ANNUAL REPORT 2019

Bayfield Electric Cooperative

Your Touchstone Energy® Cooperative

VIRTUAL ANNUAL MEETING

JUNE 15TH, 2020

80th ANNIVERSARY

WE'RE HERE FOR YOU.

365 days a year.

Directors & Employees

BOARD OF DIRECTORS

Mark Santikko, President (7)	District 2	2022
Robert Kretzschmar, Vice-President (45)	District 8	2022
Jeffrey Moravchik,Secretary-Treasurer (14)	District 4	2021
Barry Radloff (35)	District 7	2021
Curtis Berweger (22)	District 6	2020
James Kinzie (22)	District 3	2022
Kenneth Clement (14)	District 9	2020
Carl Schutte (12)	District 5	2020
Russell Bailey (8)	District 1	2021

CEO and Staff

Diane Berweger (35)	CEO
Sara Anderson (22)	Assistant General Manager/Dir.Of Finance
Robert Lahti (20)	Operations Manager
Michael Weber (13)	Director of Operations
Jacob Hipsher (6)	Director of Member Services

OFFICE PERSONNEL

Jennifer Koivisto (14)	Billing Supervisor
Fred Stoll (12)	Warehouse Maintenance Supervisor
Amanda Kavajecz (5)	Billing Specialist
Briana Green (4)	Accounting Assistant
Troy Guderian (3)	Accounting Assistant

OPERATIONS AND MAINTENANCE PERSONNEL

Troy Seeger (27)	Journeyman/Line Foreman
Frank Polkoski (24)	Journeyman/Line Foreman
Kenneth Koosmann (23)	Journeyman/Lineman
Keith Klobucher(21)	Journeyman/Lineman
Adam Waddle (13)	Journeyman/Lineman
Dustin McKay (8)	Journeyman/Lineman
Elliot Powers (6)	Journeyman/Lineman
Keith Kavajecz (6)	Journeyman/Lineman
Blake Reijo (4)	Apprentice Lineman
Matt Tarasewicz (1)	Apprentice Lineman

This year service awards will be given to:

5 year	Amanda Kavajecz
20 year	Robert Lahti
35 year	Barry Radloff
45 year	Robert Kretzschmar

Message From Your President

Keeping the power on is Bayfield Electric's number one job, along with the safety of the members and employees of the Cooperative. Our CEO, Diane Berweger and her staff are doing an excellent job making sure of that. With that being said, we all are dealing with the realities brought on by the coronavirus, which means an unusual year for all of us.

Unfortunately, our annual meeting will be held differently this year. With concern to our members and employee's health and welfare, we will not have a gathering of people, therefore the annual meeting will be held ***virtually*** on Monday, June 15th at 6:00pm. In lieu of no annual meeting gathering, door prizes and meal, Bayfield Electric will be working with our Wisconsin Electric Cooperative Association, along with Kwik Trip to give away milk coupons to help out our Wisconsin Farmers. Watch for your milk coupon that was put in the June Wisconsin Energy Cooperative News magazine. Also, we will be crediting our annual meeting ***virtual viewers*** with a $10.00 credit to their electric bill.

Although business may be a bit unusual this year, our service remains the same.

Our headquarters front lobby has been closed to the public for a short time now. We are encouraging the use of the outside drop box, online payment such as Smart Hub, telephone payment or simply drop your electric bill payment in the mail!

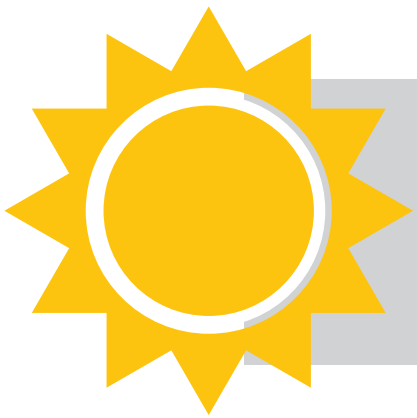
Many of our employees are working from home. Those reporting to the office are practicing social distancing, extra vigilance with sanitizing their work areas and hand washing. Our line crews are reporting to their scheduled job site directly from home. All the while, practicing social distancing and disinfecting trucks and work stations daily. We are adapting to new guidelines that we must follow, but are certainly looking toward brighter days ahead.

If you have been coming to our annual meetings over the years you would have heard Robert Kretzschmar quote from REA, "The greatest thing on Earth is to have the love of God in your heart, and the next greatest thing is to have electricity in your house".

Eighty years ago, Bayfield Electric Cooperative was formed to supply electric energy in an area where others were unwilling to serve. Our members formed a Cooperative to make a better future possible. The challenges are different now, and they will be different another eighty years from now. Bayfield Electric will still be here, and we will be working for you. Keeping the lights on.

Cooperatively yours,

Mark Santikko, Board of Director President



Bayfield Electric Cooperative is securing green power to offset 100% of the electric usage of its headquarters and outlying facilities. This renewable energy comes from regional solar, wind, biogas and hydro resources and is above and beyond state requirements. Renewable energy credits (RECs) from these resources have been retired on behalf of the Cooperative.

Message From Your CEO

Welcome to the annual meeting of Bayfield Electric Cooperative! Your cooperative that has been delivering safe reliable electricity to you, our members for **80** years!

For 80 years, planning has been a very important process at Bayfield Electric. Our cooperative has a strategic plan, along with financial and construction plan. Our annual budget is basically a financial plan for the coming year. We project revenues and expenses and develop a plan to meet the financial needs of the cooperative. A work plan is basically a road map for what construction work should be done to our electric system over the next four years. We estimate the number of new services we will install over a four-year period, along with the number of service upgrades, pole replacements, and other miscellaneous equipment replacements. We look at our entire distribution grid.

Careful planning helps Bayfield Electric look into the future. This is good for both the Cooperative and the members.

With close to 2,000 miles of distribution line, our cooperative employees or contractors work daily somewhere on the system on a year round basis. Our lines go as far North as Cornucopia, South as Cable, West as Brule and as far East as Chaney Lake in Michigan. Throughout the year, we systematically conduct inspections and perform maintenance work to maintain the reliability of the distribution system. This includes trimming trees and maintaining clearance in our right-of-way, inspecting overhead facilities, pole testing and underground cabinet inspections.

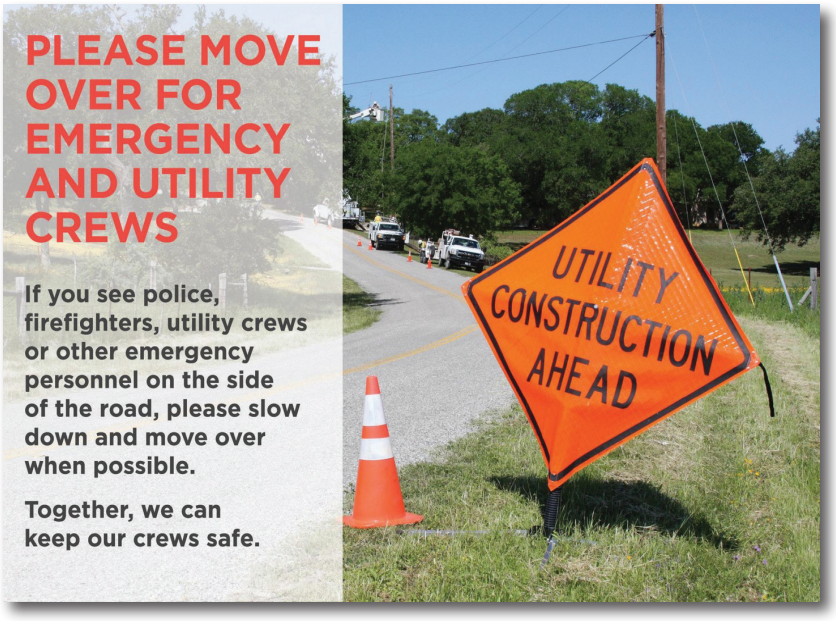
With that being said, please slow down and move over when approaching a utility vehicle on the side of the road. This is an extra barrier of safety to help those who help all of us keeping the lights on!

Watch for signage alerting you with "Utility work ahead"!

Together **E**veryone **A**chieves **M**ore

Cooperatively yours,

Diane Berweger, CEO



BEC 2019 Annual Meeting Minutes

The 79th Annual Meeting of the Membership of Bayfield Electric Cooperative was held on Monday, June 10th, 2019 at the Iron River Community Center in Iron River, Wisconsin.

Meeting was called to order by President Kretzschmar at 7:00 p.m.

Pledge of Allegiance.

President Kretzschmar asked military service members (past and present) to stand.

Quorum was present.

Invocation was given by Jeff Moravchik, BEC Board Treasurer and Secretary.

Safety Message was given- be careful of wood ticks and to drive home safely after meeting.

President Kretzschmar gave an introduction of all employees and BEC Board Members.

President Kretzschmar gave the procedures of the meeting, including Robert's Rules of Order, followed by appointing Sara Anderson as Active Secretary.

President Kretzschmar announced the reading of the official notice of the 2019 meeting by Jeff Moravchik.

Motion made and seconded to approve the minutes of the previous meeting by members as printed in annual meeting booklet. Motion carried.

Election results:

Jeff Moravchik announced positions up for election by voice vote. Directors run by petition. Districts 2, 3, and 8 were re-elected without opposition.

District 2: Mark Santikko re-elected by voice vote from members present at the meeting. Motion carried.

District 3: James Kinzie re-elected by voice vote from members present at the meeting. Motion carried.

District 8: Robert Kretzchmar re-elected by voice vote from members present at the meeting. Motion carried.

President's report by Robert Kretzschmar:

Robert Kretzschmar welcomed all for coming. Bob brought up the brushing program BEC has put into place along with multiple system improvements throughout the year, which has included changing miles of line from overhead to underground and replacing over 750 poles. There were 88 new services in 2018, being the most in the last 10 years. $378,000 in Capital Credits will be paid out again on this month's electric bill. Scholarships were again handed out to graduating seniors from area schools. Carson Thewis was recognized in receiving a lineman scholarship. Two linemen helped Jo-Carroll, a southern Minnesota coop, this past April after they had a severe ice storm through the ROPE program. Kretzschmar closed his speech by announcing he has decided to step down from president after 35 years of serving in his position, these years involved working with 3 different General Managers and 40 different Board of Directors, all bringing something new to the table. He thanked all members and staff for the support and memories.

Guest Speaker: Tim Clay, WECA

Clay shared what the Wisconsin Electric Cooperative Association is about and how it was started back in 1936. WECA's role in federal and state disaster relief advocacy to member coops who have sustained system damage from severe weather events was described. Their monthly newsletter reaches 174,200 homes each month. Clay touched base on the Nemadji Trail Energy Center project.

Financial Report: James Halvorsen, CliftonLarsonAllen LLP

Halvorsen introduced himself and explained the audit process they took this year as being a new firm to the coop. BEC received the unqualified opinion for 2018, he shared slides describing financial statuses.

CEO's Report by Diane Berweger:

Berweger thanked all for coming, gave recognition to employees for milestone anniversaries: Keith Klobucher 20 years, Elliot Powers, Keith Kavajecz, and Jake Hipsher all 5 years, followed by a thank you to all staff and board members. In the past 12 years the linemen have drove 3.4 million miles with no accidents. As part of the strategic plan, all vehicles are on a 5 year rotation. With technology improving and changing that has also cut back on costs and time, all BEC trucks are equipped with iPads that display system maps pinpointing outages and guiding the line crew aiding quicker power restoration. A majority of our outages are caused by squirrels or trees. Together we are all a TEAM.

New and Unfinished Business:

It was asked if a second solar garden was going to be coming in the future, Diane explained the coop doesn't have plans for one but it is being taken under consideration.

James Kinzie asked the audience for a round of applause in recognizing Bob Kretzschmar and his years as president.

Motion made and seconded to adjourn at 8:04 p.m.

Kid's drawing for bicycles and wagon. Winners:

Wagon – Caroline Nohl
Girls Bicycle – Sondra Nohl
Boys Bicycle – Braeden Anderson

Dairyland Director Report 2020

Dairyland focused on being #FutureReady

The energy industry continues to transform in many ways. Dairyland Power Cooperative, our wholesale power cooperative, continues to focus on strengthening its safety programs, further diversifying energy resources, modernizing systems and ensuring competitive rates.

Dairyland staff are focused on improving communities and the quality of life in Dairyland's four-state region. This is also an opportunity to emphasize the significance of our 24 member cooperatives.

A major component of the Sustainable Generation Plan has been evaluating how long Dairyland should continue to operate existing assets. In January, the difficult decision was made to retire the 345 MW coal-fired Genoa Station #3 when the contracted fuel supply is depleted. The estimated retirement is June-December 2021.Before making this decision, an expert energy consultant conducted a detailed market and financial analysis. In addition to impacts on employees and communities, many factors were considered when making this decision. These include age of the facility, system capacity requirements, regulatory requirements, projected maintenance needs and costs, fuel supply, overall cost of power production and regional market prices for energy.

Other recent additions to Dairyland's renewable energy portfolio include the 98 MW Quilt Block Wind Farm (PPA with EDP Renewables) and 80 MW Barton Wind Farm (PPA with Avangrid Renewables). In addition, 18 new solar energy facilities are online in our system (PPAs with ENGIE and groSolar). Many of these sites also include community solar projects.

Dairyland and ALLETE's Minnesota Power (Duluth, Minn.) announced the proposed natural gas facility in June 2017. The plant is an up to 625 MW combined-cycle natural gas facility scheduled to be in service by 2025, contingent on regulatory approvals. Additional regulatory approvals and permits for the project are required from the City of Superior, the Wisconsin Department of Natural Resources (WDNR) and the U.S. Army Corps of Engineers.

Efficiency improvements and management of costs and risks are priorities. Dairyland is also investing in regional transmission opportunities that improve reliability and add value for members. Last fall, the Public Service Commission of Wisconsin approved the issuance of a Certificate of Public Convenience and Necessity for the proposed 345 kilovolt (kV) Cardinal-Hickory Creek transmission line (Dubuque, Iowa, to Middleton, Wis.). Regional transmission projects, such as the CapX2020 line running from the Twin Cities to Rochester to La Crosse, the Badger Coulee line from La Crosse to Madison, and the Cardinal-Hickory Creek line are opportunities that both improve reliability and add value for members.

Dairyland's system will grow by about 10 percent in the next few years with the addition of service territory acquired by member cooperatives, mostly in southern Minnesota.

Pay Online through SmartHub

If you haven't already done so, please sign up on www.bayfieldelectric.com to sign up to access the self-service site.

smart hub ®

Dairyland's Vision, Mission & Values

Vision:

To exceed member expectations as a safe, sustainable, premier power cooperative.

Mission:

We will power our communities and empower cooperative members to improve the quality of their lives.

Values:

Our members are the reason for our existence. We will provide our members with value in the form of safe, reliable, sustainable and competitively-priced electricity. We will build strong relationships with our member cooperatives, employees and all stakeholders. We will live the cooperative principles and hold ourselves true to our core values of accountability, integrity, innovation and commitment to community.

BALANCE SHEETS

December 31, 2019 and 2018

ASSETS	2019	2018
UTILITY PLANT		
Electric Plant in Service	$ 57,492,183	$ 56,840,781
Construction Work in Progress	1,042,597	29,841
Total	58,534,780	56,870,622
Less: Accumulated Provision for Depreciation	(26,648,587)	(25,147,778)
Net Utility Plant	31,886,193	31,722,844
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	5,713,270	5,564,907
Other Investments	439,445	516,867
Total Other Assets and Investments	6,152,715	6,081,774
CURRENT ASSETS		
Cash and Cash Equivalents	649,842	407,310
Temporary Investments - Restricted	830,000	800,000
Accounts Receivable, Net	1,577,666	1,738,473
Materials and Supplies Inventory	371,538	1,121,457
Prepaid Expenses	97,537	112,842
Current Portion of Notes Receivable	62,000	72,000
Other Current and Accrued Assets	80,303	75,845
Total Current Assets	3,668,886	4,327,927
DEFERRED DEBITS	263,787	370,708
Total Assets	$ 41,971,581	$ 42,503,253

EQUITIES AND LIABILITIES	2019	2018
EQUITIES		
Memberships	$ 41,085	$ 40,915
Patronage Capital	13,216,176	12,843,712
Other Equities	39,520	39,520
Accumulated Other Comprehensive Margins	702,938	881,213
Total Equities	13,999,719	13,805,360
LONG-TERM DEBT, Less Current Maturities	21,747,224	23,490,717
OTHER POSTRETIREMENT BENEFITS	339,831	286,955
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	1,568,000	1,282,000
Accounts Payable	819,370	701,720
Line of Credit	2,100,000	1,575,000
Consumer Deposits	77,474	81,225
Other Current and Accrued Liabilities	485,553	471,091
Total Current Liabilities	5,050,397	4,111,036
DEFERRED CREDITS	834,410	809,185
Total Equities and Liabilities	$ 41,971,581	$ 42,503,253

STATEMENTS OF MARGINS AND PATRONAGE CAPITAL

December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES	$ 14,234,530	$ 13,895,913
OPERATING EXPENSES		
Cost of Power	6,483,564	6,336,061
Distribution Expense - Operations	870,008	1,121,902
Distribution Expense - Maintenance	1,946,005	1,305,850
Consumer Account Expense	356,951	316,240
Customer Service and Informational Expense	289,374	250,403
Administrative and General Expense	1,082,918	1,094,853
Depreciation	1,555,660	1,601,487
Taxes	331,144	254,994
Other Deductions	104,839	41,579
Total Operating Expenses	13,020,463	12,323,369
OPERATING MARGINS BEFORE FIXED CHARGES	1,214,067	1,572,544
INTEREST ON LONG-TERM DEBT	855,344	876,452
OPERATING MARGINS AFTER FIXED CHARGES	358,723	696,092
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	329,672	226,980
NET OPERATING MARGINS	688,395	923,072
NONOPERATING MARGINS		
Interest Income	18,329	30,516
Other Nonoperating Income	27,671	44,531
Total Nonoperating Margins	46,000	75,047
NET MARGINS	734,395	998,119
OTHER COMPREHENSIVE MARGINS (LOSS)		
Defined Benefit Plan:		
Net Actuarial Gain (Loss)	(41,913)	(63,051)
Amortization of Loss	17,138	18,264
Amortization of Prior Service Credit	(153,500)	(153,500)
Other Comprehensive Margins (Loss)	(178,275)	(198,287)
COMPREHENSIVE MARGINS	$ 556,120	$ 799,832

1940 Fun Facts

- Gallon of gas: .11 cents
- Gallon of milk: .34 cents
- The first Social Security checks were issued
- The forty hour work week went into effect
- Pablo Picasso was the most famous person in America
- The Green Bay Packers played in the 2nd NFL All-Star Game, defeating the All-Stars 16–7
- Life Expectancy: Males 60, Females 65

STATEMENTS OF CASH FLOWS

December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	$ 734,395	$ 998,119
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation	1,555,660	1,601,487
Patronage Capital Allocation	(329,672)	(226,980)
Gain on Disposition of Property	(27,608)	(44,545)
Interest Income Credited to Cushion of Credit	(110)	(6,035)
Interest Expense Paid by Cushion of Credit	-	336,424
Impairment of other assets and investments	52,940	-
Changes in Assets and Liabilities:		
Accounts Receivable	160,807	64,488
Materials and Supplies Inventory	749,919	(189,412)
Other Current and Accrued Assets	10,847	26,991
Deferred Debits	106,921	39,140
Increase (Decrease) in:		
Accounts Payable	117,650	(87,847)
Other Current Liabilities	10,711	(44,212)
Other Postretirement Benefits	(125,399)	(134,432)
Deferred Credits	(4,775)	-
Net Cash Provided by Operating Activities	3,012,286	2,333,186
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Other Investments	-	38,640
Construction and Acquisition of Plant	(1,726,620)	(1,164,515)
Cash Received from Economic Development Notes	59,482	67,576
Cash Received from investments in Associated Organizations	156,309	144,829
Proceeds on Sale of Assets	35,219	78,157
Net Cash Used by Investing Activities	(1,475,610)	(835,313)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Memberships	170	245
Retirement of Capital Credits	(361,931)	(170,261)
Payments into Cushion of Credit	28	-
Principal Payments on Long-Term Debt	(1,457,411)	(1,192,746)
Net Borrowings under Line-of-Credit Agreements	525,000	75,000
Advance Payments on Long-Term Debt	-	(330,389)
Net Cash Used by Financing Activities	(1,294,144)	(1,618,151)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	242,532	(120,278)
Cash and Cash Equivalents - Beginning of Year	407,310	527,588
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 649,842	$ 407,310
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	$ 857,137	$ 947,787
SUPPLEMENTARY DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Margin Stabilization	$ 30,000	$ 412,000
Principal Payments on Long-Term Debt Paid by Cushion of Credit	$ 55	$ 267,019

2020 Scholarship Recipients

Since 1990, Bayfield Electric has provided over $150,900 in scholarships to high school students as a result of unclaimed capital credits.

This year, Bayfield Electric has awarded 6 scholarships in the amount of $1,000 each.

Congratulations to our scholarship recipients!

Ashland High School
Morgan Meierotto

BayfieAdam Weber
Adam Weber

Drummond High School
Laeken Ramsey

Hurley High School
Kelsey Krall

Mellen High School
None

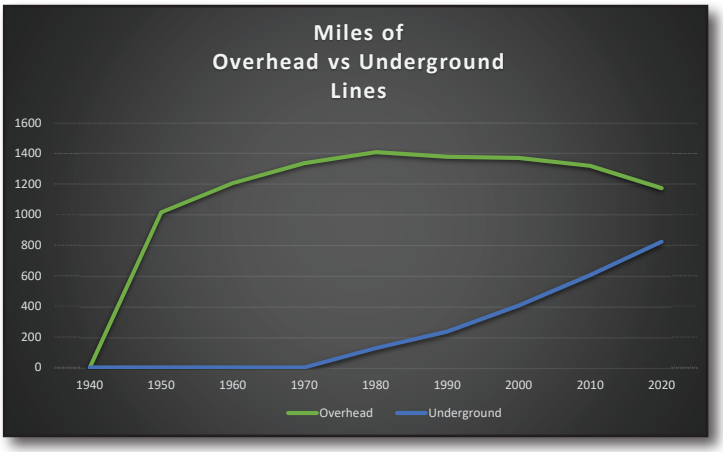
Mercer High School
None

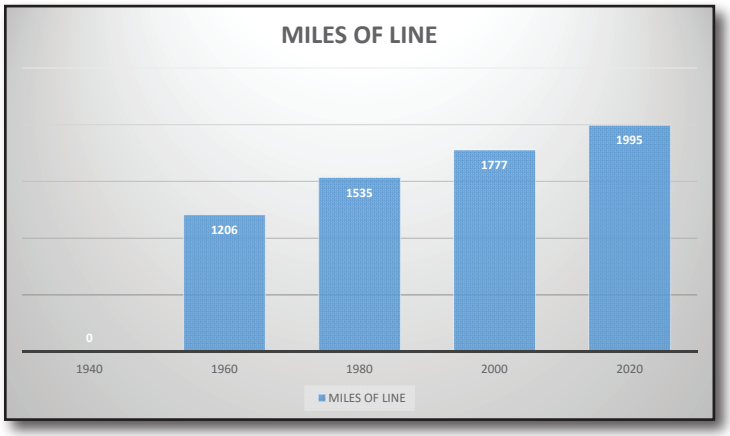
Northwestern High School
Erin Germano

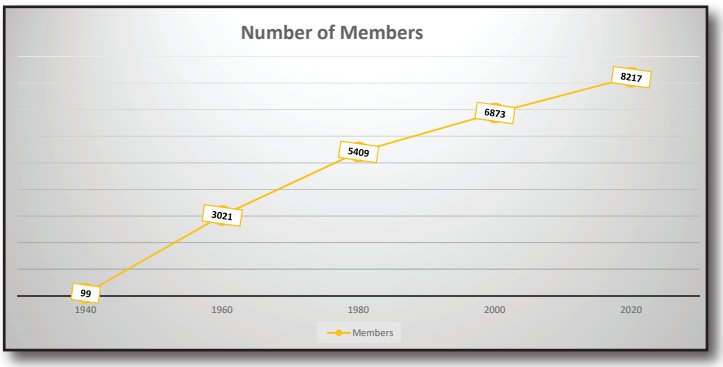
South Shore High School
Tiiara Lahti

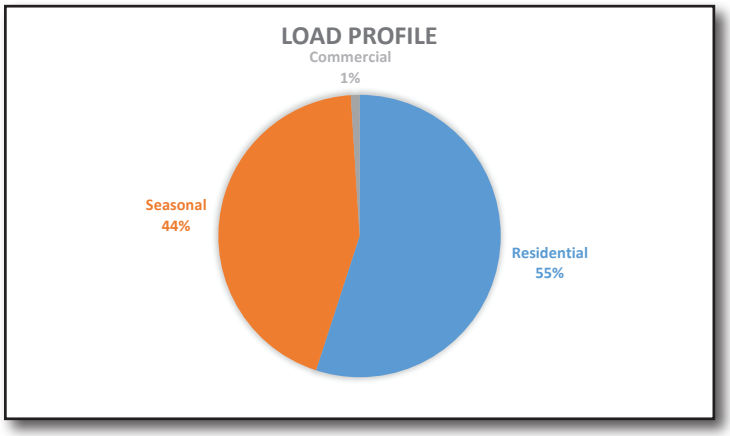
Washburn High School
None

Lineman Scholarship
None









The Seven Cooperative Principles

1. VOLUNTARY & OPEN MEMBERSHIP
2. DEMOCRATIC MEMBER CONTROL
3. MEMBERS' ECONOMIC PARTICIPATION
4. AUTONOMY AND INDEPENDENCE
5. EDUCATION, TRAINING, & INFORMATION
6. COOPERATION AMONG COOPERATIVES
7. CONCERN FOR COMMUNITY

80th ANNIVERSARY

Bayfield Electric Cooperative

Your Touchstone Energy® Cooperative

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