



MESSAGE FROM THE PRESIDENT

THE *perfect* PERK

Capital credits make your co-op distinctively different

In 1936, a group of farmers went door-to-door collecting \$5 membership fees from their friends and neighbors. These fees, combined with aid from the newly created Rural Electrification Act (REA), made up the original operating capital needed to establish Firelands Electric Cooperative. As the initial poles were set and the first spans of wire were hung, an entire rural community began to reap the benefits of these \$5 investments. Long ignored by for-profit utilities, they would finally have access to electricity for their homes and businesses, just like their fellow city-dwellers.

Eventually, the founding members of the cooperative would see that initial \$5 returned. To this day, this cycle of investment and return remains an important part of Firelands Electric's cooperative business model — and one of the many ways we are different from other utility providers.

Investor-owned and for-profit utilities get a large portion of their operating capital from the sale of stock to shareholders. As a not-for-profit entity, Firelands Electric does not receive financial support from stockholders. However, we still need operating capital to build and maintain our distribution system to provide you with electricity whenever and wherever you need it.

So, how do we secure this capital? While some of it comes from low-interest loans available to the co-op through the Rural Utility Service (the successor to the REA) and other resources, a significant

portion is received through the investment of members like you.

If Firelands Electric has money left over after covering all of our expenses, any margins are allocated back to our member-owners as capital credits. Reinvested into the co-op, this capital is used to maintain and improve the electrical distribution system, make repairs, and cover any other necessary costs associated with providing members safe, reliable power. You can think of capital credits as your equity — or “share” — in the cooperative.

Just like the co-op's founders, today's members still benefit from the traditional cycle of investment and return. Each spring, margins are allocated to members' capital credits based on the power they purchased. Your annual allocation notice (which you received earlier this spring) lists how much was added to your capital credits for the previous year, as well as your total balance. This capital, or investment, is then used for the day-to-day operations of the co-op, as well as insuring reliable service for future generations.

When the cooperative's financial position permits, capital credits are retired, with refunds to those members who have been invested in the co-op the longest typically given priority. This year, Firelands Electric is retiring another \$1,000,000 in capital credits to its present and past membership. Those who received electric power from Firelands during portions of 2003 and 2005, along with all of 2004, will be eligible for



Dan Schloemer
BOARD PRESIDENT

“Returning capital credits to its members shows that the co-op is not just about making money.”

— Mitch Tyson

Mansfield, 35-year member
of Firelands Electric Co-op

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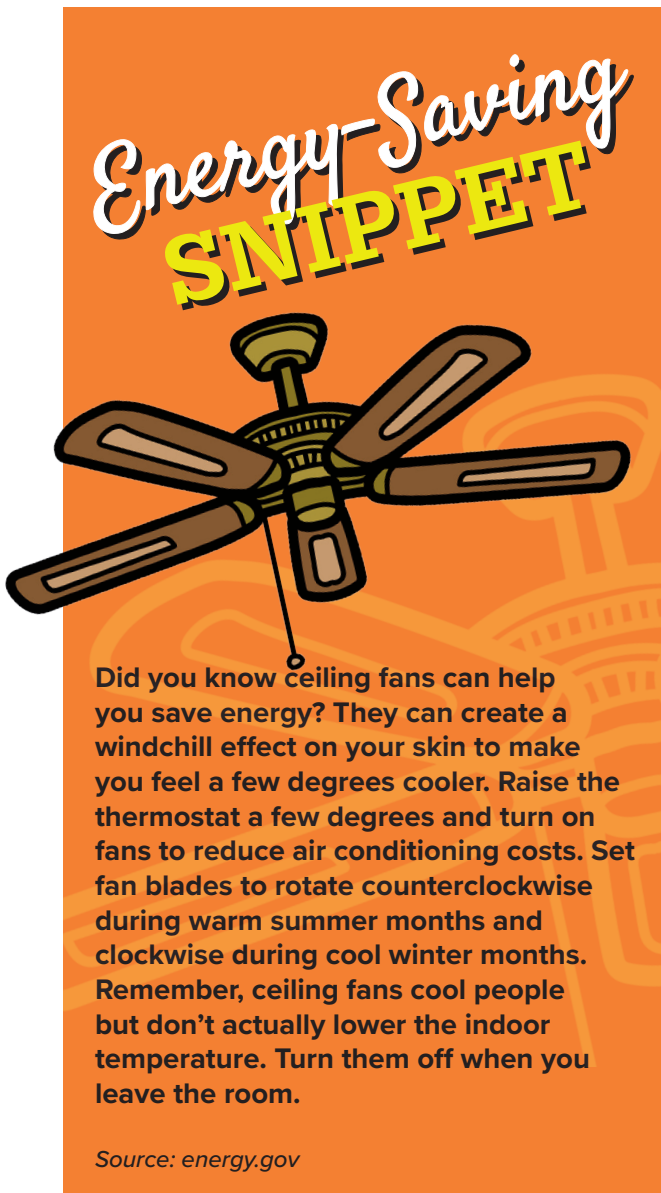


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refunds, which will automatically be applied to the August bills of current members and sent by check to former members.

As a member-owner of Firelands Electric, you invest in the cooperative every time you pay your bill. And by reinvesting capital credits into the cooperative, Firelands is able to uphold its promise — to provide you with dependable power and superior service.

For additional information about capital credits, check out the Q&A on this page or contact the Firelands Electric Cooperative office at 1-800-533-8658.



**Energy-Saving
SNIPPET**

Did you know ceiling fans can help you save energy? They can create a windchill effect on your skin to make you feel a few degrees cooler. Raise the thermostat a few degrees and turn on fans to reduce air conditioning costs. Set fan blades to rotate counterclockwise during warm summer months and clockwise during cool winter months. Remember, ceiling fans cool people but don't actually lower the indoor temperature. Turn them off when you leave the room.

Source: energy.gov

CAPITAL CREDITS Q&A

What's the difference between allocated and retired capital credits?

An allocation is made annually for every member based upon Firelands' margins for the year and the amount of electricity the member purchased. This amount is set aside to be used as operating capital for maintaining the co-op's distribution system. Co-op members receive an allocation notice every year, which is simply a report showing their capital credits balances for the current and previous years.

A retirement is the portion of a member's capital credits balance that is being refunded. The amount retired is decided annually by the board of trustees based on the financial health of the cooperative.

Will I receive a refund every year?

Like any investment, receiving a payout takes time. The board of trustees authorizes retirements based on the financial condition of the co-op. When a retirement takes place, specific years are selected, and those who were Firelands Electric members during those years are eligible to receive a refund. Typically, members with the longest-standing investments in the co-op receive a refund first. Currently, those receiving refunds have been co-op members for about 20 years.

What happens to my capital credits if I move out of the co-op's service area?

Your capital credits balance remains on the books in your name until the credits are retired. Refund payments are made to both current and former co-op members, so be sure to always provide us with your current mailing address. If a member passes away, the legal representative of their estate should contact the co-op for assistance.