Federated Rural Electric

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RE: New electric rate effective January 1, 2026

December 3, 2025

Dear Federated member-owner:

Federated Rural Electric's Board of Directors approved a rate increase to the membership, effective January 1, 2026. These energy changes will appear on the February 4, 2026 bill. This rate increase was approved September 30, 2025.

The monthly service charge changed for all rate classes as the co-op works toward the true cost of service. (See the table on the back page.) The energy (kWh) is also decreasing for most of the rate classes; however, a demand charge (kW) increased in these rate classes. Residential members will see a $4/kilowatt (kW) for demand, which is new, but exists in other rate classes. The reason is that the higher summer costs for energy and demand need to be recovered for each rate class to avoid any subsidies, as we are a cooperative providing service at cost. Your present electric bill shows your monthly demand or the maximum amount used at one hour during the month. As an example of demand, that's using the dishwasher, electric oven and clothes dryer at once, instead of using them one at a time throughout a day.

***Please refer to your electric bill for your rate class and to the back of this letter for the itemized changes by rate class.*** In addition, street/yard lights' monthly fees haven't changed since 2012, but are now due to higher material costs. Those changes are also listed on the back with more than 25 rates being consolidated into two rates.

The primary reason for the rate increase is that Federated's wholesale power costs are increasing with our major power supplier (Basin Electric Cooperative). Basin is increasing their rates to us by 10 percent. The wholesale power costs make up 80 percent of your electric bill; these increases are from growing energy use in the Midwest (higher than the national average), building transmission lines, inflation, increasing costs for new natural gas peaking power plants for reliability, plus the wholesale market changes.

Other contributing factors exist for the rate increase as well: declining sales and an ethanol plant shut down earlier this year. Federated's most economical materials supplier for poles, wire and other materials saw an increase in pricing around 2.6 percent for 2025. Employee health benefits jumped 8.9 percent. Higher interest rates and property insurance increased too.

Federated presently features the lowest cost residential electric rate for Minnesota electric cooperatives and will strive to remain the lowest cost, even after this rate increase. Federated's strategy focuses on doing more frequent rate increases annually to avoid major rate shock. The upcoming remodel of Federated's headquarters is being covered by a 30-year loan, as it will serve members for the foreseeable future. The Broadband fiber expansion is being financed by grants and loans so it is not subsidized by electric rates.

We are committed to providing the most reliable, cost competitive and safe electric service to our member-owners, while providing a great member service experience. We hope that we have met or exceeded your expectations as a provider; as always, we welcome your comments, questions and concerns.

Cooperatively,

Scott Reimer

Scott Reimer
General Manager

## Rate increase coming January 1, 2026; members will see change on February 4 bills

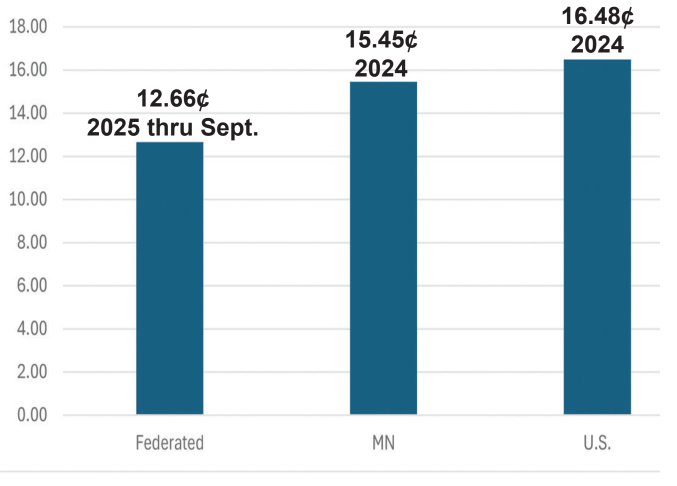
| Rate | Description | 2025 service charge | 2025 kWh charge | 2025 demand charge | 2026 service charge | 2026 kWh charge | 2026 demand charge |
|---|---|---|---|---|---|---|---|
| A | Residential | $33 | $0.09 | $0/kW | $42.20 | $0.07243 | $4/kW |
| B | General service | $60 | $0.086 | $5/kW | $76.88 | $0.07565 | $8/kW |
| C | Small power | $85 | $0.084 | $8/kW | $98.75 | $0.08136 | $10/kW |
| D | Large power | $95 | $0.083 | $8.75/kW | $120.10 | $0.08250 | $9.75/kW |
| I | Interruptible | $120 | $0.068 | $7/kW | $120.00 | $0.07231 | $9/kW |

**Refer to your electric bill to see which rate class you are under.**

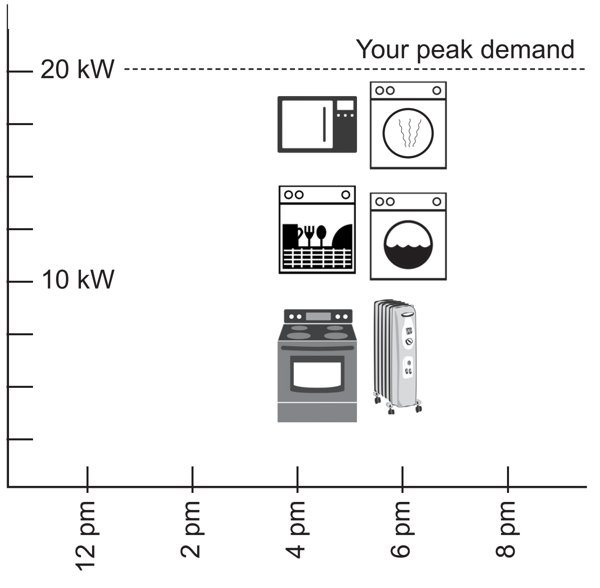
| **Street/yard lights** ***(Unchanged since 2012)*** | **2026** |
|---|---|
| **LED yard/street light** | $8/month |
| **Non-LED yard/street light (white mercury vapor & orange high pressure sodium lights)** | $10/month |

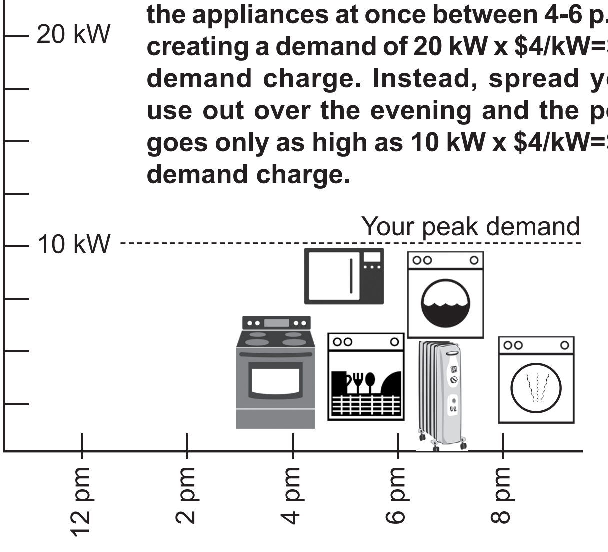
**For the handful of members with a dedicated light pole with no meter on it, this fee will change from $4.22/month to $4.64/month.**

## Average residential rate comparison




## Demand scenarios examples: control demand costs by when you use electricity




**The chart on the left shows a member coming home from work and using all of the appliances at once between 4-6 p.m., creating a demand of 20 kW x $4/kW=$80 demand charge. Instead, spread your use out over the evening and the peak goes only as high as 10 kW x $4/kW=$40 demand charge.**