



P.O. Box 129
280 E Wood Rd
Rensselaer, IN 47978
jasperremc.com
219-866-4601
888-866-7362
(F) 219-866-2199

Frequently Asked Questions about Capital Credits

What is a cooperative?

A cooperative is a business that is owned and controlled by the people who use its services.

What are capital credits?

A cooperative does not earn profits in the sense that other businesses do. Instead, any margins, or revenues remaining after all expenses have been paid, are returned to the members in proportion to their usage of the co-op's services through capital credits allocations and retirements. Capital credits represent each member's share of the cooperative's margins and ownership of the co-op. Our cooperative tries to run the business with very tight margins which keeps rates low. Because there is little or no margin, there is little or no money to work with to retire capital credits.

What do cooperatives do with capital credits?

Every business needs to maintain a suitable balance between debt and equity to ensure its financial health and stability. Capital credits are the most significant source of equity for most electric cooperatives. Equity is used to help meet the expenses of the co-op, such as paying for new equipment to serve members and repaying debt. Capital credits help keep rates at a competitive level by reducing the amount of funds that must be borrowed to improve the system.

Example: You have equity in the co-op like you have equity in your home. You've built equity in your home by maintaining and improving it through the years. We've built equity in our system, plant and infrastructure by maintaining and improving it through the years. In either case, the equity in your home is not cash to spend and the equity in our system is not cash to retire capital credits.

Can the capital credits be used to pay my electric bill?

No. Allocated capital credits from the previous year may not be used to pay your current bill. Your electric bill is due now, whereas you may not be entitled to be paid your capital credits for many years.

Will I receive an Allocation Notice every year?

Yes. You will receive a letter annually after the finances for the previous year have been audited. This letter states how much money you have contributed to the co-op's margins in proportion to your actual energy use that year.

How does the cooperative determine who receives capital credits?

Each member of the cooperative contributes to the co-op's margins. If there are any margins left at the end of a year, the board of directors determines the basis for the capital credit allocations. The allocations are based on the total dollar amount billed to the member for electrical service.

How are capital credits disbursed?

Each year the board of directors determines whether the co-op's financial position permits the return or retirement of capital credits and, if so, what amount of capital credits will be retired. Jasper County REMC is retiring capital credits using the First-in First-out, or FIFO, method. That means that the capital credits that have been invested in the cooperative for the longest period of time are returned to members first. We are currently returning credits on a 25-30 year schedule to avoid any negative financial impact to the co-op.

Every couple of years, our directors update the co-op's long range financial plan which includes returning capital credits into the future. Our CEO, board of directors and financial advisors work very hard to develop options that enable us to return capital credits to the membership while still maintaining financial stability for the cooperative.

What happens to a member's capital credits if the member moves off the system?

The balance in the member's capital credit account is maintained until the money is retired. *It is the member's responsibility* to notify the co-op of any changes in address so that the member can be located when it is time for the co-op to retire capital credits allocated to the member's account.

What happens to a member's capital credits if the member dies?

Capital credits in the member's account belong to the member's spouse. After the spouse passes-the heirs or heirs-by-Will can fill out the "Agent's Appointment Form." The heirs are entitled to the capital credits as they are retired by the co-op.

What happens if I have a defunct business that is issued capital credits?

We will look up the original membership card to see if your name is associated with the account. If your name is listed on the card, you can fill out a Claim Form to update the name and address so we can re-issue the check. If it is not listed on the card, you will have to prove to us that you owned the business. You, and your partners (if there are any), will have to sign a form before we can re-issue the check in your name so you can cash it. If there are significant dollars to be returned or special circumstances regarding the company, our attorney may prepare a document for you to sign. There are many business issues that will require a phone call to us so we can figure out which process should be used.

What happens if the check is returned to the cooperative?

If the check is returned to the cooperative, a full listing of the unclaimed checks will be printed in the Electric Consumer magazine a few months after the checks were initially mailed and the names will be posted on the Jasper County REMC website. The check is kept at the cooperative for two years in case somebody does come forward to claim the money. After the two years, the unclaimed money will be reallocated to the membership the next time capital credits are returned.

I should have received a check, but I didn't. What happened?

There may be a few reasons that the check didn't get to you. We only return capital credits over \$10. If your credits were under \$10, they will be accumulated toward the next allocation and returned at that time. This practice saves our co-op a lot of processing costs. The reason could also be that we didn't have any margins in that year which means we didn't have any capital credits to return. Lastly, we may not have your current address. The check may have gone to your old address and been returned to us as "undeliverable."

What happens if the money is not claimed within the two-year time period?

If the capital credits are not claimed, the unclaimed money will be reallocated to the membership the next time capital credits are returned. The money revolves in and out of Jasper County REMC's capital credit fund.

What paperwork do I need to fill out to claim the capital credits?

You can print the Claim Form from our website but you will need to call us for the Agent Appointment Form and Business Claim Form. *A form of U.S. issued ID may be required.*

- | | |
|---|--|
| ➤ To change your address so we can refund your money | Claim form |
| ➤ To claim your deceased spouse's capital credits | Claim Form if your name is/was on the account or Agent Form if your name was not on the account. Call us if you're not sure. |
| ➤ To claim your deceased parent's capital credits | Agent Form |
| ➤ To claim surviving member's capital credits as POA | ID, Agent Form & proof of financial Power of Attorney |
| ➤ To claim deceased member's capital credits by Will | ID, Agent Form & copy of Will |
| ➤ To claim credits in name of a Trust or Estate
<i>It's usually easiest to wait until the Estate is closed to claim credits.</i> | Agent Form |
| ➤ To change the Agent on the check | Agent Appointment Card |
| ➤ To claim <u>defunct</u> business capital credits | Business Claim Form and proof of ownership if your name was not listed on account |
| ➤ To claim <u>existing</u> business credits that no longer has service | Business Claim Form or legal notarized letter |
| ➤ If divorced and credits are due | Credits go to last person using kWhs in the home. We may need to see marriage and divorce documents. Call us for additional details. |
| ➤ If divorced but house was sold before divorce | Main member on membership form is entitled to credits. Call us for additional details. |
| ➤ To claim credits as a room-mate or significant other | Credits go to last person using kWhs in the home. Call us for additional details. |
| ➤ There are many more scenarios. Please call our office for guidance. | |