



Your Touchstone Energy® Partner 

Clinton County Connection

Published by Clinton County Electric Cooperative, Inc. • cceci@cceci.com • www.cceci.com



Mike Johnson

Understanding Capital Credits

A member called the office the other day requesting an explanation of her Capital Credits. After about 15 minutes on the phone I thought I did a decent job of informing her on the entire process. Afterwards, I thought to myself, how easy but yet how complicated the subject matter is. My goal with this article is to help the membership understand Capital Credits. After you read the article, drop me an email, johnson@cceci.com and let me know if this article increased or decreased your understanding of Capital Credits.

When you moved into your home or started your business in Clinton County Electric Cooperative's service territory, you became a member of the cooperative. Being a member has its benefits. Here's why:

Every month when you pay your electric bill, you are making an investment in your electric cooperative. The money collected from your electric bill is used to pay expenses and invest in plant additions and replacements like poles, wire/lines, transformers and such. This is what I was referring to in last month's ICL article when I stated, "Since 2008, we have invested almost \$11,000,000 in new utility plant." In the short run, Clinton County Electric basically has two sources of financing: (1) from our members, and (2) from our lenders. If you look at the long run, Clinton County Electric really only has one source of funding and that is from our members, given the member funds will be used to retire debt from our lenders. "Borrowing" money from our members comes at a lower cost than borrowing from our lenders. This helps keep rates as low as possible for the membership.

Your first question might be "what are Capital Credits?" Our Bylaws (Article VIII, Section 8.02.) state, "All such amounts in excess of operating costs and expenses at

the end of each fiscal year of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses." That was the long legal answer. The short answer would be known as profits (we refer to them as margins) for businesses that operate on a for profit basis. As stated above, the "revenues in excess of operating costs and expenses", also known as margins, are invested in electric plant to serve the membership. We keep doing this year after year and are able to minimize borrowing funds from our lender. This lowers our interest expense for many years to come. Contained within that long legal answer is another component of Capital Credits. It states, "The Cooperative is obligated to pay by credits to a capital account for each patron". This sentence tells us that Clinton County Electric has a record of every dollar owed to each member. Clinton County Electric sends out a Capital Credit Allocation Notice to the membership around May or June following the end of each fiscal year in which positive margins are generated.

Another benefit of being a member is expectations. For profit companies, generally no matter what they may make or sell, they have to meet strict financial expectations. Usually, the higher the Earnings per Share, the higher the stock price is. Higher stock prices generate higher shareholder value. In the cooperative arena, our financial expectations are only in the area of being able to meet our debt service obligations, while providing safe, reliable reasonably priced electric service. We have no pressure to increase shareholder value. Members of a cooperative

Continued on 16b ►

can become engaged by attending the annual meetings and reading this monthly publication. Members of a cooperative have a voice in the cooperative's operations as they elect a board of trustees to make decisions on their behalf.

It is very important to note, your capital credits will not be the same as your neighbor's capital credits. As mentioned before, we retain the amount of the obligation by year allocated which is based upon the energy purchased by that member for the same year.

Clinton County Electric has been retiring Capital Credits for many years, striving for a retirement cycle of between 25 to 30 years. Please note there is no law or requirement stating that Clinton County Electric has to retire capital credits. A lot of cooperatives simply do not retire them. The

Board of Trustees feels it's the obligation of the cooperative to retire capital credits in a timely manner. To date, Clinton County Electric has retired all capital credits allocated before 1990. This amounts to more than 6.8 million dollars!

Just a reminder, capital credits cannot be claimed at the present time nor can your amount be applied to your current electric bill.

Good news. At the December 2013 Regular Board Meeting, the Board of Trustees approved retiring \$200,000 of the capital credits allocated in 1990. Capital Credit checks will be available for disbursement at our March 20, 2014 Annual Meeting. All checks not picked up at that time will be mailed to the membership in either late March or early April of 2014.

Something to keep in mind, if you

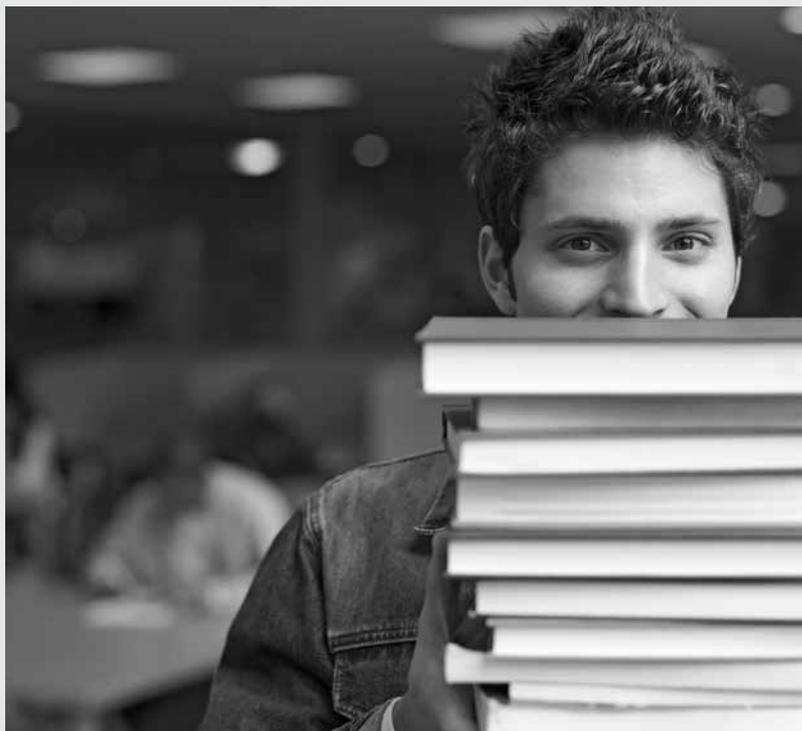
choose to leave our service territory and move elsewhere, please keep us informed of your new mailing address. That way we can assure your future capital credit checks are mailed to the correct location.

Also, if a member were to pass away before receiving all of their allocations, please have the person handling their estate contact our office to ensure they receive all that is due to them.

Please remember, all initiatives we embark upon always have our members' best interest in mind. Providing our members with safe, reliable, reasonably priced electricity while providing excellent service will continue to be our goal. As always, if you have any comments or questions, please don't hesitate to contact me at Johnson@cceci.com.

Clinton County Electric Cooperative, Inc. Annual Scholarship Program

For many years, Clinton County Electric Cooperative, Inc. has granted scholarships to students of cooperative member families. We are proud to announce that we will again carry on the tradition by proudly sponsoring fourteen - \$500 scholarships, totaling \$7,000 this spring to benefit students from our service territory. Two - \$500 scholarships will be awarded to two students at each of these seven area schools: Carlyle High School, Central High School, Christ Our Rock Lutheran High School, Mater Dei Catholic High School, Mascoutah High School, Wesclin High School and Kaskaskia College. The scholarships are awarded based upon criteria set forth by the school students are attending. Please contact the guidance department at the schools mentioned above for an application and more details.



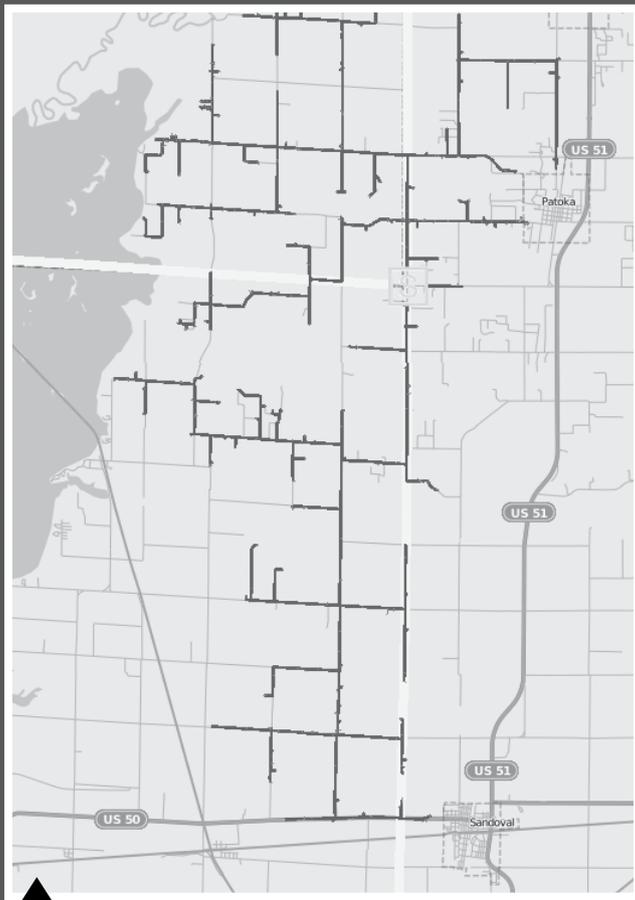
Boulder & Beckemeyer Substations

In 2014, we have again contracted with Rensing Tree Service to continue with our 4 year cut cycle. This year we will be trimming trees in areas served by our Boulder & Beckemeyer Substations. Both were the first areas to be cut when we implemented this 4 year cut cycle, back in 2010. Since weather conditions play a big part in where and what they can cut, you can expect

to see Rensing Tree Service crews throughout most of the year. Rensing Tree Service has worked with Clinton County Electric for many years and we believe they are a valuable resource for us.

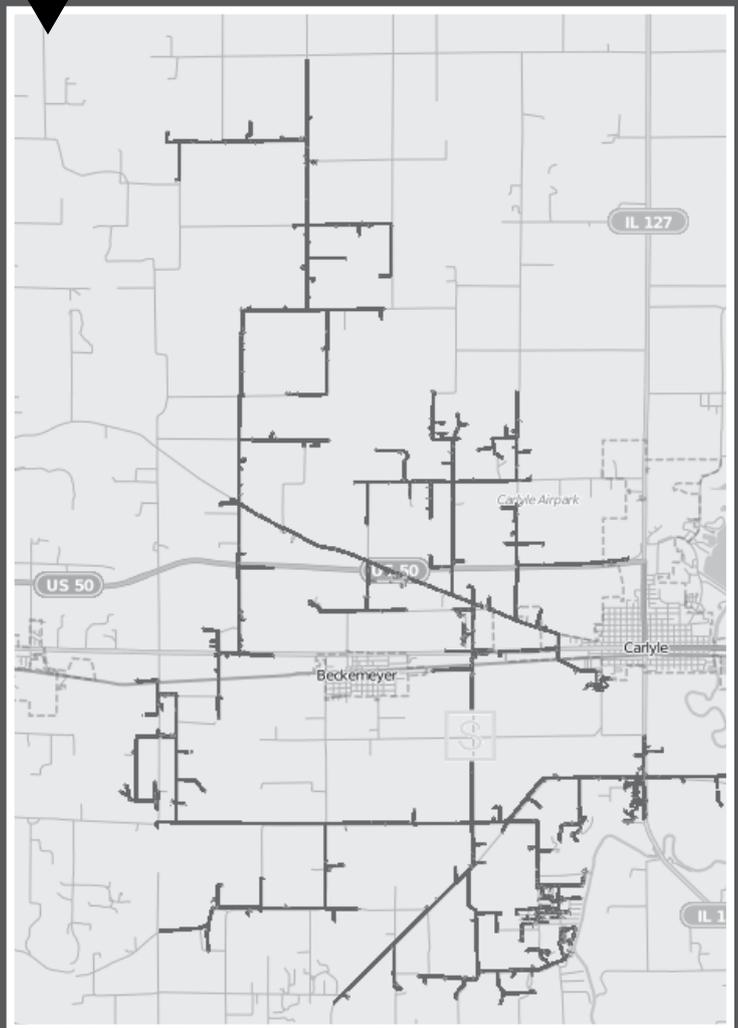
Also in 2014, Clinton County Electric has contracted with Osmose Utilities Service to inspect and possibly treat all electric utility poles served out of the Boulder Substation.

Osmose will probably start their work in late spring and should be done sometime during the summer of 2014. Osmose will be using both pickup trucks and 4-wheelers to move from pole to pole, inspecting and treating them. Please do not hesitate to call the office at 618-526-7282 between 7 am and 4 pm if you have any questions or concerns.



TREES WILL BE TRIMMED AND POLES TREATED IN THE AREA SERVED BY THE BOULDER SUBSTATION

TREES WILL BE TRIMMED IN THE AREA SERVED BY THE BECKEMEYER SUBSTATION



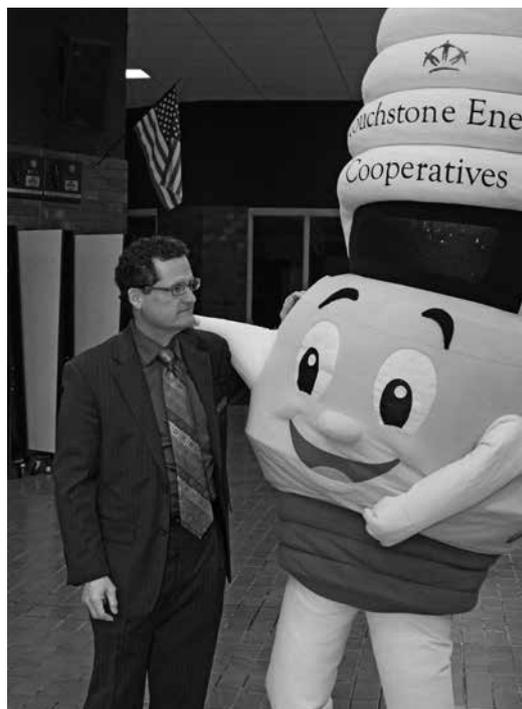


Applications are still being accepted for 2014 Youth Day and Youth Tour

There is still time left for high school sophomores and juniors to apply to attend Youth Day in Springfield to be held on April 2, 2014, sponsored by the cooperative and the Association of Illinois Electric Cooperatives. Please visit our website for an application and more information about Youth Day. Deadline

to apply is Friday, February 28, 2014.

This program may be suspended at any time due to inadequate funding or participation. There will be a maximum number of 12 participants chosen. Notifications will only be made to those chosen to participate in the program.



CCECI Celebrates 75 Years of Service

Make plans to attend YOUR 2014 Annual Meeting and help celebrate 75 years of service on Thursday, March 20, 2014 at Central High School in Breese. Registration will begin at 6:30 p.m. with the meeting starting at 7:30 p.m. Many topics concerning the cooperative, including the recent rate change, will be discussed. Take this opportunity to meet your trustees along with the cooperative employees and join Clinton County Electric in celebrating 75 years of serving the membership.