

## **CHEC returns \$1.2 Million in Capital Credits**

At the September meeting, Cape Hatteras Electric Board of Directors authorized the return of \$1.2 million for its annual capital credit retirement. Capital Credits represent each member's ownership or "equity" in the Cooperative. Patronage Capital, the sum of that "equity", can be likened to the retained earnings of a for-profit or investor owned utility. Capital Credits are similar to the dividends paid to the for-profit entity's stockholders. Each member of a non-profit electric cooperative has a capital credit account that tracks their ownership in the Cooperative. In June of each year, CHEC members receive notice of the amount credited to their account for the prior year. The allocation factor for every \$100 dollars spent by a member on electric service in 2010 was \$12.86.

Of the \$1.2 million, 50% was retired on the last in first out (LIFO) basis, to members with service in 2010. The remaining 50% was retired on a first in first out (FIFO) basis and will completely retire the patronage balances for members with service in the years 1982, 1983, 1984, and partially retire 1985.

The refund amount approved equals 60% of the Cooperative's 2010 margins. This is similar to the 2010 retirement, but is a significant increase over prior year retirements which have generally been 25% of the prior year margins. In this challenging economy and with the losses suffered by CHEC consumers due to Hurricane Irene, CHEC Directors and Management felt it was important to refund capital credits more aggressively than previous retirements.