

Patronage Dividends

Q

Why do I receive patronage dividends?

A

As a member of ECI, you are a partial owner of the Cooperative—with a vested interest in our operations.

Patronage dividends are a benefit you receive from belonging to an electric cooperative such as ECI REC.

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Hours

MONDAY-FRIDAY

Closed Saturdays, Sundays, and holidays

OFFICE

7:30 a.m. to 4:00 p.m.

LINE DEPARTMENT & MEMBER SERVICES DEPARTMENT

7:00 a.m. to 3:30 p.m.



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A Touchstone Energy® Cooperative

A Benefit
of Belonging



What are patronage dividends?

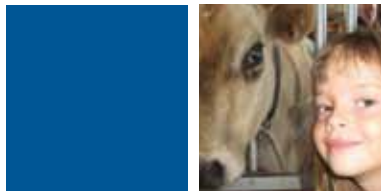


Patronage dividends represent your ownership in East-Central Iowa REC. At the end of each year, your Cooperative totals revenues and subtracts expenses. The remainder (called margins) is

allocated to one of three funds:

- A contingency fund that is used to offset unforeseen losses such as repairing lines damaged in a major storm.
- A surplus account that is required by Iowa law.
- A revolving fund, which is the subject of this brochure. Also known as allocated patronage dividends, funds in this account are allocated to the individual accounts of members who purchase electricity from East-Central Iowa REC during a given year.

Patronage dividends are not a savings account; they are not cash set aside for each member. Patronage dividends represent financing contributed by ECI REC members and are used to buy hard assets such as poles, wire, substations, trucks, and equipment.



When are patronage dividends allocated to the members?



Patronage dividends are allocated to members after the annual audit is submitted to, and accepted by, the Cooperative's Board of Directors. This usually occurs at the April Board meeting, and members receive their notice in May.



How are patronage dividends calculated?



We first take our total margins allocated to the revolving fund within a given year and divide that number by the total revenue received from members during the same year. The resulting number is then multiplied by the total dollars that you paid for electricity during that same given year.

For example:

- The Board allocates \$500,000 to the patronage dividend revolving fund.
- The total revenue the Cooperative received from members was \$20,000,000.
- 500,000 is divided by 20,000,000, resulting in the number .025.
- If you purchased \$1,200 worth of electricity from us during the year, we would multiply \$1,200 by .025 and allocate \$30 to your patronage account.



Does the Cooperative ever return these patronage dividends to me as cash?



Yes, we do. It is the current policy of your Board of Directors to "retire," or return as cash, \$500,000 each year. However, this is only done if the Cooperative is financially strong enough. For instance, in 2007, our poles and wires sustained approximately \$10 million in damage from a winter ice storm. That year the Board decided to use all available funds to help pay for repairs to the distribution system; it did not think it wise to retire patronage that year given the financial needs of the Cooperative.

In 2012 the Board returned all of the margins allocated to the revolving loan fund in 1994, which totaled \$328,321. It also returned \$171,678 in patronage from 2006—for a total of \$499,999.

ECI REC members received the retired patronage dividends as a credit on their June electric bill if they were members in 1994 or 2006. Members who no longer receive electric service from ECI REC, but were members during 1994 or 2006, received checks in the mail if we had their current address. To limit expenses, we wait until we owe past members \$5 or more to mail their checks.

Upon the death of a member, the patronage dividends at the date of death will be available for the estate retirement process. The estate administrator should contact ECI REC in order to settle the account.