

Federated Focus

Covid-19 cancels Youth Tour; scholarship offered instead

This year Federated will not sponsor a teen on the Washington, D.C. trip, due to Covid-19. Instead, Federated will offer a third \$1,000 scholarship. Students should apply for the Basin Scholarship. Instead of offering the typical two \$1,000 scholarships, this year three will be offered. Fill out one application and have three chances to win! See the Basin scholarship story on Page 5 for eligibility and the deadline.

Capital credits for co-op's former Alliant members

One of Federated's wholesale power suppliers (Southern Minnesota Energy Cooperative) retired capital credits. Federated members, who were former Alliant members, will receive about \$114,000 in capital credits from 2015 to 2017 patronage.

Current members will receive it as a credit on the December electric bill. Southern Minnesota Energy Cooperative (SMEC) consists of the 12 electric cooperatives who purchased the Alliant Energy's Minnesota customers back in 2015.

Cooperatives reinvest our "profits" back into the co-op. Plus, we allocate the value of those profits (based on electricity purchased during the year) to a capital credits account maintained for each member. This summer's bylaw amendment allowed retiring of these wholesale capital credits now, instead of when Federated retires its credits for those years.

If you move off Federated's lines, please keep us updated on your mailing address for future capital credits payments. E-mail ziemer@federatedrea.coop or call 507-849-7847. 

Rate update: Demand rates change January 1, 2021, yet will still be among the lowest in the state & nation for co-ops

The new year brings rate changes to Federated's demand and Interruptible rates. Federated is consolidating its 22 rates into six rates: Residential, General Service, Small Power, Large Power, Interruptible and Municipal Wholesale.

Federated presently has its legacy rates, which last changed in 2012, plus a separate former Alliant rate book from its 2015 acquisition and last changed in 2018. Last month the residential rate changes were outlined. This month the demand rate changes are explained. Letters will be mailed to the demand accounts with this information in December. The rates change January 1, 2021 so the first bill will be received the first week of February.

Demand is the highest 15-minute interval of kilowatts (kW). The more electrical equipment you have running at once, the higher your demand will be. Federated reads meters the last day of the month and then the demand is reset to track for the next month. The co-op builds its infrastructure to serve you during these peak times to accommodate your highest usage and collecting demand helps pay for the monthly peaks.

"Federated's Board of Directors approved the rate changes in August after reviewing the Cost-of-Service Study," explained Scott Reimer, Federated's general manager. "The Cost-of-Service Study indicates what the costs are for each rate class for energy, service charge and also for demand for larger member accounts. The study shows us what the rates would be for each rate class so each one pays its fair share and is not subsidized by other rate classes. Overall, the average rate increase is 3 percent, but it varies by each rate class and member, depending on their electricity use."

Refer to the chart below that outlines the service charge, energy and demand charge for each rate. A member's peak demand in (kilowatts) kW should closely align to your transformer size, which was previously used to determine your rate class. Federated evaluated peak demands on all accounts for the past 12 months to make sure each member is in the correct rate class.

| Rate class | Maximum demand | Service charge | Energy charge | Demand charge for each kW |
|------------------------|------------------|----------------|-------------------|----------------------------------|
| | | per month | per kilowatt-hour | Maximum 15-minute monthly demand |
| General Service | 41 kW to 200 kW | \$45 | \$0.0836 | \$3.00 |
| Small Power | 201 kW to 500 kW | \$65 | \$0.0810 | \$6.00 |
| Large Power | 501 kW and up | \$75 | \$0.0800 | \$7.00 |
| Interruptible | Standby genset | \$100 | \$0.0650 | \$5.00 |

"Since rate classes were consolidated, members may be in a different rate class," Reimer added. "Rest assured, we reviewed the accounts that were in a borderline area between categories to make sure they were moved to the appropriate rate class. Plus, some residential farms were reclassified to general service as the account is multi-phase or three-phase power."

"According to our lender's Cooperative Finance Corporations ratios, Federated's small power rate in 2019 was among the lowest in Minnesota and near the bottom 15 percent nationally," Reimer stated. "Even after the rate increase, our position remains in this lowest tier for co-ops state and nationally." 



Scott Reimer

Manager's Message

Contractors finish line rebuilds from 2019

As the year rolls on, so does the progress at Federated. One of the bigger things on our plate is the restoration and rebuilding from the 2019 ice storm. This went extremely well; we are literally constructing the last mile of overhead line and our contractors will be off site by the end of November. We received a couple reimbursements totaling around \$1.7 million from the Federal Emergency Management Agency (FEMA). We will finalize the accounting for the 2020 rebuilds and submit that soon. We think that will come in around \$2.1 million.

One more project will occur in 2021, which is called a mitigation project. We have selected sections of overhead line proven to be more susceptible to weather-related events and will bury underground cable eliminating this risk. The engineer's estimate the cost at \$1.1 million and that nears approval by FEMA. All in all, this has been a good process, but it takes attention to detail. Kudos go to our accounting and operations staff for this.

Rate increase communications continues in December

The rate implementation planning and communications has been ongoing for several months now and is nearing completion. The rate classes were established. Rate letters or a bill insert will occur for each rate class this month. If you would like to see a past *Connections* edition, they are all on our website. Clearly, the biggest challenge has been the transition to the demand classification. The reason this is done is to capture revenue from high demand users, as it occurs. We incur these expenses from our wholesale power suppliers and that can range anywhere from a low of \$6 to a high of \$18. The highest demand costs typically occur during the months of June, July and August so we want to mitigate those if possible. The highest demand charge that we will implement is \$7 per kilowatt (kW). For members on a demand rate the options include energy efficiency, load management or staggering of equipment startups. We will be monitoring member loads to make sure they are in the correct rate class. Typically, you see a lower kilowatt-hour (kWh) charge in place with a demand rate. This is the case with our new rates. We have taken a few calls; we have select, dedicated staff standing by that are most able to answer your questions so please call us with any questions.

Office ground source heat pump upgraded after 20 years

After more than 20 years of good use, our ground source heating/cooling system equipment failed; due to its age and lack of parts, it was beyond repair. Our contractor, Country Wide Plumbing and Heating finished up with the install just in time for the colder weather. It's been working great! The efficiency of this new equipment inside will be even better. We will monitor usage over the winter, as well as throughout the summer. Thanks go to Justin and his crew, along with our Master Electrician Dave Berlin for the installation.



Rural Electric

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The Board of Directors generally meets the last business day of the month at 8 a.m. at the Jackson office. Regular board meetings are open to the membership. Members interested in discussing business items should contact the general manager or president three days before the meeting.

2021 legislative issues on the horizon...

Many of you have been monitoring the political and legislative landscape. We are all hopeful that we can return to some normalcy. Through it all, Federated, along with our state and national associations, have maintained communications with our elected officials both in Minnesota and those in Washington, D.C. We became experts at Zoom, MS Teams, Webex, Skype and other forms of communication replacing the face-to-face meeting, which seem so long ago.

We are paying attention to issues that will become a grassroots focus once the sessions begin. To name a few at the state level are: deployment of high-speed broadband to rural members; Energy Conservation and Optimization Act; and permitting requirements for load management receivers. At the federal level our focus issues include: beneficial electrification, cybersecurity, distributed energy resources, environmental issues, financial and tax policy; power supply and wholesale markets; reliability and security; safety; telecommunications and broadband, plus transmission and generation. All of these topics are ongoing and affect every electric cooperative to some extent and thus you, our members.

I would like to wish all of you a safe, healthy and happy holiday season. 🇺🇸