



What are capital credits?

A cooperative does not earn profits in the sense that other businesses do.

At the end of each year and after all operating expenses have been paid, the remaining margins are allocated to each member based on the amount of energy they purchased.

Capital credits represent each member's share in the ownership of the cooperative.



VALLEY ELECTRIC ASSOCIATION

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CAPITAL CREDITS



Questions and Answers

**Another Benefit
From Your Co-Op!**

**To enhance the lives of
those we serve!**



QUESTIONS AND ANSWERS

Credit Where Credit is Due

Capital Credits are one of the many benefits of being a cooperative member. When you have VEA as your electric provider, you are part owner of our cooperative. That means every time you pay your VEA bill, you are investing in the equity of our cooperative. Those equity investments are called capital credits.

Capital = the type of equipment investments—such as lines, substations, upgrading systems etc.

Credits = possible future payments to our members

What is a margin?

When the amount collected exceeds the amount required to provide electric service—that difference is called a “margin.”

This margin is not extra cash that sits in our bank account—it is invested back into our electric system.

What is the difference between a capital credit allocation and a capital credit retirement?

A capital credit allocation is the process that is performed to take the margins for a calendar year and spread them proportionally to the members during the year margins occurred. The amount of funds allocated to each member’s account is based on the amount of electricity the member paid for during the year. These funds are kept on VEA’s books, until retired (refunded).

Capital credit retirement is the actual process of returning the capital credits back to the members. This process is not performed until the Board of Directors determines that the Association is in a financial position to be able to afford the retirement of the capital credits.

How often will I receive an allocation notice?

You should receive an allocation notice annually after the financials for the previous year have been completed.

Do I have to be a member for an entire year to earn capital credits?

No. Capital credits are calculated based upon a member’s monthly bills. If you are billed for service for even one month, you will accumulate some capital credits, if VEA earned margins in that year.

Can I use the capital credits I have allocated to pay my electric bill?

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

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

The capital credits of a deceased member may be paid without waiting for a general retirement. However, these estate payments are not automatic. A representative of the estate must request the credits with the necessary forms and have a copy of the death certificate. These will be considered by the VEA Board of Directors. If a retirement is approved by the Board, the capital credits will be discounted to reflect the net present value of making a capital credit retirement now rather than at a later date. A check is issued to the estate and the account closed. Forms may be picked

up at our headquarters in Pahrump at 800 E. Hwy 372, requested by phone or from our internet site, www.vea.coop.

Will I receive a capital credit check every year?

Not necessarily. The Board of Directors must authorize a retirement before you receive a check. When considering a retirement, the Board analyzes the financial health of the association and will not authorize a retirement if VEA cannot afford it.

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

Your capital credits remain on the books in your name and member number until they are retired. Because payments are made approximately 15-20 years after credits are earned, you should ensure that VEA always has your current mailing address.

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.

The refunds that return to VEA due to insufficient address are listed and published. We keep the funds in-house until we locate the member, which is an on-going process.

