



Frequently Asked Capital Credit Questions

What is a cooperative?

A cooperative is a business that is owned and controlled by the people using 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 "allocated", as capital credits, to the members in proportion to their usage/purchase of electricity during each year. Capital credits represent each member's ownership in and contribution of capital to Okanogan County Electric Cooperative, Inc. This differs from dividends investor-owned utilities pay shareholders, who may or may not be customers of the utility.

What do cooperatives do with the Capital Credits?

Every business needs to maintain a suitable balance debt to 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.

How does the cooperative determine who receives Capital Credits?

Margins are allocated as Capital credits to each member of the cooperative every year based on their purchase from the cooperative i.e. how much power the member used; this may also be called patronage.

How often do members receive Capital Credit retirements?

The OCEC Board of Directors makes a decision each year whether or not to retire capital credits. When the cooperative is strong enough financially and member equity levels high enough, the board directs staff to retire a portion of past years capital credits. OCEC retires first-in first-out, so those members who joined the co-op first are the first to have their capital credits retired.

What happens to a member's Capital Credits if the member dies?

Capital credits in the member's account belong to the member's estate. In order to assist the member's heirs in closing the estate, Okanogan County Electric Cooperative, Inc offers a special capital credits retirement of the outstanding balance of the deceased member's capital credits account at a discounted rate.

Does a member have to report Capital Credits on tax returns?

Capital credits are a return of money paid for electricity in previous years and are generally not taxable income for resident, commercial and industrial consumers. You should discuss any capital credits retirement payment with a tax advisor.

What if I find an old check, lose a check or a check never reaches me?

If you find a capital credit check that is past 120-days old, you may return it to the co-op so it can be voided and re-issued to you. If you lose a check or a check has been issued but not returned to co-op due to an incorrect address you can opt to have the check re-issued minus a \$30 stop payment fee for the missing check. If the amount to be re-issued is under \$5 it will be included in the next retirement of capital credits to you. If you no longer have capital credits due to you and the amount remaining is under \$5 the balance will be forfeited to the co-op.

What happens to a member's Capital Credits if the member moves away from the system?

A member who terminates service no longer receives additional capital credits. The balance in the member's capital credit account is maintained until it is retired in full. Because payments are made approximately 18-20 years after credits are earned it is important to keep the co-op informed of your current address so that retirements can be properly mailed to you.