you.

Why is the cooperative refunding \$3 million to members in a 2016 capital credit retirement just months after Kenergy stated it needed to apply for a rate increase to remain financially sound? Why can't the cooperative just use the \$3 million capital credit retirement funds to meet its current needs and leave members' rates the same?

The 2016 capital credit retirement of \$3 million represents excess revenue earned in 1986, 1987 and 1988. That sum is being returned to members who purchased electricity during those years. According to Kenergy's bylaws, these dollars are placed into a separate account and remain earmarked for the year in which they were earned. This money cannot be used to pay for the co-op's current or future financial needs.