

Glossary of Terms

Capital Credits

Margins credited to members of a cooperative based on their purchases from the cooperative; used by the cooperative as working capital for a period of time, then paid back to the membership; also called patronage capital; should not be confused with profits, which are a return on capital; Retirement of patronage capital is a return of member-furnished capital.

Cooperative Principles

The cooperative principles are: 1) open and voluntary membership; 2) democratic member control; 3) member economic participation including limited return of surplus to members; 4) cooperative autonomy and independence; 5) cooperative education, training and information; 6) cooperation among cooperatives, and 7) concern for community.

Margins

The difference between a cooperative's income and its expenses; returned to members in the form of capital credits as the cooperative's financial status allows.

...the members are entitled to a share. That's the philosophy behind member equity.

Capital Credit Accounts

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Rio Grande

Electric Cooperative, Inc.

Member Guide to Capital Credits

"Owned By Those We Serve"



Capital Credits



In 2011, RGEC began retiring capital credits to those who were members during 1951 - 1976.

If you are a member, former member, or the heir of an estate with a capital credit check pending, please carefully review the board policy and procedures to find out how to claim any capital credits payments to which you may be entitled by visiting www.riogrande.coop.

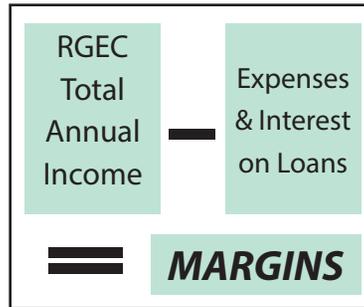


Capital Credits
A Valuable Benefit for
Members of Electric
Cooperatives

Where do capital credits come from?

Where do capital credits come from?

As a member of an electric cooperative, you receive a benefit reserved for owners of a company - a return on your investment through the disbursement of capital credits.



Capital credits come from the margins a cooperative has left over after paying all of its expenses in a given year. At the end of the year, margins (if any) are allocated to each member's account according to the amount of energy used.

When RGEC's finances permit, margins are returned to members in the form of capital credit retirement.

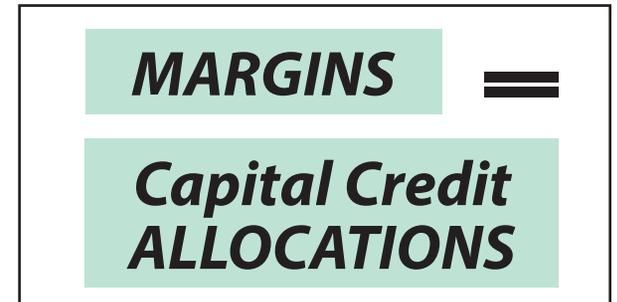
You might ask, "Why don't you just break even?" A cooperative isn't in business to make money so it might seem like it should establish a budget and rates that would allow it to break even each year, rather than show a profit. While this may seem desirable, the business of maintaining power lines is expensive, and subject to outside forces - most notably, weather. In addition, RGEC invests in capital projects for future system reliability and growth.

What This Means for Members of RGEC

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At RGEC, your equity is based on the amount of energy used during the year - the more you use, the higher your share of equity. RGEC sets up a capital credit account showing the share of the year's accrued margins allocated to you. As additional member equity funds come in year after year, RGEC is able to "retire" some of its accrued capital credits for specific years, issuing patronage capital refunds to members.

The elected board of directors and company policy determine how and when capital credits are paid - or "retired" - to members. RGEC's policies outline the formula for retirement of capital credits on a rotating basis. The retiring of capital credits depends on the successful operation of the cooperative, its financial status and the level of loan repayments.



Questions about your capital credits?

Contact RGEC's Consumer Accounting Dept.
800-749-1509

What Does RGEC Do With Unclaimed Capital Credits?

RGEC seeks out the former member-owners who are due capital credits, even if they are no longer on our system. RGEC posts the names of the member-owners who have unclaimed capital credits on the website. If the member-owner does not claim them, and the capital credits remain unclaimed for 3 years or more, then they are transferred to the State Comptroller's Office.