

## KIUC Retires \$1.24 Million in Patronage Capital and Extends Suspending Service Disconnects

*Līhu'e, Kaua'i, HI – 05/01/2020* - Kaua'i Island Utility Cooperative (KIUC) will begin issuing \$1.24 million in 2019 patronage capital retirement bill credits to cooperative members this month, due to action taken by the Board of Directors at its April 30, 2020 meeting.

“We had strong financial results in 2019, 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.

In addition, KIUC's President and Chief Executive Officer, David Bissell, has announced that service disconnections will continue to be suspended through June 30, 2020.

“We know many of our members are experiencing financial challenges due to COVID-19,” said Bissell. “The Board accelerated its Patronage Capital retirement process this year and we hope that temporarily suspending service disconnects will ease some of the anxiety our members might be experiencing.”

### Patronage Capital

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.

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.

Since becoming a cooperative in 2002, KIUC has built \$120 million in equity and has returned over \$40 million to its members, including nearly \$33 million in patronage capital retirements.

The amount of each individual member's retirement is based on energy usage. Most members will see their retirement amount as a credit on their monthly bill. Members with inactive accounts with a refund amount of \$1 or more will receive a check. If the amount is less than \$1, it will remain in the member's patronage account until the cumulative amount reaches \$1 or more, after which a check will be sent.

(more)

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

### **Temporary Suspension of Service Disconnections**

The suspension of service disconnections will apply to both residential and commercial customers through June 30, 2020. KIUC members are reminded that bill payments have not been waived, and past-due amounts will grow over time if no payments are made.

Members with concerns about the status of their account are encouraged to call the Member Services department at 246.4300 during regular business hours: Monday through Friday, 8:00 a.m. to 4:00 p.m., or by email at [info@kiuc.coop](mailto:info@kiuc.coop). There are energy assistance programs available for qualified members. More information on these programs can be found on KIUC's website: <https://website.kiuc.coop/member-services>.

KIUC also encourages members to utilize the SmartHub service to track daily energy use. Energy conservation and efficiency advice is also shared regularly via KIUC's Facebook page: <https://www.facebook.com/KauaiCoop/>. You may contact our Energy Services division at 246.4300 to learn how to better manage your energy use.

As a reminder, KIUC remains closed to walk-in service, however there are numerous ways to pay your bill. Options include either paying by debit or credit card, or signing up for SmartHub to pay via a savings or checking account. A self-service kiosk is located outside KIUC's Līhu'e office that is open 24/7 and accepts payment via cash or checking account. A drop box is also available outside the Līhu'e office for check payments.

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## FREQUENTLY ASKED QUESTIONS – PATRONAGE CAPITAL

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: What is patronage capital?

A: Patronage capital, also known as capital credits, represents margins credited to members of KIUC and allocated according to the amount paid for energy used.. At the end of the year, that money is credited to each member's patronage capital account. .

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 patronage 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 patronage 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.