



Electricity remains good value

Consider how important electricity is to your life. Electricity is likely involved with every aspect of your day-to-day living: cooking food, hot water, entertainment, comfort, livelihood and more. How does one put a price on that?

That is the question electric cooperatives must answer when they assign value to the electrons flowing through the power lines, to your home, and into the devices that you rely on for modern life. The answer is part art and part science, especially considering the broad shifts in the power industry in the past decade:

- Grid modernization
- Advanced metering
- Government regulations and power portfolio requirements
- Stagnant sales
- The rise of renewables and energy efficiency
- The emergence of more knowledgeable consumers who have better tools to monitor and control their use of electricity

Four principles can be considered when putting a value on electricity.

1. An electric cooperative's rate structure should collect adequate revenue from the members to cover the costs of providing them with electricity. These costs range from generation to transmission to the local distribution system to answering phones at the electric co-op office.

2. As consumers of different classes

Charging your phone for a year



Electricity remains a great value, courtesy of your electric cooperative.

are added or lost, the costs of their power, energy, demand and consumer service must be recovered.

3. A cooperative's rate design should be understandable to its members and motivate them to use electricity wisely, which helps reduce current and future costs. For example, demand charges help members be conscious of creating demand peaks.

4. Electric rates should be revised as needed to clearly communicate the cooperative's changing revenue requirements to its members.

At the end of the day, putting a value on safe, reliable and affordable electricity must meet one basic requirement — the value needs to cover the fixed costs of making that electricity available to members.

This is generally done with a combination of service cost, kilowatt-hour (kWh) sales and demand recovery, but it could be done with a service cost alone. For example, let's say an electric cooperative's average fixed cost for each residential member breaks down like this (note: this is an example and does not reflect a real-world scenario with different rate classes):

- Wire, poles, transformer, meter, depreciation of purchase costs, interest costs, installation and maintenance costs, administrative costs and insurance: \$25
- Member support: \$10
- Property taxes and miscellaneous fixed costs: \$3

Charging each residential member a monthly \$38 service charge would then cover the fixed costs of the electric cooperative and kilowatt-hour sales would be reduced to covering wholesale power costs. Yet, jumping to \$38 for a monthly residential charge has a huge impact on members; thus, the Board of Directors approved gradually stepping up toward that with the residential service charge set for \$20 January 1, 2021.

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At A Glance



**Need help?
Extra energy-
assistance
funding exists**

Covid-19 pandemic affected your ability to pay the electric bill? Additional funding is available, but must apply ASAP. Call Federated. Otherwise, in Jackson County call United Community Action Partnership at 800-658-2448 or Minnesota Valley Action Program at 800-767-7139. Ask about CHAP and energy assistance.

The cooperative goal is to provide reliable electricity service at cost

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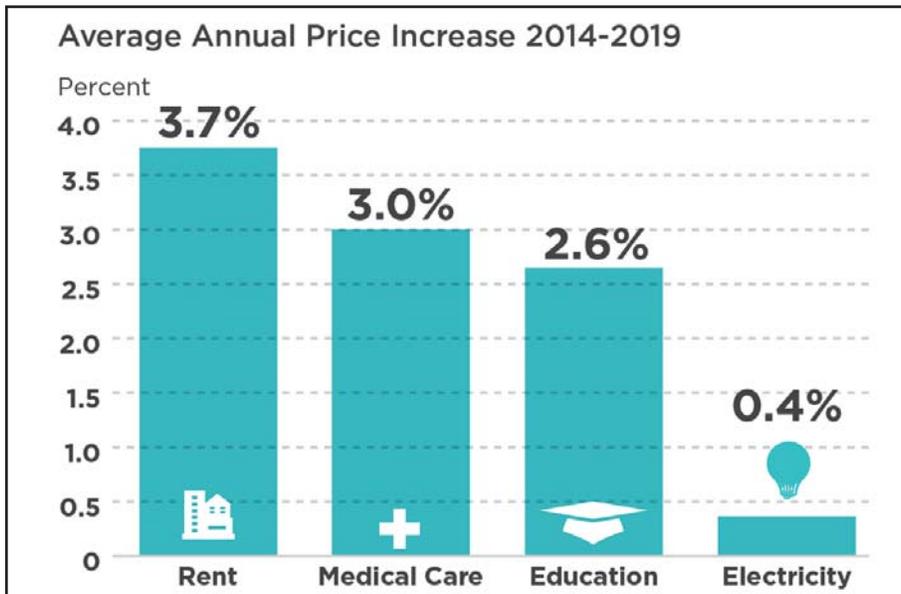
Keep in mind electric cooperatives are not-for-profit organizations. Their rates must be based on actual costs of serving members, not actual costs, plus profit. At the same time a cooperative needs to generate a profit or margin to remain financially strong. These margins are used for future growth and construction. Once the margins have served their purpose, they are then returned to the members in the form of capital credits.

This is where putting a value on electricity becomes part art and part science.

What is the right balance on finding the appropriate service charge for each class of member?

What value ensures the ability to have electricity, regardless of how much electricity is used at each location each month?

What is the appropriate kilowatt rate for that power that generates healthy margins for the good of the cooperative and its members in the future?



The cost of powering your home rises slowly when compared to other common expenses. Looking at price increases over the last five years, it's easy to see electricity remains a good value! Sources: U.S. Bureau of Labor Statistics and Consumer Price Index

The answer to each of these questions varies for each electric cooperative based on their demographics and individual circumstances. Yet, the

goal is the same for each electric cooperative — serving our members with safe, reliable, affordable electricity in the best possible way. Ⓢ



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Federated Focus

The \$50 bill credit winner is...

Federated had nine members who signed up and used the mobile app to pay their August or September bill. Federated drew one name as the winner of the \$50 bill credit. Congratulations Julisa Rasael, Northrop!

Co-op posts interconnection process for wind & solar



In compliance with Federated's adopted rules relating to cogeneration and small power production, Federated is obligated to interconnect with and purchase electricity from cogenerators and small power producers, whom satisfy the conditions as a qualifying facility. Federated is obligated to provide information free of charge to all interested members upon request regarding rates and interconnection requirements. All interconnections require an application and approval to become a qualifying facility. Any dispute over interconnections, sales and purchases are subject to resolution by the Federated Board of Directors.

Interested members should contact Federated Rural Electric, PO Box 69, Jackson MN 56143-0069, e-mail info@federatedrea.coop or call 847-3520 or 1-800-321-3520; ask for Jon Beckman. The application process is outlined on Federated's website: www.federatedrea.coop.

Ready for holiday dishes?
Is your water heater really old? don't risk it with a 20-year-old water heater failing — during the holidays. Call Federated for your new one: \$539, plus tax; installation is included. ☺

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

The new year will bring rate changes to Federated members. Federated will consolidate its 22 electric rates into six main rates: Residential, General Service, Small Power, Large Power, Interruptible and Municipal Wholesale. Federated presently has its legacy rate book, plus a separate former Alliant rate book from the 2015 acquisition.

This month we want to highlight the changes in the Residential rate class. The rate consultant analyzed the revenue and expenses for each rate class under the Cost-of-Service Study. The Board of Directors approved the January 1, 2021 rate increase at their August meeting after seeing the Cost-of-Service Study.

"This study indicates what the costs should be for each rate class for energy, service charge and also demand for the larger member accounts," said Scott Reimer, Federated's general manager. "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 three percent in this new restructured residential rate."

For the 4,000 legacy residential and 538 village residential members, their last rate change occurred in 2012. That's nearly a decade on the same rate. Meanwhile, the former Alliant members last had a rate adjustment in 2018.

Monthly residential service charge set at \$20 a month

The Residential monthly service charge will increase to \$20 a month. The service charge covers mainly Federated's administrative, metering, billing and partially the cost to provide reliable electricity from the substation on down the line to your meter. The Cost-of-Service study revealed the service charge should be \$38 a month. However, Federated will work toward that charge over the coming years.

Residential rate set at 8.6 cents

The energy charges remains very competitive at 8.6 cents per kilowatt-hour (kWh). Federated will blend in the monthly power cost adjustment or PCA line on your bill so it's zero starting out the year. The second tier for energy was eliminated, as that was created when there was surplus power at coal power plants. The former Alliant members will no longer have the higher summer rates at 11.322 cents and the rest of year at 9.6 cents/kWh. Keep in mind that in 2019 the state average electric co-op electric rate was 12.9 cents, while the national co-op average was 12.4 cents.

Time-of-Use residential rate added

The Time-of-Use (TOU) rate was created as an optional rate class, as Federated sees electric vehicle charging on the horizon. Under this TOU rate, the whole residence is charged different rates for different times of the day. This encourages members to use the electricity at night when rates are cheaper. (See the chart below for the times and rates.) Members can sign up for this rate class starting January 1, 2021, using a form on the co-op's website. The rate class requires remaining on the program for a year.

Time-of-Use	Time	Rate
Super off-peak	Midnight to 4 a.m.	5 cents/kWh
Off-peak	4 a.m. to 8 a.m. & 8 p.m. to midnight	7.3 cents/kWh
On-peak	8 a.m. to 8 p.m.	11 cents/kWh

Most residential rate members will receive a letter about the rate change as a bill insert, while the rest will receive a direct mail letter this year. ☺

Update life-support listing with co-op



For family members or friends with a medical condition electricity is a lifeline for their medical equipment.

Your local electric cooperative likes to know about any members who are on life-support equipment, such as:

- Oxygen concentrators
- Respirators
- Home dialysis or
- Other life-threatening conditions.

Plus, tell us if the medical equipment has battery backup or a generator backup.

Your electric cooperative maintains this list for two reasons. First, in case of a planned outage where crews will work on the lines, the co-op tries to inform these members before the outage. Secondly, during an unplanned outage, priority is given to restore power to these members with such medical equipment.

If you haven't notified your local electric cooperative, please complete this coupon and return it to us with your next bill payment. Otherwise, e-mail, fax or mail the information right away.

In addition, if the person with the medical condition moved off the co-op's system, no longer needs life support or passed away, please inform the co-op so our list stays current. (C)

Place me on co-op's medical list

 Yes, I'm on life support equipment OR
 Please remove _____
from the co-op's life support list

Name _____

Address _____

City/state/zip _____

Phone number _____

Your account number (found on electric bill)

Type of life support equipment or medical condition:

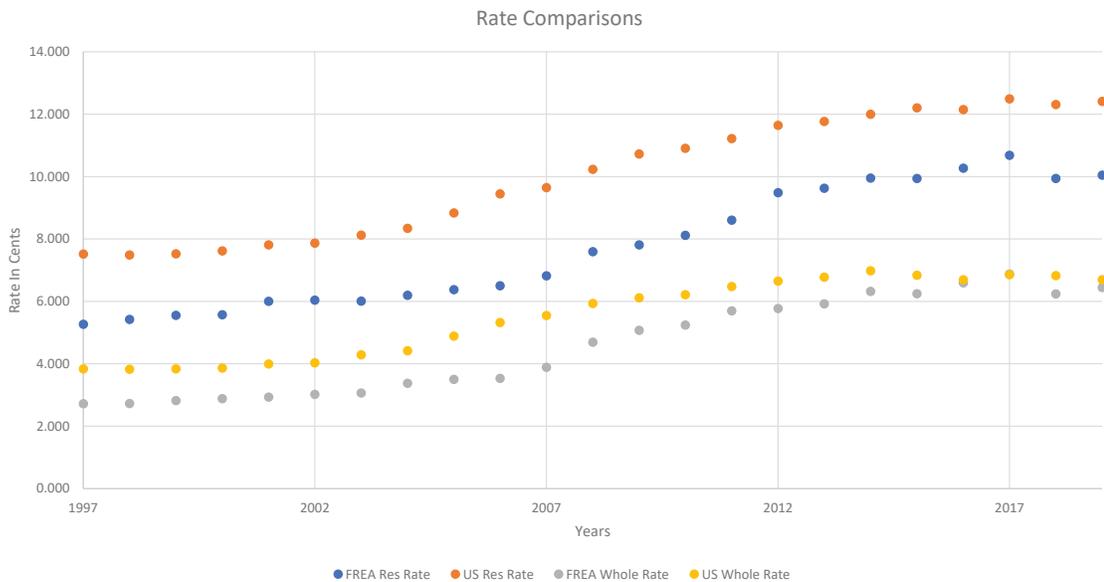
Battery backup? Yes No

If yes, how long do the batteries last? _____.

Is there a generator onsite for backup electricity?
 Yes No

Return this coupon to the co-op with your next bill payment. Otherwise, e-mail (info@federatedrea.coop) or mail it back to Federated. Thanks! (11/2020)

20 years of Federated rates compared to national co-op rates



One of Federated's lenders provides different ratios. The National Rural Utilities Cooperative Finance Corporation provides the local co-op statistics, which can be benchmarked to other electric co-ops nationwide. The blue dots are Federated's retail rate, which is under the national average (orange dots). Federated's average wholesale power costs are shown as gray dots, which are mostly under the national average electric co-op wholesale power costs. (C)

Source: Information from the National Rural Utilities Cooperative Finance Corporation



Scott Reimer

Manager's Message

Stressful, difficult year due to Covid

As we move into the holiday season, it's clear the pandemic will continue to impact our lives negatively. Information seems to be coming at us from multiple directions; we question what is actually best for us and our families. We hope people remain vigilant and take precautions. Many of our family and friends might be affected, physically or mentally; pay close attention to any signs that may lead to intervention. We wish you all the strength to navigate these difficult times.

Rate increase communication continues

We have been communicating with you our new rate plan beginning January 1, 2021. All of you will fit into one of the new rate classes. (See Page 4 for more information on the residential rate class changes.) We are currently evaluating every account to make sure we get that correct. The biggest change for some residential or farm accounts involves moving to a demand rate class. I feel we should spend some time on this topic.

Explanation of demand charges

Depending on how members use electricity, electric members are charged for different electric services. Along with a basic service charge, which is a set amount paid monthly, most members pay for the energy they use measured in kilowatt-hours, abbreviated kWh. Larger users of electricity are also charged for something called demand, which is measured in kilowatts, abbreviated kW.

Demand can be explained in various ways. Electric demand is a measure of the average rate your home or business consumes electricity in a defined time interval. Demand meters register the highest rate of electrical flow (or current) during a billing period. The meter records an average flow for every 15-minute interval. The member is billed for the highest average 15-minute flow during the billing period.

So how does the demand impact a member's electric bill? The demand charge will be a part of the bill if the customer uses a lot of power over a period of time. Let's look at an example:

1. A member runs a 50 horsepower (hp) motor for a measurable timeframe during the month:

Demand Charge = 50 hp x .746 kW/hp x the applicable kW rate (our new rates range from \$3 to \$7/kW) = so using an average of \$5 for this equates to a monthly demand charge of \$186.50.

The demand charge portion of the members' power bill will be billed on a monthly basis and reset monthly.

Ways to save money on your demand charge

- Members can mitigate these demand charges by cycling equipment to avoid the larger peaks when multiple motors start all at once.
- Make sure your motor is the correct size for your use. An oversized motor could be increasing your demand and costing you money. It's also



Rural Electric

Official monthly newsletter published

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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.

possible that a newer, more efficient motor in combination with what it's driving may be available that would save on demand and energy. Federated offers rebates on new variable-frequency drives, plus new or retrofit fractional horsepower motors; see our website for the form.

• Make sure your pump and motor combination are the correct size for your system. If you are using a 75-hp pump when a 50-hp pump would do the job, you are wasting 25 hp or 18.7 kW of demand.

• Make sure that worn pumps, motors and other apparatus are maintained to avoid additional stresses that result in higher costs.

CTV will upgrade transmitters this year

Our Cooperative Television (CTV) UHF service will do some significant updates yet this year. New transmitters were ordered and should be installed by year end. We will provide more details on this in our December *Connections* issue.

Energy-assistance funds available

Various agencies across the state offer energy assistance funds to those who need it. (See the bottom of Page 1). If you know of someone who could benefit from this, we urge you to reach out. We are available to address any questions you may have. ☺