

When you signed up for electric service, you became a member-owner of Shelby Electric Cooperative (SEC). Unlike other electric utilities, your cooperative exists to make sure your needs are always met, not to make a profit.

Any revenues over and above the cost of doing business are considered *margins*. These margins represent an interest-free loan of operating capital by the membership to the cooperative. This capital allows SEC to finance operations and construction, with the intent that this capital will be repaid to you in later years.

What are capital credits?

Patronage capital is the cooperative's margins, or money left after all expenses have been paid for that year. SEC uses these margins for capital investments, such as building or replacing power lines, substations, and other electric system improvements. After being used as working capital, the money is returned to members as patronage capital credits (like dividends). It represents each co-op member's share, or equity, in the cooperative. Capital credits are allocated to members in proportion to the dollar amount of electricity used. Capital credits are paid out as the cooperative's financial condition permits with board approval.

What's the difference between allocated and retired capital credits?

Allocated capital credits appear as an entry on the permanent financial records of the cooperative and reflect your ownership in SEC. When capital credits are retired, a check or bill credit is issued to you and your ownership in the cooperative is reduced. After reviewing the cooperative's finances, the SEC board of directors determines the method, basis, priority, and timing of all capital credits retirements.

How are capital credits calculated?

The amount of capital credits you earn in a given year is based on the amount of capital you contribute to the cooperative through payment of your monthly electric bill and the amount of operating margins realized by the cooperative. Basically, the more electricity you use, the larger your capital credits allocation will be.

How often will I receive an allocation notice?

Allocation notice is given after the finances for the previous year have been audited and the cooperative's books have been closed. Capital credits are only allocated for a year in which SEC earns margins. Since capital credits are a member's share of the margins, no credits are allocated for a year without any margins.

If your SEC account is active, you will see the allocation amount in the message center on your billing statement. If you have multiple SEC accounts, the sum of all accounts' allocation will be listed on your primary account. If you have an inactive SEC account, you will receive notice of the allocation by letter.

How do I receive my capital credits?

Per cooperative bylaws, retirement payments are only authorized by the board of directors and are completed on a rotating basis. Retirements usually occur in May prior to the annual meeting of members. If the board of directors determines financial obligations have not been met, a retirement may not occur. Special circumstances have also provided retirements in other months.

Once retired, eligible active members receive capital credit refunds as a credit on their electric bill. Members with multiple accounts will receive the credit on their primary account (if your primary account needs changed, please call the cooperative). Members with inactive accounts receive their retirement amount in the form of a check mailed to the most recent address on file.

Can I receive my capital credits allocation now? Can I use my allocated capital credits to pay my electric bill?

Capital credits allocations are simply a record of your ownership in the cooperative. Because the capital is not held in an account and is reinvested to support operating activities, the entire balance cannot be retired to you at once.

Because capital credits have no cash value until the SEC board of directors approve the retirement of a previous year's allocated capital credits, they cannot be used to pay your current bill. Your electric bill is due now, but you may not be entitled to receive your capital credits for many years.

Does SEC pay interest on capital credits?

Interest is not paid on capital credits. If the cooperative paid interest on capital credits the money to pay the interest would have to be collected from you, the members. The cooperative has only one primary source of income – electricity sales. Rates would have to be increased in order to pay interest on capital credits.

What happens to my capital credits when I leave the SEC service area?

They remain on the books under your assigned capital credit number until they are retired. Please make sure SEC has your current mailing address on file.

What happens to the capital credits of a member that dies?

Capital credits of a deceased member may be paid at a discount without waiting for a general retirement. Estate payments are not automatic. A representative of the estate must request the credits by contacting the cooperative billing department. Legal documents will be required depending on the status of the estate; the billing department will review all necessary documentation with you. If a spouse jointly holds the membership, the estate will only be retired after both individuals are deceased.