



Vernon Electric Cooperative

"Information for our member-owners."

What are capital credits?

Recently you may have received a notification of your capital credit allocation from the Cooperative. Here's some detail on what that means...

In 1935, when the Rural Electrification Administration (REA) was established, the federal government and rural people joined to form rural electric cooperatives. This joint effort built lines to bring electricity to the farms and homes in rural Wisconsin, and all of rural America. The value of the cooperative, to you and other members, is the services it provides. The purpose of your electric cooperative is to provide electricity and a variety of support services to you at the lowest possible cost. It does not exist to generate profit for a group of investors.

Your cooperative does, however, generate margins, which is returned to the members over a period of time. It is important to realize there is a difference between "revenue" and "profit." The cooperative must generate enough revenue to cover all costs of providing service and operating the cooperative. Any profit, or margins, left at the end of the year is allocated to the members as capital credits.

On an annual basis any income remaining after deducting all expenses is the "net margin." This amount represents capital credits. Capital credits

are divided among the members, or owners of the cooperative, in proportion to their economic participation. This follows the cooperative principle that ownership benefits are generally in proportion to use.

Although the margins are annually allocated and assigned to members, they aren't necessarily distributed at that time. Capital credits, or patronage refunds, as they are sometimes called, represent an important source of financing for the cooperative. Just as the benefits of a cooperative are tied to use, so is the responsibility to finance the business. The cooperative is financed when you pay for electric service and through retaining capital credits.

Your board of directors, made up of members just like you, decides on the amount of capital credits that can be returned to the members each year and still keep the cooperative on a sound financial basis. The retained amount belongs to you and will be paid out at a later date. Each cooperative develops its own method for returning capital credits. For more detailed information please give our office a call or send us an email with your questions.

Telling the story of capital credits emphasizes the most important principle of the cooperative - it belongs to you!



1

Your cooperative tracks how much electricity you buy and how much money you pay for it throughout the year.



2

At the end of the year your cooperative completes a financial analysis and determines the amount of excess revenues, called margins.



3

Your cooperative allocates the margins to members as capital credits based upon their use of electricity during the year.



4

When the cooperative's financial condition permits, your board of directors elects to retire, or pay, the capital credits.



5

Your cooperative notifies you of how and when you'll receive your capital retirement.



Leave energy waste in the past with a **FREE** Pack of energy-saving products for your home from our partner **Focus on Energy®**. Visit focusenergymarketplace.com/free or call 800-447-5051 to order yours today.

Spring Safety Checklist

- All empty outlets have outlet covers if small children are present.
- All electric cords are in good condition – not brittle.
- All electric cords are out of harms way – cannot be stepped on or tripped over.
- Electric cords are not covered by rugs or other furniture.
- Extension cords are not used long term.
- Extension cords are rated for condition of use – outside/inside.
- All outlets are grounded – three holes.
- Appliances with three-pronged plugs are in grounded outlets.
- Cheater plugs, if used, are installed properly – grounded.
- Halogen torch lamps, if any, are in a safe location – can't be knocked over.
- Outlets in possible wet locations are GFCI protected – bathroom, kitchen, basement, garage, outside, etc.

- Power tools are clean and properly maintained.
- No wiring is exposed. Wiring connections are contained by proper coverings and junction boxes.

Safety Practices

- Never use electric appliances or power tools while standing on a wet surface, or if your hands are wet.
- Unplug appliances before cleaning them.
- Pull the plug, not the cord, when disconnecting it.
- Watch out for overhead power lines when moving tall things.
- Call Digger's Hotline at 811 to mark utility cables before any excavating.
- Know what to do in an electrical emergency.
- Teach others to be safe around electricity.
- Home fire extinguisher is rated for electric fires (type C)



Improving Transparency

Members have always had access to Vernon Electric's board minutes and Co-op policies through printed versions available at the Co-op's office. Now you can access board minutes and policies easier and more conveniently through SmartHub. Here's how:

Computer

1. Log in to your SmartHub account (or set up a new account if you don't have one)
2. Select "My Profile" > "Documents"

Smart Phone or Tablet

1. Open and log in to your SmartHub App (or download it free in your app store)
2. Go to "Documents" (on smaller screens you may need to look in "More")



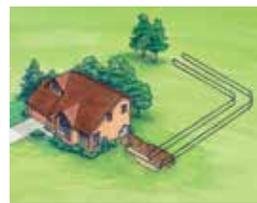
Geothermal Investment Tax Credit Extended Through 2023

The pandemic relief bill Congress passed in December 2020 also included some economic stimulus components. One item didn't get as much fanfare as others but is relevant to cooperative members.

The Federal Investment Tax Credit (ITC) for residential geothermal heat pump systems – which was due to expire at the end of 2021 – was extended. New installations can qualify for a 26 percent credit through 2022, and 22 percent in 2023 with the tax credit expiring as of Jan. 1, 2024. Eligible expenses include labor, onsite preparation, assembly, equipment, piping or wiring to connect a system to the home and some electrical upgrades.

"We are ready to work with members who want to learn more about geothermal heat pumps," Dave Maxwell, director of marketing and communications said. "The efficiency of a geothermal heat pump is the best on the market. Although the up-front installation

can be more expensive than a furnace or air conditioner, the extended tax credit can help members, in addition to lower monthly energy costs. Vernon Electric also offers an incentive of \$500 per ton for installing a geothermal heat pump."



Many members currently use two different systems to heat and cool their homes: a furnace and an air conditioner. When it's time to replace both, a member should consider whether to repurchase two separate systems or to put that cost toward a geothermal heat pump, which can heat and cool a home. For every unit of electricity used to power a geothermal heat pump, the system delivers more than four units of heating or cooling. That's over a 400-percent efficient system. The energy savings from a geothermal heat pump results in a five-to-ten-year payback for most homeowners.

DoWATT'S Right!

Heating, Ventilation and Air Conditioning (HVAC) Rebates Available

- Air-Source Heat Pumps* \$250 per Ton
- Geothermal Heat Pumps* \$500 per Ton
- Variable-Speed Furnace Blower motor* \$35 per System
- Electric Thermal Storage (ETS) Heaters up to \$450
- Electric Boilers up to \$450
- Electric Plenum Heaters \$5 per KW

*Additional incentives may be available from Focus on Energy
(www.focusonenergy.com or 1-800-762-7077)

Eligibility:

- ETS heaters and boilers must be enrolled in Off-Peak Storage Heat Program
- Electric plenum heaters must be enrolled in Off-Peak Dual Fuel Program
- Other conditions apply. See rebate forms online at www.vernonelectric.org or request a rebate form by calling our office at 608-634-3121 or 1-800-447-5051.

To see all rebates and incentives available for water heating, appliances, lighting, agriculture, commercial, water conservation, electric vehicle charging stations, and energy audits, visit www.vernonelectric.org or request information by mail. Also check out www.focusonenergy.com or call 1-800-762-7077 for even more incentives. Vernon Electric and Focus on Energy incentive programs are separate and have separate application processes.

Watt's New

The information in this newsletter has been prepared for you by David Maxwell, Marketing and Communications. Comments or questions regarding information contained here should be directed to:

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