

## What is a cooperative, anyway?

**Jim Kinghorn, Executive Vice President & General Manager**

Many of the customers of Cape Hatteras Electric Cooperative understand at least part of what being a cooperative means. This article will give a brief overview of the ways in which a cooperative form of business operates and how it is similar to and different from other types of businesses.

First, a cooperative is owned by the same individuals to whom it provides its goods or services. Cooperatives alternately refer to our customers as Members, Member-Owners or Consumers. While other non-cooperative businesses such as discount buying clubs and credit card companies may refer to you as a "Member," technically you are still just a customer, or a user of their services, not an owner.

Cooperative Members really are owners of the business. In fact, as of the end of 2009 our members, as a group, owned approximately 55% of the business. The remainder of the business is financed with several mortgages.

### How did I come to own part of the business?

This is a little more difficult to explain.

Cooperatives claim to operate as non-profit organizations and in the end result, actually do. But each year not only does an electric cooperative need to collect enough money through the rates to pay all the bills and make payments on the mortgages, but also it must collect excess funds, similar to what a profit making business does, to maintain a level of financial stability required by lenders. Cooperatives refer to these funds as "margins" as they are accounted for during the year. After closing the record books each year, the margins are allocated to the members based on the dollar amount of electrici-

ty purchased during the year. After that allocation, the margins are referred to as "capital credits."

### So where is my money and when can I get it back?

Much like the profits that most stock-owned companies refer to as retained earnings, some of these funds are invested in the facilities of the cooperative such as poles, wires, transformers, buildings and substations as the business grows. Some is retained as operating funds and the remainder (similar to what profit making companies call "dividends") is refunded to you in the following year. Around December each year, the refund is sent as a check or returned as a credit on the members' bill. This is the big financial difference between a cooperative and a stock-held company. You receive the excess funds back in a cooperative; the stockholders receive the excess funds of their business.

### What about my ownership that is invested in the cooperative facilities?

These funds are returned to members over a longer term also as capital credits retirements in future years. In addition to the capital credit refunds you receive from the prior year, some members will also receive some funds from the oldest year remaining un-refunded. In 2009 this oldest year was 1975. In 2009 the Cooperative completed refunding capital credits for 1975 and refunded a portion of the capital credits from 1976. So if you received service from the cooperative in 1975 or 1976, some of your 2009 capital credit refund was from 1975 and 1976 and some was from 2008. Eventually all capital credits will be refunded.

Capital credits not only make us a cooperative, they also reduce our costs

by reducing the amount of money the cooperative has to borrow, repay and pay interest on.

### So how else is a cooperative different from other types of businesses?

In addition to being an owner in the business, cooperative members have a voice in how the business is operated. Each year prior to the Annual Meeting of Members, cooperative members elect several of the members of the cooperative's board of directors. For 2010, this process is already underway. The elected directors act as the governing body of the business by setting policy, approving budgets and reviewing the operations of the business throughout the year.

Over the years, a number of Cooperative Principles have been established by cooperative associations.

- Voluntary and Open Membership
- Democratic Member Control
- Members' Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Cooperation Among Cooperatives
- Concern for Community

If you are not familiar with these Cooperative Principles, you can find various websites that give an explanation. One such website is that of the International Cooperative Alliance, [www.ica.coop](http://www.ica.coop). As the list above is reviewed, it is significant that some of these principles involve actions that are not normally a stated part of for-profit businesses. While cooperatives are not primarily public welfare entities, some of the activities in which they engage do provide more of a return to the community than is normally expected of for-profit businesses.

# Rich Kenner promoted to Director of Public Relations and Marketing

Cape Hatteras Electric Cooperative is pleased to announce the promotion of Rich Kenner to the CHEC Director of Public Relations and Marketing position. A graduate of Radford University, Rich has demonstrated enthusiasm and creativity during his employment with CHEC since 2006. Rich has a solid electric cooperative background as his father retired from Northern Neck Electric Cooperative in

Virginia, having served in a public relations role for 36 years. Rich's mother has been employed at NNEC for over 40 years and currently serves as Vice President of Corporate Services. Rich and his wife, Karrie, have been residents of Hatteras Island since 2001. They are members of Hatteras Island Christian Fellowship and reside in Buxton.



## CHEC offers GENERAC standby generators

Cape Hatteras Electric Cooperative works hard to provide you with reliable energy. However, extended unplanned outages can occur. CHEC has teamed with Dominion Products and Services, a subsidiary of Dominion NC Power, to provide a great new service.

CHEC now offers GENERAC generators to cooperative members. These permanently installed, propane-fueled

GENERAC's OHVI® engine was specifically designed for generators. The OHVI® engine out performs competitive generators with a long life engine and significantly longer periods between scheduled maintenance checkups. The GENERAC also has a user friendly, trilingual LCD display with controls for programmable diagnostics and getting information at-a-glance.

GENERAC standby generators are available in sizes to meet individual needs. A twenty-four month, interest free payment plan is offered on all installations. To schedule a site visit to discuss professional installation or to get more information please call toll free, 1-888-396-5560.



generators are one of the most powerful air-cooled units on the market today. In addition to coverage of essential circuits, these generators can provide back-up for multiple air conditioners and other electrical and electronic equipment in your home like home theaters and offices. Recommended for salt-air coastal locations, the GENERAC generator offered by the cooperative has an aluminum all-weather enclosure that prolongs the life of the generator with corrosion resistant protection from the elements.

*"I just want to say how pleased we are with the installation and setup of our new generator... All in all, a very professional and clean installation. It is just hard to believe that it is finally a reality! Kudos to Dominion Power and Cape Hatteras Electric for a job well done!"*

—Cape Hatteras Electric Cooperative member, Jim Coffey

### Attention CHEC members

The final date to apply for the CHEC Touchstone Energy Sports Camps for upcoming sixth, seventh and eighth grade boys and girls is March 31, 2010. Roy Williams basketball camp for boys: June 19-23, University of North Carolina at Chapel Hill; and the Kellie Harper basketball camp for girls: June 20-23 at N.C. State University in Raleigh. Contact Anne Swain (252) 995-7082 or [annes@chec.coop](mailto:annes@chec.coop) for further information. The two basketball scholarship winners will be announced by May 1.

CHEC scholarship packets will be delivered to Cape Hatteras Secondary School 2010 graduating seniors on March 1, 2010, with a final return due date of March 15, 2010. Scholarships are available for two four-year college scholarships and two two-year college or community college scholarships. Scholarship interviews begin on April 13, 2010.



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