

Why LCEC customers must wait seven years to get equity



FRANK BUMB, FBUMB@NEWS-PRESS.COM 7:15 a.m. EDT March 22, 2016



(Photo: news-press.com)

When Linda Biondi's mother died in February, she did all the things you do when a parent dies. But one of those activities will take quite a bit longer than she'd expected.

Biondi's mother was a customer of the Lee County Electric Cooperative for more than 20 years. She had built up an equity stake in the nonprofit electric provider of more than \$1,500. It will take Biondi and her two siblings at least seven years to gain access to those funds from LCEC.

Biondi said she and her siblings are not desperate for the money, but the time LCEC makes former account holders wait concerns her.

"What if you've got a parent who's 90, they're selling their house because they're going into assisted living and they need that money to live? Do they have to wait seven years?" Biondi said. "That's what concerns me. It's not the money, it's about how long it takes to get it, especially for other people who may not be as well off."



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Equity is not a cash account, but the accumulated credit that members – the residents, businesses and governments who purchase electricity from LCEC – accrue by paying their bills. LCEC then uses that equity for capital purchases and borrows against that equity at low interest rates. After an account is closed and has no activity for seven years, the account holder – or their heir – is eligible to receive the accumulated equity.

Karen Ryan, an LCEC spokeswoman, said the seven-year timeframe is less than several other comparative cooperatives. Further, it allows the cooperative to keep rates low by keeping its borrowing costs low.

"Our lenders require us to have a certain level and so we always need to keep certain amount of (net margins) to give us a good interest rate," Ryan said.

Biondi's concerns flow from interlocking policies set by the LCEC Board of Trustees involving millions of dollars in accumulated equity.

Policies that the city of Cape Coral – which is engaged in tense negotiations with LCEC over a franchise agreement – say are one-sided in the cooperative's favor against its customers and Cape Coral residents.

Assistant City Manager Mike Ilczyszyn pointed to LCEC's policy that lets it keep the equity if it goes unclaimed for three years after the seven-year timeframe to be put back in its general equity fund. In essence, if an account holder doesn't claim the equity from a closed out account 10 years after it is closed, LCEC will fold it back into the pool from which it sends equity checks to current customers.



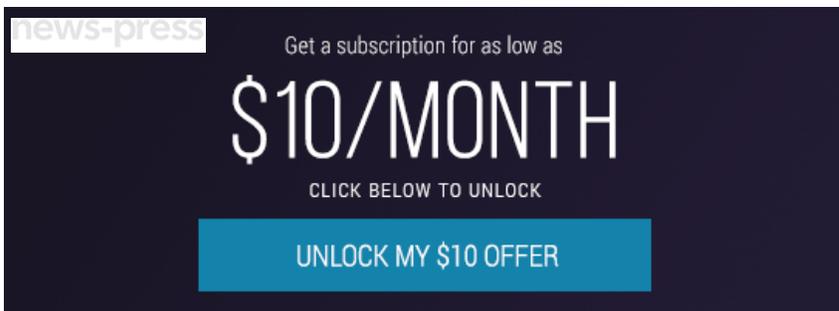
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"As members we have to wait seven years to get access to our equity. But LCEC only has to wait three years to get it," Assistant City Manager Mike Ilczyszyn said.

Ilczyszyn said the largest issue is how much money the cooperative declares unclaimed and then reintegrates back to its general member equity. According to Ilczyszyn, LCEC financial statements said that of the \$38.5 million in equity from closed out accounts, also known as retired equity, over the last seven years, LCEC has declared \$14.5 million of that “unclaimed” and folded it back into its general member equity for distribution to current members.



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Karen Ryan, a spokeswoman for LCEC, said the cooperative makes every effort to get unclaimed equity money to members with inactive accounts.

“If the final equity check is undeliverable we utilize in-house resources to try to find the inactive member’s address then we turn to global information services company Experian to try to track them down,” Ryan said in an email. “If we cannot locate the customer through those efforts we hold on to their final equity retirement for three years (with the hopes they will contact LCEC) before returning it to LCEC member equity in accordance with Florida Statute.”

When asked about the seven-year wait time for former account holders, Ryan pointed to cooperatives such as West Florida Electric, Clay Electric and Suwannee Valley Electric Cooperative. They can require 25 or 30 years before equity is retired to them, she said.



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Ryan also said that the cooperative cannot move members up in the time frame to receive their accumulated equity.

“We’re sympathetic to that kind of situation, but there are other members that are involved with the cooperative that rely on the equity for LCEC to keep our rates low,” Ryan said.

Ryan compared it to donations made to a college after someone has graduated.

“I already received the good, a degree, from going to college, but I benefited from those who donated when I went, just like those who are going now benefit from my donation,” Ryan said. “It’s a little different because I have the choice of doing that, but it’s the same idea.”

According to its 2014 financial report, LCEC has about \$340 million in accumulated equity (also known as patronage equity). Ryan also said the seven-year turnaround time for retired accounts is a policy decision up to the LCEC Board of Trustees.

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