



SWEET REWARDS CAPITAL CREDITS

Questions and Answers

Definitions: Speak the SWEET Lingo

Capital Credits: The excess funds or returned margin a Cooperative earns after the completion of a fiscal year.

Allocation: The value amount, or share, from the annually earned-margin designated to Cooperative Members based on the percentage of used electricity.

Retirement: Determined by the Board of Directors, the return of actual monies to the Member.

These are some of the most common questions regarding Capital Credits. If you need more information, please e-mail us at capitalcredits@siea.com or call SIEA at 719-547-2160 (select Option 9).

Q. What are capital credits?

A. Unlike electric utilities that generate margins on behalf of investors and shareholders, electric cooperatives sometime return the margins earned by the electric cooperative to their members. Each year, any margins earned by SIEA are reinvested in the cooperative. At the same time, the value of the margin is proportionally allocated (based on electric purchases during the year) and credited to the individual capital account (i.e. Capital Credit) to our members. Capital Credits accounts are maintained for each of our members, current and former. When the Board of Directors has determined that the cooperative has met its financial requirements and any other obligations, they may decide to retire (pay in cash) the Capital Credits to the members.

Q. When will I be paid for my Capital Credits?

A. Capital Credits may be retired at the discretion of the SIEA Board of Directors when the cooperative has met certain financial requirements and other obligations. A planned, but not guaranteed, retirement cycle is between 25 and 30 years. Power supplier capital credits, however, are retired no sooner than when such amounts are retired by the power supplier.

Q. Why can't I be paid today for the full amount of all of my unretired Capital Credits?

A. While all margins are allocated back to the members in the form of capital credits, SIEA still needs capital to remain viable and to invest in the SIEA electrical system. This capital comes from two sources; financial institution loans and member equity. Balancing the use of member equity and loans allows SIEA to keep rates as low and reasonable as possible. If SIEA only financed operations through loans, the cost of interest would increase SIEA's overall expenses resulting in higher rates for members.

As current members contribute to the system by purchasing electricity, SIEA is able to return a portion of Capital Credits to members for prior service. This is called a capital credit retirement and typically occurs near the end of the useful life of the equipment or facilities in which the equity was invested.

Q. Am I guaranteed payment of my unretired Capital Credits balance at a set time in the future?

A. At the present, the Board has the goal of striving toward a retirement cycle of approximately 25 to 30 years, which represents the useful life of the equipment and facilities in which your equity was invested. However, the Board is obligated to consider the financial condition of SIEA when making such decisions. Because the financial condition may change over time, there is no guarantee that capital credits will be retired at a set time in future years.

Q. What happens to my Capital Credits when I die?

A. Your executor, personal representative or heirs may assign your Capital Credits to the name of the appropriate beneficiary(ies) by contacting SIEA for the proper paperwork. After the documents are received by SIEA, Capital Credits continue to be refunded when the Board of Directors authorizes a retirement.

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

A. Members with multiple accounts for different locations will receive a consolidated capital credit allocation statement grouped under a single membership number.

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