

2022 Annual Meeting

Bad River Lodge and Casino
May 14, 2022



Bayfield Electric
Cooperative

Your Touchstone Energy® Partner



2022 Annual Meeting Agenda

1. Call Meeting to Order – Quorum
2. Pledge of Allegiance
3. Invocation
4. Safety Message
5. Introductions
6. Mark Santikko, President, Board of Directors
 - Procedure of Meeting printed on page 11.
7. Curt Berweger, Secretary
 - Reading of the Official Notice of Annual Meeting
 - Reading of Proof of Mailing/Publishing
 - Approve the Unapproved Minutes of 2021 printed in Booklet
8. Close Ballot Box
9. President's Report – Mark Santikko
10. CEO's Report – Christopher Kopel
11. Financial Report- Jim Halvorsen, CPA, CliftonLarsonAllen, LLP
12. Election of Directors in District 2, 3 & 8
13. Unfinished Business
14. New Business
15. Adjourn

Rules of the Annual Meeting

Published in the April 2022 REC News

These rules are set in accordance with Bayfield Electric Cooperative Bylaws, Article III, Section 6. Bayfield Electric Cooperative's annual meeting will be held Saturday, May 14, 2022 at the Bad River Tribe and Casino.

1. The meeting will be conducted in accordance with Roberts Rules of Order Newly Revised edition.
2. Any speaker must be recognized by the Chair before speaking.
3. Only members and duly registered guests will be recognized by the Chair; each person so recognized must give his or her name.
4. Unless otherwise approved by the Chair, those recognized are to limit their questions and comments to three minutes, with any rebuttal limited to two minutes.
5. Questions and comments from members and duly registered guests will be in order during old and new business sessions, and at the conclusion of the officer reports, if invited.
6. No signs or handouts will be permitted within the building of the place of the meeting, except such handouts as required for the official conduct of the Annual Meeting
7. No demonstrations shall be held within the building of the place of the meeting.

Official Notice and Proof of Mailing/Publishing



ANNUAL MEETING UPDATE

Bayfield Electric Cooperative
Annual Meeting

Bad River Lodge and Casino Ashland, WI
Saturday, May 14 at 10 a.m.
Registration starting at 9 a.m.

Members who attend in person will receive a \$20 bill credit

Event subject to change in response to COVID-19 guidelines, check our website www.bayfieldelectric.com for updates.

Struggling with Payments?
LET US HELP!

Ashland County Housing Authority is the administrator for Bayfield Electric's "Commitment to Community" program. A yearly payment can be applied to a Bayfield Electric member's electric account if the member qualifies for the Wisconsin Energy Assistance Program (WEAP) and meets the requirements for the Ashland County Housing program. To see if you may qualify for energy assistance, contact your local Department of Human Services. For more information on this program, please contact Eva at 1-800-274-8311.

AFFIDAVIT OF NOTICE OF MEETING

STATE OF WISCONSIN)

) ss.

COUNTY OF DANE)

Dana Kelroy, being first duly sworn on oath, states that she is the editor of the Wisconsin Energy Cooperative News, published in Dane County, Wisconsin, by the Wisconsin Electric Cooperative Association; that the May 2022 issue of said magazine contained a printed notice of the annual meeting of the members of Bayfield Electric Cooperative, reciting that such meeting would be held on Saturday, May 14, 2022, with registration starting at 9:00 a.m., and the meeting commencing at 10:00 a.m. at the Bad River Lodge and Casino, in Ashland, WI; that on April 26, 2022, 8,301 copies of said issue were deposited in the U.S. Mails, postage prepaid and addressed to each member of said cooperative at the last known address of each member; that a copy of said notice of meeting as it appeared in Wisconsin Energy Cooperative News is attached hereto.

Dana Kelroy

Subscribed and sworn to before me
this 5th day of May, 2022

Notary Public, State of Wisconsin
My Commission Expires 9/14/24



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CEO Report Solar Analysis and Results

2022 Annual Meeting

Christopher Kopel
May 14, 2022



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Agenda

- Background and Current Status
- Wholesale Power Contract with Dairyland Power Cooperative
- 2020 PSE Engineering Cost of Service Study Results
- Impact of the solar on BEC
- Panel Discussion
- Proposed Distributed Generation Policy 300.11

Background

- BEC Policy 300.11 originally approved May 2010
 - Full retail rate, up to annual consumption
 - Excess beyond annual consumption - no reimbursement
- On February 14, 2020, the Board updated the policy
 - “Excess generation will be purchased at an Avoided Cost rate”
 - Solar “in place as of March 9, 2020 shall be eligible for net billing credits for excess generation under the pre-existing rate through December 31, 2024”
- BEC members with existing solar
 - 12 members not grandfathered - Avoided Cost
 - 88 members grandfathered - full retail rate until Dec 31, 2024 “cliff”

Current Status

- Address the current members with solar
- Long-term for the membership: should BEC have a “positions” on issues
 - “Cheapest rates possible”
 - “Carbon neutral by 2050”
 - “Encourages EV and solar development in BEC service territory”
 - “Coal today . . . coal tomorrow . . . coal forever”
- Bifurcate the process into two short and long term paths
 - Short term - address the existing solar
 - Long term - “what does the membership want?”

Address Solar Now, Long term in Strategic Planning

Wholesale Power Contract with DPC

- BEC is a member of DPC
 - BEC, and other members, are obligated to cover DPC's debt
- The WPC currently expires Dec 31, 2062
- Obligated to purchase “all electric power and energy” from DPC
 - DPC bills BEC based on Capacity and Energy usage
 - Capacity is fixed cost
 - Energy is variable cost (fuel and market energy purchases)
- Excess solar only reduces BEC's variable cost to DPC (~ \$0.035/kWh)

At a VERY High Level, Rate Design is Simple

- \$ Flow in must equal \$ flow out
- Flow in = Rates
- Flow out = Expenses + Margin
- “Keep the bucket full”



In Reality, Rate Design is Difficult

- Balance numerous factors:
 - Safety, reliability, service Quality
 - Rates
 - Financial health
- Identify service functions:
 - Customer classes
 - Service provided
 - Load characteristics
- Allocate revenue requirements:
 - equity between rate classes
 - equity within each rate class



In theory, cost causers are the cost payers

2020 Cost of Service Study Results – Rate Design Factors

Class Cost of Service Rate Design Factors						
Rate Class	Power Supply		Transmission	Distribution		Total Cost
	Capacity	Energy		Consumer	Capacity	
	(c/kWh)	(c/kWh)	(c/kWh)	(\$/mo.)	(c/kWh)	(c/kWh)
General Single Phase	1.85	5.37	1.70	38.11	2.94	19.29
Small Commercial	1.76	5.38	1.50	39.33	2.67	11.85
Dual Service	2.86	5.28	2.62	41.48	4.51	19.62
General Three Phase	1.72	5.31	1.79	86.80	3.14	15.66
Irrigation	-	5.80	5.42	37.46	9.21	28.20
Large Power	1.04	5.39	1.08	112.27	1.88	9.91
Large Power PA	-	5.40	1.06	111.58	1.83	8.85
Controlled Dual Fuel	-	5.27	1.64	5.01	2.91	10.47
Controlled Water Heater	-	5.38	3.25	4.88	5.53	16.37
Controlled Storage Space Heat	-	5.06	-	4.98	2.93	8.51
Large Power TOD	5.44	5.43	5.27	104.41	26.50	46.99
Lighting	0.52	5.12	0.67	6.19	1.94	13.95
Total - Average	1.47	5.35	1.56	33.49	2.83	16.57

Fixed Cost at Variable Rates

DPC cost

BEC cost

Rate vs Cost Comparison General Single Phase Service

- Current GSP Daily Service Charge - \$1.25/day
 - DSC raised from \$1.20/day effective Jan 1 2022
 - \$1.20/day was used in the 2020 Rate Study
- Current GSP Energy Charge - \$0.125/kWh (\$0.14/kWh Summer)
- Actual BEC costs - \$1.75/day
- Power Supply Fixed Costs - DPC Fixed Costs ~ \$0.045/kWh
- Power Supply Variable Costs - DPC Energy Costs ~ \$0.035/kWh

Disconnect of fixed costs vs variable rates

Current Solar Impact on BEC

2020 Rate Study	
Total Revenue	\$13,938,043
Total Expenses	\$(12,634,484)
Profit (margin)	\$1,303,559
Target Revenue	\$13,004,214
Revenue above target	\$ 933,829
Solar credits (reduced revenue)	\$(46,259)
Energy Cost Savings (DPC energy)	\$12,390
Net Margin Change (Annual Cost)	\$(33,870)
Average Annual Cost (\$/member)	\$(3.88)
Monthly Average Cost (\$/member)	\$(0.32)

The average non-solar member subsidizes solar by \$3.88/year

Future Solar Impact on BEC

2020 Rate Study	2020 Status Quo	200% Solar Increase
Revenue above target	\$933,829	\$838,886
Average Annual Cost (\$/member)	\$(3.88)	\$(11.61)
Monthly Average Cost (\$/member)	\$(0.32)	(0.97)

As solar increases, non-solar subsidies also increase

Additional Considerations

- Should BEC have a “positions” on environmental issues?
 - Xcel Energy goal - net-zero carbon goal by 2050
 - Wisconsin goal - carbon-free electricity by 2050
- Should BEC have a “positions” on other issues?
 - Electric Cars?
 - Cost of Service?
- BEC “positions” are membership positions
- Board will seek feedback from the membership (survey)
- Strategic Planning scheduled for early December 2022

“What does the membership want?”

Panel Discussion

- Moderator - Mark Santikko - Board President
- Chris Kopel - CEO
- Roy Settgas - Board Member
- Mike Nelson - Board Member
- Bill Bailey - Cheq Bay Renewables

Solar/DG Questions Welcome!

Proposed Distributed Generation Policy 300.11

- All existing solar will be “Grandfathered” until Dec 31, 2024.
 - Full retail rate, up to annual consumption
 - Excess beyond annual consumption - no reimbursement
 - System installed after March 9, 2020 will also be Grandfathered retroactively
- 20 year contracts beginning Jan 1, 2025 for existing solar
 - 90% of retail rate, up to annual consumption
 - Excess beyond annual consumption - BEC’s annual wholesale energy cost (currently approximately \$.035/kWh)
- New solar after Jan 1, 2025 will sign 25 year contracts with terms set by the Board and subject to periodic review
 - Defined as a % of retail rate, up to annual consumption
 - Solar production beyond annual consumption - BEC’s annual wholesale energy cost

Revised Policy 300.11 to be approved this Summer or Fall

Bayfield Electric Cooperative Annual Meeting

Jim Halvorsen, CPA

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



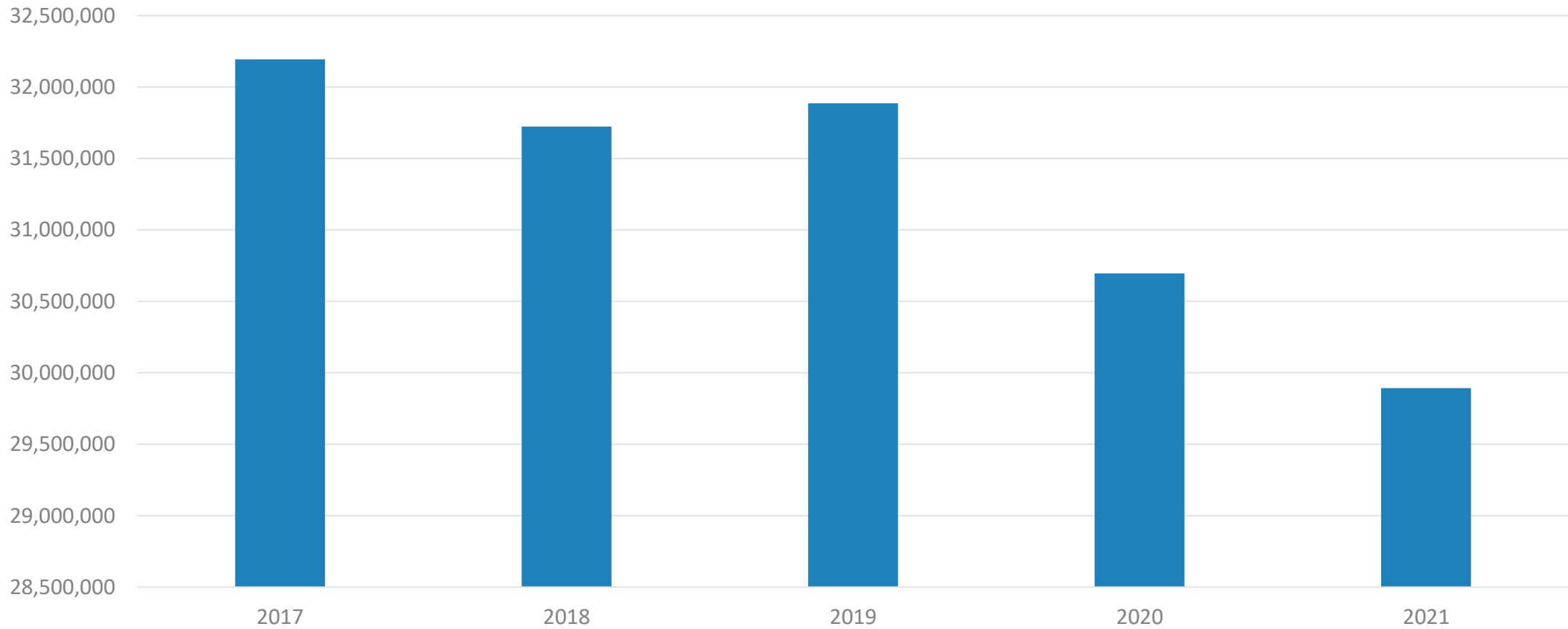
Create Opportunities

Bayfield Electric Cooperative

- Unqualified Opinion
- Audit Report Presentation to BOD 3/3/2022
- Conduct audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

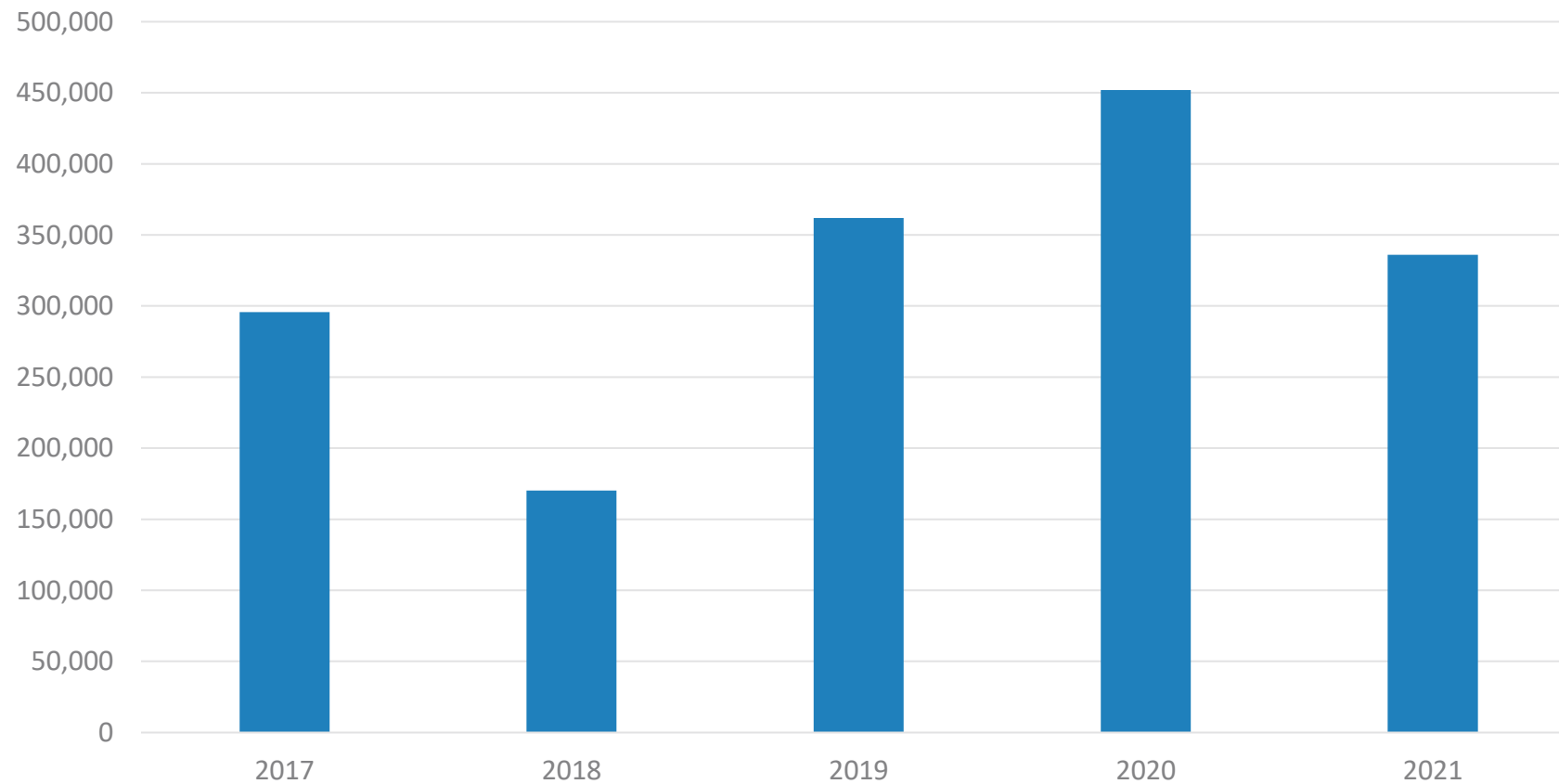
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Total Utility Plant (Net)

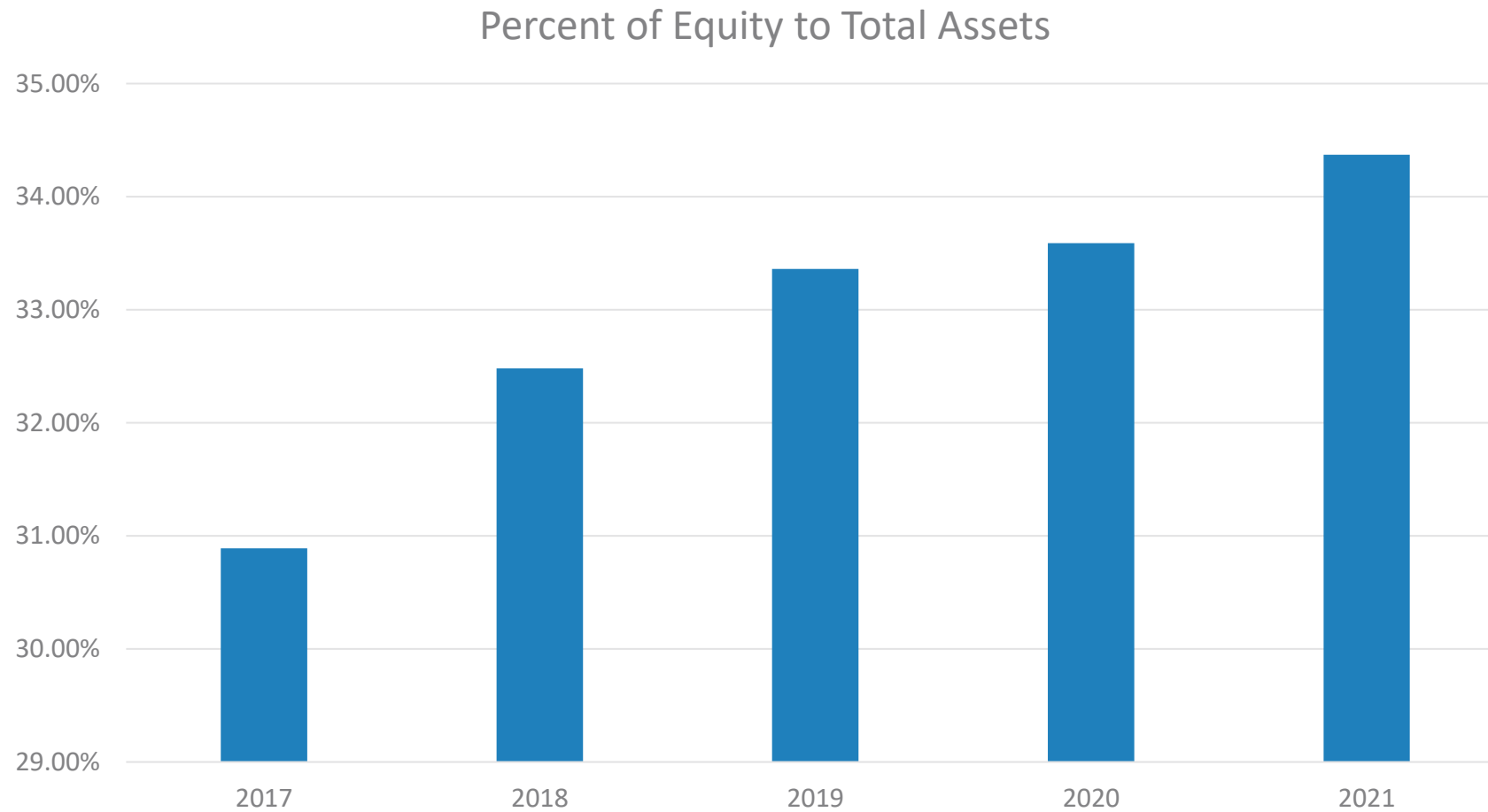


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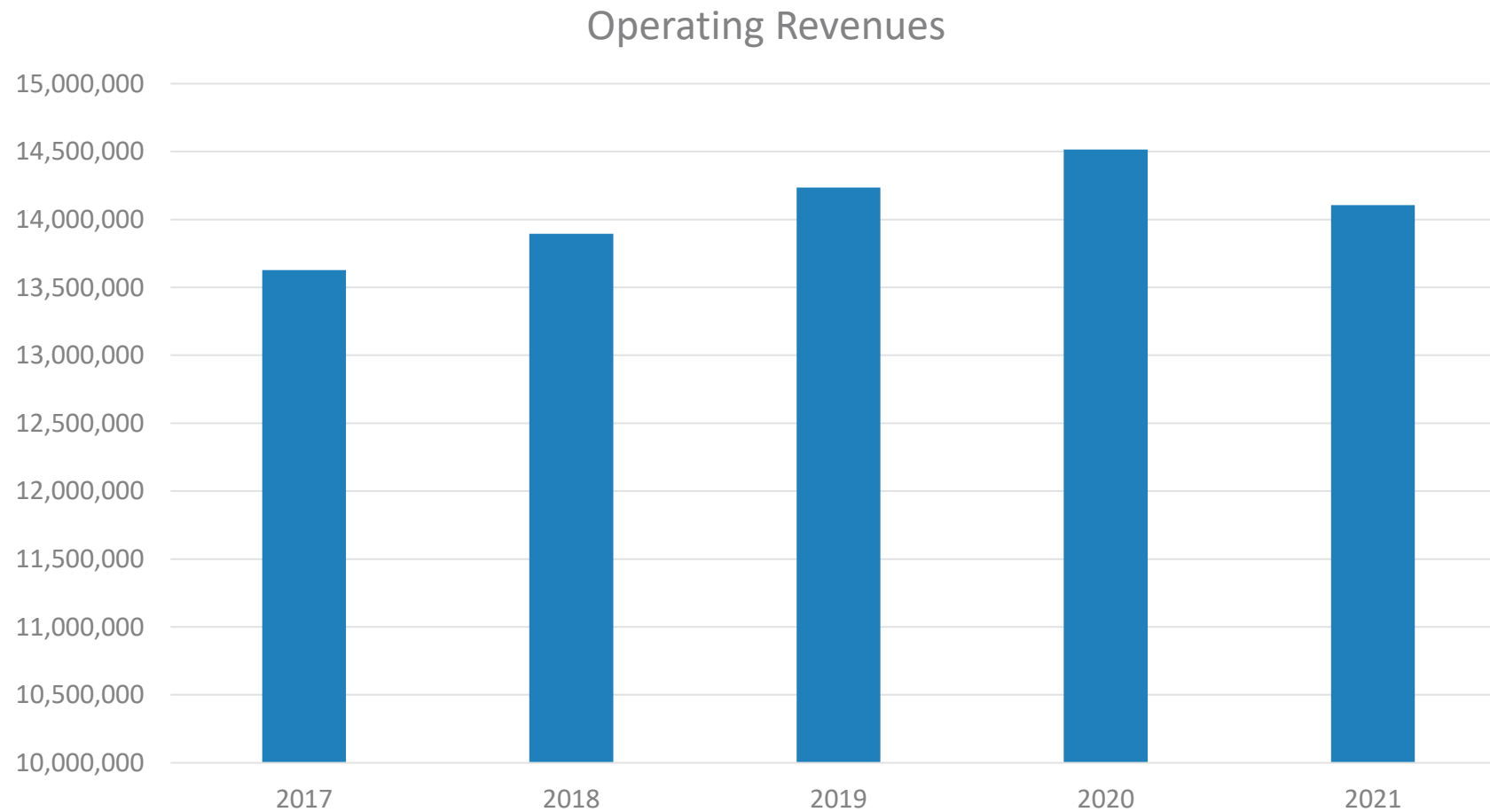
Retirement of Capital Credits



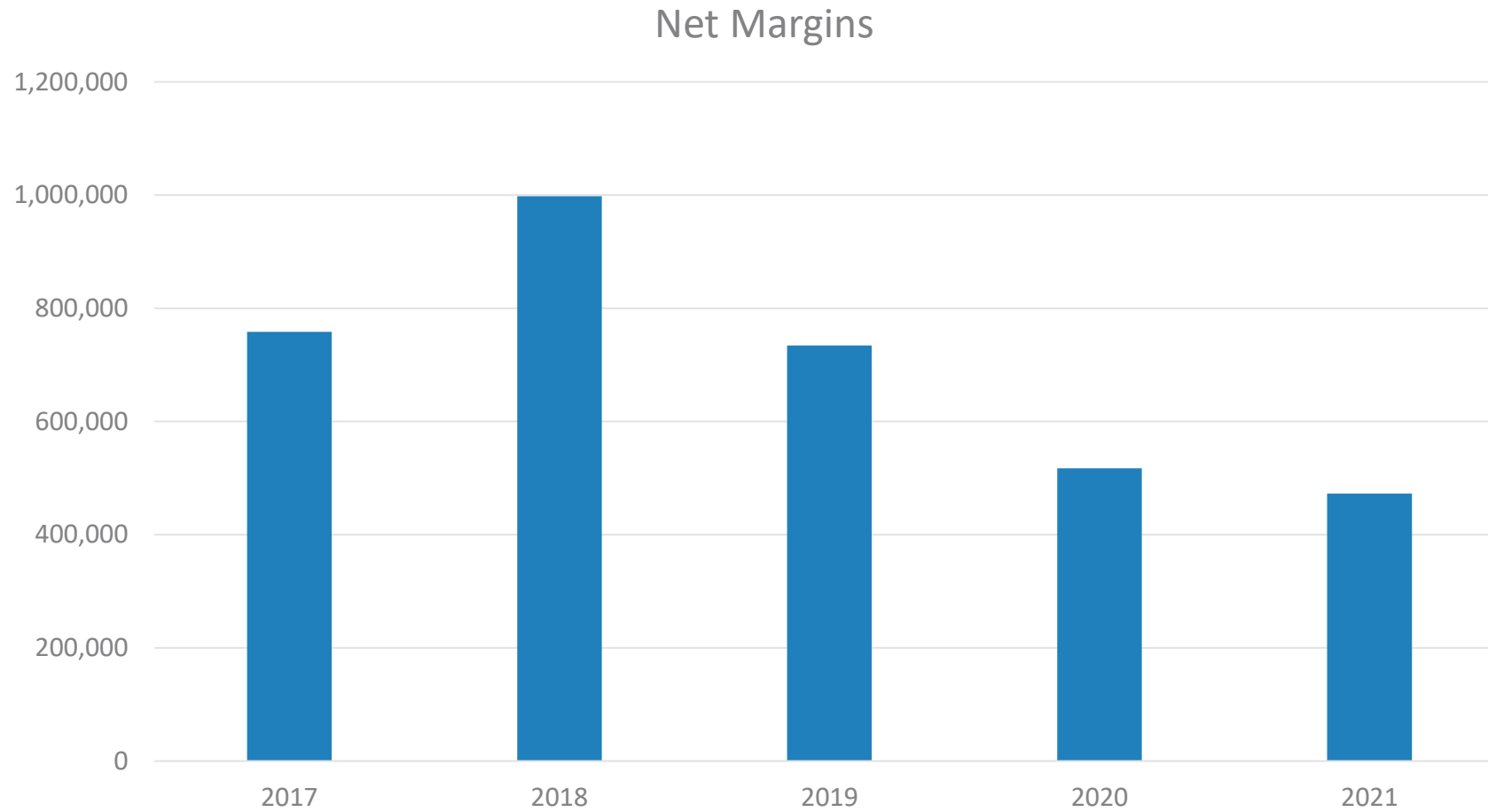
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Thank You!



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