KIUC to Retire $3.2 Million in Capital Credits to Co-op Members

Līhuʻe, Kauaʻi, HI – 07/10/2018 - Kauaʻi Island Utility Cooperative (KIUC) will begin issuing $3.2 million in 2017 patronage capital retirement checks to cooperative members next week.

“We had excellent financial results in 2017, which allows us to exercise one of the fundamental benefits of being a not-for-profit cooperative that is owned by the members it serves,” stated Allan Smith, Chairman of the KIUC Board of Directors.

Patronage capital is money that the cooperative has left over after paying all of its expenses and meeting its lenders’ expectations for financial stability. At the end of the year, money is credited to each member’s patronage capital account according to the amount the member paid for electricity. This is the member’s equity in KIUC.

“A rural electric cooperative exists solely to provide its members with electricity,” Smith explained. “In a co-op, margins don’t belong to the company; they belong to the individual members who paid money on their monthly bills.”

As additional member equity funds come in year after year, KIUC is able to return some of its accrued capital credits by issuing patronage capital retirements to members. KIUC’s elected Board of Directors and the bylaws determine how and when capital credits are returned to members. At its meeting on April 24, 2018, the Board approved the $3.2 million disbursement.

The amount of each individual member’s retirement is based on energy usage. This year, the average amount to be returned is about $44, based on usage of roughly 500 kWh per month.

Members with active accounts with a refund of $25 or more will receive a check. If the amount is less than $25, their electric account will be credited. Members with inactive accounts with a refund amount of $10 or more will receive a check. If the amount is less than $10, it will remain in the member’s patronage account until the cumulative amount reaches $10 or more, after which a check will be sent.

Since becoming a cooperative in 2002, KIUC has built $111 million in equity and has returned $37.3 million to its members, including $29.5 million in patronage capital.

A list of frequently asked questions (FAQs) is attached, and will be sent to members along with their patronage capital retirement checks.

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FREQUENTLY ASKED QUESTIONS – PATRONAGE CAPITAL

Q: What is patronage capital?
A: Patronage capital, also known as capital credits, comes from the money a cooperative has left over after paying all of its expenses in a given year. At the end of the year, that money is credited to each member’s patronage capital account according to the amount paid for energy used.

Q: What are margins?
A: Margins are what are left over at the end of the year after KIUC has paid all expenses. Your share of any operating margins is credited to your patronage capital account. In other business organizations, this would be called profit.

Q: Why don’t you call this profit?
A: As a cooperative, we are here to provide a service, not make a profit. Any revenue collected that is not needed to cover the cost of providing service is set aside and divided among the members in proportion to their patronage (how much electricity they paid for during the year).

Q: Why don’t you send me the money?
A: As with any other business, it is necessary to maintain a certain amount of equity capital to help the cooperative remain financially sound, thereby ensuring a stable, reliable electric provider for the benefit of the members we serve. Your Board of Directors determines annually the prudent balance between retained equity and patronage capital retirements. Also, we must meet any requirements placed by our lender.

Q: Is interest paid on patronage capital?
A: No. Since KIUC is non-profit and member owned, you do not receive interest or dividends on your patronage capital account.

Q: When will I get my patronage capital back?
A: When the cooperative is in sound financial condition and when there are excess funds left over at the end of the year, the Board of Directors and the co-op’s lender have the authority to approve capital credits to be retired or refunded to the membership. An exception is made when payments are made to estates of deceased members. In order to maintain financial stability and to be fair to all members, the estate retirement will be paid at the net present or discounted value. Or you can choose to receive the capital credits at the future scheduled retirement dates with no reduction.

Q: If I move away, will I get my patronage capital?
A: The patronage capital that has accumulated in your account will remain in your name. It is important that you keep KIUC informed of your current address so that you will receive your check when a general retirement of patronage capital is made.
Q: What line items on my bill are included in determining patronage capital refunds?
A: The following items are included: non-fuel energy charge, fuel and purchase power energy charge, customer charge, minimum charge, resource cost charge, streetlight (SL) fixture charge, demand charge.

Q: Do I have to pay taxes on my patronage capital refunds?
A: Please consult with your tax advisor for any potential tax implications.