

## 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.