

From the SEC website December 2012:

Capital Credits

What are Capital Credits?

Because Socorro Electric (SEC) is a cooperative, owned by its members, it does not technically earn profits. Instead, any revenues over and above the cost of doing business are considered "margins." These margins represent an interest-free loan of operating capital by the membership to the cooperative. This capital allows SEC to finance operations and - to a certain extent - construction, with the intent that this capital will be repaid to you in later years.

What is the difference between allocated and retired capital credits?

Allocated capital credits appear as an entry on the permanent financial records of the co-op and reflect your equity or ownership in SEC. When capital credits are retired, a check is issued to you and your equity in the co-op is reduced.

How often will I receive an allocation notice?

You should receive an allocation notice annually after the finances for the previous year have been audited.

What do I have to do to start accumulating capital credits?

Capital credits are calculated by SEC for everyone who purchased electricity during a year in which the co-op earned margins. No special action is required to start a capital credit account. Your membership with Socorro Electric activates your capital credits account.

How are capital credits calculated?

The amount of capital credits you earn in a given year is based upon the amount of capital you contribute to the co-op through payment of your monthly bills. The more electric service you buy, the greater your capital credits earned. The sum of your monthly bills for a year is multiplied by a percentage to determine your capital credits.

What percent of my bill is returned as capital credits?

The percentage of your total payment that is allocated as capital credits varies from year to year, depending upon the success of the cooperative. Capital credits are only allocated for a year in which SEC earns margins. Since capital credits are a member's share of the margins, no credits are allocated for a year with no margins.

Do I have to be a customer for an entire year to earn capital credits?

No. Capital credits are calculated based upon a member's monthly bills. If you are billed for service for even one month, you will accumulate some capital credits, if SEC earned margins in that year.

Can I use allocated capital credits to pay my electric bill?

No. Allocated capital credits may not be used to pay current bills. Your electric bill is due now, whereas you may not be entitled to be paid your capital credits for many years.

Will I receive a capital credits check every year?

Not necessarily. The board of trustees must authorize a retirement before you receive a check. When considering a retirement, the board analyzes the financial health of the co-op and will not authorize a retirement if sec cannot afford it.

What happens to my capital credits when I leave the sec service area?

Your capital credits remain on the books in your name and member number until they are retired. Because payments are made approximately 18-20 years after credits are earned, you should ensure that SEC always has your current mailing address.