



77100 US Highway 71, P.O. Box 69
Jackson, MN 56143-0069

Rural Electric

507-847-3520 or 800-321-3520
E-mail address: info@federatedrea.coop

April 4, 2023

RE: Rate increase effective April 1, which appears on the May bill

Dear Federated member-owner:

One of the benefits of being a cooperative member-owner is that Federated provides cost-conscience rates, along with safe and reliable power. You vote to elect local directors to represent your interests. The last few years with Covid shut-downs, supply chain shortages and inflation all indicated that Federated needed to increase its electric rates this spring due to a budgeted shortfall. The Federated Board of Directors approved the three percent average rate increase at their February 28 meeting. This rate adjustment will go into effect April 1, which would appear on the May electric bill. Please look at your electric bill for your rate class and look at the chart on the back to see your new rates.

Rate change averages three percent overall, but varies by rate class

The Cost-of-Service Study, financial forecast and budget all direct what is financially necessary for us to operate and maintain the system to meet your needs. The rate increase applies to the monthly base charge and demand. The base charge is the fixed monthly charge, which represents a portion of the cost to operate, even if no energy is sold. This covers a portion of the expenses related to lines, meters, substations, buildings, employees and trucks. The demand is the highest 15 minutes of usage during the billing period. The co-op must build its electrical infrastructure to ensure that it is large enough to accommodate the highest demand, which is measured in kilowatt-hours (kW); the demand rate applies to all rate classes, except residential base charge.

Increased operating costs and inflation reasons for rate increase

Our directive from the Federated Board of Directors requires us to mitigate annual increases. However, if they do become necessary, we will make small adjustments to avoid rate shock. The rapid changes in our industry have affected the cooperative with everything from fuel, poles, meters, transformers and wholesale power costs. While the overall rate increase is three percent, the cost of underground cable has increased 50 percent; transformers increased about 70 percent, while other miscellaneous components increased 50 percent. Bucket and digger trucks have to be ordered two and three years in advance and have a price acceleration clause, as do all metals. The U.S. annual inflation rate has been 6.4 percent since 2022 so Federated's goal was to keep the rate increase as low as possible, but still be fiscally responsible.

Co-op is being cost conscious and managing expenses

Federated is aware of the pressure on materials and equipment costs and is taking action to curtail spending. For example, the \$13.4 million work plan outlining construction and maintenance may be stretched from four years to six years to make it more affordable yearly. A recent trencher purchase was leased, instead of purchasing it. Federated is also applying for \$4 million of federal grants through its national organization to upgrade the cooperative's distribution lines and substations, which include installing fiber optic communications to make Federated's grid smarter.

Federated appreciates our member-owners and we wanted to be transparent with you. Even with this rate increase Federated still has some of the lowest rates in southwestern Minnesota and the nation. If you have any questions, e-mail us at info@federatedrea.coop or call 507-847-3520 or 800-321-3520.

Cooperatively,

A handwritten signature in cursive script that reads "Scott O. Reimer".

Scott O. Reimer
General Manager

Directors approve 3 percent rate increase starting with April 1 use due to increasing operating costs

Rate change effective April 1	Present charge	Proposed charge	Increase
General single-phase (Rate A)	Monthly \$20 Energy \$0.0860	Monthly \$25 Energy \$0.0860	2.3%
Small Commercial (Rate B)	Monthly \$45 Energy \$0.0836 Demand \$3.00	Monthly \$50 Energy \$0.0836 Demand \$4.00	3.7%
General Demand (Rate C)	Monthly \$65 Energy \$0.0810 Demand \$6.00	Monthly \$75 Energy \$0.0810 Demand \$7.00	2.2%
Large Power (Rate D)	Monthly \$75 Energy \$0.0800 Demand \$7.00	Monthly \$85 Energy \$0.0800 Demand \$7.75	3.3%
Interruptible (Rate I)	Monthly \$100 Energy \$0.0650 Demand \$5.00	Monthly \$110 Energy \$0.0650 Demand \$6.00	1.6%

Look at your electric bill to see which rate class you are. This rate adjustment will occur April 1; the first bill with the rate change will be the one received in May.

Tips for members to manage their energy costs

Members can become more energy-efficient to manage their energy costs. Visit www.federatedrea.coop for the rebate forms or call our office for more information.

1. Replace an old inefficient furnace with an air source heat pump, taking advantage of the co-op's rebates and federal tax incentives, if eligible.
2. Replace an old, energy-guzzling central air conditioner with an air source heat pump. Gain more efficient cooling and heating that's 200 percent efficient.
3. Install a smart thermostat with WI-FI connectivity to adjust the home's temperature levels. Federated offers a \$25 Smart Thermostat rebate.
4. Participate in the cooperative's energy-saving water heater program too; the water heater is turned off during peak times when electricity costs more. The larger tank and insulation helps members not even realize it's being controlled. If you need a new water heater, Federated sells and installs the water heater for \$589, plus tax.
5. Take advantage of Energy Star rebates for Energy Star dehumidifier (\$25) or Energy Star refrigerator or freezer with the recycling of the old unit (\$50).
6. Request the booklet on "101 Energy Saving Tips" from Federated.
7. Residential accounts can also sign up for budget billing. Find the form on our website or e-mail billing@federatedrea.coop or call the office to request it.
8. Farms or businesses that upgrade to energy-efficient lighting or equipment may be eligible for rebates. Visit our website for the rebate forms, call or e-mail.
9. Manage your demand by remembering when meters are read (last day of the month). For example, use the grain bin motors in the same month.