



Capital Credits

As a member-owned cooperative, Valley Electric Association (VEA) does not earn profits like most other businesses. Any revenue in excess of VEA's annual operating expenses is invested back into the cooperative and eventually returned to its members.

Members earn equity in VEA simply by paying their power bills. This equity is allocated in the form of capital credits, which represent each member's ownership in the cooperative.

Each year, VEA allocates any annual excess operating margins, or revenue, toward capital credits as member equity, which members earn based on the amount of energy they purchase during the year. The equity funds remain with VEA until they are repaid to members through capital credit retirements. Each retirement typically includes no more than one year's worth of capital credits. It is important to note that VEA typically offers capital credit retirements approximately 20 to 22 years after the credits are earned. VEA's Board of Directors only approves retirements when the cooperative is financially able to issue payments back to its members. The board makes this decision on an annual basis.

Capital credits represent VEA's largest source of operating funds, allowing the cooperative to improve its system and keep rates low for its members.



Valley Electric Association, Inc.

A Touchstone Energy® Cooperative 



Capital Credits

Questions and Answers
Another benefit from your member-owned co-op



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Together, we're doing powerful things.

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Questions and Answers

WHAT ARE CAPITAL CREDITS?

- > Capital credits are one of the many benefits of being a member of Valley Electric Association. When you have VEA as your electric provider, you are part owner of a cooperative. Every time you pay your VEA bill, you are investing in the equity of the cooperative. These equity investments are known as capital credits, which are invested back into the company and eventually returned to members.

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.

WHAT IS THE DIFFERENCE BETWEEN AN ALLOCATION AND A RETIREMENT?

- > A capital credit allocation is the process performed to take the margins (excess revenue) for a calendar year and spread them proportionally to members in the form of capital credits. The amount of funds allocated to each member's account is based on the amount of electricity the member purchased during the year. These funds are kept on VEA's books until they are retired. Capital credits are allocated year by year, but they are not always retired on an annual basis.

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 financially

able to afford the retirement of the capital credits. It is also important to note that capital credits are typically retired 20 to 22 years after they are allocated to members, although retirements can occur earlier. When the board decides to issue a retirement, at least half of the amount will go toward retiring the association's oldest existing credits.

HOW OFTEN WILL I RECEIVE AN ALLOCATION NOTICE?

- > As a current member of VEA, you should receive a notice of allocations annually, after the financials for the previous year have been completed.

WILL I RECEIVE A CAPITAL CREDIT RETIREMENT PAYMENT EVERY YEAR?

- > Not typically. 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 to do so.

DO I HAVE TO BE A MEMBER FOR AN ENTIRE YEAR TO EARN CAPITAL CREDITS?

- > No. Capital credits are calculated based on each member's monthly bills. If you are billed for service for even one month, you will accumulate some capital credits if VEA earned margins during that year.

CAN I USE THE CAPITAL CREDITS I HAVE EARNED TO PAY MY ELECTRIC BILL?

- > No. Allocated capital credits cannot be used to pay current bills.

WHAT HAPPENS TO THE CAPITAL CREDITS OF A DECEASED MEMBER?

- > 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 cases 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 value of making an early capital credit retirement. VEA will issue a check to the estate and close the deceased member's account.

WHAT HAPPENS TO MY CAPITAL CREDITS IF I LEAVE VEA'S SERVICE AREA?

- > Your capital credits remain on the books in your name and member number until they are retired. Because payments are made approximately 20 to 22 years after credits are earned, you should ensure that VEA always has your current mailing address. The refunds that return to VEA due to incorrect addresses are listed and published. VEA holds the funds until it locates the member.

For more information about capital credits, please call 775.727.5312.



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