
What Is Patronage Capital?

By definition, a cooperative is “an enterprise that is collectively owned and operated for mutual benefit.” The purpose of your electric cooperative is to provide electricity and a variety of support services to you at the lowest possible cost. It does not exist to generate profit for a group of investors. Electric cooperatives do not have stockholders and do not pay dividends.

Your cooperative does, however, generate margins because providing electric service exactly at cost is practically impossible. It is important, though, to realize there is a difference between “revenue” and “profit.” The cooperative generates enough revenue to cover all costs of providing service and operating the cooperative. All profit, called “margins” in a cooperative, remaining after operating expenses are divided between members based on usage. This margin is then called “patronage capital” and represents the amount of ownership a member has in the cooperative.

Although the patronage capital is annually divided and assigned to members, it is not necessarily distributed at that time. Upon application for service, members agree to “reinvest” their margins into the co-op. The member agrees to allow the co-op to use the margins to retire old debt, purchase new equipment and maintain an emergency fund to be used in the event of wide-spread storm damage. The retained amount belongs to you and will be paid out at a later date. On an annual basis, your board of directors—made up of members just like you—determines how the patronage capital will be paid.

Adams-Columbia is always working to develop a more efficient operation in order to reduce operating expenses. By using member-owned margins, your cooperative is able to avoid borrowing money at high interest rates. This is a true advantage of a co-op and is the main contributing element to reduced rates for all members.

Frequently Asked Questions About Patronage Capital

What is this notice?

This notice is an informational statement only, **NO ACTION IS REQUIRED**. It shows the amount of patronage capital you accrued last year and your total-to-date.

What is Patronage Capital?

Because ACEC is a cooperative and is owned by our members, the co-op does not technically earn profits. Instead, any revenue or money received over and above the cost of doing business is considered “margins” or “patronage capital.” These margins represent the amount of operating capital the co-op has to work with to finance the operation of the business and to build for future business.

How do I get this money?

Each year the Board of Directors evaluates the financial condition of the cooperative and determines the amount and method to retire (pay out) patronage capital. Typically the retirement takes place in late fall. Members with an active electric service will have their refund automatically applied as a credit on their electric bill. If a member no longer has our service and their retired amount is \$10 or more, a check is sent in the mail.

I no longer use your service so I'd like to cash in my patronage capital.

All the patronage capital you accrued still belongs to you; however, it is not paid out in a lump sum when you discontinue service. There is no provision in our bylaws that will allow for “early” payment to members who leave our service area, reach retirement age, etc. The only thing you need to do is **keep us informed of your current mailing address**. Patronage capital refund checks will automatically be mailed to you at the proper time.

My total patronage capital last year was \$300 and the statement I received this year said I was allocated \$25. Shouldn't the Total-to-Date be \$325?

Remember to subtract the patronage refund issued in the meantime (late fall). Example:

| | | |
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| March | Total-To-Date on Allocation Notice | \$300.00 |
| November | Patronage refund (not printed on notice) | - 15.00 |
| May | Patronage accrued and added to account | + 25.00 |
| | Total-to-Date = | \$310.00 |