



CONNECTIONS

NEWSLETTER

FALL QUARTER | 2018

Welcome to YOUR quarterly co-op newsletter

Dear members,

Slope Electric Cooperative conducted its biannual member satisfaction phone survey in March 2018. One of the questions asked was, "How do you prefer to receive information about your electric cooperative?"

As you may be aware, Slope publishes industry news in its *North Dakota Living* local pages, on its website at www.slopeelectric.coop/ and on Facebook. You can also read alerts on SmartHub, an application that allows members to access electric accounts on mobile devices and provides a "My Account" Web portal.

We learned in this year's member satisfaction survey that the greatest percentage of members prefer to receive information by published newsletter.

To extend this line of communication with our members, Slope will publish a quarterly newsletter that will provide information on topics that may be of interest. In this first newsletter, we will focus on capital credits and bill credits.

If there are topics you'd like us to feature in the coming months, we appreciate hearing from our members. Email us at comments@slopeelectric.coop, or call 701-579-4191 or 800-559-4191 during business hours Monday through Friday, between 8 a.m. and 4:30 p.m. MT.

Thank you for being active and involved co-op members. We appreciate the opportunity to serve you.



CONNECTIONS



SLOPE ELECTRIC COOPERATIVE OFFICERS AND DIRECTORS

Lauren Klewin, President
Steve Wegner, Vice President
Anthony Larson, Secretary
Jerome Caron, Treasurer
Angela Carlson, Director
Dale Hande, Director
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MANAGEMENT

Donald A. Franklund
CO-GM/CEO

Travis Kupper
CO-GM/CEO

www.slopeelectric.coop



Become a fan of Slope Electric Cooperative to learn timely co-op news!

Slope Electric Cooperative, Inc., is an equal opportunity provider, employer and lender.

Members get the credit

When members sign up to receive electric service from Slope Electric Cooperative, they become a member of an electric utility.

Slope is a nonprofit business that exists only to provide goods and services to you, our member-owners; not to make a profit for a shareholder or investor. Cooperatives are operated to provide electric service to their members as reasonably priced as possible.

While investor-owned utilities return a portion of any profits back to their shareholders, electric co-ops operate on an at-cost basis. Instead of returning leftover funds, known

as margins, to folks who might not live in the same region or even the same state, Slope periodically allocates any margin (profit) to members as capital credits (also called patronage dividends, patronage refunds, patronage capital or equity capital) based upon their purchase of electricity during the year.

The board of directors analyzes the current financial strength of the cooperative, and at its discretion, decides whether to proceed with a general retirement of capital credits for that calendar year.

A cooperative's members are also the people it serves. Capital credits reflect the ownership in, and contribution of capital to, the cooperative.

Normal rotation of capital credits

Capital credits are allocated based on patronage revenue.

Capital credits are paid to the member based on a rotation basis.

This year, Slope is retiring \$836,070 in the normal rotation of capital credits.

Checks will be sent by separate mailing and will arrive mid-November.

A capital credit retirement may have tax implications. Check with your tax professional with any questions you may have.



Early Retirement Options

Your cooperative continues to offer an early retirement option to estates upon the death of an individual member. We want to remind you that Slope does not retire capital credits early, even if a member moves. Those credits are retained and will be retired through the general retirement process. Therefore, if you move, please keep us informed of your current address.



Q&A

Common capital credit questions and answers

What are capital credits?

An electric cooperative operates on an at-cost basis by annually “allocating” to each member the operating revenue remaining at the end of the year, based upon the member’s amount of electricity purchased. Later, at the discretion of the board and as financial conditions permit, these allocated amounts – capital credits – are retired.

Where does the money come from?

Member-owned, not-for-profit electric cooperatives set rates to generate enough money to pay operating costs, make payments on any loans and provide an emergency reserve. At the end of each year, they subtract operating expenses from the operating revenue collected during the year. The balance is called an operating “margin.”

How are margins allocated?

Margins are allocated to members as capital credits based on how much power the members used.

Are capital credits retired every year?

The board of directors, at its discretion, decides whether to proceed with a general retirement of capital credits for that calendar year. During some years, the co-op may experience high growth in the number of new accounts, or severe storms may result in the need to spend additional funds to repair lines. These and other events might increase costs and decrease member equity. For

this reason, Slope’s ability to retire capital credits reflects the cooperative’s strength and financial stability.

Do I lose my capital credits in the years the co-op decides not to make a retirement?

No. All capital credits allocated for every year members have been served by Slope are maintained until such time they are retired.

Why can’t Slope write me a bigger check; it’s hardly worth cashing?

Capital credit allocations are based on your patronage of the cooperative on an annual basis. If your patronage is small for that period of time, your check will reflect it.

Why doesn’t Slope reduce rates instead of paying members a bill credit or sending capital credit checks?

Slope needs to plan for the future and remain fiscally sound. During some years, the co-op may experience high growth in the number of new accounts, or severe storms may result in the need to spend additional funds to repair lines. These and other events might increase costs and decrease member equity. A rate decrease would be a reaction to a short-term issue.

When we discuss capital credits in our publications and with you, our members, you often hear/see the terms margin, allocation and retirement. What do they mean?

Margins: Cooperative profits after meeting all financial obligations.

Allocation: This information is provided each year as an official record of your capital credits.

By allocation, we mean that we assign your share of the margins to a holding account in your name. Capital credits are used by your cooperative for operating funds, and at some later date, paid back to members as the financial condition of the cooperative permits. These amounts are not payable at this time and do not represent cash, but rather your equity in our cooperative.

Retirement: Once capital credits are allocated, they are retained by the cooperative. They are retained because capital credits are the most significant source of equity for the cooperative. Equity is used to help meet the expenses of Slope, such as paying for new equipment to serve members and repaying debt. Capital credits may help keep rates at an affordable level by reducing the amount of funds that must be borrowed to grow and maintain your cooperative’s existing electric system. The Board of Directors reviews the cooperative’s financial health each year and may declare a retirement (your cash back), whereby a portion of your capital credits are returned to you. When capital credits are returned to the members, you are seeing the return on your investment. This is one of the benefits of being served by a cooperative.



Unclaimed capital credits

The April local pages of *North Dakota Living* contain the names of current or former Slope members who have unclaimed capital credit checks that were mailed last November. These checks have been returned to Slope by the postal service because they could not locate the members at the address on file. A further search by Slope personnel has not turned up their whereabouts. We have heard from many of you, and with that updated information, Slope has been able to update our files and deliver a number of checks. Thank you. However, if you have not had a chance to look through the list of names, we encourage you to do so.

If you know the whereabouts of people on this list, please have them contact our office at 701-579-4191 or 800-559-4191.

Please keep in mind that not all of the capital credit amounts are large, but we would like to get these checks to the proper parties.

Persons who wish to claim checks from the list published in the April local pages of *North Dakota Living* will need to provide proper personal identification.

BILL CREDITS

Strong financials lead to end-of-year return

At the end of each year, Slope completes its financials. The co-op then prepares a budget to plan for future needs.

Many things are considered while preparing the budget in addition to the current financial status, such as the cost of money, management plans, construction projects, maintenance projects, generation and transmission forecast, and politics.

When the current year's financials are stronger than forecasted, the Slope board of directors may issue a bill credit to the members.

Adjusting the cooperative's margin as a bill credit, rather than allocating money as capital credits, allows the members of Slope to receive an immediate benefit. It also allows Slope to maintain its margins (which will be allocated) within expected and manageable levels.

The last bill credit issued to members occurred in December 2017. It was based on kilowatt hours used by each member from January through October 2017.

Slope's 2018 financials are again stronger than forecasted. Once again, members will find a

bill credit on their bill received in December. Please look for your credit on the line item entitled "Slope Bill Credit."

If you have any questions, please contact us at 701-579-4191 or 800-559-4191 during business hours Monday through Friday, between 8 a.m. and 4:30 p.m. MT.