

on home or property ownership but on the amount of electricity you used while a member of the cooperative. If the electric service was in your name, you are entitled to Capital Credits.

Is Capital Credits considered taxable income?

If you are a residential customer, you do not need to report Capital Credits as income when you file your taxes. If your electric service is for business purposes, and payments for electricity are deductions in the calculation of taxable income, Capital Credits will affect your income tax liability. You may want to consult with your tax advisor.

Can an heir receive my Capital Credits?

Yes, Clay Electric will work with the heir(s) so they can receive the checks as the year earned is refunded. **The heir or estate administrator should contact Clay Electric for instructions on transferring these monies.** If the account is still active, arrangements should be made for the monthly receipt and payment of electric bills.

It is also recommended that Capital Credits be included in your will to assure proper distribution of future Capital Credits refunds.

Where can I get additional information on Capital Credits?

If you have additional questions, please contact your district office or the Capital Credits section of the Finance Department at the co-op's central office in Keystone Heights at 1-800-224-4917.

District Offices

Gainesville District Office

11530 Northwest 39th Avenue
Gainesville, FL 32606
(352) 372-8543

Keystone Heights District Office

P.O. Box 308; 65 SW Citrus Ave.
Keystone Heights, FL 32656
(352) 473-4917

Lake City District Office

1797 SW SR 47
Lake City, FL 32025
(386) 752-7447

Orange Park District Office

734 Blanding Blvd.
Orange Park, FL 32065
(904) 272-2456

Palatka District Office

300 North S.R. 19
Palatka, FL 32177
(386) 328-1432

Salt Springs District Office

P.O. Box 5500; 25180 E Hwy 316
Salt Springs, FL 32134
(352) 685-2111



Capital Credits

A benefit of being a
cooperative member-owner



What is Capital Credits?

Clay Electric is a member-owned, not-for-profit organization. Therefore, at the end of each year after all operating expenses have been paid, a prorated percentage of its margins is allocated to you, the member-owner, based on the amount you were billed for electricity during the year. This allocation of margins is referred to as Capital Credits.

Capital Credits represents your share of ownership in the cooperative. Capital Credits can also be considered equity in the cooperative.

How do you calculate Capital Credits?

First, the ratio of margins to the total amount of electric revenues received by the cooperative is calculated as a percentage. The percentage is then multiplied by the total amount you were billed for electric service during the year. This figure is your Capital Credits allocation for the year.

How do I find out the amount of Capital Credits allocated to me?

Once a year (usually in May or June) you will receive a notice informing you of the amount of Capital Credits allocated to you for the previous year. If you currently receive service from Clay Electric, the notice will be printed on your regular monthly bill. The information is printed on your bill for your records only and cannot be used as a credit against your electric bill. If your account was cut off during the year, or you no longer use electricity from Clay Electric, you will receive a notice by a special mailing. You may also request a summary of your Capital Credits at any time.

When do I receive a Capital Credits refund?

There is no scheduled time frame for a refund

to be made. The decision to make a refund, and how much to refund, is made by the Board of Trustees in January of each year and is based on the financial health of the cooperative.

Why don't I receive Capital Credits each year based on the previous year's margin?

Clay Electric uses Capital Credits wisely for a period of time before it is refunded, to keep the cost of electricity as low as possible. Clay Electric uses the capital each year to pay for plant (poles, transformers and substations) and equipment purchases, instead of borrowing extra funds and thus paying additional interest on loans.

The financial industry requires a strong equity position in order to maintain good credit ratings, which results in overall lower interest costs to Clay Electric. Clay Electric's goal is to maintain a strong equity level. Capital Credits represents most of the cooperative's equity, which has reached a level enabling the co-op to borrow, when necessary, at the most attractive rates.

Is interest earned on Capital Credits?

Although Capital Credits is similar to an investment, Clay Electric's Bylaws (Article VII, Section 2) does not permit interest to be paid. Paying interest on Capital Credits would be like paying interest on borrowed money, which would increase rates. Members, therefore, would not gain anything by receiving interest on Capital Credits.

What is the difference between Capital Credits and dividends?

Capital Credits is a return of money paid by the member for electricity. Dividends are earnings on an investment specifically made with the desire to have a profit.

What happens if I move out of the Clay Electric service area?

Your Capital Credits will be held in the account's name until it is refunded. Capital Credits cannot be applied to a final bill or refunded in a lump sum when a member leaves the cooperative because it would give those members preference over members who continue to have an active account. You will be mailed a check for your Capital Credits whenever any portion of a year earned is refunded.

Keeping the co-op informed of your current address also will help you avoid a monthly \$1 maintenance charge assessed against unclaimed refund checks. This monthly maintenance charge of \$1 is assessed to help offset the costs associated with maintaining records and researching member inquiries.

What happens to my Capital Credits check if I don't receive it?

Capital Credits checks are mailed to the last address on file. If this address is incorrect, the post office will return the check as undeliverable. The check will be voided and placed in an unclaimed check file. The monthly maintenance charge of \$1 will be assessed against the unclaimed refund check.

If the check remains unclaimed and there is still a portion refundable after three years, that refundable portion shall be considered an absolute and irrevocable assignment of the payment to the cooperative, as prescribed in Florida law. Therefore it is very important to keep the co-op notified of all address changes after moving off the lines of the cooperative.

Am I entitled to Capital Credits if I do not own my home or property?

The distribution of Capital Credits is not based