



Your Touchstone Energy® Cooperative

Sample Bill

P.O. Box 2000  
Hughesville, MD 20637-2000

Service Information

Account Number: 549393001  
Account Name: Sample A. Sample  
Service Address: 123 Lilac Road  
Meter Number: 9WE123456  
Rate: Residential Service / Summer  
Next approximate date to read meter: 8/11/06  
On 07/10/06 your meter reading was 93200  
On 06/09/06 your meter reading was 92000  
Meter Multiplier: 1  
Your total energy usage (kWh) is 1200

Current Billing Information

From 06/09/06 to 07/10/06 Days in Billing Period: 31

Standard Offer Service - Price to compare for electricity supply

Energy Charge 1200 kWh X 0.0899 107.88  
Power Cost Adj - Energy 1200 kWh X 0.0014 1.68  
Total \$109.56

Distribution Service

Customer Charge 8.60  
Distribution Charge 1200 kWh X 0.0279 33.48  
Demand Side Mgmt Surcharge 1200 kWh X 0.00021 0.25  
Total \$42.33

Regulatory, State, and Local Taxes

Public Serv. Co. Franchise Tax 1200 kWh X 0.00062 0.74  
Electric Universal Service Charge 0.37  
MD Environmental Surcharge 1200 kWh X 0.000132 0.16  
Total \$1.27

Other Charges and Credits

2006 Capital Credit Refund (24.55)

Total Current Charges \$128.61

Active members' refunds will appear as a credit on their electric bills under "Other Charges and Credits."

Are Capital Credits Tax-Free?

Capital Credits are tax-free if the property served by SMECO was used strictly as a residence. If the residence was used for business purposes, members should consult their tax advisors.

For More Information

If you have any questions concerning your Capital Credits, call toll-free, 1-888-440-3311, extension 4227, or send an e-mail to Capital.Credits@SMECO.coop.



Your 2006 Capital Credit Allocation and Refund

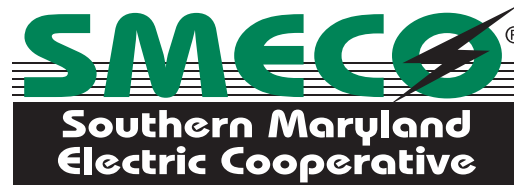
Your Piece of the Pie

Co-ops are distinctly different from investor-owned utilities because co-ops are owned by their customers, and these members vote for men and women who sit on the Board of Directors.

Co-ops also issue Capital Credits to their customer-members.

What are Capital Credits?

Look inside for details.



Your Touchstone Energy® Cooperative

1-888-440-3311

www.smeco.coop

July - August 2006

## About Your Capital Credit Allocation

Capital Credits are the member's share of the co-op's net margins. Margins—revenue minus expenses—are called profits in the for-profit world.

At the close of 2005, SMECO's net margins totaled \$12,085,052; this amount was allocated to members' Capital Credit accounts this year. A portion of the total was allocated to the Capital Credit account of each member who had an active electric account in 2005. Each member's share is based on how much electricity the member purchased and the rate at which an electric account was billed.

Your 2006 Capital Credit allocation was added to your total Capital Credit balance. The balance in your Capital Credit account is the sum of your allocations earned to date, minus your annual refunds issued to date.

The steps printed in the next column were used to compute SMECO's 2006 allocation to each member's Capital Credit account, based on the member's 2005 monthly electric bills.

The 2006 Capital Credit refund is then computed as a percentage of each member's Capital Credit balance. These refunds are being issued from mid-July to late-August. (See the column on the far right for refund details.)

## Calculating This Year's Allocation

### Step 1

From each of your 2005 monthly electric bills, add the following charges (if applicable on your account): Customer Charge; Energy Distribution Charge; Competitive Transition Charge; All Lumen/Luminaire, Pole, and Bracket Charges for Security Yard Lights and Street Lights; Demand Charges; Contracted Service Charge; 5% Transformer Allowance; and 230 kV Discount on Kilowatt and Kilowatt-Hour Usage.

### Step 2

Add together the totals from each month's bill obtained in Step 1 to find the total for the year.

### Step 3

Multiply this total by .123752. This will give you the Capital Credits allocated to your account this year. Remember, this is the allocation, not the amount that you will be refunded.

Your 2006 refund is 1.05% of your Capital Credit balance.

## About Your Capital Credit Refund

If you received electric service prior to January 2006, you may be eligible to receive a Capital Credit refund this summer.

Because SMECO is a cooperative, our margins are retained to provide working capital for new construction and system improvements. For each year that the Co-op retains margins, money is allocated to customer-members' Capital Credit accounts. Capital Credits are each member's share of the margins, determined by how much electricity was purchased during the year and the rate under which the member was billed.

After considering the Co-op's financial condition, SMECO's Board of Directors determines the amount of Capital Credits to be refunded. This year the Board approved a refund of \$3 million. Active members' refunds will be applied directly to their account; members who receive \$500 or more will receive a check. SMECO will also mail a check to former customer-members who do not have active electric accounts.

Check your bill for your 2006 Capital Credit Refund listed as a credit under "Other Charges and Credits." See the example on the next page.