

**SIERRA ELECTRIC COOPERATIVE, INC.**  
**MEMBER NEWSLETTER October, 2015**  
(575) 744-5231 [www.sierraelectric.org](http://www.sierraelectric.org)



John Bokich,  
President

## *President's Pen*

### *Patronage Capital*

A term that you may have heard from time to time, most likely in communications from Sierra Electric Cooperative (SEC) either through our newsletter, at the Annual Meeting or when you receive a check made out to you as a member of our co-op. All of us enjoy receiving a check in the mail, and as a Trustee of SEC, I often get the question, "What is this for, anyway"?

Well, like most of you, before I was elected by you to represent you on the Board of Trustees, I didn't have any idea what the Patronage Capital check was for, but was appreciative to receive it. While it wasn't enough to pay off my mortgage or buy a new pickup truck, it was still a positive.

Patronage Capital, also referred to as Capital Credits, is considered by experts to be one of the most discussed, argued, misunderstood, important, fascinating and unique terms in the world of electric cooperatives. Remember, a Cooperative is owned by the membership....you. You elect a Board of Trustees to represent your interests, and the Board hires a General Manager to run the ship. The General Manager manages the day to day operations of the co-op, with a team of managers and employees that he selects and guides to ensure that the cooperative can continue to provide electricity to our members in the most cost effective, reliable, consistent and safe manner.

Put VERY simply, Patronage Capital is the balance of revenue minus the expenses it takes during a given year to maintain, grow and manage the cooperative. That margin, or revenue over expenses, is your money but it is retained by the co-op for a period of time to help reduce future borrowing needs and to help keep your rates as low as possible. It is distributed back to you, the members, when it is financially feasible for the cooperative.

This is a unique circumstance in the world of business, especially for the supply of your home utilities, but resembles a "dividend" that is issued by a public company to its shareholders. Even though your cooperative is a non-profit enterprise, our bankers require us to maintain some margin above expenses to show that we are a viable enterprise.

While a complicated subject, Capital Credits are the distribution of funds back to the members when the cooperative can afford to do so. This is not only a sign of a healthy and sustainable electric cooperative, but also fulfills a promise we made to you when you became a member and signed up for electric service.

If you have questions or comments, you can contact your General Manager, Jimmy Capps at [jcapps@secpower.com](mailto:jcapps@secpower.com) or me, John Bokich at [johnbokich@secpower.com](mailto:johnbokich@secpower.com).

*SEC IS AN EQUAL OPPORTUNITY PROVIDER AND EMPLOYER.*  
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 City of Elephant Butte.  
 Thank you for encouraging  
 Local businesses & citizens to be a part of  
 "The Most Patriotic City in New Mexico"*

October 13, 2015

ATTEST:

Liz Foster  
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