

THE CAPITAL CREDIT WORKFLOW

CVEA tracks how much electricity you use and how much you paid for it throughout the year.



At the end of the year, CVEA determines if revenues have exceeded operating expenses, resulting in a margin.

Margins are “allocated” back to the membership in relation to how much each member has paid for service. These allocations are kept in a “holding-account” for a period of time.



CVEA’s Board of Directors reviews the Co-op’s financial strength and determines if a percentage of allocated funds can be refunded to the membership. This is actual cash-back to you!



The Benefits of Ownership in Your Electric Co-op

Capital Credits at CVEA

The difference between a cooperative, like CVEA, and an investor-owned utility, is that a cooperative is owned by the members it serves. As a member-owner, you share in the profits of the co-op.

CVEA is a nonprofit cooperative that provides electric service to members at cost. If revenues exceed the total cost to provide electric service, that is called a margin. At the close of each fiscal year, these margins (revenue in excess of costs) are allocated back to each individual member in proportion to the amount billed for electric usage during that year. These allocations are called capital credits.

Capital credits are either used by CVEA for operating capital or retired (paid back to Co-op members), when the financial position of the Cooperative permits and bylaws provisions are met.

How do capital credits work?

There are two things you need to know about capital credits in order to understand how they work for you: allocations and retirements.

Allocations

Each year, you are assigned your portion of the previous year’s profit (margin) based on the amount of electricity you purchased from CVEA in relation to the total amount of electricity purchased by all members during the year. This amount is put into a “holding account” for a number of years and used by CVEA to fund capital needs to continue providing reliable, safe, electric service to the members.

This is an underlying principle of the Cooperative Business Model and is one more way CVEA keeps your electric rates as low as possible. This “allocation” adds to your equity (ownership) in the Cooperative and is maintained in a separate account assigned to you. Allocations typically take place in the spring of each year, after financial statements are finalized.

Retirements

A retirement is the process of refunding the previously allocated funds to the membership, in the form of cash-back. Once CVEA’s financial strength allows, the Board of Directors may vote to disburse a percentage or specific dollar amount of allocated capital credits back to the membership.

CVEA’s Board of Directors typically votes on capital credit retirements at the regular Board meeting in November each year.



How does a member know the amount of his or her capital credits?

Each member has a separate capital credit account, which represents the member's ownership in the Cooperative. When capital credits are allocated at the end of a year, all members who received electric service during that year will receive an allocation notice showing their current year's allocation and the outstanding balance of all years' service.

For members who have active electric accounts, you will see this notice on your monthly electric bill. If you do not have an active account but were active in the previous year, you will receive an allocation notice to the most current mailing address on file. Allocation notices are typically sent in the spring of each year.

These amounts are NOT payable at allocation and do not represent cash, but rather your equity in CVEA.

You cannot apply these amounts to your electric bill.

What if I had service at more than one location at the same time?

Members with multiple accounts receive a consolidated capital credit allocation statement and/or retirement whenever possible, grouped under a single membership number.

When are capital credits returned to members?

Per Cooperative Bylaws, your locally elected Board of Directors determines the amount of retirement (cashback) each year, based on the financial position of the Cooperative and other considerations.

CVEA's financial position does not allow for retirement of capital credits every year. If there are large projects planned that need funding, it is in the best interest of the members to use this funding instead of borrowing money.

The review of capital credit retirements is generally done at the November Board meeting.

How are capital credits returned to members?

All members with an active electric service at the time of retirement will receive a refund directly applied to their electric bill. It is typical that these retirements happen in November or December. The retirement will be listed as a line item under their service summary, titled "Capital Credit Refund."

Members who are not active at the time of retirement will receive a check, if the retirement amount or accumulated retirement amount is over fifty dollars, to the most current mailing address on file with CVEA.

How much has CVEA retired?

The CVEA team works hard to pay back the members it serves. CVEA has retired a total of \$8,103,486. In November 2023, the Board of Directors voted to retire around \$775,000 of member equity or approximately 3%.

Are capital credits taxable?

For individuals, capital credits are generally not taxable. CVEA suggests you seek the advice of a tax professional for any specific questions.

What happens in the case of a deceased member?

The CVEA Bylaws provide for the option of an early retirement of the capital credits of a deceased member to his or her estate (no early retirement of capital credits is allowed in the case of dissolution of a corporation or partnership).

Representatives of a deceased member's estate can choose whether to receive the deceased member's capital credits in the form of a present valued lump sum payout, or to wait and receive the monies as they are retired as part of the normal, non-discounted retirement process of the Cooperative.

If the representative wishes to pursue early retirement of capital credits, they must contact the Cooperative to provide the necessary documentation.

What should a member do if he or she moves from our service area?

Members should inform the CVEA office of any changes in his or her mailing address. It is a member's responsibility to make sure the Cooperative has up-to-date address information at all times.

All address updates must be made in writing. This can be completed by mail, fax, or email.

CVEA does not have a policy to retire and pay capital credits to members who are moving away from the CVEA service territory. Industry and legal guidance have advised the Cooperative against this as it improperly discriminates against current members.

Visit www.cvea.org/member-services/capital-credits for additional information. For specific questions or information regarding your individual account, please contact Holly Auble at (907) 822-3211. ■