



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

RE: New electric rate effective March 1, 2024

February 4, 2024

Dear Federated member-owner:

Federated Rural Electric's Board of Directors approved an average 4.28 percent rate increase to the membership, effective March 1, 2024. These energy changes will appear on the April 4, 2024 bill. This rate increase was approved December 27, 2023.

Most rate classes have their monthly service charge increase by \$5, while the residential (Rate class A) increased by \$3.50/month. Demand is increasing by 50 cents per kilowatt (kW), while energy is changing only slightly. Please refer to your electric bill for your rate class and to the back of this letter for the itemized changes by rate class.

A couple of factors are contributing to the rate increase. In order to offset the need for a rate increase, Federated needs roughly a four percent increase in sales. However, electric sales were flat from 2022 to 2023. In addition, commercial sales were down 1.62 percent. Factor in milder weather and the economy as causes too. Federated's most economical material supplier for poles, wire and other materials saw an increase in pricing around 9.7 percent for 2023. Health benefits jumped 4.5 percent after being stable during the pandemic. While Federated's wholesale power costs increased one percent, transmission costs increased 12 percent due to the need for new transmission lines to accommodate renewable energy.

Federated presently features the lowest cost residential electric rate for Minnesota electric cooperatives and will strive to remain the lowest cost. Federated's strategy focuses on doing more frequent, smaller rate increases annually, instead of a double-digit rate increase less often to avoid sticker shock, for you, our member-owners. Without the rate increase Federated would have nearly a million dollar operating loss.

You can also take charge of your electricity use by upgrading to energy-efficient equipment that uses less electricity. Check out our rebates (www.federatedrea.coop) for heat pumps, Smart Thermostats, Energy Star appliances and farm/commercial rebates. Consider signing up for paperless bills to help us reducing billing costs. Enroll in Auto Pay to save on postage and avoid late fees. Sign up for Budget Billing in May to average out the monthly variations.

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,

A handwritten signature in black ink that reads "Scott Reimer".

Scott Reimer
General Manager

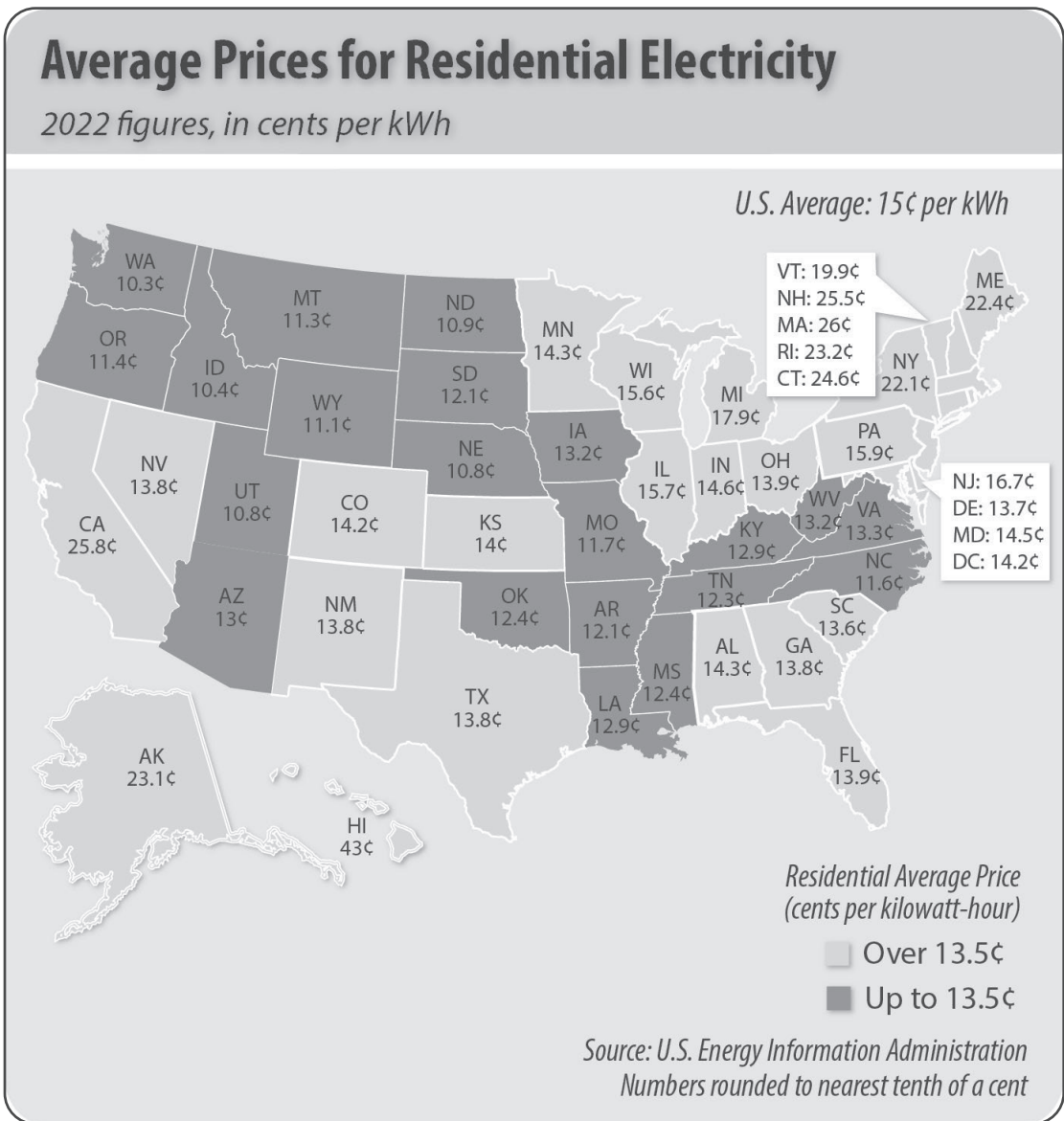
This institution is an equal opportunity provider, employer and lender.

Your Touchstone Energy® Cooperative



Rate increase coming on March 1, 2024; members will see change on April 4th bills

Rate	Description	Old Service Charge	Old Energy	Old Demand	New Service Charge	New Energy	New Demand	% Change
A	Residential	\$ 25.00	\$ 0.0860	n/a	\$ 28.50	\$ 0.0880	n/a	4.72%
B	General Service	\$ 50.00	\$ 0.0836	\$ 4.00	\$ 55.00	\$ 0.0840	\$ 4.50	3.89%
C	Small Power	\$ 75.00	\$ 0.0810	\$ 7.00	\$ 80.00	\$ 0.0820	\$ 7.50	3.35%
D	Large Power	\$ 85.00	\$ 0.0800	\$ 7.75	\$ 90.00	\$ 0.0810	\$ 8.25	3.83%
I	Interruptible	\$ 110.00	\$ 0.0650	\$ 6.00	\$ 115.00	\$ 0.0660	\$ 6.50	3.45%



When you add the service charges and energy (kWh) revenue together, Federated’s average 2023 residential rate was 11.2 cents/kilowatt-hour. Compare that to the Minnesota and national averages above.