

Directors approve rate increase January 1, 2026; Residential rate A changes explained, as demand charge added

Federated’s Board of Directors approved a rate increase, effective January 1, 2026. It will appear on the February 4 bill.

The Board reviewed the Cost of Service Study conducted by Power Systems Engineering at the September 23 meeting. Each Federated rate class was analyzed for revenue and expenses, based on sales so each rate class pays its fair share with no subsidies. **Residential rate class**

The study showed that the residential rate class should have a monthly service charge of \$51.40/month to cover their share of the line trucks, employees, buildings and power lines to deliver the electricity to your house,” stated Scott Reimer, Federated’s general manager. “However, that’s too large of a jump so the Board approved increasing the monthly service charge to \$42.20/month. “In addition, the Board approved adding a \$4 demand charge for each kilowatt (kW), as a lot of the cost difference is coming from the summer peaks when electricity costs the most. With this new demand charge you have control over when you run your appliances, so you can control this demand peak cost on your bill. Even after this rate increase, we anticipate that our status featuring the lowest electric cooperative residential rate in Minnesota will continue.”

Demand charge added to residential rate

While the demand charge is new for the residential rate class, your electric bills have shown what your monthly demand has been since 2023. Demand measures how many kilowatts are used at one time — your maximum each month — for any given hour. Think of it as using the electric oven, washing machine/dryer and dishwasher all at once, instead of spread out throughout the day and night. Federated has to build its power lines and substations for this maximum demand, along with

Residential Rate Class A	2025	2026	Notes
Monthly service charge	\$33.00	\$42.20	This rate class was undercollecting. The summer peak creates this deficit so a monthly demand will help recover these peak expenses.
Energy charge (kilowatt-hour or kWh)	\$0.09	\$.07243	
Demand charge (kilowatt or kW)	\$0	\$4/kW	

our wholesale power suppliers providing for each members’ peak.

Here’s an example of how reducing demand works. For example, when you come home from work now you may turn on the oven, start the washing machine and run the dishwasher all at 5:30 p.m. Instead, use an air fryer and not the oven; start the washing machine after supper and then run the dishwasher before you go to bed. By spreading this demand out over the evening, you are not creating a peak, which saves you money on your electric bill.

Limited PCA charges in 2026

The Power Cost Adjustment (PCA) passes on any wholesale power or transmission costs that vary month to month. The 2026 rate increase rolled the PCA into the \$.07243 charge per kilowatt-hour (kWh). As long as the wholesale power costs or transmission costs don’t exceed the base cost of power, it’s anticipated that the PCA should not be needed in 2026.

Yard/street lighting rates consolidated

The security light rate has not changed since 2012. After the Alliant acquisition, the security light and street light rates grew to 28 different rates for lighting. These lighting rates will be consolidated down into two different rates: LED and Non-LED lights. See the above chart. 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.

Street and 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

Lowest residential rate for Minnesota co-ops in 2024

Federated’s residential electric rate blended with the monthly service charge and kilowatt-hour charge amounted to 11.59¢ in 2024 and is currently 12.66¢ through September 2025. Compare that to the 2024 Minnesota residential average rate of 15.45¢ and the national residential average of 16.48¢. Even with this 2026 increase, the co-op expects to be among the lowest for co-ops in Minnesota and nationally for utilities.

Next month Federated will outline the rate increases for the other rate classes. In addition, co-op members will receive a rate increase letter outlining this same content with their December 5 electric bills. ☺

