



Tri-County Rural Electric Cooperative, Inc.

People you can count on.

22 North Main Street
P.O. Box 526
Mansfield, PA 16933-0526
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Fax: 570-662-2142

Dear Member:

I am writing today in order to share some information about changes we are making to the capital credits retirement program. **Please refer to the backside of this letter for commonly asked questions and answers.**

One of the many benefits of being in a cooperative is that during years in which the co-op collects more revenue than it spends, members enjoy the profits, so to speak, in the form of a refund, more appropriately called a capital credits retirement.

As you are probably aware, when the cooperative retires capital credits, we provide a credit to current members' electric bills or mail checks to inactive members. We have always retired the oldest capital credits on our books, so our capital credits retirements lag behind the allocation of those credits by about 30 years. In other words, margins that the cooperative earned and allocated to members in the mid-1980s are just now being returned to those members as refunds, which we call patronage capital. Historically, the cooperative has used retained margins to help fund plant replacement. Utilizing margins for capital projects like rebuilding substations, constructing line or purchasing poles helps reduce the amount of money that we would otherwise need to borrow from lending institutions.

For some time now, members have been requesting that we retire capital credits in a timelier manner. Your board of directors has listened to your suggestions and has decided to provide members with an opportunity to receive their capital credits the year after they are earned. Under this new hybrid capital credits retirement program, we will continue retiring the oldest capital credits in full, but we will also retire capital credits, at a discounted rate, that members earned in the most recent year.

To take advantage of this opportunity to receive your most recently retired capital credits, no action is required on your part. Unless you opt out of this voluntary program, you will see a credit on your December electric bill reflecting the capital credits that were allocated to your membership account in 2016.

If you would prefer to wait until the normal retirement date to receive your capital credits retirement, you can opt out of the hybrid program by calling the Mansfield office at 1-800-343-2559 weekdays between 7:30 a.m. and 4 p.m. You can also send an email indicating you wish to opt out of the hybrid capital credits program to: billing@tri-countyrec.com. The deadline to opt out of the 2016 capital credits retirement is Nov. 15, 2017.

Further details about the program, along with a mail-in form for those wishing to opt out of the program, will appear in the November issue of Penn Lines. If you have additional questions, please contact us at 1-800-343-2559.

Sincerely,

Craig Eccher
President & CEO

What are capital credits?

Your electric cooperative is different from an investor-owned utility. Tri-County Electric Cooperative is owned by the people to whom it supplies energy--the members. Capital credits represent each member's ownership stake in the organization. At the close of each fiscal year, the cooperative's margins (revenues in excess of expenses), if any, are allocated back to the membership in the form of capital credits.

Why does it take so long to receive my capital credit refund?

Historically, the cooperative has used those retained margins to help fund plant replacement. Utilizing margins for capital projects like rebuilding substations, constructing line or purchasing poles helps reduce the amount of money that we would otherwise need to borrow from lending institutions.

Why is my capital credit refund being discounted?

The present value of future dollars is discounted because you are receiving the money earlier than normal. If money is owed to you in 30 years, the present value of that money would be less. The further in the future the money is owed the greater the discount will be.

How much will it be discounted?

The discounted rate is based on a mathematical formula that will calculate the present value of your capital credit refund. Based on that formula you will receive 23.94% of your total capital credit refund for 2016.

What if I don't want my refund to be discounted?

You can opt out of the early retirement. Simply call 1-800-343-2559 weekdays between 7:30 a.m. and 4 p.m. You can also send an email indicating you wish to opt out of the hybrid capital credits program to: billing@tri-countyrec.com.

If I opt out of the early retirement, when will I receive my refund?

Currently the Cooperative is on a 30-year rotation of returning capital credits to members.