

OFF-PEAK RATE INCREASE | EFFECTIVE JANUARY 2023

September 2022 Communication: Great River Energy (GRE), LREC's power provider, has informed us that there will be a demand side management (DSM) rate increase, effective January 2023. The DSM adjustment is due to price increases for natural gas and the MISO markets. LREC, along with GRE's other member cooperatives, are working with GRE to find the best strategy to address the price increases for natural gas and the MISO markets.

LREC will continue conversations with GRE until a finalized rate has been established, and we will continue to provide you with updates as we get additional information from GRE. For our members, LREC will directly pass the DSM rate amount to our membership, not collecting any additional margin as a result of the adjustment. We will ensure our rates remain competitive and we will continue to work to keep rates as low as possible. Additionally, please note that even after the DSM rate increase, off-peak electricity will continue to be a better value than propane.

October 2022 Communication: Great River Energy (GRE), LREC's power provider, has informed us that there will be a demand side management (DSM) rate increase, effective January 2023. The DSM adjustment is due to price increases for natural gas and the MISO markets. LREC, along with GRE's other member cooperatives, are working with GRE to find the best strategy to address the price increases for natural gas and the MISO markets.

LREC will continue conversations with GRE until a final rate has been established. We are hoping to have a finalized rate to communicate within 2-3 weeks. We will ensure our rates remain competitive and we will continue to work to keep rates as low as possible. Additionally, please note that even after the DSM rate increase, we anticipate that off-peak electricity will continue to be a better value than propane.

December 2022 Communication: LREC's off-peak wholesale power rates from Great River Energy (GRE) are rising due to increases in the wholesale power market, which is primarily driven by the wholesale natural gas market. LREC has absorbed multiple wholesale off-peak rate increases over the years, to keep off-peak rates stable for our members. Our dual fuel and ETS rates have remained stable since 2008 and 2017, respectively. The latest wholesale increase has resulted in the need for additional revenue to serve these loads.

OFF-PEAK RATE CHANGES		
	Current Rate	New Rate
		Effective Jan. 2023
Off-Peak Rates		
Off-Peak Storage (ETS)	4.8¢/kWh	5.5¢/kWh
Interruptible: Dual Fuel & Peak Shave Water Heater	6.1¢/kWh Summer 5.4¢/kWh Other	6.8¢/kWh Summer 6.1¢/kWh Other

February 2023 Communication: If you are a member utilizing LREC's off-peak programming, you may notice an increase on your February bill (January's usage). As of January 1st, 2023, LREC updated our off-peak rates to reflect the increases in the wholesale power market, which is primarily driven by the natural gas market.

Nevertheless, our off-peak programs are still very beneficial and continue to be a better value compared to propane. This winter, propane prices have been around \$2.05/gallon. When comparing that to LREC's off-peak dual fuel rate (September-May), the propane equivalent is \$1.46/gallon. When members are on LREC's dual fuel program and use their electric system as their primary heating source, they can expect a 28% savings compared to propane.

GENERAL SERVICE RATE INCREASE | EFFECTIVE SEPTEMBER 2023

November 2022 Communication: *Inflation and Natural Gas Prices Drive the Need for Additional Revenue* With the rate of inflation and high cost of natural gas increasing Great River Energy (GRE) wholesale costs, we are anticipating the need to collect more revenue within the next 12 to 18 months. We anticipate an approximate 6% increase in GRE wholesale costs in 2023, which represents approximately \$1,800,000. It is becoming clear that we will need to pass these higher wholesale costs onto the membership. Your board of directors is evaluating the situation to determine the best plan for generating the additional revenue that is anticipated, and such plan will likely lead to an increase in our general service rates. We do not like rate increases, but when they are necessary, we analyze and determine them in a manner to ensure that LREC can cover all its fixed costs. As mentioned in last month's newsletter, there will be a Demand Side Management (DSM) rate increase effective January 2023.

Any such rate increases necessary to generate additional revenue needed would not be driven by LREC or caused by LREC, but rather they would be driven by natural gas price increases and inflation that hasn't been seen for decades. The landscape affecting rates is changing very rapidly. By staying vigilant and staying on top of the massive changes impacting our world and industry right now, and upon receiving new information from GRE, our team has been planning, budgeting, and doing everything we can to mitigate the impact of potential rate increases.

Your board continues to move forward to reach decisions that are in the best interests of the cooperative. An absolute priority of ours is to make sure we keep this topic and related discussion on the table through newsletters, Facebook, and other forms of communication, so that we can be assured that we have done what we can to properly keep you informed of the decisions that will affect our rates and clearly explain the reasons supporting such decisions.

We have only had one general service rate increase in the last decade. LREC has been proactive in lessening the impacts of things outside of its control to maintain rate stability. This proactive approach remains strongly in place today, so that we may continue to plan in a manner that is in the best interests of our cooperative.

December 2022 Communication: LREC's wholesale power costs from Great River Energy (GRE) are rising due to increases in the wholesale power markets, which are primarily driven by the wholesale natural gas market. Earlier this year, LREC completed a cost of service study. The results indicated that our facility charge wasn't recovering the fixed costs required to provide power to each service (poles, wires, transformers, substations, meters, etc.). By increasing our facility charge to match our cost of service, we were able to lower our energy rate across all rate classes. The result is a 5% annual increase for the average member.

IRRIGATION RATE CHANGES		
	Current Rate	New Rate
	Effective Sept. 2023	
Irrigation—Single Phase		
Facility Charge (May-Sept.)	\$79/mo	\$100/mo
All Energy	6.84¢/kWh	6.65¢/kWh
Demand (Controlled)	\$2.25/kW	\$3.50/kW
Demand (Uncontrolled)	\$7.50/kW	\$10/kW
Irrigation—Three Phase		
Facility Charge (May-Sept.)	\$79/mo	\$170/mo
All Energy	6.84¢/kWh	6.65¢/kWh
Demand (Controlled)	\$2.25/kW	\$3.50/kW
Demand (Uncontrolled)	\$7.50/kW	\$10/kW

GENERAL SERVICE RATE CHANGES		
	Current Rate	New Rate
	Effective Sept. 2023	
Residential & Farm		
Facility Charge	\$24/mo	\$39/mo
Summer (June, July, Aug.)	12.2¢/kWh	11¢/kWh
Other Months	10.9¢/kWh	9.6¢/kWh
Small Commercial		
Facility Charge	\$45/mo	\$70/mo
Summer (June, July, Aug.)	12.1¢/kWh	11.3¢/kWh
Other Months	10.76¢/kWh	10¢/kWh
Large Commercial		
Facility Charge	\$55/mo	\$100/mo
All Energy	7.05¢/kWh	6.85¢/kWh
Summer Demand (June, July, Aug.)	\$18.69/kW	\$20/kW
Winter Demand (Dec., Jan., Feb.)	\$12.59/kW	\$14/kW
Demand (all other months)	\$6.48/kW	\$8/kW

January 2023 Communication: As announced last month, due to rising wholesale power costs from Great River Energy (GRE), Lake Region Electric Cooperative (LREC) is raising the general service rate (effective September 1st, 2023). GRE's power cost increases are due to rising prices in the wholesale power markets (which are primarily driven by the wholesale natural gas market). This will result in a 5% annual increase for the average member.

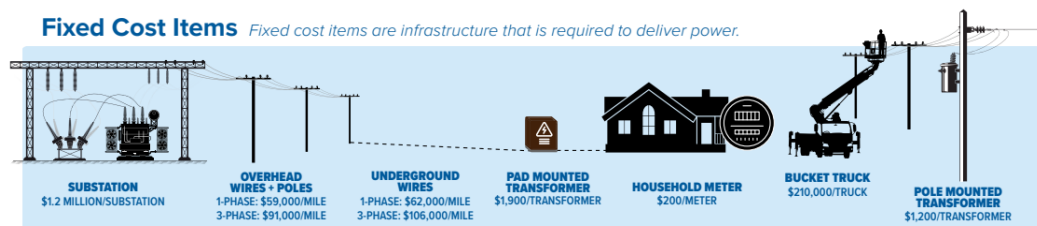
The increase will primarily be in our facility charge. A cost of service study from earlier this year indicated that LREC's facility charge wasn't recovering the fixed costs required to provide power to each service — such as poles, wires, transformers, substations, meters, and the like. These costs are the same regardless of the amount of electricity each home uses. By increasing our facility charge to match our cost of service, we were able to lower our energy rate across all rate classes.

Why is the facility charge increasing? A recent cost of service study showed that our facility charge is not covering our fixed costs to deliver power to our members. When it

was determined that LREC needed additional revenue due to increases in wholesale power costs, along with other inflationary pressures, the Board of Directors voted to restructure our rates to match the results of the cost of service study. This resulted in an increased facility charge and a decreased energy rate.

What is the purpose of a facility charge? There are a number of fixed costs to deliver power to a service; including poles, wires, transformers, meters, trucks, etc. These are costs incurred by LREC whether or not energy is being used at a service or not. The purpose of a facility charge is to ensure these costs are properly being recovered—regardless of how much energy is consumed. LREC, along with other electric utilities, bills a separate fixed facility charge in addition to a metered energy cost.

Why is the facility charge so high? LREC has approximately five members per mile of line, while investor-owned and municipal utilities have 40+ customers per mile. This means LREC has fewer members to share those costs compared to an investor-owned or municipal utility, resulting in a higher facility charge. Even with the higher facility charge, LREC collects less revenue per mile of line than investor-owned and municipal utilities.



March 2023 Communication:

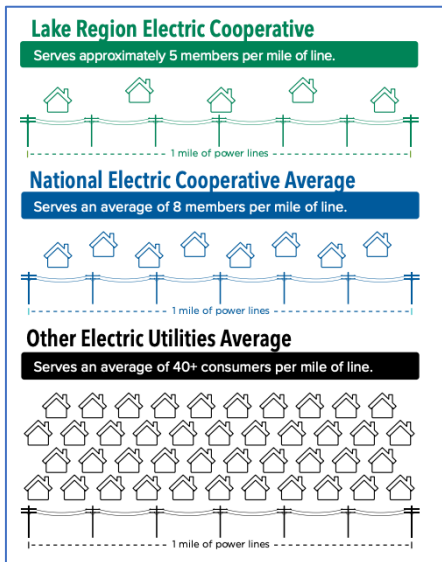


Check Out Our Online Bill Calculator

During our recent district meetings, LREC employees provided a rate booth that allowed members an opportunity to see how their bill will be affected by the rate changes that are going into effect September 1st, 2023. This is now being made available to all members via our online bill calculator. Try it out at <https://ratecalc.lrec.coop> or scan the QR code to the right with your mobile device.



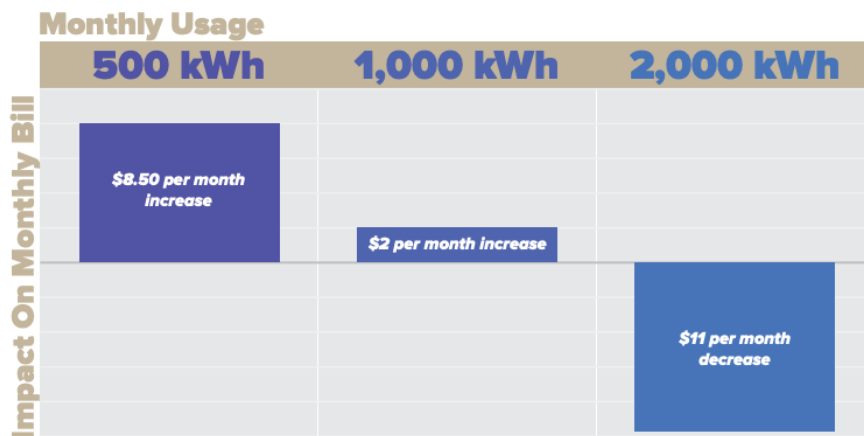
Electric co-ops have less consumers per mile of line than investor-owned and municipal utilities (Lake Region Electric Cooperative has even less than the national cooperative average). LREC has approximately five members per mile of line, while investor-owned and municipal utilities have 40+ customers per mile. Because LREC has fewer members to share those costs, the facility charge is higher. In spite of the higher facility charge, LREC still collects less revenue per mile of line than investor-owned and municipal utilities. However, we always go the extra mile for you—the members we proudly serve.



April 2023 Communications: *How will the September 2023 Rate Changes Impact Members?*

The chart below shows the average residential member's rate change at various usage levels (for the rates that are going into effect September 1st, 2023). We are also offering a customized estimate that gives members an opportunity to see how their bill will specifically be affected by the rate changes. There are two ways to see this:

- 1) LREC employees will be providing a rate booth at our Annual Meeting on April 13th. Simply visit the booth and they will look up your information.
- 2) Members can also check it out via our new online bill calculator available at <https://ratecalc.lrec.coop> or by scanning the QR code to the right with your mobile device.



June 2023 Communications: *See How Upcoming Rate Change Affects Your Bill*

We've worked hard to ensure our members are fully informed about our upcoming rate change to our general service rate in September. At our district meetings in January and our annual meeting in April, we provided a rate booth where members could preview

what their bill might look like after the increase. We have also made an online bill calculator that is available at <https://ratecalc.lrec.coop> — scan the QR code to the left to visit.

Why are rates increasing? The rate change is due to rising wholesale power costs from Great River Energy (GRE). GRE's power cost increases are due to rising prices in the wholesale power markets (which are primarily driven by the wholesale natural gas market).

How much are the rates increasing? The average member will see an average annual increase of 5%.

When are rates changing? Our general service rate change will take effect September 1st, 2023. Our off-peak rate increase was implemented January 1st, 2023.

July 2023 Communications: *What is a Facility Charge and Why is it Increasing in September?*

As announced at the beginning of 2023, Lake Region Electric Cooperative (LREC) is raising the general service rate (effective September 1st, 2023). This is due to rising wholesale power costs from Great River Energy (GRE).

The increase will primarily be in our facility charge. A recent cost of service study indicated that LREC's facility charge wasn't recovering the fixed costs required to provide power to each service — such as poles, wires, transformers, substations, meters, and the like. These costs are the same regardless of the amount of electricity each home uses. The purpose of a facility charge is to ensure these costs are properly being recovered regardless of how much energy is consumed.

LREC, along with other electric utilities, bills a separate fixed facility charge (cost to provide service) in addition to a metered energy cost (cost of electricity). By increasing our facility charge to match our cost of service, we are able to lower our energy rate across all rate classes.

The typical member will see an average annual increase of 5%. If you are interested in seeing how the rate change affects you, we have made an online bill calculator that is available at <https://ratecalc.lrec.coop> — simply scan the QR code to the left to visit. As always, if you have a question or concern that isn't addressed, you can reach out to us at (800) 552-7658 or via our online chat at www.lrec.coop.