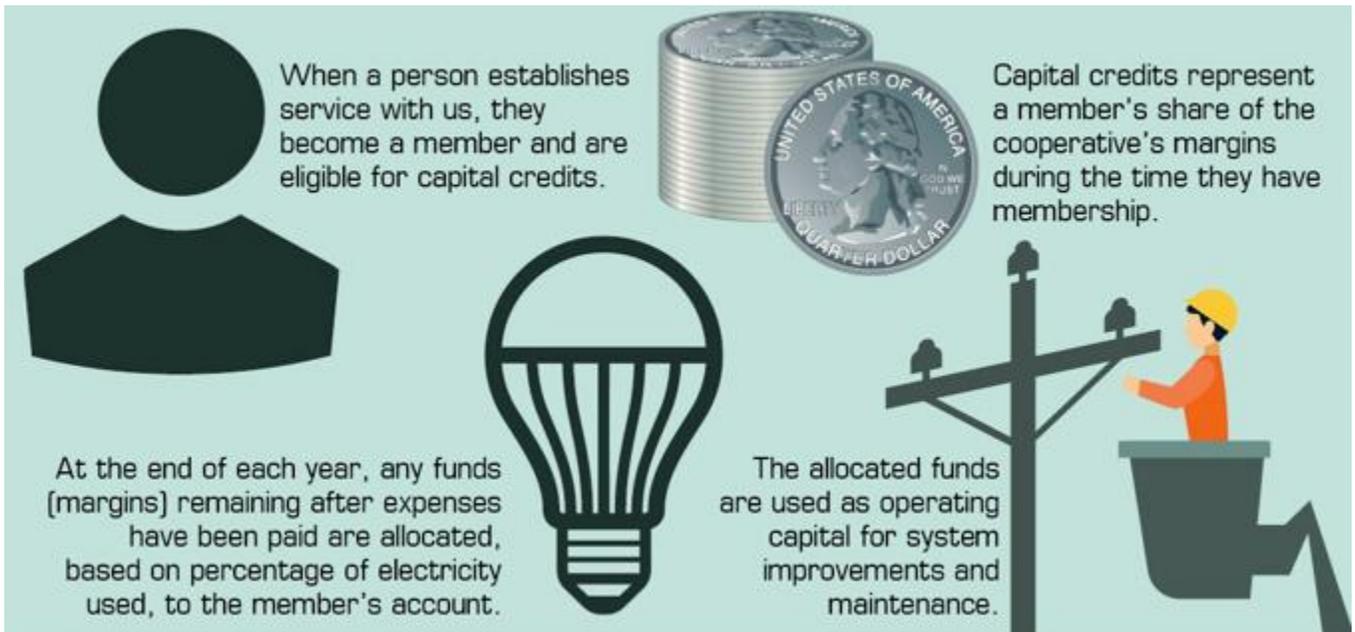


How CAPITAL CREDITS work

Frontier Power is a not-for-profit cooperative with members who share in the ownership, construction, maintenance, and prosperity of the co-op.



When a person establishes service with us, they become a member and are eligible for capital credits.

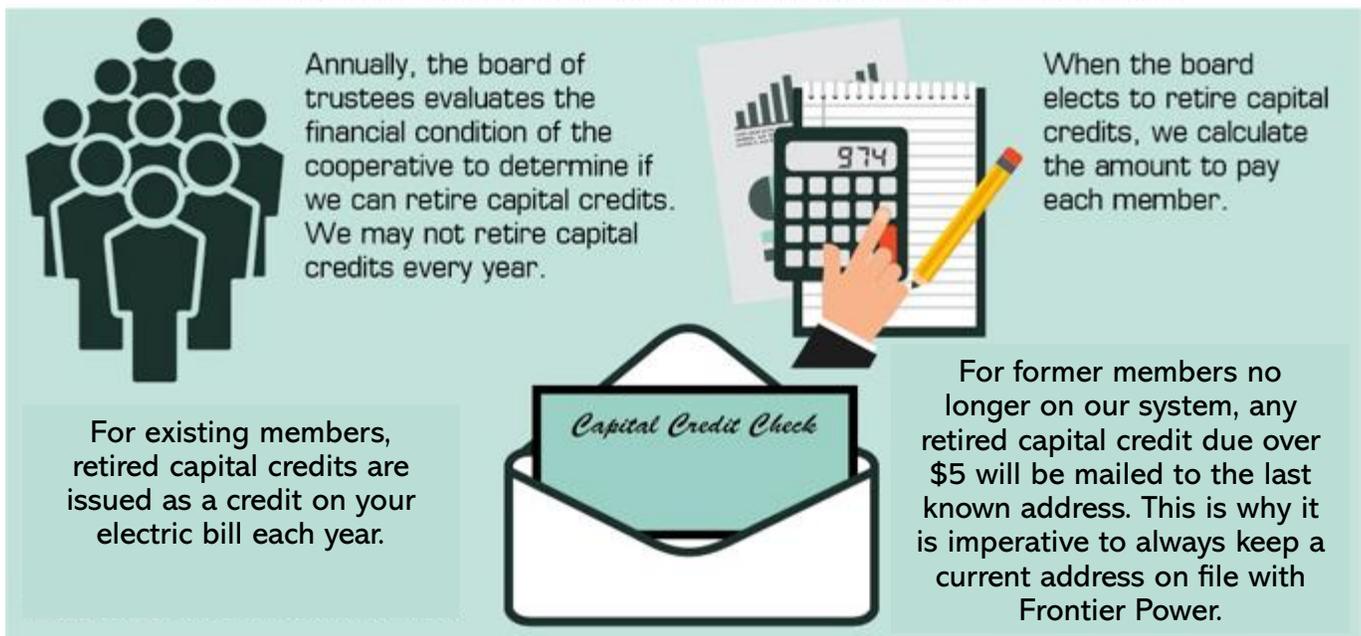
Capital credits represent a member's share of the cooperative's margins during the time they have membership.

At the end of each year, any funds (margins) remaining after expenses have been paid are allocated, based on percentage of electricity used, to the member's account.

The allocated funds are used as operating capital for system improvements and maintenance.

ALLOCATION

An allocation is made annually for each member, based on the amount of electricity purchased. An allocation is the member's share of the net margins. The co-op sets this money aside to be used as operating capital for improvements and maintenance over a period of years.



Annually, the board of trustees evaluates the financial condition of the cooperative to determine if we can retire capital credits. We may not retire capital credits every year.

When the board elects to retire capital credits, we calculate the amount to pay each member.

For existing members, retired capital credits are issued as a credit on your electric bill each year.

For former members no longer on our system, any retired capital credit due over \$5 will be mailed to the last known address. This is why it is imperative to always keep a current address on file with Frontier Power.

RETIREMENT

A retirement is the amount a member receives back as a refund. It is a portion of the total allocation. When capital is no longer needed for operating expenses, it is retired. The amount paid is decided annually by the board of trustees based on the financial needs of the cooperative.

The only time the account is paid in full (to next of kin) is upon the death of the member.