



FREESTATE ELECTRIC
COOPERATIVE, INC.

TheOutlet

FREESTATE ELECTRIC COOPERATIVE, INC.

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DISTRICT OFFICES

MCLOUTH OFFICE

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TOPEKA OFFICE

1100 S.W. Auburn Road
Topeka, KS 66615

OFFICE HOURS

Monday-Thursday
7 a.m.-5:30 p.m.

REMINDER

If you purchased electricity from FreeState Electric in 1994 and/or 2024, check your bill for a credit.

FROM THE CEO

Board of Trustees Approve Capital Credits Retirement

It isn't often that money gets put back into your pocket these days.

FreeState is doing just that in July for members who purchased electricity in the years 1994 and 2024.

In May, the board of trustees has approved a capital credits retirement to be paid in July. We hope the timing will help alleviate summer bills.

One of the advantages of your cooperative membership is earning capital credits each time you pay a bill.

SO, WHAT ARE CAPITAL CREDITS?

Capital credits are a member's equity or ownership in the cooperative. As a member-owner of the cooperative, you invest in your service with every bill you pay. At the end of each year, any operating capital that is left over is allocated (or divided) among members who purchased electricity in that year. The allocation is the share of margins (what's leftover) each member is entitled to, and it is proportional to the amount of electricity purchased.

Capital credits are allocated to members and then temporarily invested back into the cooperative to avoid borrowing money to fund operations. These dollars also help us operate each

day to provide you electric service at your home or business 24 hours a day, seven days a week, 365 days per year. This also means making improvements to infrastructure for safety and reliability.

Your allocations work hard for the cooperative until they are retired and returned to the members. Each year, the board of trustees looks at the financial health of the cooperative. They vote to determine how much money can be retired and from which years of operation. Any member who purchased electricity during any of the retirement years will get money back, typically in the form of a bill credit.

Here are a few of the most frequently asked questions about capital credits. For more information, visit www.freestate.pub/capitalcredits.



Chris Parr

“One of the advantages of your cooperative membership is earning capital credits each time you pay a bill.”

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Is it Time for You to Try Time-of-Use Rates?

Now that all FreeState's residential members have a choice of rates, more and more members have been calling in to review their usage patterns and choose the rate that is best for them. The move to an alternate rate is a one-year commitment, so it's best to look closely at how your household uses electricity to make sure a change would save you money.

The default rate structure for a typical household is **"SINGLE PHASE RESIDENTIAL SERVICE."** This is a three-part rate, meaning that your bill is made up of three components:

- ▶ **ELECTRIC SERVICE CHARGE** — a flat fee that recovers the cost to deliver service to your residence, regardless of how much electricity you use.
- ▶ **ENERGY CHARGE** — the total amount of electricity used is 13.128 cents for each kilowatt-hour (kWh). This is adjusted up or down each month to match the market price of electricity through the power cost adjustment.
- ▶ **DEMAND CHARGE** — this is the first year to bill for this component for residential members. This charge is based on the amount of electricity your home draws at any given time. Members are billed monthly for the 15-minute period your usage is the highest.

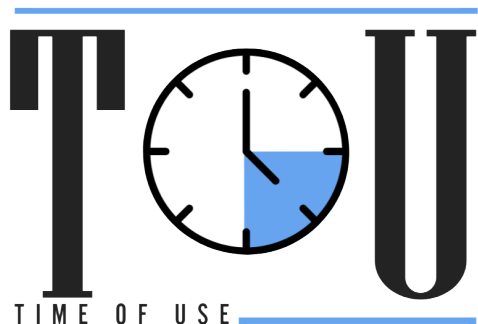
to assess each member the cost of building and maintaining the system at a size proportional to their usage.

HOW IS TIME-OF-USE (TOU) DIFFERENT?

TIME-OF-USE RATES have an **ELECTRIC SERVICE CHARGE** almost identical to Single Phase Residential Service. After all, the poles and lines and overhead expenses are the same.

TOU does not have a demand component. Instead, there are two different energy charges assessed for peak vs. off-peak hours of the day. In 2025, the off-peak charge is 11 cents/kWh, and the peak charge is 30 cents/kWh. Both are adjusted to match the market price for electricity through the power cost adjustment.

The peak hours are determined by our power providers. Although they do vary as usage patterns evolve, they are currently 3-6 p.m., Monday through Friday. That's when power costs the most because the demand for electricity is highest. The entire grid, and especially power generation, must be built to serve the highest demand. A price signal during peak hours encourages the conservation needed to preserve the integrity of the grid. Please note that there are no peak hours on weekends or major holidays.



Compare your demand for electricity to thirst. If you aren't terribly thirsty, you can get a taste of your drink through a little red plastic stir stick. A more normal drink comes through the drinking straw

at a restaurant, and if you are exceptionally thirsty, you may opt to forego a straw altogether and pour the liquid directly down your throat. Your demand for water is the amount you want to take in at once, and the same is true for electrical demand.

The electrical grid must be built to provide enough electricity to all members at all times, especially when the demand is greatest, so that no one loses power. The demand charge provides a price signal

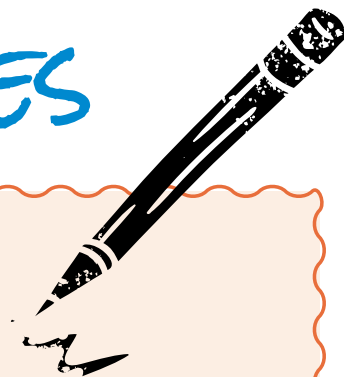
IS THE TIME-OF-USE RATE BEST FOR YOU?

Every household, and each person living there, uses energy in a unique way. If you have household members who use most of their electricity from 3-6 p.m., and you know they would be unable, or unwilling to adjust, the TOU rate may not be for you. You may pay more on your monthly bill.

However, if you are rarely home from 3-6 p.m. on weekdays, and have a programmable thermostat to reduce the use of the HVAC system during those hours, you may see significant savings.

To get a general idea of your usage patterns, use the SmartHub app. If you want a more exact calculation, call the office at 800-794-1989 and a member services representative can prepare a report that shows the variable portions of your electric bill using your actual 2025 data to compare the cost of the two rates. If your monthly demand charges are regularly above the average of 11 kW, it is worth a look.

CO-OP CASE STUDIES



NAME

Beth M., FreeState Member since 2021

JOB TITLE

Senior Member Services Representative since 2021

REASON FOR SWITCHING TO THE TIME-OF-USE RATE

Since I assist members with their accounts as my job, I wanted firsthand experience using the time-of-use rate as soon as it was available to me. I can better understand the user experience and draw on that when I work with members.

WHAT WAS YOUR APPROACH?:

Knowing these rates were designed so that the average member would pay the same on both rates if there were no changes in usage patterns, I decided to make very few changes to see how it affected our bill.

HOW IS IT GOING?:

We definitely saved money in the first few months. Due to air conditioning, I predict we will have some bills in the summer that will be higher than on the Single Phase Residential Service rate. However, we should be seeing savings overall for the entire year.

NAME

Christina M., FreeState Member since 2021

JOB TITLE

Member Services Representative since 2023

REASON FOR SWITCHING TO THE TIME-OF-USE RATE

I wanted to save money! Our metering specialists created a worksheet for us to analyze the meter data for our members, and I was seeing so much savings for most of the members I completed the worksheet for that I decided to check my own!

WHAT WAS YOUR APPROACH?:

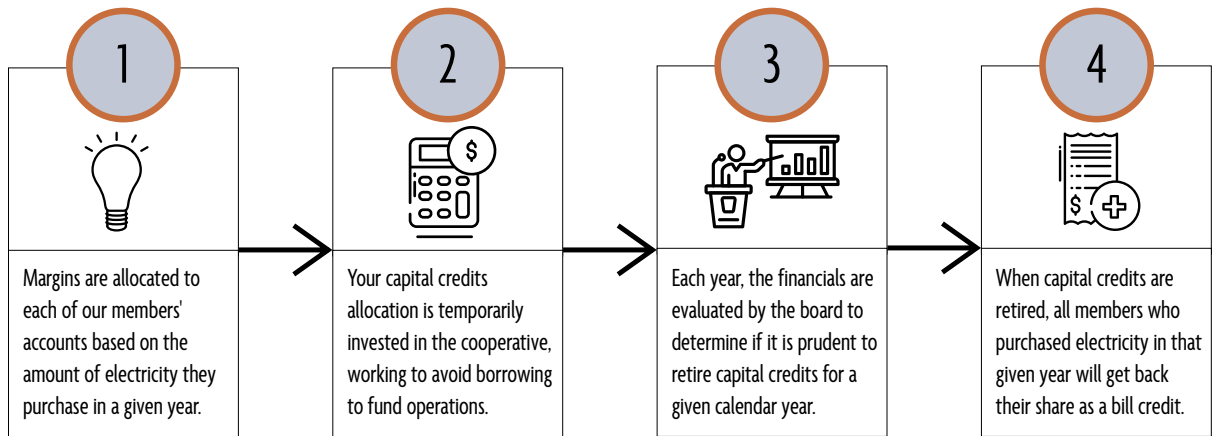
I asked my family to try to use as little electricity as possible between 3 and 6 p.m., Monday through Friday. Our thermostat stays at 72 degrees during the summer and we are continuing that.

HOW IS IT GOING?:

I'm more aware of what I am using when I get home from work. While I think I will pay a little more on TOU during the summer months, I saved the other nine months, so it's worth it! This is the first summer on TOU with school-aged kids home, so I'll be looking at usage if I see the kWh go up during peak hours.



How Capital Credits Work



Board of Trustees Approve Capital Credits Retirement *Continued from page 12A ►*

HOW DOES A MEMBER GET CAPITAL CREDITS?

When a member begins purchasing electricity, they get two accounts — a billing account and a capital credits account. Regardless of how many times you move or how many billing accounts you may have, you always have one capital credits account that stays with you.

Whatever margins FreeState has at the end of the year are allocated (or assigned) to each member's capital credits account.

WHEN DO I GET MY CAPITAL CREDITS?

Even though the cooperative allocates capital credits to members each year, the money is not paid out right away. The money is used for several years for the following purposes:

- To increase equity, giving the cooperative more borrowing power;
- To avoid borrowing money as much as possible; and
- To have reserves in case of an emergency.

The board of directors looks at FreeState's financial condition

each year and then decides if it is favorable to retire capital credits. FreeState uses a LIFO/FIFO hybrid method for retiring capital credits that combines aspects of both Last-In, First-Out (LIFO) and First-In, First-Out (FIFO) approaches. This method ensures more members experience capital credits returns.

HOW DO I GET MY CAPITAL CREDITS?

To make this as convenient as possible, the funds will be returned to members as a bill credit directly on July's electric bills. The amount received during any capital credits retirement is based on the allocation for the year targeted for retirement. The allocation was based on the amount of electricity the member purchased during that same year.

Active accounts will receive a bill credit. If you move off the system and have an inactive account, you will be mailed a check. This is why it is important that you keep your address current so that future retirement checks can be mailed to you. Capital credits are reserved for members even if they move out of the FreeState service area. FreeState will make a diligent effort to send a check by mail.



Join us at Gary's Farm Fest on Sunday, Sept. 28,
and be sure to bring your can tabs for
Ronald McDonald House Charities!

