



NEWS *Lines*

PUBLISHED MONTHLY FOR THE MEMBER-OWNERS OF NORTH WEST RURAL ELECTRIC COOPERATIVE

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Lyle D. Korver

MANAGER'S *Report*

Increased Purchased Power Costs Lead to First Base Rate Adjustment in 11 Years

Over the course of the last couple years, we have been providing regular updates regarding our increasing purchased power costs. We often report that approximately eighty percent (80%) of our operating expenses are what we pay for wholesale purchased power. This power is a blend of hydro, coal, wind, natural gas, solar and other sources. Our power suppliers have increased wholesale rates by 8% in January of each of the last two years. We have been able to pass along some of these increased power costs through our power cost adjustment (PCA). However, we are at a point now where we need to cover these and other increased operating expenses through a base rate adjustment in order to continue to provide the safe and reliable power our member-owners expect and deserve. **This will be North West REC's (NWREC) first base rate adjustment in eleven years.**

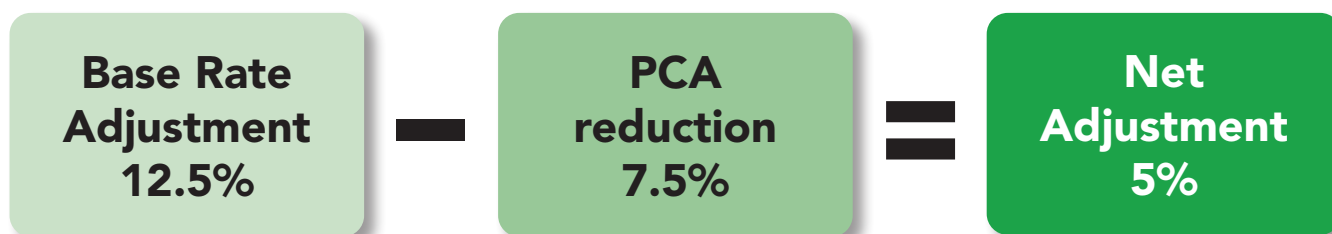
The 20% of our operating expenses that are not purchased power related, are the costs associated with delivering the power from the substations to our end consumers – our members. Insurance costs, interest rates, material, equipment and labor are all expenses that are part of our normal operating expenses, and they have all been increasing since the COVID-19 pandemic occurred.

As we reported in January, we have been working with our lender on a rate study to determine how much additional revenue your cooperative needs to collect from our members in order to meet our financial obligations and maintain margin levels that are acceptable to our lender. As a Cooperative, we set our rates at levels that just cover our expenses and provide a small margin. We are not motivated or required to generate large profits for shareholders.

It is never an easy decision to increase our rates for our member-owners. However, following a detailed cost of service study, our Board of Directors has approved an increase in our base rates that will take effect on June 1, 2026. Based on projected sales, the new rates are expected to increase annual revenues by approximately 12.5%. The impact on each member's monthly bill will vary depending on electric usage levels and rate class.

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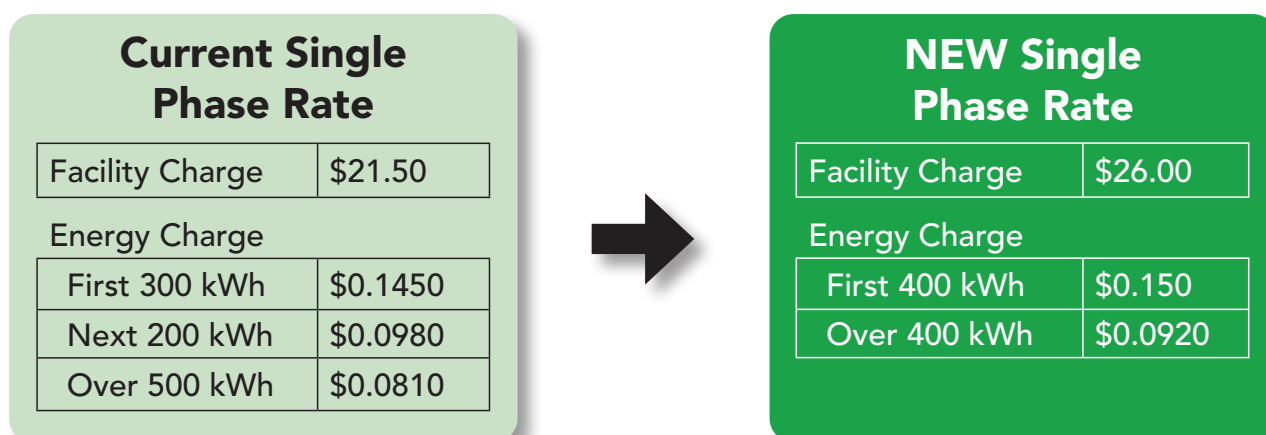
In addition, on June 1, we will also be **reducing** the PCA factor back down to the pre-January, 2026, level of 7 mills (7/10th of a cent). You may recall that in January, we increased the PCA from 7 mills to 13 mills. This was done as a temporary step prior to completing and implementing the base rate adjustment. Taking this PCA reduction into consideration, the increase will be a net overall adjustment of five percent (5%).



Here is some additional information regarding rates that we hope will be informative for you:

What are the base rates?

We refer to our various rate structures including single phase, three phase large power, irrigation and electric heat rates, as our base rates. For example, the following illustration shows our current single phase base rate and our new single phase rate that will be effective June 1, 2026:



For more information about the new rates effective June 1, 2026, please visit our website at www.nwrec.coop.

Why is there a monthly Facility Charge?

The monthly facility charge covers the fixed costs of delivering power to a home, farm or business, regardless of how much energy they use. This flat, recurring fee is designed to pay for a portion of the infrastructure costs like poles, wires, transformers and meters, that are necessary for NWREC to provide safe and reliable electric service. The Cost of Service study shows that we should actually have a higher facility charge, than \$26 per month for single phase, and that is why we have a higher energy rate for the first 400 kWh's, to try to recover the balance of the fixed costs that all members should be responsible for.

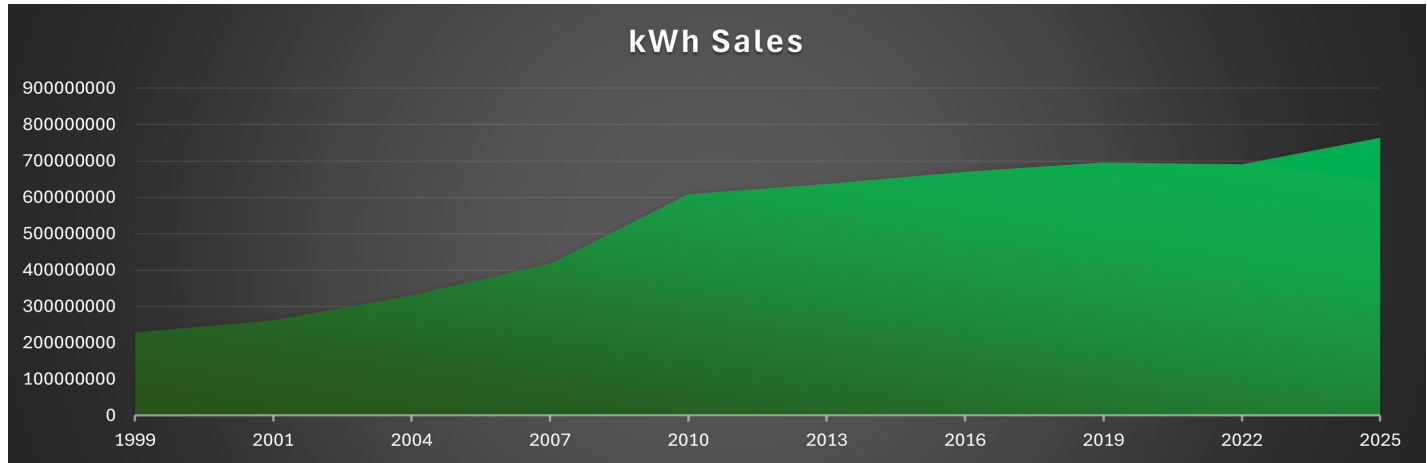
Is the increasing demand for electricity from large loads like data centers, the main cause of the rate increase?

No. While part of the increasing wholesale purchased power costs is related to the investment that our power suppliers are making in new transmission and distribution facilities, it's not the main driver. Load growth has been occurring naturally throughout the 80 plus year history of electric cooperatives through the growth and development of agriculture, business and industry, housing and other developments.

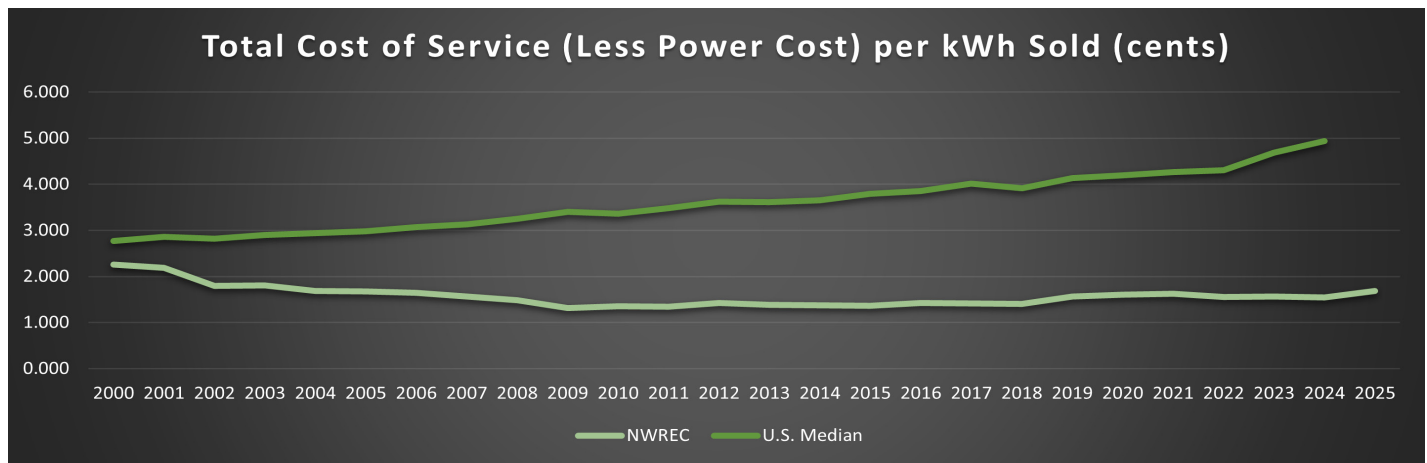
With the recent growth of large data centers, our power suppliers have developed a new large load policy, that will require these types of large loads to pay for this new investment in electric infrastructure that will be needed to serve these loads. The purpose of this new policy is to insulate our members from the impacts of these investments.

Is normal load growth good for the Cooperative and our members?

Yes. As you can see, NWREC's electric sales have increased significantly over the last 25 years.

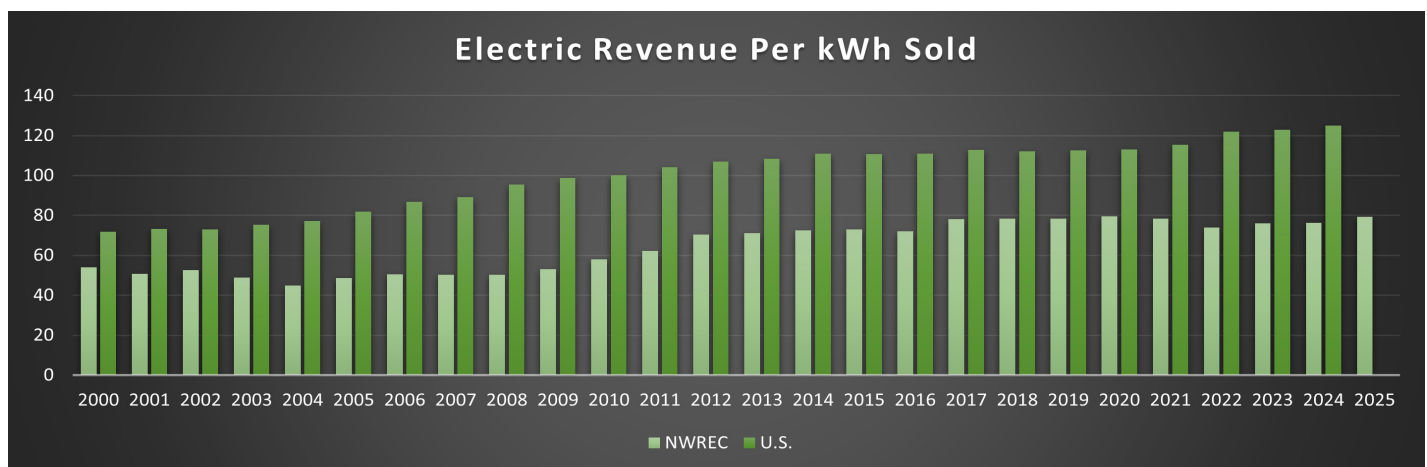


This is due to our progressive and economically strong and diverse service area and our involvement in economic development. As a result of the increase in kWh sales, we are able to spread our fixed costs over more kWh's and this helps to keep our rates very competitive. This graph highlights how our costs associated with delivering the kWh from the substation to our members, is only 1.6 cents per kWh. This is well below the U.S. and Iowa median.



How do NWREC's rates compare to other REC's?

Our electric rates have been some of the lowest in the U.S. and we are pleased to share that we will continue to have very competitive rates after this increase. According to our lender's annual Key Ratio Trend Analysis, our electric rates have been in the bottom 5% when compared to the other 800 REC's in the U.S. This graph shows our total revenue divided by our kWh sales and that we are well below the median. So even with this increase, NWREC's rates will continue to be very competitive.



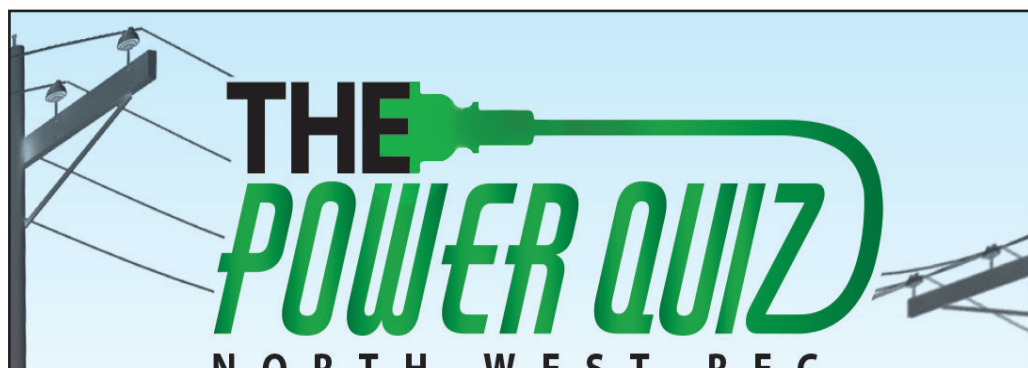
Will rates continue to increase?

As previously stated, this is our first base rate adjustment in eleven years. We may need to use some of our Margin Stabilization Funds to hold the base rates and PCA steady next year but that is our goal for 2027. Beyond 2027 and based on our most recent Ten Year Financial Forecast, we anticipate that future rates will increase but at less than the rate of inflation.

We are committed to continuing to keep rates as low as possible for our members. Thank you for your understanding and support. We will continue to keep you informed of any new developments relating to future electric rates.



Our Mission
We will safely and efficiently provide reliable and affordable electric service to our members.



THE POWER QUIZ
NORTH WEST REC

1. How much will the new facility charge be?
2. How are our power supplies insulating members from the impact of new data centers?
3. How long has it been since NWREC adjusted rates?

Name _____ Acct. # _____

Find the answers within the content of this newsletter, our website or Facebook posts and you could win a prize of \$10 off your electric bill. Send your answers to powerquiz@nwrec.coop or you can send your written answers to North West REC, PO Box 435, Orange City, IA 51041. You may mail your entry along with your electric bill payment, but remember the deadline is May 2. Each month, ten names will be randomly drawn from all correct entries for a \$10 bill credit. Members who answer the questions correctly and participate at least three times throughout the year will be eligible for 2 - \$250 bill credits, through a random drawing, at the end of the year.

POWER QUIZ *Winners*

Dave Ahlers - Remsen	James Mai - Le Mars
Rebecca Lampman - Arthur	Dale Zenk - Merrill
Robert Otto - Mapleton	James Verrips - Sheldon
Hansen Family Farms - Alton	Susan Streck - Ida Grove
Verlyn Scheerhorn - Sanborn	Tom Konz - Le Mars

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OFFICE HOURS:
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7:30 a.m. till 4:00 p.m.

Orange City office open during noon hour

Le Mars office open 9:00 a.m. - 3:00 p.m. Tuesday through Thursday

Ida Grove office open 9:00 a.m. - 2:00 p.m. Wednesdays

PHONE:
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