

What is this 'Service Charge' on my bill?

Let us explain some of the terminology on your electric bill.

Service charge

An amount on a member's electric bill designed to recover some of the fixed costs of providing electric service. It is a flat rate that is charged, whether or not any electricity is consumed.

All Federated members pay a service charge. These fixed expenses are associated with the operation of the cooperative and maintaining the overall electric system.

The service charge covers the costs of utility infrastructure and maintenance, tree trimming on the rights-of-way, utility vehicles, general business and administrative expenses. (See the photos to the right.) It includes all expenses not related to your use of electricity.

Energy Charge

The part of an electric bill based on the amount of energy used. It is determined by the kilowatt-hours (kWh) consumed and the applicable rate. A kWh is a measurement of electricity supplied for one hour. When you pay for 1 kWh, you're buying 1,000 watts of electricity used continuously for one hour.

The Energy Charge reflects the energy used to make your coffee, wash your clothes, power your lights and run your grain dryer motors or business. It represents the value of electricity to your home, farm or business. (U)



Transformers & meters



Tree trimming



Power lines, poles & equipment



Substations



Buildings



Utility vehicles

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Scott Reimer

Manager's Message

Rate adjustments coming January 1, 2021

I have talked about the rate changes coming after our Cost-of-Service Study was completed in my column four times already this year. Our engineering consultant analyzed all 22 of our rates between our legacy members and the former Alliant rates we acquired five years ago with the merger. The rate consultant analyzed the revenue brought in by each rate class and the costs for each rate class to make sure each class covered their fair share. The analysis even

looked at your usage through August to see what the impact would be. Rates were then adjusted for each rate class. The good news is that we are simplifying our rates, going from 22 different rates down to six main rates, instead of having these two different sets of rate books.

Monthly service charge changes

Overall, the majority of residential electric members will have only a slight rate increase around 3 percent. For our legacy accounts this is the first increase since 2012 — nearly a decade on the same rate. For our former Alliant members that have been with Federated since 2015, their overall rate costs remain flat, as we merge both rates into one residential rate. The new monthly residential service charge will increase from \$12 to \$20. However, our village residential rate's service charge moves from \$6 to \$20, which affects members in Welcome, Fox Lake, Huntington, Petersburg and Wilder. The Cost-of-Service study says the service charge should be \$38. That is something we will gradually work toward over the years and would then decrease the kWh amount accordingly. The service charge is the cost that includes our billing software, to meters, to poles, wire, trucks and buildings. (See the related story on Page 5.) Rest assured, when your residential electric rate becomes 8.6 cents/kilowatt-hour (kWh), it is one of the lowest in the state and nation! (See the rates map on Page 4.) Plus, our power cost adjustment (PCA) was blended into the rate and service charge so we hope that the PCA hovers near zero for most of 2021.

Reliable power requires maintenance and upgrades

One of our main goals is to provide reliable electric service. As our electric poles and lines are aging, we need to replace and upgrade, which is part of the reason for the rate increase. This rate increase will include \$500,000 more in revenue that we can devote to upgrading older lines with larger poles that are closer together and use underground where possible. The ice storms in 2013 and 2019 beat up our system with some of that rebuilt through Federal Emergency Management Funds. One way to avoid a rate increase is to have increasing energy sales each year to offset the expenses. With the pandemic this year sales are 10 percent lower.

Communications just starting on the rate adjustment

The communication on this rate adjustment is just beginning. We will



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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.

send a letter out to each member, informing you of your rate class and the final details in December. We will have monthly newsletter stories to keep you informed, as member-owners. Stay tuned for our radio show and Facebook posts explaining the changes as well. The new rates start January 1 so the first bills are received February 2021.

Save with our money-saving programs & rebates

I also want to mention our money-saving programs too. Keep in mind our rebates for energy-efficiency equipment that uses less electricity. Visit our website for the rebate forms for everything from heat pumps, Energy Star refrigerators/freezers, dehumidifiers, business retrofit LED lighting upgrades and our commercial rebates. Plus, take advantage of our money-saving programs for heating, cooling, water heating and standby-generators. The former Alliant members can now take advantage of the Dual Fuel rate, water heater credits and standby-generator rate too, starting January 1. For co-op members interested in electric vehicles we will introduce a Time-of-Use rate for charging vehicles for the whole residence; more details will follow on this involving the rates for these times.

Stay tuned. We will share more information each month with you on these rates. ☺