



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

Rural Electric

507-847-3520 or 507-728-8366 • FAX 507-728-8366
E-mail address: info@federatedrea.coop

November 30, 2011

RE: Electric rate changes effective January 2012

Dear Federated member:

Federated used the same electric rate for more than a decade. Our last rate increase was in 2001. However, 2012 requires an approximate 6 percent rate adjustment in order that your cooperative operates in a fiscally responsible manner. Considering how prices of other energy commodities, like gasoline and propane have increased, our electric rate will still be very competitive.

Monthly service charge changes

The first part of the rate change involves changing your monthly cost of service. This is a portion of the cost for the poles, substations, meters and facilities to deliver reliable electricity from our substations to your home, business or farm. A cost of service study recommended that our cost of service charge should be increased. The cost of service will be increasing \$4 a month for the residential rate class. See the back page for your specific rate class change. The average total rate increase is estimated to be approximately six percent, but varies depending on your electricity use.

Base rate adjusted due to PCA

These last few years Federated's wholesale power cost adjustment (PCA), which passes through wholesale power cost fluctuations, has increased more and more. The PCA was as high as 3.62 cents in 2011. We are shifting a portion of the PCA (2.52 cents/kilowatt-hour kWh) into Federated's base rate. The new rate will remain well below the 2009 state average of 10 cents and the 2009 national average of 11.5 cents. However, we expect wholesale power costs to continue increasing in the future as our wholesale power suppliers are affected by inflation, bringing new power plants online, meeting more environmental mandates, plus providing new wind generation to meet a state mandate. Thus, you will still see a PCA that fluctuates throughout the year.

Each rate class schedule is on our website (www.federatedrea.coop) or may be obtained by calling or visiting our office.

We know no one likes rate increases. As your electric cooperative, rest assured, we'll do everything we can to provide reliable electric service at the lowest price possible.

Cooperatively,

A handwritten signature in black ink that reads "Richard G. Burud".

Richard G. Burud
General Manager

Federated Rural Electric Service Charge Changes — Effective January 2012

| General Service — Rate Class 1 Comparison | | |
|--------------------------------------------------|------------------|------------------|
| | 2011 rate | 2012 rate |
| Service charge | \$8.00 | \$12.00 |

| Village of Welcome — Rate Class 3 Comparison | | |
|-----------------------------------------------------|------------------|------------------|
| | 2011 rate | 2012 rate |
| Service charge | \$4.00 | \$6.00 |

| General Service, Multiphase — Rate Class 5 | | |
|---------------------------------------------------|------------------|------------------|
| | 2011 rate | 2012 rate |
| Service charge | \$16.00 | \$22.00 |

| Single phase, large power — Rate Class 9 | | |
|-------------------------------------------------|------------------|------------------|
| | 2011 rate | 2012 rate |
| Service charge | \$27.50 | \$33.00 |

| Multiphase, large power — Rate Class 10 | | |
|------------------------------------------------|------------------|------------------|
| | 2011 rate | 2012 rate |
| Service charge | \$30.00 | \$34.00 |

| Interruptible elec. svc. (genset) — Rate Class 15 | | |
|----------------------------------------------------------|------------------|------------------|
| | 2011 rate | 2012 rate |
| Service charge | \$30.00 | \$40.00 |

Note: the security light monthly base rate will increase due to the PCA shift.