



The Cooperative Difference

We're not your typical electric company.

We're a local not-for-profit electric cooperative.

We don't have customers; we have members.

People aren't just our number one priority;

they're the REASON WE'RE HERE.

Your source of power & great service

79th Annual Meeting

April 23, 2019

2018 ANNUAL REPORT

Northern Lights, April 2019



**Beltrami Electric
Cooperative Inc.**

® Your Touchstone Energy® Cooperative 

Indoor Garage Sale - page 17

Volunteer for Project GreenTouch - page 17

NORTHERN L I G H T S

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Office Hours: 8 a.m. to 4:30 p.m.
Monday – Friday

Member Service: 218-444-2540
or 1-800-955-6083
www.beltramielectric.com

Board of Directors

President	Rick Coe, DISTRICT 6 (Minnkota Director)
Vice President	John Lund, DISTRICT 7
Secretary	Murl Nord, DISTRICT 1 (Square Butte Director)
Treasurer	Judy Honer, DISTRICT 9
Directors:	Charlie Perkins, DISTRICT 2; Charles Parson, DISTRICT 3; Craig Gaasvig, DISTRICT 4; Robert Wallner, DISTRICT 5; Sue Kringen, DISTRICT 8
CEO	Jared Echternach
Editor	Angela Lyseng

This institution is an equal opportunity provider and employer.

Minnesota State Electrical Inspectors

Beltrami County
Wade Koons

218-255-3011 - wade@koonsinspection.com

Cass and Hubbard Counties
Steve Schauland

218-652-2213 or fax 218-333-0451

These are the inspectors covering the area served by Beltrami Electric. They can be reached by phone Monday through Friday between 7 and 8:30 a.m. or by fax or email as indicated.

Gopher State One Call
1-800-252-1166 or call 811
www.gopherstateonecall.org

Anyone who plans to dig is required by law to notify the state of their intentions at least 48 hours in advance.

All digging requires the 48-hour notification so that buried telephone line, television cable, pipelines, utility electrical lines, and municipal water and sewer lines can be located to ensure that none will be severed or damaged.

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Report to the Members



Jared Echternach, CEO, and Rick Coe, Board President

The year in review

2018 was an excellent year for your cooperative. We completed major projects along State Highway 371 north of Walker and along Division Street west of Bemidji. Our crews constructed nearly 300 new services and performed almost 100 service improvements for our membership as we continue to grow.

We welcomed several new businesses to our communities and saw others expand indicating

a strengthening of our area economy. These include Delta Dental, Magnum Trucking, Stittsworth Meats, Gene Dillon Elementary School, Red Lake Grocery, and housing developments in Blackduck and Red Lake, to name a few.

Safe and reliable

Our employees accomplished a great deal last year and we are pleased to report that we have now gone more than two years without a lost time injury. 2018 was also good in terms of service reliability. On average, our members experience less than one outage per year, and in 2018 service was available to our members 99.98 percent of the time. We experienced one major storm in 2018, and crews did an excellent job restoring power as safely and quickly as possible. We're proud of our employees as they worked hard to restore power to our members under less than ideal working conditions. The good news is that we will receive FEMA reimbursement for the majority of the restoration costs.

Sufficient margins

New service growth and increased energy sales due to a cold winter provided sufficient margins in 2018. We also kept expenses within budget, resulting in an operating margin of just over \$550,000. We realized a total margin of just over \$1.6 million, thanks in part to our investment in Cooperative Development, our subsidiary owned jointly with Paul Bunyan Communications. We also retired nearly \$1 million in capital credits to current and former members in 2018.

Rate outlook

Minnkota Power Cooperative, our wholesale power supplier, did not increase rates for 2019. Approximately 70 percent of every dollar you pay on your electric bill goes toward the cost of wholesale power. The other 30 percent is what we consider controllable costs. Margins in 2018 were sufficient, and we did not need to increase rates in 2019.

Legislative outlook

We continue to engage in legislative and regulatory issues in an effort to minimize the potential impacts, and sometimes unintended consequences, of state and federal legislation. Our power supplier, Minnkota Power Cooperative, continues to research and advance CO₂ capture technology and seeks to identify partnerships for enhanced oil recovery in North Dakota for a project aptly named Project Tundra.

On the state level we continue to work with our area legislators, meeting with Rep. Grossell, Rep. Persell, Rep. Layman, Sen. Eichorn and Sen. Utke on issues facing our cooperative. We are pleased to report that our Minnesota legislators have been receptive and supportive of our issues that include updating the Conservation Improvement Program, opposing an increased renewable energy mandate, opposing third party sales and supporting the expansion of rural broadband. While your cooperative is supportive of

renewable energy, we are opposed to mandates that could increase the cost of electricity. Currently more than 30 percent of the energy generated by Minnkota Power comes from wind and hydro sources. Minnkota is a national leader in wind energy.

In closing, we would like to thank you for your patronage and support over the past year. We would also like to thank our dedicated employees who continue to work hard to provide safe and reliable service to our members.

COLLEGE SAVINGS FUND PRIZE DRAWING AT ANNUAL MEETING

Do you have a future college or tech school student in your home? Bring them with you to the annual meeting and they will be entered into our prize drawing for a \$500 College Savings Account that will grow tax-free until they need it.

RULES: Entrant must be birth to age 18, parents/guardians must be Beltrami Electric Cooperative members and the future/current student must be present to win.



Your Cooperative - By the Numbers

Hours worked since last OSHA lost time injury at the end of 2018: **350,721**

Safety culture – BEC makes workplace safety a priority, providing regular safety training, reminders and procedures to ensure our employees get home safely at the end of each day.



Minnkota Power Cooperative electric generation from wind and hydro energy: **30 percent**

Minnkota is a national leader in wind energy.



New services connected to members in 2018: **291**



Average times a member experienced an outage in 2018: **0.98**



Miles of Line: **3,496**

Stretched straight out, our miles of line could reach from BEC headquarters in Bemidji to the Gueppi Airport in Peru.



Capital credits returned to members in 2018: **\$1.12 million**

Capital credits are your return on investment in your co-op. Allocations are held by the cooperative as equity, which allows us to reduce borrowing costs while maintaining your distribution plant.



Total number of employees: **62**

(59 full time, 1 regular part time and 2 seasonal employees)



Board of Directors



Rick Coe
President
District 6
Minnkota Director



John Lund
Vice President
District 7



Murl Nord
Secretary
District 1
Square Butte Director



Judy Honer
Treasurer
District 9

THE MISSION OF BELTRAMI ELECTRIC COOPERATIVE

“To provide excellent value to our members through the safe delivery of reliable electric service, excellent member service and innovative energy solutions at fair and reasonable prices.”



Craig Gaasvig
Director
District 4



Sue Kringen
Director
District 8



Charles Parson
Director
District 3



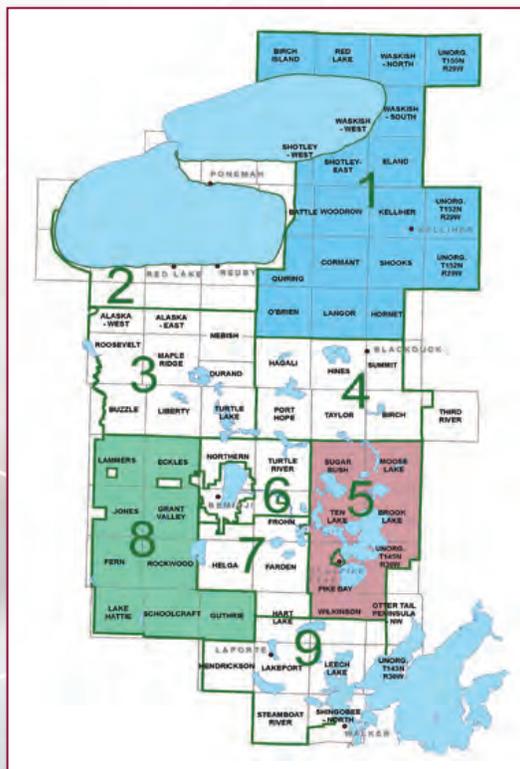
Charlie Perkins
Director
District 2



Robert Wallner
Director
District 5

District Map & Sample Ballot

Highlighted areas denote 2019 election districts.



2019 Official Ballot Director Election

NOTICE: Please return your ballot in the enclosed envelopes. Your ballot must be received by mail by 9:00 a.m. on April 23, 2019 at Survey & Ballot Systems, or submitted in person at the annual meeting starting at 7:00 p.m. on Tuesday, April 23, 2019 at the Bemidji High School.

Marking Instructions

- Use Black or blue ink or No. 2 pencil only.
- Erase changes cleanly.
- Fill circles completely.
- Make no stray marks on this form.

Correct Mark

You may vote for one candidate in each district

District 1
Three-Year Term Murl Nord (*Incumbent*) 15 nomination votes received
Vote for one candidate

District 5
Three-Year Term Robert Wallner (*Incumbent*) 24 nomination votes received
Vote for one candidate

District 8
Three-Year Term Sue Kringen (*Incumbent*) 16 nomination votes received
Vote for one candidate

Vote on Amended and Restated Bylaws

The Beltrami Electric Board of Directors recommends approval of the Bylaw Amendments as presented.

Shall the Amended and Restated Bylaws, as set forth in the exhibit to this voting ballot be approved?
 Yes No

Director Candidates

District 1, Murl Nord (Incumbent)



Originally from Bemidji, Murl graduated from Bemidji High School. He attended Bemidji State University, graduating with degrees in biology and chemistry. Murl and his wife, Sue, owned and operated a dairy farm for 30 years and he now farms with his daughter, Rachel, grazing beef cattle. Murl served 17 years on the Land O' Lakes corporate board, where he held the office of first vice president for five years and served on the executive committee for 10 years. Murl also served eight years on the National Milk Producers Association board, three years on the Minnesota Association of Cooperatives board and 25 years on the Blackduck School board. He also was one of the early organizers of the Blackduck Co-op. He and his wife reside in Hornet Township in Beltrami County and have two grown children and four grandchildren. He was first elected to the Beltrami Electric board in 2010 and currently serves as the secretary. Murl also serves on the Square Butte board of directors.

What qualifications do you possess that would make you a good choice to represent the members of Beltrami Electric on the board of directors? *"I am a lifelong supporter of cooperatives as a way of doing business. I believe my experience on other boards has given me a knowledge base that allows me to understand the workings of BEC. I also have had numerous lobbying opportunities that are beneficial as our co-op faces many new government policy issues. I have worked to continue my education in the broad area of electrification and recently became the first BEC director to receive the Board Leadership Certificate."*

What do you feel are the most important issues facing the cooperative? *"Providing our members with clean, reliable and affordable energy in an environmentally aware, carbon-constrained world will be very challenging."*

District 5, Robert Wallner (Incumbent)



A member of Beltrami Electric for 41 years, Robert Wallner has been a general practice attorney in Bemidji for 41 years and raised beef cattle with his family for 36 years. He earned his bachelor's degree in economics and business from Bemidji State University and followed that with a law degree from William-Mitchell College of Law in St. Paul, Minn. He and his wife, Roxy, have five children and four grandchildren. In his spare time, Robert enjoys hunting, fishing and trapping, along with harvesting wild rice and collecting maple syrup. He also participates on the Bemidji Senior hockey team and enjoys working with his livestock and training his Labrador retrievers. Robert also serves on Moose Lake Town Board.

What qualifications do you possess that would make you a good choice to represent the members of Beltrami Electric on the board of directors? *"My experience operating a small business, along with my partners, involved long and short-range planning, meeting payrolls, managing accounts receivable/payable, budgeting for business operations and dealing with employee relations. My experience with our cattle operation has taught me the importance of having a strong electric co-op to depend on. The last six years on the BEC board of directors, along with the board education classes I have attended, have helped me to understand the electric business in general and our co-op specifically."*

What do you feel are the most important issues facing the cooperative? *"Providing electricity that is reliable and affordable to our members as we incorporate new technology into our power generation and deal with new government mandates and regulation."*

District 8, Sue Kringen (Incumbent)



A native of Bemidji, Sue received her bachelor's and master's degrees from Bemidji State University. She retired from Riverwood Bank of Bemidji where she served as the director of sales and marketing. Prior to that, Sue served as director of alumni relations and senior director of development for the Bemidji State University Foundation. Sue also served as the first full-time executive director of the United Way of the Bemidji Area. Sue has served on the board of directors for the Bemidji Area Chamber of Commerce, Bemidji Rotary Club, Lakeland Public Television, United Way of Bemidji, Bemidji Youth Hockey, Bemidji Gymnastics Club and the Salvation Army. Sue has been a member of Beltrami Electric for 40 years. She and her husband, Curt, reside in Fern Township in Beltrami County. They have two grown children and two grandchildren.

What qualifications do you possess that would make you a good choice to represent the members of Beltrami Electric on the board of directors? *"It has been a true honor and privilege to serve on the board of directors for Beltrami Electric Co-op over the past three years. I have and will continue to challenge and educate myself on issues and opportunities relating to governing and guiding YOUR electric cooperative, and I take great pride in now being certified as a Credentialed Cooperative Director."*

What do you feel are the most important issues facing the cooperative? *"I feel that as we move forward, some of the most important issues facing the co-op include continuing to advance renewable energy, meeting and exceeding environmental standards and expectations and further developing a beneficial electrification program (i.e. electric vehicle charging stations), all while working to advance our mission to provide excellent value to our members through the safe delivery of reliable service, excellent member service and innovative energy solutions at fair and reasonable prices."*

Proposed Bylaw Amendments

The following proposed bylaw amendments will be submitted to the membership for a vote in conjunction with the 2019 annual meeting and director election. Members will receive a mail ballot prior to the annual meeting. Members have the opportunity to vote electronically if they prefer. Ballots must be received on or before the annual meeting Tuesday, April 23. The proposed amendments, including an explanation of each of the changes are shown below.

THE BELTRAMI ELECTRIC BOARD OF DIRECTORS RECOMMENDS APPROVAL OF THE BYLAW AMENDMENTS AS PRESENTED.

BELTRAMI ELECTRIC COOPERATIVE BYLAW AMENDMENTS FOR SUBMISSION TO THE MEMBERS AT THE 2019 ANNUAL MEETING OF MEMBERS

PROPOSED CHANGES ARE NOTED IN RED
EXPLANATION OF THE CHANGES ARE NOTED IN BLUE

Amended and Restated ARTICLES OF INCORPORATION OF BELTRAMI ELECTRIC COOPERATIVE, INC.

The Articles of Incorporation of Beltrami Electric Cooperative, Inc. are amended and restated as follows:

ARTICLE I NAME, PURPOSE, BUSINESS ADDRESS

Section 1. The name of this Cooperative shall be BELTRAMI ELECTRIC COOPERATIVE, INC.

Section 2. The conduct of the business of this Cooperative shall be upon the cooperative plan and the purposes for which it is formed are to sell, provide, deliver, furnish or distribute electric energy and other services to its members and patrons and to engage in any other lawful business.

This Cooperative shall be authorized to exercise and enjoy all of the powers, rights, and privileges granted to or conferred upon associations of the character of this Cooperative by the laws of the State of Minnesota now or hereafter in force.

Section 3. The registered office and principal place of business of this Cooperative is 4111 Technology Drive, N.W., Bemidji, in the county of Beltrami and state of Minnesota, 56601-5105.

ARTICLE II DURATION

The period of duration of this Cooperative shall be perpetual.

ARTICLE III NON-STOCK ORGANIZATION

Section 1. This Cooperative is organized on a non-stock, membership basis. The Cooperative will maintain appropriate membership records.

Section 2. Members shall have only one vote in the affairs of this Cooperative and membership in this Cooperative shall not be transferable except with the approval and consent of the board of directors of this Cooperative.

Section 3. No interest or dividends shall be paid upon capital furnished to the Cooperative by its members or patrons.

The net income of the Cooperative, except for amounts set aside as capital reserves or additional reserves, shall be distributed on the basis of patronage. The records of this Cooperative may show the interest of patrons and members in the reserves.

ARTICLE IV DIRECTORS

Section 1. The government of this Cooperative and the management of its affairs and business shall be vested in a Board of Directors who shall be elected by ballot by the members for such terms as the Bylaws may prescribe.

Section 2. The Board of Directors shall have the power to do and perform, either for itself or its members and patrons, any and all acts and things, and to have and exercise any and all powers as may be necessary or convenient to accomplish any or all of the foregoing purposes or as may be permitted by the laws under which this Cooperative is formed.

Section 3. The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with these Articles of Incorporation or the Bylaws of this Cooperative or the laws of the state of Minnesota, as it may deem advisable for the management, administration and regulation of the business and affairs of this Cooperative.

ARTICLE V POWERS DELEGATED TO THE BYLAWS

The Bylaws of this Cooperative may define and fix the duties and responsibilities of the members, officers and directors and may also contain any other provision for the regulation of the business and affairs of this Cooperative not inconsistent with these Articles of Incorporation or the laws of the state of Minnesota.

ARTICLE VI DIRECTOR LIABILITY

To the fullest extent permitted by laws governing cooperatives, as the same exists or may hereafter be amended, a director of this Cooperative shall not be personally liable to the Cooperative or its members for monetary damages for breach of fiduciary duty as a director.

ARTICLE VII AMENDMENT

These Articles of Incorporation may be altered, amended, or repealed by the affirmative vote of not less than two-thirds (2/3) of the members' votes cast at any annual or special meeting; provided, however, that the Articles of Incorporation of this Cooperative shall not be altered, amended, or repealed at any meeting of the members unless notice of such proposed alteration, amendment, or repeal shall have been contained in the notice of each meeting; provided further that no alteration, amendment or repeal of Section 2 of Article III of these Articles shall be effective unless authorized by the affirmative vote of not less than two-thirds (2/3) of all of the members of the Cooperative.

Amended and Restated BYLAWS OF BELTRAMI ELECTRIC COOPERATIVE, INC.

ARTICLE I MEMBERS

Section 1. Qualifications and Obligations. Any person or entity that has the legal capacity to enter into a binding contract may become a member of this Cooperative. Membership is automatic upon receipt of electrical service; however to remain a member each member shall:

- (a) pay the membership fee as hereinafter specified and complete an application for membership;
- (b) agree to purchase from the Cooperative the amount of energy as hereinafter specified; and
- (c) agree to comply with and be bound by the articles of incorporation of the Cooperative, these bylaws and amendments thereto, and such rules and regulations as may from time to time be adopted by the board of directors.

Section 2. Membership Fee. The membership fee shall be \$50.00.

Section 3. Joint Membership. Any two (2) or more potential qualified members who are residents of the same household may jointly become a member and their application may be accepted in accordance with the provisions found in this article. The term "member" includes all those holding a joint membership. Any provisions relating to the rights and liabilities of membership apply equally to all holders of a joint membership, specifically and without limitation:

- (a) The presence at a meeting of any member constitutes the presence of all joint members and is a joint waiver of notice of the meeting;
- (b) The vote of any of those holding joint membership, separately or all, jointly constitutes one joint vote;
- (c) A waiver of notice signed by any of those holding the joint membership is a joint waiver;
- (d) Notice to any of those holding the joint membership is notice to all holding the joint membership;
- (e) Expulsion or withdrawal of any of those holding a joint membership terminates the joint membership;
- (f) No more than one of those holding a joint membership may be elected or appointed as an officer or director, provided that all of those holding the joint membership meet the qualifications for such position;
- (g) Upon the death of any of those holding a joint membership, such membership shall be held solely by the survivors;
- (h) Joint membership shall not be terminated by divorce or separation;
- (i) Joint membership shall continue until such time as the Cooperative shall receive sufficient notice, in writing, of any change in status, signed by all of the joint members;
- (j) A membership may be transferred by a joint member to the remaining holder(s) of the joint membership upon written request of such member and compliance by such remaining holder(s) of the joint membership with the provisions of subdivisions (b) and (c) of Section 1 of this article. Such transfer shall be made and recorded on the books of the Cooperative.

Section 4. Purchase of Electric Energy. As soon as electric energy shall become available, each member shall:

- (a) purchase from the Cooperative all electric energy purchased for use on the premises specified in the application for membership; and
- (b) shall pay therefore at rates and under such rules and regulations which shall from time to time be fixed by the board of directors; and
 - (1) The board of directors may limit the amount of electric energy, which the Cooperative shall be required to furnish to any one member.
 - (2) It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital as provided in these bylaws.
- (c) pay to the Cooperative such minimum amount per month,

regardless of the amount of electric energy consumed, as shall be fixed by the board of directors from time to time; and

(d) pay all amounts owed to the Cooperative as and when the same shall become due and payable.

Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the board of directors.

Section 5. Non-liability for Debts of the Cooperative.

The private property of the members shall be exempt from execution for the debts of the Cooperative, and no member shall be individually responsible for any debts or liabilities of the Cooperative.

Section 6. Forfeiture of Membership.

(a) The board of directors may, by the affirmative vote of not less than two-thirds (2/3) of the entire board, expel any member of the Cooperative, if such member shall have violated or refused to comply with any of the provisions of the articles of incorporation, the bylaws or any rules or regulations adopted from time to time by the board of directors, in which case the Cooperative shall make such refunds as required by law.

(b) The membership of a member who for a period of six (6) months after service is made available has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled at the discretion of the board of directors.

(c) The membership so forfeited and surrendered shall be retired and cancelled by the board of directors, and such member shall thereafter have no rights, privileges, or benefits in the Cooperative.

(d) Any member so expelled may be reinstated as a member by vote of the members at any regular or special members' meeting. The action of the members with respect to any such reinstatement shall be final.

Section 7. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the board of directors may prescribe.

Section 8. Transfer and Termination of Membership.

(a) Membership in the Cooperative shall be transferable only with the approval and consent of the board of directors, except as hereinafter otherwise provided.

(b) Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner

shall not release the member from the debts and liabilities of such member of the Cooperative.

Section 9. Voting Privileges.

(a) A member of the Cooperative is only entitled to one vote.

(b) Any member having more than one electric service shall use the service located at the member's principal place of residence, or non-natural member's principal place of business, within the service territory for voting and representation purposes.

(c) If a vote of members is taken on any matter, the spouse of the member may vote on behalf of the member, unless the member has indicated otherwise.

(d) A member may exercise voting rights on any matter that is before the members at a members' meeting from the time the member arrives at the members' meeting until the voting closes, unless otherwise noted in the notice of the members' meeting.

(e) A member's vote at a members' meeting must be in person or by mail and not by proxy except as provided above for a vote by a spouse.

(f) A member may vote by mail on the ballot (a "Mailed Ballot") prescribed in this section on any motion, resolution, or amendment that the board submits for vote by mail to the members, and a member shall be allowed to vote by mail for the election of directors.

(g) The Mailed Ballot shall be in the form prescribed by the board and shall contain:

(1) The exact text of the proposed motion, resolution, or amendment to be acted on at the meeting; or

(2) The names, number, district and term length of the candidates, nominated at the district meetings, for the director position(s) to be filled; and

(3) Spaces opposite the text of the motion, resolution or amendment, or candidate's name, in which the member may indicate an affirmative or negative vote.

(h) The member shall express a choice by marking an "X" in the appropriate space on the Mailed Ballot and mail or deliver the Mailed Ballot to the Cooperative in a plain, sealed envelope (the "Privacy Envelope") inside another envelope (the "Return Identification Envelope") bearing the member's name.

(i) Any material soliciting approval of any action by Mailed Ballots must:

(1) contain, or be accompanied by, a copy or summary of such proposed action;

(2) indicate the number of responses needed to meet the member quorum;

(3) state the percentage of approvals necessary to approve the action; and

(4) specify the time by which the Cooperative must receive the completed mailed ballot.

(j) A properly executed Mailed Ballot received on or before the date of the members' meeting shall be accepted by the board of directors and counted as the vote of the member.

(k) The member may vote by electronic means on the ballot on any motion, resolution or amendment or director election that the board submits for vote by electronic means to the members.

(l) A member who is other than a natural person must designate a natural person to represent it by giving the Cooperative a written notice at or before the member meeting, which shows that the named representative has been authorized by the managing board of such member to represent it at the meeting of this Cooperative. An individual may represent no more than one such member, but may also vote as an individual if (s)he is a member individually.

(m) Unless otherwise provided by law, the articles of incorporation, or these bylaws, a majority of the member votes cast, in person (and by mail on a question so proffered by the board of directors), shall determine the passage of any motion, resolution or amendment submitted to the membership. The candidate receiving a plurality of the votes cast, in person and by mail, for each directorship shall be elected. A coin flip shall resolve any tie.

Section 10. Member Grants of Property Rights. Each member shall execute and deliver to the Cooperative grants of easement of right-of-way on or over such lands owned by members, in accordance with such reasonable terms and conditions as the Cooperative shall require for the furnishing of electrical services to himself/herself or other members or for the construction, operation and maintenance of the Cooperative's electric facilities.

ARTICLE II MEETINGS OF MEMBERS

Section 1. Annual Members' Meeting. The annual meeting of the members shall be held each year at such hour and at the principal place of business of the Cooperative or at another conveniently located place as is designated by resolution of the board of directors adopted prior to the issuance of the required notice of the annual meeting, for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting.

Section 2. Notice of Annual Members' Meeting.

(a) Notice of the annual members' meeting shall be given by the

Secretary by publication and/or mail, which includes the US Postal Service or electronically:

(1) publication in a legal newspaper published in the county of the principal place of business of the Cooperative;

(2) publication in a magazine, periodical, or other publication of the Cooperative that is regularly published by or on behalf of the Cooperative and circulated generally among members; or

(3) mailing the annual members' meeting notice to each member personally at the person's last known mailing address.

(b) The annual members' meeting notice must be published at least two (2) before the date of such meeting, or mailed at least fifteen (15) days before the date of the meeting.

If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. When distributed through electronic means, it shall be deemed to be delivered when sent to the members' email address as it appears on the record of the Cooperative.

The notice shall also contain a statement of the number of directors and terms thereof, to be elected.

Section 3. Special Members' Meeting. Special meetings of the members may be called by a majority vote of the directors or upon a written petition signed by at least twenty percent (20%) of the members submitted to the **President Chair**.

(This is a title change to better align with common practice for board titles such as Chair, Vice Chair, Secretary, Treasurer, etc., and appears throughout the bylaws. The change also allows for the appointment of a President and CEO and Vice Presidents as noted later).

Section 4. Notice of Special Members' Meetings.

(a) The **President Secretary** shall give notice of a special members' meeting by publication and/or mail, which includes the US Postal Service or electronically:

(This change reflects the duties of the Secretary to provide notice of member meetings as is more customary than having notice provided by the President or Chair).

(1) publication in a legal newspaper published in the county of the principal place of business of the Cooperative;

(2) publication in a magazine, periodical, or other publication of the Cooperative that is regularly published by or on behalf of the Cooperative and circulated generally among members; or

(3) mailing the special members' meeting notice to each member personally at the person's last known mailing address.

(b) The special members' meeting notice shall state the time, place, and purpose of the special members' meeting.

(c) The special members' meeting notice shall be issued within ten (10) days from and after the presentation of a members' petition, and the special members' meeting must be held by thirty (30) days after the date of the presentation of the members' petition.

Section 5. Failure to Receive Notice and/or Mailed Ballot. The failure of any member to receive any such notice of an annual or special meeting of the members and/or the Mailed Ballot shall not invalidate any action, which may be taken by the members at any such annual or special meeting.

Section 6. Certification of Mailed Meeting Notice.

(a) After mailing special or annual members' meeting notices, the secretary shall execute a certificate containing:

- (1) a correct copy of the mailed or published notice;
- (2) the date of mailing or publishing the notice; and
- (3) a statement that the special or annual members' meeting notices were mailed or published as prescribed by these bylaws.

(b) The certificate shall be made a part of the record of the meeting.

Section 7. Quorum.

(a) The quorum for a members' meeting to transact business is one hundred (100) members.

(b) In determining a quorum at a meeting, on a question submitted to a vote by mail, members present in person or represented by mail **or electronic means vote** shall be counted.

(The cooperative implemented electronic voting in 2017. This change allows those voting by electronic means to be included in determining a quorum, as is the practice with those who choose to attend the meeting in person or vote by mail).

If an insufficient number of members are present to constitute a quorum, a majority of the members present may adjourn the meeting from time to time without further notice.

Section 8. Establishment of a Quorum. The attendance of a sufficient number of members to constitute a quorum at any meeting of the members shall be established and verified by the **President Chair** and Secretary of this Cooperative. Such registration shall be reported in the minutes of such meeting. No action at any meeting of the members shall be valid and legal unless a quorum is present at the meeting at which such action may be taken.

Section 9. Voting List. The Secretary of this Cooperative shall make at least fifteen (15) days before each meeting of

the members, a complete list, arranged in alphabetical order, of the members entitled to vote at such a meeting and their addresses. Such list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting. **Except as otherwise provided by these bylaws or the board of directors, a member may not inspect, copy or receive a copy of all or part of the complete list or a similar list of the members. Upon written request, the Cooperative shall supply candidates for directorships with the membership list and mailing addresses. Availability of such list shall be subject to applicable state law and its use will be germane to the purpose of the election as stated in the written request and shall not be used for other purposes.**

(This change complies with state law and makes it clear that the use of mailing lists shall be germane to the purpose of the election and not used for other purposes such as direct sales or other unrelated business. The intent is to comply with state law while protecting member information).

Section 10. Order of Business. The board of directors shall determine the agenda and order of business for member meetings; provided, however, that the order of business at any meeting may be amended by motion and majority vote of the members at such meeting.

ARTICLE III DIRECTORS

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by the board of directors, which shall exercise all powers of the Cooperative, except such as by law or by the articles of incorporation or by these bylaws is conferred upon or reserved to the members.

Section 2. Number and Qualifications.

(a) Number. The number of directors of this Cooperative shall be nine (9). The Cooperative shall be divided into nine director districts as determined by the board of directors, with one director elected from each district.

(b) Qualifications. Persons eligible to become or remain a director of the Cooperative shall:

- (1) be a member in good standing of the Cooperative, receiving electric service at the member's primary residence in the district from which the director is elected prior to being nominated for director; provided further, that "primary residence" is defined as the residence that is the chief or main residence of the member and where the member actually lives for the most substantial portion of the year;
- (2) not be, nor within three (3) years preceding a director candidate's nomination have been, an employee of the Cooperative;
- (3) not be, becomes, nor shall have been at any time during

the five (5) years preceding a director candidate's nomination, employed by a labor union which represents, or has represented, or has endeavored to represent, any employees of the Cooperative;

(4) not be a close relative of an employee or director, where as found in these bylaws "close relative" means any individual who is, either by blood, law, or marriage, including half, step, foster, and adoptive relations, a spouse, child, grandchild, parent, grandparent, or sibling, or principally resides in the same residence;

(5) not be employed by, materially affiliated with, or have a material financial interest in, any individual or entity, which either is:

- (i) directly or substantially competing with the Cooperative;
- or
- (ii) selling goods and services in substantial quantity to the Cooperative; or
- (iii) possessing a substantial conflict of interest with the Cooperative;

For purposes of this section, the terms "material" or "substantially" shall be interpreted as constituting a minimum of 5% of a member's total hours of employment, sales, or income on an annual basis;

(6) not be or become the full-time employee or agent of, or be or becomes the full-time employer or principal of, another director;

(7) not be absent without being excused by the board from three (3) or more regular meetings of the board of directors during any twelve (12) month period;

(8) be only one, and not more than one, member of a joint membership; provided, however, that none shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless all shall meet the qualifications hereinabove set forth;

(9) if a representative or agent of a member is not a natural person, i.e. a corporation, partnership, limited liability company, or similar, then the representative or agent designated as a nominee for director shall be an individual residing within the external boundaries of the district from which (s)he is nominated; and

(10) not have been convicted of a felony while a director, nor during the five (5) years immediately prior to becoming a director.

(c) Exceptions. In regard to the restrictive provisions of this section that are based upon close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected a director if, during a director's incumbency, a director becomes a first kindred relative of another incumbent director or of a Cooperative employee because of a marriage or an

adoption to which the director was not a party.

(d) Disqualification. After the board of directors determines that a director or a nominee for director lacks eligibility under the provisions of this section or as may be provided elsewhere in these bylaws, it shall be the duty of the board to promptly make a disqualification. After the board of directors determines that any person being considered for, or already holding, a directorship lacks eligibility under this section, it shall be the duty of the board to withhold such position from such person or to cause a director to be removed there from, as the case may be.

(e) Actions of the Board of Directors. Nothing contained in this section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board unless such action is taken with respect to a matter in which one or more of the directors have a personal interest in conflict with that of the Cooperative.

Section 3. Tenure and Term Limit. The term of office for a director shall be three (3) years.

At each annual meeting an election shall be held from districts where the terms of directors have expired.

After serving four (4) successive terms, no person shall be eligible to again serve as a director until such person has remained off the board for one full term whereupon such person will again be eligible to serve four (4) more successive terms.

(This change allows directors who have served four consecutive terms to continue to serve if elected by the membership. Presently, members do not have the ability to elect directors who have served four consecutive terms. This change would give members that ability. Each term remains at three years, at which time the membership will vote on who shall serve for the upcoming term. Your cooperative invests in educating directors to serve the membership's interests. We want to maximize this investment by providing members the opportunity to re-elect directors if they so choose. We expect our directors to engage at the state and federal levels on issues affecting our industry and cooperative. This change provides additional opportunity to improve that engagement by retaining directors who have attained the level of knowledge and experience required to effectively influence decision makers at the state and federal level. This change reflects the predominant practice among electric cooperative boards. This does not change the nomination process described in Section 9 to encourage member participation in district meetings and the election process).

Section 4. Filling Vacancies. Subject to the provisions of the bylaws with respect to the removal of directors, vacancies occurring in the board of directors may be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the next annual meeting of the members or until a successor shall have been elected and qualified.

Section 5. Removal.

By Members:

(a) Members may remove a director for cause related to the duties of the position of director and fill the vacancy caused by the removal.

(b) Any member may bring charges against a director by filing them in writing with the Secretary, together with a petition signed by ten (10%) percent of the members, requesting the removal of the director in question.

(c) The removal shall be voted upon at the next annual or special members' meeting, and any vacancy created by such removal may be filled by the members at such meeting.

(d) The director against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person(s) bringing the charges against him shall have the same opportunity.

By Directors:

Upon failure of a director to meet or maintain the qualifications described in these bylaws, the board of directors shall remove a director at a board of director's meeting and fill the vacancy caused by the removal pursuant to Section 4.

Section 6. Compensation.

(a) Directors, as such, shall not receive any salary for their services, but by resolution of the board, a fixed sum and reasonable expenses for attendance may be allowed for each meeting of the board, and such other meetings and conferences as may be approved by resolution of the board from time to time.

(b) Except in emergencies, no director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative (as defined hereinabove at Section 2) of a director receive compensation for serving the Cooperative unless such compensation shall be specifically authorized by a vote of the members.

Section 7. Rules and Regulations. The board of directors shall have power to make and adopt such rules and regulations, not inconsistent with the articles of incorporation of this Cooperative or these bylaws or the laws of the state of Minnesota, as it may deem advisable for the management, administration and regulation of the business and affairs of this Cooperative.

Section 8. Accounting System and Reports. The board of directors shall cause to be established and maintained a complete accounting system, which shall conform to Generally Accepted Accounting Principles.

The board of directors shall arrange for a full and complete audit of the books, accounts, and financial condition of this Cooperative as of the end of each fiscal year. Such audit reports shall be submitted to the members at the following annual members' meeting.

Section 9. Nominations and Elections. The areas to be served by the Cooperative shall be divided by and at the discretion of the board of directors into nine (9) director districts, and not less than ten (10) days nor more than fifty (50) days prior to the date of the annual members' meeting, and in accordance with the mailed notice to each of the members therein affected, district meetings shall be held at which **eligible** candidates for the office of director from each respective district shall be nominated, and the names of the two (2) candidates receiving the greatest number of votes (including the number of votes cast for each of them) shall be certified to the annual meeting members.

Members seeking to run for the Board of Directors shall, not less than five (5) business days prior to the district meeting in which there is a director election, submit to the corporate office a completed candidate packet, as provided by the Cooperative, by which the Cooperative will verify said member's qualifications to be an eligible candidate for the director position as articulated in Article III, Section 2.

(This change ensures members interested in running for the Board of Directors are qualified and eligible to serve as a director prior to the district meeting. Under the existing process, we are unable to determine if a candidate nominated from the floor of the district meeting meets all of the eligibility requirements until after the nomination process has taken place. It also provides an opportunity to educate potential director candidates about the cooperative and the responsibilities of serving as a director).

At the annual meeting not more than one candidate from each district shall be elected to the board of directors.

Election of directors shall be determined on the basis of a plurality of the votes properly cast.

Notwithstanding anything in these Bylaws or applicable procedural rules to the contrary, a candidate who is the only qualified nominee for a seat up for election may be elected at the annual meeting of the members by motion adopted or by a voice vote, show of hands or other appropriate means.

The Secretary of the Cooperative shall include in the notice of the annual members' meeting and notice of district meetings, a statement of the number of directors and terms thereof, to be elected.

Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

In case of a tie vote, the tie shall be broken by the **President Chair** flipping a coin.

ARTICLE IV MEETINGS OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the board of directors may be held without notice other than this bylaw, immediately after, and at the same place as, the annual meeting of the members.

A regular meeting of the board of directors shall also be held monthly and at such time and place as the board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings. Special meetings of the board of directors may be called by the **President Chair** or any three (3) directors.

The person(s) authorized to call special meetings of the board of directors may fix the time and place for the holding of any special meeting of the board of directors called by them.

The matters that may be acted upon at a special meeting are restricted to those stated in its call and notice.

Section 3. Notice. Notice of the time, place, and purpose of any special meeting shall be given at least five (5) days previous thereto, by written notice, delivered personally, electronically or mailed to each director at the director's last known address.

If mailed, such notice shall be deemed to be delivered when deposited into the United States mail properly addressed, with postage thereon prepaid.

Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in a case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum. A majority of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors, provided, that if less than a majority of the directors shall be present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 5. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

Section 6. Emergencies. Any or all directors may participate in any meeting of the board of directors by any means of communication through which the directors may simultaneously hear and speak to each other during such meeting. For purposes of establishing a quorum and taking any action, such directors participating pursuant to this section shall be deemed present in person at the meeting. This section is intended to be utilized only

in unusual or emergency situations and not to replace normal attendance at board of directors' meetings.

ARTICLE V OFFICERS

Section 1. Number. Annually the following officers shall be elected by ballot by and from the board at its first meeting following the annual members' meeting: **President Chair**, Vice **President Chair**, Secretary and Treasurer.

The offices of Secretary and Treasurer may be held by the same person and if combined the person filling the office shall be termed Secretary-Treasurer.

If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be.

Section 2. Removal. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of this Cooperative would be served thereby.

Section 3. Vacancies. A vacancy in any office may be filled by the board of directors for the unexpired portion of the term.

Section 4. President Chair. The President Chair:

(a) shall **be the principal executive officer of the Cooperative and** preside at all meetings of the members and of the board of directors.

(The Chief Executive Officer is the principal executive officer of the cooperative while the Chair presides at all meetings of the members and board of directors).

(b) **shall may** sign, with the Secretary, or any other proper officer of this Cooperative, authorized by the board of directors so to do, any deeds, mortgages, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these bylaws to some other officer or agent of this Cooperative, or shall be required by law to be otherwise signed or executed; and

(c) in general shall perform all duties incident to the office of **President Chair** and such other duties as may be prescribed by the board of directors from time to time.

Section 5. Vice President Chair. In the absence of the **President Chair**, or in the event of the **President's Chair's** inability or refusal to act, the Vice **President Chair** shall perform the duties of the **President Chair**, and when so acting shall have all the powers of and be subject to all restrictions upon the **President Chair** and shall perform such other duties as from time to time may be assigned to the Vice **President Chair** by the board of directors.

Section 6. Secretary. The Secretary shall:

- (a) keep the minutes of the members' and the board of directors' meetings in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of the corporate records;
- (d) keep a register of the post office address of each member, which shall be furnished, to the Secretary by such member;
- (e) execute certifications of mailed or published meeting notices in accordance with these bylaws or as required by law;
- (f) keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative, forward a copy of the bylaws and of all amendments thereto to each member upon request; and
- (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the board of directors.

Section 7. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to this Cooperative from any source whatsoever, and deposit all such monies in the name of this Cooperative in such banks as the Cooperative selects; and
- (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the board of directors.

Section 8. General Manager President and CEO. The board of directors shall appoint a general manager President and CEO who may be, but who shall not be required to be, a member of the Cooperative. The general manager President and CEO shall be the principal executive officer of the cooperative and may sign, with the Secretary, or any other proper officer of this Cooperative, authorized by the board of directors so to do, any deeds, mortgages, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these bylaws to some other officer or agent of this Cooperative, or shall be required by law to be otherwise signed or executed; and shall perform such duties as the board of directors may from time to time require and shall have authority as the board of directors may, from time to time, vest in the position.

(This is a title change to better align with common practice

for board titles such as Chair, Vice Chair, etc. The change also allows for the appointment of a President and CEO, a responsibility of the board of directors. The change also clarifies the responsibilities of the President and CEO as directed by the Board of Directors).

Section 9. Director and Officer Liability Insurance. The board of directors shall require the purchase by the Cooperative of officers' and directors' liability insurance to cover the acts and/or omissions of such persons while working in their capacity on behalf of the Cooperative.

Section 10. Salaries. The compensation, if any, of any officer of the Cooperative shall be determined by the board of directors.

Section 11. Reports. The officers of this Cooperative shall submit at each annual meeting of the members reports covering the business of this Cooperative for the previous fiscal year and showing the condition of this Cooperative at the close of such fiscal year.

Section 12. Additional Officers. The board may appoint such additional officers that may be directors or members, but shall not be required to be, as the board determines is in the best interests of the Cooperative. Such officers shall serve for a term not exceeding the term of the **President Chair** and shall have such power and duties as the board determines.

Section 13. Delegation of Duties. If the board delegates any responsibilities and duties of the officers to employees or agents of the Cooperative, to the extent that the board delegates those duties and responsibilities, the officer whose duties and responsibilities are delegated shall be released from such duties and responsibilities.

ARTICLE VI EARNINGS-DISTRIBUTION

Section 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Capital Furnished by Members. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all members will through their patronage furnish capital for the Cooperative.

In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of such electric energy.

All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital.

The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses.

The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of the capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record of the capital account of each member.

All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

Section 3. Repayment of Capital. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members.

If, at any time prior to dissolution or liquidation, **but not less than annually**, the board of directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to members' accounts may be retired in full or in part.

(This affirms the board of directors will at least annually review and consider capital credit retirements based on the cooperative's financial condition. This is the current practice and the amendment formalizes this commitment and responsibility to the members).

The board of directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital.

Section 4. Assignment or Transfer. Capital credited to the account of each member shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors-in-interest or successors-in-occupancy in all or a part of such member's premises served by the Cooperative unless the board of directors, acting under policies of general application, shall determine otherwise.

Section 5. Right to Offset. The Cooperative shall at no time be required to retire the equity account of any member or the membership capital of any member who has not paid the member's obligations to the Cooperative and the board may, in its discretion, apply any member's capital pursuant to Section 2 of this article then credited against the unpaid obligations for electric service of the member in the same manner as if the member were deceased.

Section 6. Early Repayment. The board of directors, at its discretion, shall have the power at any time upon the death of any member who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such member immediately upon such terms

and conditions as the board of directors, acting under policies of general application, and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Section 7. Patronage Refunds in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable there from which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be considered non-operating margins, and treated as shown in Section 8.

Section 8. Non-operating Margins. At the discretion of the board of directors, funds and amounts, other than operating margins, received by the Cooperative that exceed the Cooperative's costs and expenses may be:

- (a) allocated as capital credits to patrons in the same manner as the Cooperative allocates capital credits to members; and/or
- (b) used by the Cooperative as permanent, non-allocated capital.

Section 9. Articles and Bylaws Provisions are a Contract. The members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this section of the bylaws shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VII SALE OF PROPERTY

The board of directors may sell the property of the Cooperative upon such terms and conditions as it deems appropriate and in the best interests of the Cooperative. No sale of more than twenty-five (25) percent of the property of the Cooperative shall be effective, however, unless authorized at a annual or special members' meeting by the affirmative vote of two-thirds (2/3) of the total number of members of the Cooperative.

ARTICLE VIII AMENDMENTS

These bylaws may be altered, amended or repealed by the members at any annual or special members' meeting, provided that notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal; provided further that Article I, Section 9(a) (relating to one member-one vote); Article VII (relating to sale of property); and Article VIII (relative to amendments) of the bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all of the members of the Cooperative.

Annual Meeting Minutes - April 19, 2018

The annual meeting of the members of Beltrami Electric Cooperative Inc. was held at Bemidji High School in Bemidji Minn., on Thursday, April 19, 2018, commencing at 7 p.m. Rick Coe presided as chairman. The following directors were present:

Judy Honer	Charlie Perkins	Sue Kringen
John Lund	Rick Coe	Craig Gaasvig
Charlie Parson	Bob Wallner	

The chairman asked all to stand for the national anthem and invocation. Director Judy Honer gave the invocation.

Children's prizes were awarded along with a 529 Minnesota College Savings Plan in the amount of \$500.

The chairman called the meeting to order at 7:05 p.m. and announced a quorum with 175 registered voting members present. Attorney Andrew Sorbo was appointed as parliamentarian.

The chairman asked for membership approval of the Notice of Meeting and the previous year's Minutes. Both were approved without objection.

The chairman introduced the current directors. The chairman recognized Zachary Stute of Laporte, who was selected as the Youth Tour delegate to Washington, D.C.

Attorney Andrew Sorbo introduced the director candidates from Districts 3, 7 and 9, one from each district.

Attorney Sorbo noted that the Bylaws allowed for a waiver of

the formal balloting requirement and asked for a motion from the floor to declare all three candidates elected to serve their respective districts. Upon motion made, seconded and carried, Attorney Sorbo then announced the election of Charlie Parson, John Lund and Judy Honer as directors of Beltrami Electric Cooperative. The meeting was then turned over to Chairman Coe.

Sharon Lembke, president of the Operation Round Up® Trust Board, gave a report to the membership.

Billy Benso gave a report on the No Barriers Warriors Program expedition he attended. Arlene Hogquist, Beltrami Electric Cooperative director of finance and corporate services, gave the annual financial report.

CEO Jared Echternach recognized the special guests in attendance and gave a report on the past year's performance, energy sales, construction projects and new programs of Beltrami Electric Cooperative.

The chairman introduced Jim Horan, the director of government affairs & general counsel for the Minnesota Rural Electric Association. CEO Echternach and Jim Horan addressed various legislative topics and questions from the membership.

Door prizes were given out at intervals throughout the meeting.

The chairman then called for any unfinished business. There was none. The chairman then called for any new business. There was none. There being no further business the chairman adjourned the meeting at 8:20 p.m.

Beltrami Electric Cooperative selects WILLOW DAMAR FOR THE 2019 YOUTH TOUR



Beltrami Electric is pleased to announce that Willow Damar of Walker has been selected as the cooperative's 2019 Electric Cooperative Youth Tour representative. She will join hundreds of high school students representing their cooperatives on an all-expense-paid trip to Washington, D.C., June 10-15, 2019. This trip is part of an annual Youth Tour sponsored by the National Rural Electric Cooperative Association (NRECA), the Minnesota Rural Electric Association (MREA) and Beltrami Electric Cooperative.

Sen. Lyndon Baines Johnson inspired the Youth Tour when he addressed the National Rural Electric Cooperative Association (NRECA) annual meeting in Chicago in 1957. The senator and future president declared, "If one thing comes out of this meeting, it will be sending youngsters to the national capitol where they can actually see what the flag stands for and represents."

The Youth Tour program continues to foster the grassroots spirit of the rural electric cooperatives by demonstrating to our youth how our government works and what the electric cooperative business model is all about. In a time when energy is at the forefront of our nation's issues, this is a great opportunity to have a

hand in the creation of electric cooperative advocates! Many former Youth Tour representatives have moved on to serve in significant positions in our communities, including becoming a member of congress. The tour includes visits to the Smithsonian, the National Archives, Arlington National Cemetery, the World War I, Vietnam, Korean War Veterans Memorials as well as the Jefferson, Washington and Lincoln Memorials.

As part of the selection process, candidates were required to submit an application, write a 500-word essay and submit two letters of reference from teachers, group or community leaders. Ms. Damar's application expressed her passion for politics, the law and her desire to learn more about our government and U.S. history.

Ms. Damar is very active in her school. She has participated in track, is active in the drama program and is a member of Interact, a group of students who are service-minded volunteers. She is a five-year member of the speech team, of which she is currently team captain. She excels at giving extemporaneous speeches and placed seventh at the MSHSL speech tournament in 2018. Ms. Damar has a love of learning, including history and government, and plans to pursue a degree in political science.

She is the daughter of Crystal Damar of Walker, Minn. The members of Beltrami Electric are once again pleased to send a well-rounded student to our nation's capital as a representative of the cooperative. Congratulations and good luck!



Operation Round Up® Beltrami Electric Cooperative Trust

“People doing together what can’t be done individually.”



Together, we are doing some wonderful things for our local communities! Operation Round Up® is a charitable program that was developed in 1989 and is unique to electric cooperatives. It is designed to give co-op members a means of working together to use their small change to make a big impact in their local communities.

Donations are tax deductible and participating members will receive an annual summary of their contributions on their billing statement each January. A complete listing of grants awarded to date may be viewed on Beltrami Electric’s website.

2018 Numbers

Participating Member Average
Annual Contribution in 2018: \$5.90
Average Member Participation in 2018: 80%
Applications reviewed in 2018: 110
Applications approved in 2018: 102
Total funds requested in 2018: \$228,189
Grants awarded in 2018: \$90,910

Thank you Beltrami Electric Cooperative members for helping to improve the quality of life in our communities.

Volunteer for Project GreenTouch

Invite your family and friends!

**SATURDAY, MAY 4, 10 a.m. to 2 p.m.,
Lake Bemidji State Park**

Tools, equipment, beverages and a grilled lunch provided

Beltrami Electric Cooperative and other Touchstone Energy® cooperatives throughout Minnesota will join together for the 20th year to spruce up our state parks through a program called GreenTouch.

You’re invited to volunteer your time to plant trees, clean up trails, rake leaves, clean up roadside ditches and complete other general projects, all to prepare Lake Bemidji State Park for the 2019 season!



Come join us! Volunteers will get a free day pass for the park that day. Tools, equipment, beverages and a grilled lunch will be provided. For more information or to sign up to volunteer, contact **Angela Lyseng at 444-3689** or via email at alyseng@beltramielc.com.

BELTRAMI ELECTRIC MULTIVENDOR INDOOR GARAGE SALE

to benefit the UNITED WAY

Saturday, May 4, 2019

**8 a.m. to 2:30 p.m. at Beltrami Electric
(in the garage)**

4111 Technology Dr NW, Bemidji

- Access to 91 booths and the comfort of indoor shopping!
- Huge variety of NEW and USED merchandise!
- All fees (rent, entrance, food) go to the United Way of Bemidji!

**\$1 entrance
fee (12 &
under are free)**

**United Way
of Bemidji Area**



Member & Energy Services Report



Sam Mason
Director of Member
& Energy Services

You pay your electric bill every month with Beltrami Electric Cooperative, and more than likely you think to yourself, “That’s done.” However, the truth is we’re more than just a utility provider that you pay each month for electricity. As your local electric cooperative, Beltrami Electric is committed to building strong connections with you and with the local communities we serve. We are your family, friends, neighbors, coaches, community volunteers and more. We belong to the communities we serve and are led by our member-owners like you.

Our Member Services department is our member’s first point of contact with their cooperative. Representatives answer hundreds of calls per day and assist our members with everything from account and billing questions, requests for new service construction, transfers, upgrades and more. We love getting to know our members and take providing great service very seriously.

Incoming calls in 2018:	Service transfers in 2018:	New members welcomed in 2018:	Members with paperless billing:
41,207	2,375	956	2,556

Innovation is one of our core values, and by providing tools like SmartHub, you can view and pay your bill online, set up automatic payments and submit service requests. MyMeter is an online tool that allows members to not only view their usage history, but it also provides temperature data and comparisons with previous months and years. With the upgrade of our metering system completed in 2018, members can now access hourly usage



data, where previously our turtle meters provided readings once every 26 hours. This not only allows members to better manage their energy usage but also helps with troubleshooting high-usage concerns as well as monitoring your usage while away from home.

Beltrami Electric Cooperative has been your energy partner for years, and we continue to strive to be your first source of information on all things energy-related. Our Energy Services department is here to offer advice on how to make your home more energy efficient with



incentives for upgrading to energy efficient lighting, appliances, heating, cooling and more. Our technicians have been trained to answer your questions and can help you ensure efficiency comparisons are “apples to apples.” If you are building

this year, bring in a copy of your plans and allow our energy experts to size and design a heating system that will provide value for years to come. If you have questions about renewable options, generators or home energy management systems, we are here to help, so contact us first.

See you at the annual meeting

Most of us lead busy lives. We find ourselves multitasking, constantly checking phones and email to keep up with the demands of modern life. Thanks to technology, we can accomplish many tasks electronically and remotely to be more efficient. With so many pressing obligations, we like to protect our “spare” time. Invitations to attend in-person meetings and gatherings are weighed carefully as we decide whether our time and effort to attend is beneficial.

While your cooperative provides convenient electronic options for bill-paying and communication, there are times when there is no substitute for in-person engagement. When members of our community come together for a common purpose, we improve the quality of life for all in our corner of the world.

If you’ve never attended our annual meeting, or if it’s been awhile, please consider it. Our co-op family looks forward to visiting with you! We’ll have food, fun and door prizes, so mark your calendar for the annual meeting on Tuesday, April 23, 2019, at Bemidji High School. We hope to see you there!

Operations Report



Dan Edens
Manager of Operations

April is annual meeting time! By the time you read this, I hope that I will be able to see over the mountain of snow that accumulated outside my office window this winter.

2018 construction projects

In addition to constructing 291 new electrical services, crews completed the installation of an additional three miles of three-phase underground line from the Leech Lake substation toward Walker, to alleviate the load on the existing line and allow for additional load growth and improved reliability. Crews replaced 2.25 miles of 1970s vintage three-phase underground along State Highway 371, feeding a heavily loaded service area, to improve reliability. Crews replaced a 300-foot section of overhead line that crossed State Highway 200, south of Laporte, with underground line to eliminate issues with trucks hauling along that corridor.

Minor projects completed in 2018 include installations of single-phase underground line on Ponderosa Road, Wedgewood Road and Beltrami County Road 5. Work was also completed along Beltrami County Road 14, which is related to a road construction project. We converted two sections of overhead line to underground line, one near Grant Lake and the other on the west side of Lake Plantagenet.

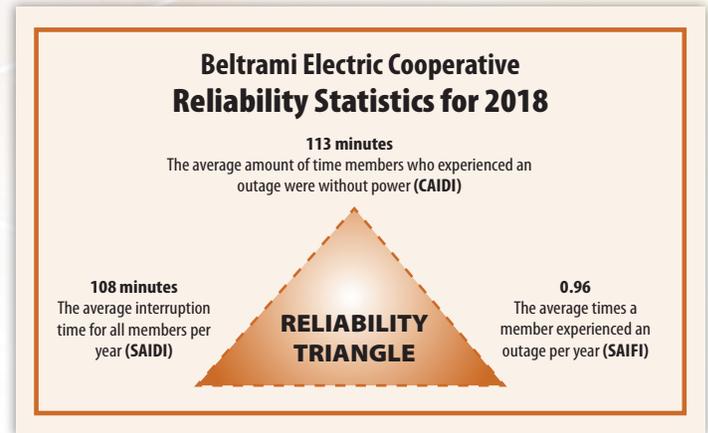
Reliability

Service reliability is an area we strive to improve each year, and aside from the storm that occurred at the end of June, 2018 was a great year in terms of reliability for your cooperative. Crews worked tirelessly to replace broken poles, clear debris and remove trees from lines and restore power as quickly and safely as possible. We appreciated our members' help in identifying problem areas and patience while repairs were being made.

Both the Operations and Engineering departments work hard to ensure that your electrical distribution system is well maintained. This team is responsible for planning ahead for future needs and continually monitoring existing equipment and resources. The electric industry measures reliability with a Reliability Triangle (*shown in second column*), a tool used to set benchmarks for distribution reliability statistics. We continually strive to lower the amount of outages our members experience and the duration of those outages.

Weather conditions in general pose some of the most difficult challenges to reliability. You may be familiar with the threats that summer storms pose to our system, with the potential for lightning to damage both overhead and

underground equipment, and how heavy rain and high winds can uproot or topple trees near overhead lines.



However, ice and wind can be just as devastating during the winter, and deep snow and frost make underground repairs more difficult and time consuming.

We continually inspect equipment such as poles, transformers, OCRs and more and perform routine scheduled maintenance and/or replacement of equipment in an effort to avoid potential outages in the future. We continue to work through our service area to clear right-of-way areas near overhead equipment. A clear right of way will not only reduce the potential for blinks or outages when trees come into contact with overhead lines, but it also ensures that we will be better able to access this equipment if/when repairs are needed.

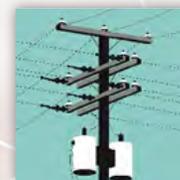
Safety culture

Beltrami Electric Cooperative has made a Commitment to Zero. This means that we are committed to actions that support zero electrical contacts. We are dedicated to continually improving our safety culture. This culture is committed to each of our employees going home safely every night and committed to keeping our membership and the general public safe.

Your cooperative has an excellent safety record, but it's important we do not become complacent. Safety must be on our minds 24/7 and our behaviors must reflect that. Through this we make that commitment to our members and the general public to work safely and to continue to promote safety through education in our newsletters, social media, in our schools and communities.



Number of meters:
29,028



Number of poles:
20,446



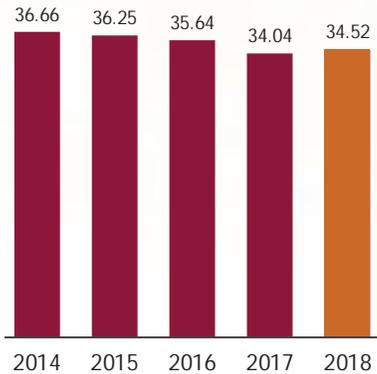
Number of transformers: 16,458

Consolidated Balance Sheet

As of December 31, 2018 & 2017

Equity

Equity is the percentage the members of Beltrami Electric own of the cooperative's assets.



ASSETS

WHAT WE OWN:

In service
Under construction
Total electric plant
Less accumulated depreciation
Electric plant – net

OTHER PROPERTY AND INVESTMENTS:

Investments in associated companies
Other investments
Special funds
Total other property and investments

CURRENT ASSETS:

Cash - general
Accounts receivable, less allowance for uncollectible accounts
(2018 – \$165,238; 2017 – \$192,557)
Materials and supplies
Prepayments
Interest receivable
Total current assets

DEFERRED DEBITS:

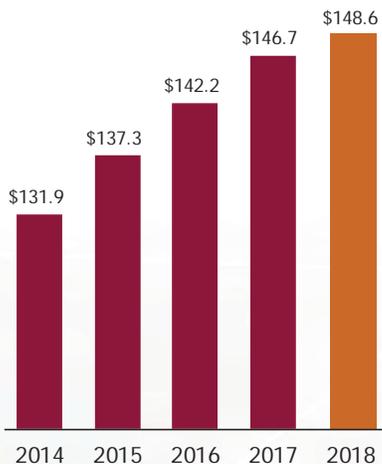
Deferred debits

TOTAL ASSETS

	2018	2017
In service	\$148,058,910	\$146,565,548
Under construction	550,358	144,618
Total electric plant	148,609,268	146,710,166
Less accumulated depreciation	(43,421,232)	(41,861,464)
Electric plant – net	105,188,036	104,848,702
Investments in associated companies	5,475,762	5,447,791
Other investments	3,443,168	3,103,401
Special funds	0	0
Total other property and investments	8,918,930	8,551,192
Cash - general	1,792,969	1,753,996
Accounts receivable, less allowance for uncollectible accounts (2018 – \$165,238; 2017 – \$192,557)	7,918,890	8,582,828
Materials and supplies	1,221,799	1,056,970
Prepayments	113,005	160,778
Interest receivable	7,989	8,168
Total current assets	11,054,652	11,562,740
Deferred debits	1,596,115	1,904,040
TOTAL ASSETS	\$126,757,733	\$126,866,674

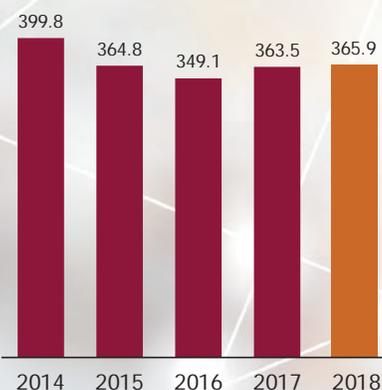
Electric Plant Investments

Millions of dollars



Electricity Sold (Retail)

Total kWh in millions

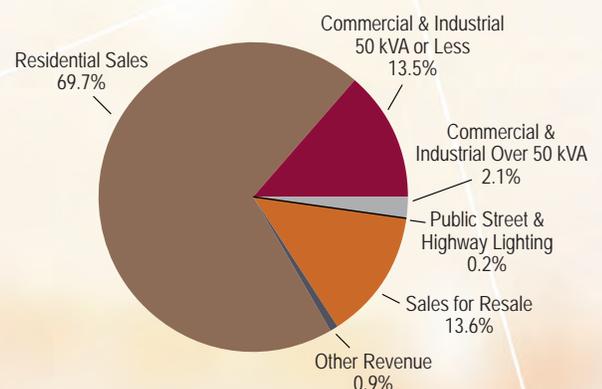


Margins

Millions of dollars



Where Operating Revenue Came From



EQUITIES AND LIABILITIES

WHAT WE OWE:

Memberships	
Patronage capital	
Other equities	
Accumulated other comprehensive income	
Total equities	
Long-term debt, net of current maturities and net of cushion of credit of \$5,158,370 for 2018 and \$4,908,862 for 2017	

OTHER NONCURRENT LIABILITIES:

Postretirement benefits obligation	
------------------------------------	--

CURRENT LIABILITIES:

Line of credit	
Current maturities of long-term debt	
Current portion of postretirement benefit obligation	
Accounts payable – general	
Accounts payable to associated company-billed power costs	
Customer deposits	
Taxes accrued	
Interest accrued	
Payroll accrued	
Accrued compensated absences	
Total current liabilities	

DEFERRED CREDITS:

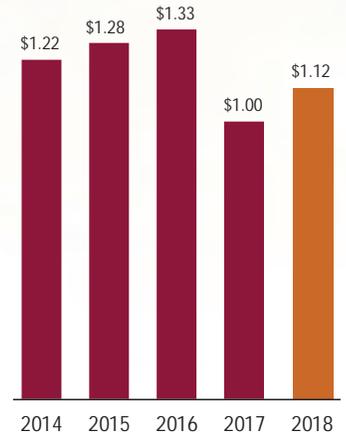
Customers' energy prepayments	
AMI meter install project	
Unamortized gain on reacquired debt	
Unamortized gain on reacquired – Northern Solar	
Total deferred credits	

TOTAL EQUITIES AND LIABILITIES

	2018	2017
	\$ 812,090	\$ 801,440
	22,813,306	22,989,467
	20,134,308	19,399,924
	0	0
	43,759,704	43,190,831
	72,296,470	62,224,896
	517,386	564,403
	1,000,000	10,293,068
	2,418,066	3,009,325
	35,000	30,000
	880,998	1,373,744
	3,743,237	3,959,657
	895,525	865,800
	281,393	264,124
	170,632	186,304
	113,337	98,386
	307,023	323,080
	9,845,211	20,403,488
	215,682	228,114
	0	80,607
	0	46,994
	123,280	127,341
	338,962	483,056
	\$126,757,733	\$126,866,674

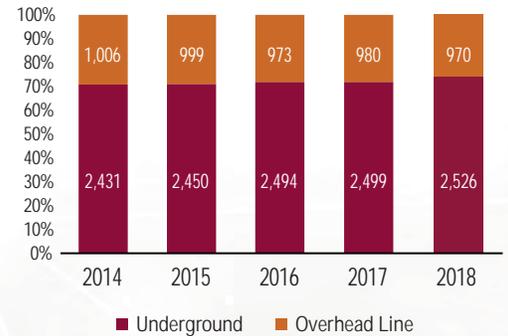
Capital Credits Retirements

Millions of dollars



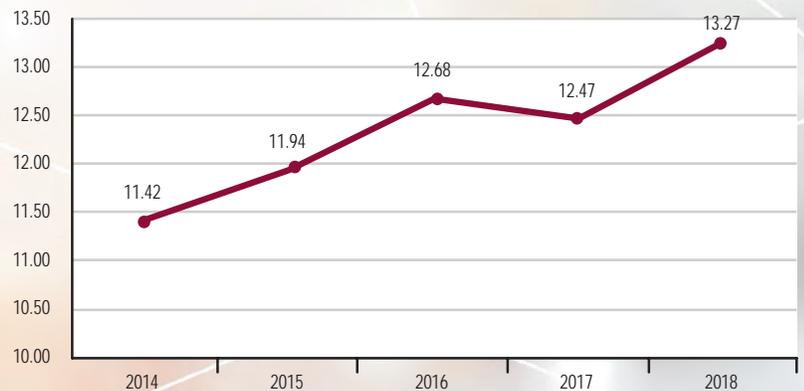
Miles of Line

Average

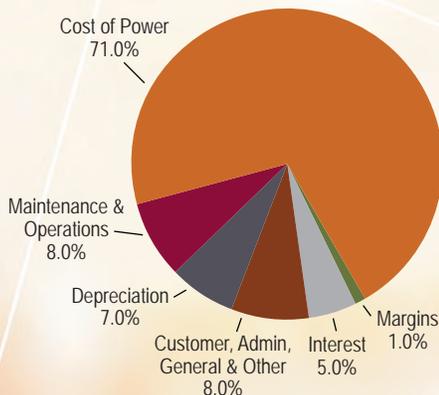


Cost of Electricity

Average cost to residential member per kWh (includes Access Fee)



Where Operating Revenue was Spent



Consolidated Statement of Operations

	2018	2017
OPERATING REVENUE:		
Electric	\$54,211,021	\$51,687,199
Other	480,385	758,273
Total operating revenue	<u>\$54,691,406</u>	<u>\$52,445,472</u>
WHERE IT WENT:		
Cost of power	\$38,687,160	\$37,475,167
Distribution – operation	2,301,587	2,290,919
Distribution – maintenance	1,958,873	1,915,851
Customer accounts	1,495,072	1,548,588
Customer service and information	967,654	879,228
Sales expense	130,442	124,245
Administrative and general	1,751,377	1,834,055
Depreciation	3,933,602	3,810,784
Taxes	1,750	1,740
Interest on long-term debt	2,795,855	2,688,665
Amortization of gain on reacquired debt	(46,994)	(112,784)
Other	163,957	200,949
TOTAL OPERATING EXPENSES	<u>\$54,140,335</u>	<u>\$52,657,407</u>
NET OPERATING MARGIN	<u>\$ 551,071</u>	<u>\$ (211,935)</u>
NONOPERATING MARGIN:		
Other cooperative capital credits	\$ 424,796	\$ 333,180
Merchandising, jobbing and contract work, less costs and expenses of (2018 – \$142,011; 2017 – \$101,823)	1,249	(175)
Rent of headquarters second floor, net of costs (2018 – \$109,741; 2017 – \$114,269)	21,665	14,808
Loss on disposition of property	(67,668)	(250)
Investment income	299,335	522,602
Cooperative Development LLC (net of income taxes)	439,684	236,264
Income tax benefit (expense)	(34,015)	(5,753)
Northern Safety & Security LLC	0	(24,309)
Miscellaneous lease & maintenance income	1,685	528
Beltrami Electric Solar, LLC	(17,402)	(25,885)
Extraordinary deduction - accelerated depreciation meters	0	(172,897)
TOTAL NONOPERATING MARGIN	<u>\$ 1,069,329</u>	<u>\$ 878,113</u>
NET MARGIN	<u>\$ 1,620,400</u>	<u>\$ 666,178</u>

COMPARISON STATISTICS FOR 2017 AND 2018

	2018	2017		2018	2017
Average monthly kWh per residential consumer	1,222	1,229	Investment per consumer	\$7,018.81	\$6,981.54
Average monthly bill for residential consumer	\$162.09	\$153.24	Number of consumers (average)	21,019	20,896
Average monthly expense per consumer	\$214.65	\$210.00	Long-term debt per consumer	\$3,528.76	\$3,104.32

Present this coupon at the registration table (with your preprinted address on the reverse side) during Beltrami Electric Cooperative's annual meeting TUESDAY, APRIL 23, at Bemidji High School to be eligible for a \$100 cash prize drawing.

MUST BE REGISTERED AND PRESENT TO WIN.

2019 Annual Meeting

Tuesday, April 23, 2019

Bemidji High School, Bemidji, Minn.
Dinner in Commons Area
Business Meeting in Auditorium

Dinner, registration 5:30-7p.m.
Business meeting 7 p.m.

Please clip and return this coupon by April 18 with the number dining so we know how many to plan for. Thank you!

Name: _____ Account #: _____

Number attending: _____

Please RSVP by Thursday, April 18, 2019.

Send this coupon to Beltrami Electric, PO Box 488, Bemidji, MN 56619-0488 or email bgregg@beltramielectric.com and include your name, account number, address and phone number along with the number attending. Members with special needs should please note this so we can provide appropriate accommodations.

Board Meeting Highlights

Beltrami Electric's board of directors conducted its monthly meeting Wednesday, Feb. 27, 2019. A quorum was present.

The following reports were given:

- CEO Echternach gave his monthly report. He also reviewed the 2019 Political Action Plan and Cooperative Succession Plan.
- Arlene Hogquist presented the financial report and reviewed the cooperative's Balanced Performance Scorecard.
- CEO Echternach reported on the 2018 margins and capital credit allocation.
- Rich Riewer reviewed an amendment to the Work Plan and the current distribution system of the cooperative.
- Sam Mason reviewed the cooperative's net metering rates.
- Directors shared highlights of meetings attended on behalf of the cooperative and discussed upcoming meetings and educational conferences.

The following actions were taken:

- Approved the consent agenda.
- Approved to allocate the 2018 operating margin and to retain nonoperating margins as permanent equity as allowed by our bylaws and capital credit policy.

Northern Lights Classifieds

Due to lack of space in the 2018 annual report (April *Northern Lights*), all classified ads received between Feb. 5 and March 15 will be published on our website and can be found here: www.beltramielectric.com/content/classified-ads. These ads will also be included in a special edition of our email newsletter "Watt's UP" at the end of March. If you would like your ad printed in the May issue of Northern Lights, please call our office or re-submit through the website.

We depend on our entire staff to keep Beltrami Electric running smoothly, but on April 8, 2019, we honor the line workers who often find themselves in dangerous and challenging situations so our lives may be a little bit brighter and safer every day. These brave men and women are responsible for keeping power flowing day and night, regardless of national holidays, birthdays, weddings or other important family milestones. A line worker's job requires them to set aside their personal priorities to better service their local community. Without their hard work and commitment to the job, our co-op would not thrive. No matter the time – day or night, weekday or weekend – if the lights go out, so do they.

#ThankALineworker

NATIONAL LINE WORKERS APPRECIATION DAY

When the lights go out, we've got your back.



Fun kids
events! Bring
the entire
family!

2019 Annual Meeting Program

April 23, 2019 | Bemidji High School

5:30 to 7 p.m.

Dinner, registration, browse information booths, pick up annual meeting gift

6 p.m. to 6:45 p.m.

Entertainment, *BHS Auditorium* BHS Orchestra Quartet

7 p.m.

Annual meeting, *BHS Auditorium* Drawing for door prizes throughout meeting

Pledge of Allegiance

Invocation **Judy Honer, Director**

Welcome & call meeting to order **Rick Coe, President**

Award children's prizes (2) bikes, (1) 529 College Savings Plan (\$500 value)

Appointment of tellers **Rick Coe, President**

Introduction of candidates

and last call for ballots **Samuel Schmitz, Attorney,**
Minnkota Power Cooperative

Notice of meeting, proof of mailing,

minutes of 2018 annual meeting **Rick Coe, President**

Financial report **Arlene Hogquist, Director of Finance**
& Corporate Services, Beltrami Electric

CEO's report **Jared Echternach,**
CEO, Beltrami Electric

Guest speaker **Stacey Dahl, Senior Manager of External**
Affairs, Minnkota Power Cooperative

Election Results **Samuel Schmitz, Attorney,**
Minnkota Power Cooperative

Grand prize drawing (\$300 cash prize)

Adjournment of meeting

*Stittsworth
Meats*



Meat. Locally.

We are excited to announce that this year's annual meeting dinner will feature locally sourced and processed beef by Stittsworth Meats!

**ANNUAL
MEETING PRIZES**

(must be present to win)

GRAND PRIZE
\$300 cash

(1) - 529 College Savings
Plan (\$500 value)



Guest speaker - Stacey Dahl, Minnkota Power Cooperative

Stacey Dahl is senior manager of external affairs for Minnkota Power Cooperative, based in Grand Forks, N.D. Originally from Bismarck, N.D., Stacey Dahl received her undergraduate degree in education in 2004 from the University of North Dakota. She received her Juris Doctor degree in 2008 from the UND School of Law. Dahl served in the North Dakota House of Representatives from 2005 until 2012. An attorney, she also is a former private practitioner and prosecutor. In addition to overseeing public policy efforts for Minnkota, Dahl serves on the leadership team exploring the feasibility of Project Tundra, a proposed carbon capture project at the coal-based Young Station in Center, N.D. Dahl lives in Grand Forks with her husband and two children.