

Frequently Asked Questions about Your Capital Credit Allocation (April 2017)

What is this allocation information I see on my bill statement? What are capital credits?

This information is provided each year as an official record of your capital credits. Since we are a member-owned cooperative, at the end of each year, we allocate ALL our margins (the money left over after all expenses are paid) to our member-owners, based on how much energy you bought during the year. These allocations are called capital credits. By allocation, we mean that we assign your share of the margins to a holding account in your name.

Capital credits are used by your cooperative for operating funds, and at some later date paid back to members as the financial condition of the cooperative permits. These amounts are not payable at this time, and do not represent cash, but rather your equity in our cooperative. **Even though it is shown on your energy bill, this is a non-cash credit - you do not owe these amounts.**

How did you come up with this number? How are capital credits calculated?

Capital credits are calculated each year once our books are audited. We take the total amount of margins (or profits) after all expenses are paid, and divide that by the total our members paid for electric energy during the year. That gives us an allocation factor that is then multiplied by the specific amount you paid during the year for electric energy. That sum is your patronage capital for the year. We repeat the process with any margins allocated to us by Wolverine Power Cooperative for the year, and the two allocations are accounted for separately.

For 2016, this includes the cooperative's margins of \$596,966; a \$200,000 dividend paid to the cooperative by its subsidiary, Tri-Co Services; and \$1,496,500, representing HomeWorks Tri-County's share of Wolverine Power Cooperative's 2016 margins.

What good are these capital credits? When will I get this money?

Your capital credits are your equity in the cooperative. The bylaws of the cooperative call for us to use capital credits as operating funds. At some later date, the board may determine that the financial condition of the cooperative permits us to retire some of our capital credits by sending you a check or crediting your electric bill. We have, over the past 20 years, retired nearly \$16 million in capital credits. In fact, the board authorized a cash retirement of \$2,960,000 in Tri-County and Wolverine capital credits this year, and if you purchased energy from us in 1991, 1998, 1999, and/or 2016, you should have a bill credit listed in the center area of your bill statement.

Why can't I get my money now? What happens if I move away and don't get Tri-County's electric service anymore?

To be fair to all our members, we do not retire capital credits on an individual basis. Only when financial conditions permit us to retire capital credits to all members who purchased energy during a specific time will we make a cash retirement. You should notify the cooperative of any address changes in the future; this will enable us to forward payment(s) when the capital credits are refunded for the year(s) of your membership.

The one exception is that the board of directors may authorize an amount for retiring capital credits, on a current net value basis, to the estates of deceased members. That amount is determined annually, and estate retirements are paid on a first-come, first-served basis.

Are capital credits taxable? Do I have to list them as income on my tax returns?

Capital credit allocations are taxable only to members who claim energy use as a business expense on their taxes, because they reduce the actual cost of that energy. You should check with your tax consultant for specific details.

My neighbor's allocation is more than mine. Why?

You probably don't compare grocery bills with your neighbor, because you make different choices at the store. You also might not compare your cars' gas mileage, because you drive different models and have different driving styles. In the same way, you really can't make a fair comparison of electric bills. Each house has different energy efficiencies based on choices of insulation, windows, doors, building materials, wiring, appliances, and personal use of the appliances. Your capital credit allocation is based on your home's actual energy use, and how much you paid Tri-County for that during the year.

I know someone who uses SmartHub. Where does their allocation show?

Our SmartHub program allows you to see an electronic copy of your bill as a .pdf file. Each year's May bill should show your allocation and retirement information for that year.