

Patronage Dividends: A Capital Idea



MESSAGE FROM GENERAL MANAGER KATHI CALVERT

IN SOME WAYS, HOUSTON COUNTY ELECTRIC COOPERATIVE OPERATES just like any other business: We sell a product (electricity), offer customer service (such as power restoration after a storm) and hope to take in more money than we spend (for stability and growth). In other ways, your co-op is very different from most businesses.

If you're like many people—especially if you're a relatively new electric co-op member—you probably haven't given much thought to the inner workings of your co-op. You may think, "The co-op? That's where we get our power," and that's it. Taken literally, that's true. However, I'd like to suggest a more appropriate way to characterize our relationship: HCEC gets its power from you.

When you buy your electricity from HCEC, you're much more than just a customer: You're a member and part-owner. You help elect your friends and neighbors to your co-op's board of directors, and you can pick up the phone at any time to offer input on HCEC's management and direction.

You might assume that your position is similar to that of a stockholder in a public company, but that's not exactly true. Instead, you're a different type of "investor."

People who buy stock in investor-owned utilities expect to make a profit in the form of dividends paid to them regularly. For customers of investor-owned utilities, it just means another bill to pay—helping to fund the dividends paid to stockholders.

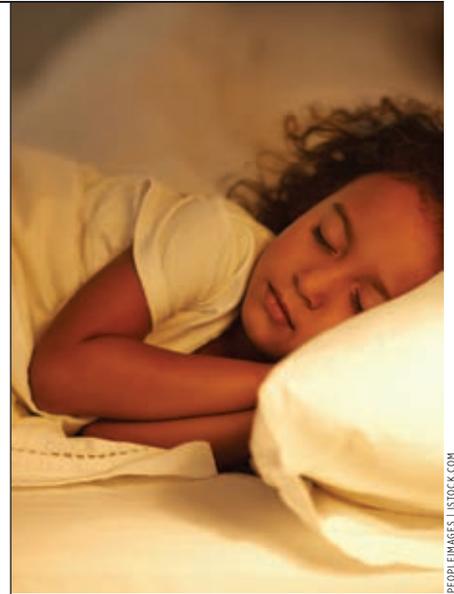
On the other hand, rural electric cooperatives have no stockholders to pay, so there's no one demanding higher rates and higher profits. HCEC operates as a nonprofit business, which means that any funds remaining after expenses—called "margins"—are reinvested in the co-op to improve service to our community, or they are returned directly to you.

That doesn't mean your rates are artificially high. Just the opposite is true: If HCEC couldn't derive its operating capital from members' payments, it would have to borrow the money from a bank or other source, which could cause your rates to increase. Member-furnished funds, called "patronage capital," are used for a period of time for projects such as system improvements and new construction. As new funds continue to come in during subsequent years to replace the old ones, the original funds are paid back to members in the form of "patronage dividends" or "capital credits."

These capital credits payments from HCEC are called "returns" or "retirements." They won't make you rich; most people get just a few dollars, depending on how much electricity they bought from us during the time covered by the retirement.

Generally, you won't see your money during the same year you paid it in. Most co-ops put margins to work for several years first, which also helps keep rates lower than they might be otherwise. The many parts of the capital credits system work together to keep rates low and provide acknowledgment to members for your financial stake in HCEC.

We want all members to receive their capital credits. Please visit our website at houstoncountyelec.com to find any unclaimed capital credits in your name. Retiring capital credits is a unique business practice that allows cooperatives to give back what they're finished using. Your HCEC membership and capital credits are part of the cooperative difference.



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Hear the Beep Where You Sleep

DOES YOUR BEDROOM HAVE A SMOKE alarm? It should.

Every level of a house—and every bedroom in a house—needs to have a working smoke detector. You also should check the batteries in every smoke detector and test their functioning regularly; they can't help you if they aren't working.

In addition, there are many safe practices that can help prevent fires and promote electrical safety in your home.

Follow these tips to keep your bedroom safe from electrical and fire danger:

- ▶ Tamper-resistant receptacles should be installed in all bedrooms. This device allows only plugs to be inserted while preventing access by foreign objects.
- ▶ Never leave heat-producing appliances unattended. Turn these off when you're leaving a room or going to sleep.
- ▶ If using a heating pad or electric blanket, do not place anything on top and don't leave it on unattended or while sleeping.
- ▶ Do not sleep with devices that are charging, such as phones, under your pillow.
- ▶ Never wrap or bundle cords together. This prevents the heat in them from dissipating, leading to a fire hazard.

Common Causes of Outages and Blinks

YOU KNOW YOUR ELECTRIC COOPERATIVE IS COMMITTED TO PROVIDING RELIABLE, uninterrupted electrical power to its members. But sometimes storms, car accidents and even squirrels can cause power outages. Let's look at some of the most common causes of power outages:

Animals: Critters—especially squirrels—can cause power to fail when they come into contact with specific parts of the electrical system. The co-op installs guards and barriers to protect sensitive equipment, but sometimes critters still find a way in. When an animal contacts this equipment, it creates an abnormal current, which can disrupt the flow of power.

Weather: Mother Nature can be a tough opponent. Severe weather such as thunderstorms, tornadoes and hurricanes, or the accumulation of ice and snow, can cause tree limbs to fall on power lines, resulting in outages.

Vehicles: A power outage also can occur when a vehicle or farm equipment crashes into a utility pole, which easily can bring down power lines and damage other electrical equipment.

Blinks: Has your power ever blinked off and on for a few seconds? This is known as a power blink. It happens when an animal, vegetation or another object comes into contact with a power line that serves your home. When this happens, protective equipment that acts as a circuit breaker interrupts the flow of power for a split second to reduce the possibility of damage to the electrical system.

Many times, the problem on the power lines can be isolated, which limits the number of members without electricity.

Regardless of what causes a power outage or blink, you can rest assured that your co-op always works to get your power restored as soon as possible. Our top priority is to provide you with the safe, reliable electricity you depend on.

Squirrels can cause power outages by coming in contact with sensitive equipment.



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Houston County Electric Cooperative

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Contact Us

TO REPORT A POWER OUTAGE, CALL OUR 24-HOUR HOTLINE

1-800-970-4232 toll-free

BUSINESS HOURS

Monday–Friday, 8 a.m.–5 p.m.

CUSTOMER SERVICE

For general information during business hours

(936) 544-5641 local

1-800-657-2445 toll-free

To report an outage or other problem with electrical service, press 1.

To make a payment over the phone or speak with a member services representative in the billing department, press 2.

For electrical connects, transfers and disconnects, press 5.

For directions to our office, mailing address or fax number, press 6.

For satellite internet services, press 7.

For staking and construction, press 8.

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Houston County Electric Cooperative

78TH ANNUAL MEETING

Thursday, November 2

1100 Edmiston Drive | Crockett 75835

Doors open at 4 p.m. • Business meeting at 6 p.m.

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