

2017 Annual Report

78th Annual Meeting • April 19, 2018



YOUR We are Cooperative.



**Beltrami Electric
Cooperative Inc.**

® Your Touchstone Energy® Cooperative 

Your source for power & information

Northern Lights, April 2018

Volunteer for Project GreenTouch - page 7

Indoor Garage Sale - page 7

NORTHERN L I G H T S

Northern Lights (USPS 016488), Vol. 65, No. 4 is published monthly by Beltrami Electric Cooperative Inc., 4111 Technology Drive N.W., Bemidji, Minnesota 56619-0488. Subscription rate \$5. Periodicals postage paid at Bemidji, MN 56601.

Postmaster: Please send address corrections to Beltrami Electric Cooperative Inc., P.O. Box 488, Bemidji, Minn. 56619-0488.

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

Member Service: 218-444-2540
or 1-800-955-6083
www.beltramielc.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
Davis Smid

507-227-2772 - mntristate@gmail.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, municipal water and sewer lines can be located to ensure that none will be severed or damaged.

STAY CONNECTED!



Like our page
on Facebook



Follow us
on Twitter



Visit our YouTube
channel

Report to the Members



Jared Echternach
CEO



Rick Coe
Board President

The year in review

2017 was a busy year for your cooperative. We completed the first year of our new four-year construction work plan. This included projects near the Red Lake Hospital, along State Hwy. 371 north of Walker, along 16th Street SW in Bemidji, and along Beltrami CSAH 39 (Scenic Highway). We also completed construction of our community solar array, an 80-kilowatt system located at our headquarters facility. This project is a great example of how local control and decision-making is much better than legislative mandates. Members who want to participate in this project are able to do so. If you are interested in purchasing local, renewable energy without the cost and hassle of a rooftop system, this may be a good option for you.

Crews also constructed more than 300 new services and performed more than 100 service improvements for our membership in 2017, a sign that our economy continues to improve.

We experienced one major storm in 2017 as high winds in July caused sustained outages throughout our service area. Ironically, the storm hit us on July 21, the same day as the major storm in 2016. Crews did a great job restoring power as safely and quickly as possible. It was an honor to see our employees rise to the challenge and excel during the storm and we are proud of their effort on behalf of our members.

Safe and reliable



We are very proud of our employees for all they accomplished last year and we are pleased to report that 2017 was one of the safest and most reliable years in the history of your cooperative. On average, our members experience an outage every 1.2 years and in 2017 service was available to our members 99.98 percent of the time. More importantly, we had zero lost-time incidents in 2017 and our employees continue to provide superior service, safely to our members.

Despite the fact that more than 71 percent of our lines are now underground, trees remain the number one cause of outages in our service territory and it's imperative we continue to manage the vegetation beneath and around power lines to improve safety and service reliability. We need your help in this effort and we ask for your continued support.

The year ahead

2018 will be another busy year for your cooperative, including major projects north of Walker, Minnesota Island, Laporte and along North Plantagenet Road. We expect to build another 250-300 new services and perform 100 system improvements. Our new metering system is scheduled to be fully deployed in 2018. The new meters replace our existing system that has become obsolete and is no longer supported. Other benefits of the new system include more detailed

energy information for our members, outage texting and notifications and analytics to improve our distribution system.

We will continue to promote beneficial electrification and pursue growth opportunities that help our members use energy more efficiently in the areas of space heating and cooling, and transportation. We will install electric vehicle charging stations in several locations throughout our service area in cooperation with our members, including at our headquarters facility, the city of Blackduck and the Big Bog State Recreation Area. The intent is to increase awareness and facilitate the adoption of EVs – a great off-peak load for the cooperative and a clean, efficient and less costly form of transportation. These and other projects will keep our employees busy throughout the year.

Sales and margins

While we experienced modest service growth, 2017 was flat in terms of energy sales. Mild weather, energy efficiency and fuel switching have resulted in lower than budgeted energy sales. This continues to place upward pressure on rates as there are fewer kilowatt-hours over which to spread our fixed costs. While expenses were within budget, we experienced an operating loss for the year. As a result, a rate increase will be needed in 2018. We worked hard internally to minimize the impact of the increase by reducing our workforce through attrition and reducing our capital budget in 2018.

We used the remaining \$253,000 of our deferred revenue plan in 2017. While we ended the year with an operating loss of \$211,000, the good news is that we realized a total margin of just over \$666,000, 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 2017.

Rate outlook

Minnkota Power Cooperative, our wholesale power supplier, increased rates 2.9 percent in 2017. 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. Minnkota reports that wholesale power costs should begin to flatten over the next couple of years, which is welcome news. We will continue to monitor revenue, expenses, and most importantly, our internal controllable costs, to minimize their impact on rates.

Legislative outlook

Legislative issues continue to require constant monitoring and effort to minimize the potential impacts, and sometimes unintended consequences, of state and federal legislation. We are pleased with the Administration's approach to the Clean Power Plan and we will continue to

advocate for fairness in any proposed regulation of carbon dioxide that would drive up the cost of electricity to our members. The reprieve also allows our wholesale power provider, Minnkota, to continue to research and advance CO₂ capture technology through potential partnerships for enhanced oil recovery.

On the state level we continue to work with our area legislators and have spent a great deal of time meeting with Rep. Grossell, Rep. Bliss, Rep. Layman, Sen. Eichorn and Sen. Utke on issues facing our cooperative. We are pleased to report that all of our Minnesota legislators have been receptive and supportive of our issues.

An important piece of legislation was passed last year, appropriately titled Local Democracy. This legislation ensures disputes regarding net metering are solved at the local co-op level rather than going before the Minnesota Public Utilities Commission – a costly process. This goes to the heart of what a cooperative is: a member-owned, locally-controlled, locally-governed entity. We don't need a governor-appointed, five-member commission from St. Paul dictating what's best for our cooperative. We truly believe our members are best suited to shape their own future. We were pleased that our local legislators supported us on this very important issue.

We do not expect a great deal of energy-related legislation during the short 2018 session, with lawmakers focused mainly on bonding and taxes. However, we will continue to monitor and oppose any legislation that would adversely affect your cooperative.

In closing, we would like to thank you for your patronage and support over the past year. We would also like to thank your 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.

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



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

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."

Election Bylaws & Notice

*Beltrami Electric Cooperative only received one director nomination at each of the three district meetings held in March. Thus, the nominees listed on page 5 will be elected at the annual meeting scheduled for April 19 by way of voice vote, show of hands or other appropriate means. With that, Beltrami Electric **WILL NOT** be sending to its members, paper ballots via the U.S. Postal Service, nor electronic web ballots, in 2018. Please see the bylaws below.*

ARTICLE III DIRECTORS

Section 9. Nominations and Elections. The areas 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 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.

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 by a voice vote, show of hands or other appropriate means.

NOTICE:

The Beltrami Electric board of directors had recommended proposed bylaw amendments to be submitted to the membership for approval in conjunction with the 2018 director election/mailed ballot. With the three director positions being unopposed in 2018, a vote by mail is not required. The board of directors has elected to avoid the expense of a mailed ballot solely for the approval of the proposed bylaw amendments and postpone presenting the recommended changes until the 2019 election/annual meeting.

Director Candidates & District Map

Due to all three district elections being uncontested for director positions in 2018, there will not be a vote by mail. Please refer to page 4 for more information.

District 3, Charles (Charlie) Parson (Incumbent)



Charlie is a retired college professor, having taught various aspects of geography, climatology and planning at Bemidji State University for 28 years. He holds a B.S., M.S. and Ph.D. in geography. He is an active member of our community, volunteering with several organizations, including the Buena Vista Ski Patrol. Charlie has served on the boards for Northern Community Radio, American Cancer Society and Ducks Unlimited, as well as many university committees and state level committees. He enjoys doing music radio shows twice a month with the Northern Community Radio, fishing and hunting. Charlie and his wife, Jill, have four children and enjoy caring for and spending time with them as well as their four 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? "Being a director of Beltrami Electric has taken much more time and study than I anticipated, but it has been worth the effort. I have taken the courses to become a certified co-op director. My interests in renewable energy options helps the BEC board to weigh those options. I appreciate the opportunity to represent my neighbors and fellow members."

What do you feel are the most important issues facing the cooperative? "Declining overall electricity sales due to global warming and increasing efficiency, as well as further research into reducing our carbon emissions at our coal burning power plants. I also feel that helping our member-owners to realize new forms of beneficial electrification is important to our future."

District 7, John Lund (Incumbent)



John is a Bemidji native and is a graduate of both Bemidji High School and Bemidji State University with a degree in industrial technology. John and his wife, Mary, have lived in District 7 for the past 18 years, and have three daughters. He is currently a school bus driver with the Bemidji School District. He also installs dishwashers and other appliances for MJB Home Center in Bemidji. John has served on three different church boards or councils, was elected and served two terms on the Beltrami County Board of Commissioners and has served on the Beltrami Electric Cooperative board of directors for the past six years. John enjoys Bible study, playing the piano, walking and is currently trying to learn the Italian language.

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 on the various church boards, the Beltrami County Board of Commissioners and my six years on the Beltrami Electric Cooperative board has, I feel, prepared me to continue to serve the members of Beltrami Electric. I have taken educational courses offered by the Minnesota Rural Electric Association (MREA) and the National Rural Electric Cooperative Association (NRECA) that prepare us to be better board members."

What do you feel are the most important issues facing the cooperative? "I feel the most important issue facing our cooperative is to continue to provide economical and reliable electricity to our members while keeping the balance sheet strong, both now and into the future. Secondly, the incorporation of new technologies into the grid (i.e.) solar, wind, battery storage and electric vehicles (EVs), while maintaining the baseload generation so that we can continue to provide power to our members when the wind doesn't blow or the sun doesn't shine."

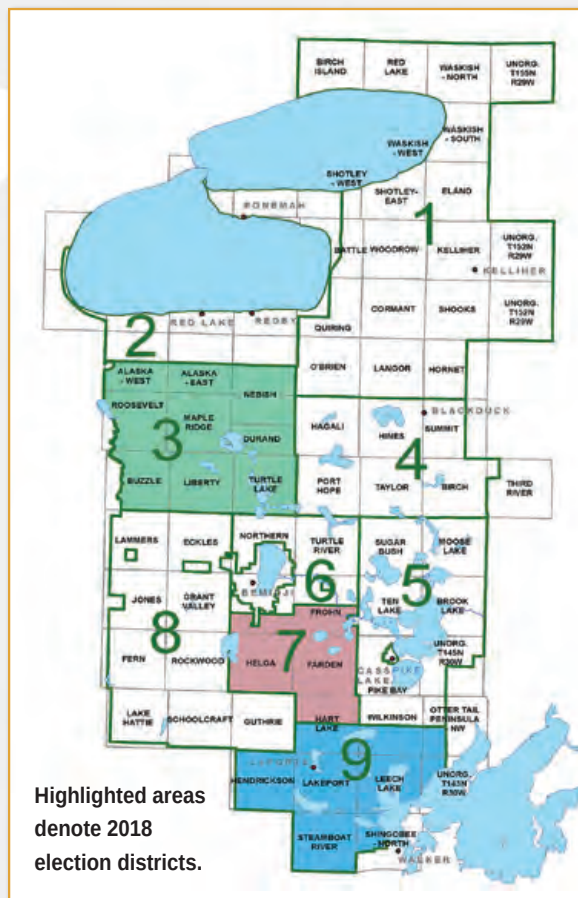
District 9, Judy Honer (Incumbent)



Judy Honer was first elected to the Beltrami Electric board of directors in 2009. She currently holds the position of treasurer. She graduated from St. Benedict's High School in St. Joseph, Minn. Judy worked for Northern States Power in St. Cloud for five years prior to moving to Laporte in 1979. She worked for Essentia Health in Walker for 22 years and is now enjoying retirement. Judy and her husband, John, have two sons, Cory and Kurt, two grandchildren and three great-grandchildren. Judy enjoys knitting, making greeting cards with pressed flowers and spending time with her great-grandkids.

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 feel that my nine years of experience on the Beltrami Electric board has given me the ability to make sound decisions that are in the best interest of the cooperative and its members. I am familiar with the work that happens behind the scenes in order to provide reliable electricity to our members, so it's there when you flip a switch."

What do you feel are the most important issues facing the cooperative? "Of course, rate changes, working to keep the rates low. I feel it is important to be accessible to the member-owners to answer their questions, as well as to help everyone understand how important the rural electric cooperative is to each of us as members."



Annual Meeting Minutes - April 20, 2017

The annual meeting of the members of Beltrami Electric Cooperative Inc. was held at the Bemidji High School in Bemidji Minn., on Thursday April 20, 2017, commencing at 7 p.m. Rick Coe presided as president. The following directors were present:

Charlie Parson	Bob Wallner	Lea Perkins
Murl Nord	Sue Kringen	Jerry Larson
John Lund	Rick Coe	Judy Honer

The president asked all to stand for the Pledge of Allegiance and invocation. Director Judy Honer gave the invocation.

The president called the meeting to order and announced that a quorum was present. The president then appointed Attorney Gerad Paul as parliamentarian of the annual meeting and stated that the meeting will be conducted according to Robert's Rules of Order.

Attorney Gerad Paul announced that the board of directors had appointed Rob Saxton and Bill Wilson as tellers. Attorney Gerad Paul introduced the director candidates and asked for any unmailed ballots to be collected.

The reading of the official Notice of the Meeting and Proof of Mailing was dispensed without objection. The minutes of the last annual meeting held April 21, 2016, as mailed to the membership, were approved without objection. The president introduced the current directors and recognized members who previously served as directors.

The president recognized Mara Cobb of Bemidji, who was selected as the Youth Tour delegate to Washington, D.C.

The president recognized Lea Perkins and Jerry Larson for their service on the Beltrami Electric Cooperative board of directors.

Randy Frisk, vice-chair of the Operation Round Up Trust Board, gave a report to the membership.

Sidney Sletten, Beltrami Electric Cooperative director of finance and member service, gave the annual financial report.

Jared Echternach, CEO, gave a report on various topics of the

electric industry, highlighting events of 2016 and into the future at the cooperative.

Mac McLennan, President & CEO of Minnkota Power Cooperative, gave a report on various topics to the membership.

The president then called for any unfinished business. There was none. The president then called for any new business. There was none.

Attorney Gerad Paul announced the results of the election.

Total mailing envelopes received 1,638

Less: Disqualified mailed ballots 0

SUBTOTAL: 1,638

Total electronic votes received 364

Less: Disqualified electronic ballots 14

SUBTOTAL: 350

Total members voting in person 64

Less: Disqualified ballots 0

SUBTOTAL: 64

TOTAL VOTES COUNTED: 2,052

District Results: # of Votes

District 2 Donald Perkins 1,791

District 4 Craig Gaasvig 1,118
Christina Regas 842

District 6 Rick Coe 1,801

Attorney Paul then announced the election of Donald Perkins, Craig Gaasvig and Rick Coe as directors of Beltrami Electric Cooperative.

There being no further business to come before the board, on a motion made, seconded and carried, the meeting adjourned at 8:30 p.m.

Beltrami Electric Cooperative selects

★ ZACHARY STUTE ★ FOR THE 2018 YOUTH TOUR

Be There. Be Heard. Be Inspired. ★



Beltrami Electric has selected Zachary Stute of Laporte as the cooperative's representative for the 2018 Youth Tour, June 9-14, 2018, where he will join hundreds of high school students representing their cooperatives on an all-expense-paid trip to Washington, D.C. 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 WWI, Vietnam, Korean War and Veteran's 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. Mr. Stute stressed in his application that he hopes to gain an understanding of our nation's rich political history, to further his knowledge of U.S. history and the legislative process and that he looks forward to sharing that experience with his peers.

Mr. Stute is very active in his school. He is a member of the Student Council, Speech Team and Knowledge Bowl. He is also active in his school's drama program and has participated in many productions and plays. He has received numerous academic achievement awards and has lettered in Speech, Drama and Knowledge Bowl. Mr. Stute has a love of learning, including history and government, and plans to pursue a degree in Social Studies Education.

He is the son of Royce and JoAnn Stute of Laporte, Minn. The members of Beltrami Electric are once again pleased to send a well-rounded student to our nation's capitol as a representative of the cooperative. Congratulations and good luck!

Thank You to Beltrami Electric Members!



Thanks to the generosity of our members, the Beltrami Electric Cooperative Trust Board for Operation Round Up® has awarded \$156,510 in grants to 138 different nonprofit and community organizations in the area since the program launched at BEC in May 2016. Together, we are doing some wonderful things for our local communities! A full listing of all grants awarded may be viewed on Beltrami Electric's website and is updated as funds are awarded each quarter.

The Trust Board, made up of five volunteers from our community, meets quarterly to review applications and award funds. Current board members are Sharon Lembke, Randy Frisk, Sherry Billups, Michelle Sand and Lea Perkins.

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. The average amount a member will contribute is approximately 50 cents/month or \$6 per year. Donations are tax deductible and participating members will receive an annual summary of their contributions on their billing statement each January.

The funding guidelines are as follows: Community Service, Economic Development, Education & Youth and Environment. The next quarterly application deadline is **June 30, 2018**. Grant applications are available at the BEC office or by visiting our website at www.beltramielectric.com.

Volunteer for Project GreenTouch

Invite your family and friends!

**SATURDAY, MAY 5, 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 again join together 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 and complete other general projects, all to prepare Lake Bemidji State Park for the 2018 season!

Come join us! No park sticker will be needed that day for volunteers. For more information visit www.beltramielectric.com or if you would like to volunteer, contact Angela Lyseng at 444-3689 or alyseng@beltramielectric.com.



BELTRAMI ELECTRIC MULTIVENDOR INDOOR GARAGE SALE

to benefit the UNITED WAY

Saturday, May 5, 2018

**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**



Energy Services Report

Beltrami Electric Cooperative works hard to provide members tools to actively manage their energy bills and enhance the quality of life in our communities.



Sam Mason
Director of Energy and
Member Services

We strive to be our members' first choice for energy information; to be your trusted energy advisor. We look forward to talking with you about your energy concerns and answering questions about the wise use of electricity. We're available to help design and size an efficient electric heating system. Let us assist your efforts to realize the benefits of electrification; we are here for you.

Beneficial electrification – an opportunity

As technology, electrical equipment and the power grid evolve, opportunities to deploy the benefits of electrification abound. Battery storage and range related to Electric Vehicles (EVs) has rapidly improved and the price of these vehicles is coming down. Electrifying transportation will enable significant economic and environmental benefits. The key is to engage members and help them understand these benefits. Here at Beltrami Electric, in partnership with our power supplier, Minnkota Power Cooperative, we have created additional demand response operation specifically for EV chargers. There are rebates and incentives available to assist members with the installation of off-peak Level 2 EV chargers.

To support EV use, Beltrami Electric will be deploying several public EV chargers within our service area. We know that most EV owners will charge their vehicles overnight at home, taking advantage of the great off-peak rates offered while they sleep. Public charging stations address the concerns expressed related to those situations when additional range is required while traveling away from home. This is not just happening locally, charging stations are being added all over the state and nation. There are now more than 200 public charging stations in Minnesota. All EV charging stations and locations in Minnesota can be found at [plugshare.com](https://www.plugshare.com).

The changes are not just in the highly-efficient electrical utilization equipment such as EV chargers, heat pumps, Energy Star® appliances, but also in the electrical grid supplying the power. Our own power supply now includes significant wind generation, our local community solar garden and hydroelectric power. Our challenge now is to actually utilize this energy when it is available, and storage systems such as EV batteries, water heaters with large storage tanks and thermal storage heaters will be key to integrating these new power sources and effectively realizing beneficial electrification.

Renewable energy options

We do want to make sure that members are aware of the renewable energy options that are available. First, I want to let

you know that a significant portion of the electricity that you purchase today through the regular monthly electric statement is renewable energy. Wind generated electricity makes up the largest portion of our renewable energy. Our joint power supply system now includes 459 megawatts of nameplate wind generating capacity. Our wind energy projects started in 2002 with the Infinity turbines. Additional wind generation was added in 2007, 2008, 2009 and most recently an additional 100 MW in the Oliver III project, which came on line in 2017.



Also, hydropower has been a portion of our baseload power supply for decades. The wind generation is 34 percent of nameplate capacity and hydro 8 percent.

For members wanting to contribute even more to sponsor renewable energy, we have our local community solar project, Northern Solar, available on a subscription basis. Also, Minnkota Power offers to our members the Infinity Wind program through which members can enter a monthly subscription to purchase Renewable Energy Credits (RECs) for some or all the kilowatt-hours (kWh) that their home consumes.

Managing the power supply with the demand response system

As the electrical grid includes more intermittent generation (such as wind or solar systems) and new loads (such as EVs), demand energy, the load management/demand response system will be even more important in the future. In the past, matching a fixed amount of baseload generation to consumer demand for electricity was the challenge, but today we also have the variability of the renewable generation to manage. This was the root of the reliability concerns related to these new generation systems. Your participation in demand response programs will be key to integrating renewable generation and controlling cost increases. Because of the mismatch between when consumers use electricity and when renewable generation is producing, we must increase enrollment in this program to realize beneficial electrification.

The demand response system has commonly been referred to as "ripple" or "off-peak." In our region this has been a long standing method to manage costs and the peak demand for electricity, but as the grid changes, I believe there will need to be even more interest. The key will be that members and the general public understand and support the use of the system. Loads such as EVs had utilities concerned that EV owners would come home during the already peak demand evening hours,

plug in the EV chargers and drive the peak demand up, overloading power plants, transmission and distribution systems. I believe that with the help of electric consumers and positive incentives such as our off-peak rate, members will agree to charge these vehicles after the peak demand period is over, therefore avoiding the potential problems. This will turn a potential cost increase and challenge to reliability, into a beneficial electrification, which can help control cost, increase reliability and benefit consumers, while helping to utilize renewable generation.

Our program was first developed in the late 1970s by Minnkota Power Cooperative, our wholesale power provider, as a way to gain efficiency by utilizing available power generation rather than building additional

Reducing peak demand means lower costs for the co-op and ultimately, lower rates for members.

capacity. The system is now evolving to accommodate new generation and loads.

The load management winter rate is about 44 percent less than the regular service rate, making off-peak electricity one of the most stable and cost-effective energy sources available. High-efficiency electric heating systems such as heat pumps coupled with a modulating plenum heater utilizing the lower off-peak rate, are very competitive with other heating fuels, such as propane and fuel oil, and still offer significant

savings to homeowners. Purchasing a heating system is a long-term investment. You want the most stable energy prices possible year after year. The off-peak electric rate has remained relatively flat in recent years, while fossil fuel prices fluctuate dramatically.

Additional programs and services offered by Beltrami Electric:

- **Kill-A-Watt® usage monitors** - Members may check out a monitor to help them discover how much energy an appliance is consuming in their home.
- **Electric evaluations** - Our highly skilled technicians can help you to understand your home's usage, offer energy-saving tips and troubleshoot concerns.
- **Steffes Electric Thermal Storage heaters** - Take advantage of the off-peak rate.
- **High-efficiency Marathon water heaters** - Take advantage of the off-peak rate.
- **GenerLink transfer switches** - Safely and easily connect your generator during a power outage.
- **Powerful Value and Power Savers rebate/incentive programs** - Save money! Save energy!
- **Electrical safety programs for schools and organizations**
- **Co-op Connections Card** - This program provides savings at local and national businesses.
- **Communication Tools** - MyMeter, SmartHub, BEC website, Facebook, Twitter, Northern Lights newsletter, Watt's Up e-newsletter.
- **Roger Spiry Community Room** - Available at low-cost for presentations, special events, meetings and training sessions.
- **Northern Solar community solar garden** - Subscriptions are available for the purchase of locally-produced solar energy.
- **Infinity Renewable Energy** - Members are able to choose how much of their electricity comes from renewable resources.
- **Operation Round Up®** - Community support program.

Check out our website at www.beltramielectric.com for more information, or stop into our office. We are happy to assist you when you have questions about your electrical service, energy efficiency, renewable energy, or any of our products or services. We are your cooperative, your source for power and information.

Infinity Renewable Energy

Your energy. Your choice.



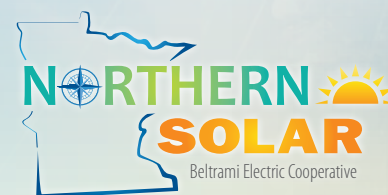
Through the Infinity Renewable Energy Program, you can decide how much of the electricity you purchase is generated by renewable resources.

By enrolling in the Infinity program, you choose a designated number of kilowatt-hours (kWh) or percentage of the electricity used that you would like to come from renewable resources, up to 100 percent of your monthly consumption. Beltrami Electric will allocate the appropriate amount of renewable energy through the program and indicate your purchases on your electric bill.

With about 650 individual consumers participating, the Infinity program ensures your energy dollar is advancing renewable energy efforts in the local communities where you live, work and play.

No equipment, contracts or hassle. Signing up takes a matter of minutes and all information is automatically incorporated into your billing statement. Contact Beltrami Electric Cooperative today to learn more about how you can participate in the program.

Subscribe to locally-produced, renewable solar energy today!



80-kW DC community solar garden at Beltrami Electric Cooperative headquarters

- Each panel is projected to produce an average of 450 kWh/year or 37.5 kWh/month.
- Subscriptions available. Members may subscribe to as little as a half panel or as many panels as they choose, up to their average annual usage.

Options Available:

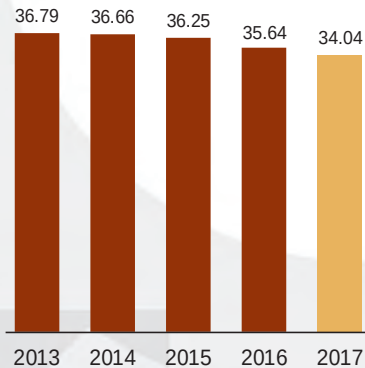
- **Option 1 – One-time Payment** (One-time upfront cost – receive credit on your electric bill for 20 years based on current electric rates.) Contact the BEC office for pricing.
- **Option 2 – Easy Pay** (12, 24 or 36 month payment plans available - subject to review of account standing.)
- **Option 3 – Pay As You Go** (NO CONTRACT-simply tell us how many kWh you want to receive from Northern Solar and pay an additional fee on your electric bill.)

Consolidated Balance Sheet

As of December 31, 2017 & 2016

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 (2017 – \$192,557; 2016 – \$234,231)
Materials and supplies
Prepayments
Interest receivable
Total current assets

DEFERRED DEBITS:

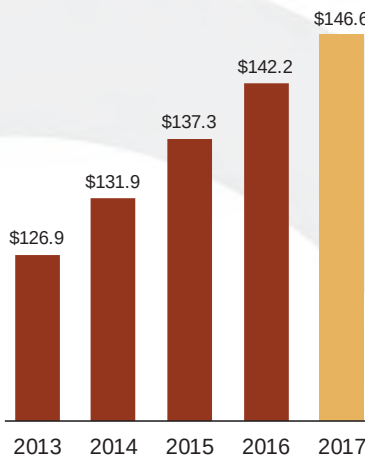
Deferred debits

TOTAL ASSETS

2017	2016
\$146,565,548	\$142,103,872
144,618	67,815
146,710,166	142,171,687
(41,861,464)	(41,182,113)
104,848,702	100,989,574
5,447,791	5,468,315
3,103,401	2,987,102
0	1,094,694
8,551,192	9,550,111
1,753,996	1,765,592
8,582,828	6,948,364
1,056,970	873,714
160,778	222,258
8,168	8,100
11,562,740	9,818,028
1,904,040	2,142,645
\$126,866,674	\$122,500,358

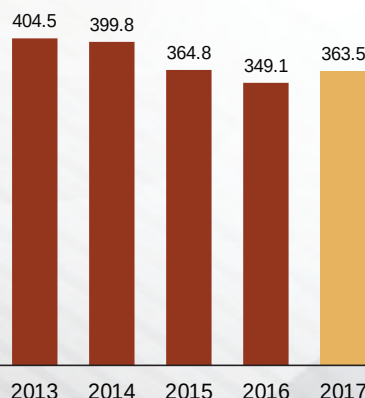
Electric Plant Investments

Millions of dollars



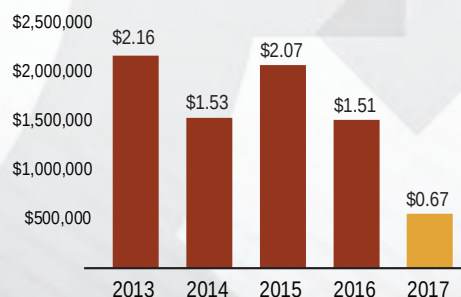
Electricity Sold (Retail)

Total kWh in millions

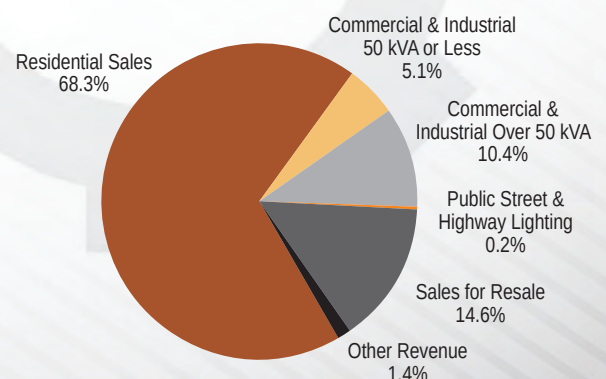


Margins

Millions of dollars



Where Operating Revenue Came From



EQUITIES AND LIABILITIES

WHAT WE OWE:

Memberships	\$ 801,440	\$ 794,445
Patronage capital	22,989,467	24,066,796
Other equities	19,399,924	18,544,255
Accumulated other comprehensive income	0	196,393
Total equities	43,190,831	43,601,889
Long-term debt, net of current maturities and net of cushion of credit of \$4,908,862 for 2017 and \$4,632,304 for 2016	62,224,896	65,913,087

OTHER NONCURRENT LIABILITIES:

Postretirement benefits obligation	564,403	524,560
Deferred Revenue Reserve	0	253,432
	564,403	777,992

CURRENT LIABILITIES:

Current maturities of long-term debt	3,009,325	3,148,094
Current portion of postretirement benefit obligation	30,000	25,000
Line of credit	10,293,068	1,600,000
Accounts payable – general	1,373,744	1,250,308
Accounts payable to associated company-billed power costs	3,959,657	3,787,989
Customer deposits	865,800	845,256
Taxes accrued	264,124	258,053
Interest accrued	186,304	210,005
Payroll accrued	98,386	97,065
Accrued compensated absences	323,080	319,972
Total current liabilities	20,403,488	11,541,742

DEFERRED CREDITS:

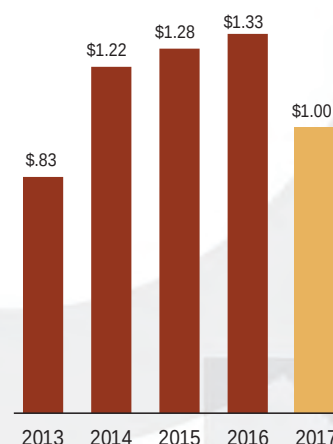
Customers' energy prepayments	228,114	305,327
AMI meter install project	80,607	156,321
Unamortized gain on reacquired debt	46,994	159,778
Unamortized gain on reacquired – Northern Solar	127,341	44,222
Total deferred credits	483,056	665,648

TOTAL EQUITIES AND LIABILITIES

\$126,866,674 \$122,500,358

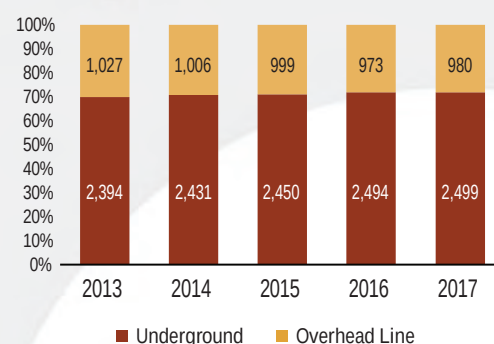
Capital Credits Retirements

Millions of dollars



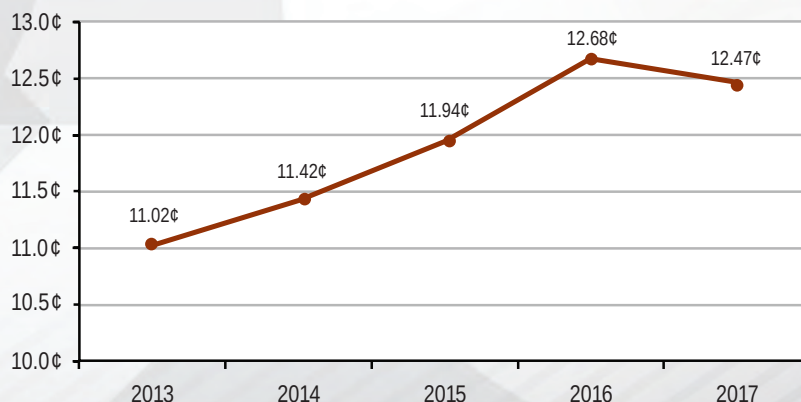
Miles of Line

Average

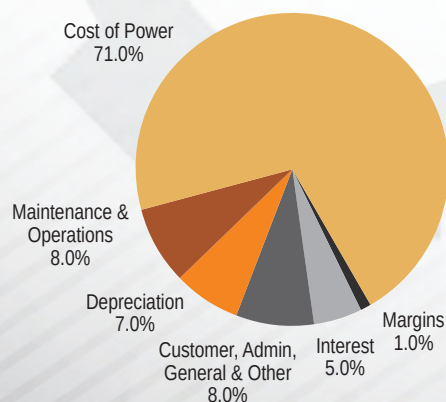


Cost of Electricity

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



Where Operating Revenue was Spent



Consolidated Statement of Operations

	2017	2016
OPERATING REVENUE:		
Electric	\$51,687,199	\$50,769,484
Other	758,273	1,240,865
Total operating revenue	<u>\$52,445,472</u>	<u>\$52,010,349</u>
OPERATING EXPENSE:		
Cost of power	\$37,475,167	\$36,405,749
Distribution – operation	2,290,919	2,231,907
Distribution – maintenance	1,915,851	1,985,397
Customer accounts	1,548,588	1,498,952
Customer service and information	879,228	824,880
Sales expense	124,245	125,934
Administrative and general	1,834,055	1,775,918
Depreciation	3,810,784	3,533,130
Taxes	1,740	1,720
Interest on long-term debt	2,688,665	2,766,840
Amortization of gain on reacquired debt	(112,784)	(112,784)
Other	200,949	92,570
TOTAL OPERATING EXPENSES	<u>\$52,657,407</u>	<u>\$51,130,213</u>
Operating margin before capital credits	(211,935)	880,136
NET OPERATING MARGIN	<u>\$ (211,935)</u>	<u>\$ 880,136</u>
NONOPERATING MARGINS (LOSSES):		
Other cooperative capital credits	\$ 333,180	\$ 363,431
Merchandising, jobbing and contract work, less costs and expenses of (2017 – \$101,823; 2016 – \$93,851)	(175)	5,398
Rent of headquarters second floor, net of costs (2017 – \$114,269; 2016 – \$130,976)	14,808	(21,901)
Loss on disposition of property	(250)	(8,488)
Investment income	522,602	257,091
Cooperative Development LLC (net of income taxes)	236,264	228,894
Income tax benefit (expense)	(5,753)	(93,275)
Northern Safety & Security LLC management income	0	12,205
Northern Safety & Security LLC	(24,309)	11,049
Miscellaneous lease & maintenance income	528	0
Beltrami Electric Solar, LLC	(25,885)	0
Extraordinary deduction - accelerated depreciation meters	(172,897)	(123,324)
TOTAL NONOPERATING MARGIN	<u>\$ 878,113</u>	<u>\$ 631,080</u>
NET MARGIN	<u>\$ 666,178</u>	<u>\$ 1,511,216</u>

COMPARISON STATISTICS FOR 2016 AND 2017

	2017	2016		2017	2016
Average monthly kWh per residential consumer	1,229	1,177	Investment per consumer	\$6,981.54	\$6,806.71
Average monthly bill for residential consumer	\$153.24	\$149.24	Number of consumers (average)	20,896	20,747
Average monthly expense per consumer	\$210.00	\$205.37	Long-term debt per consumer	\$3,104.32	\$3,306.42

Operations Report



Dan Edens
Manager of Operations

As April arrives, it brings with it the showers that produce spring flowers. It also heralds the beginning of a potentially stormy season that can inherently include power outages. While Beltrami Electric Cooperative strives to provide reliable electricity to our members, there are times when Mother Nature has other plans.

The operations department at Beltrami Electric continues to work hard to ensure that you, the member-owner, is receiving reliable, safe and economical electric service. In 2017, the average number of outage hours per consumer was only 1.56 hours, which is well below our five-year average. Couple this with no lost-time incidents, it means 2017 was a great year both in terms of reliability and safety.

Right-of-way maintenance

Continued reduction in the amount of time a member is without power can mostly be attributed to the work our right-of-way crew does to make sure to keep trees and branches away from the lines. This not only lessens the likelihood of extended power outages, but it gives our crews better access in the event there is a major storm.

We understand that no one likes to see their trees trimmed or cut down, but keeping our right-of-way clear keeps your family safe too, by ensuring that tree branches do not become energized due to close contact with a power line.

It is important to remember that you should not plant trees or other plants directly below or adjacent to overhead power lines,



Right-of-way clearing ensures there is sufficient room for maintenance equipment and crews to access and work safely on lines.

Specifications can vary, but a general guideline of maintaining a safe right of way is 30 feet of clearance on either side of overhead line.

If you see an area that might need to be cleared or inspected, please don't hesitate to call the office and let me know. Our right-of-way crew stays very busy trying to keep ahead of the game to prevent trees and branches from falling on lines during a storm or due to high winds.

as we might need to access them for repairs. Trees must grow at a distance far enough away from conductors where they will not cause harm to individuals or disruption to electrical service.



Construction work plan

Our construction work plan for 2018 contains a number of projects that will also aid in service reliability for our members.

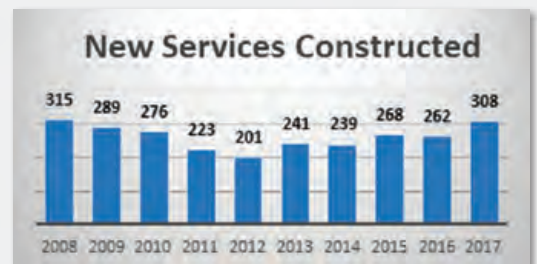
We will be working north of Walker, replacing portions of an aging underground feeder line running both north and south out of the Leech Lake substation. Crews will be replacing aging single-phase line on a portion of North Plantagenet Road with three-phase to increase reliability and accommodate load growth in that area. A portion of older overhead line will be converted to underground and bored beneath Highway 200 near Laporte. Next winter, we will also continue a replacement project that began several years ago near Minnesota Island, as we replace older underground/underwater line that runs from Minnesota Island over to the Oak Point area. Our four-year work plan contains several more projects that will directly improve our service reliability to our members.

New service numbers

We continue to see some growth in the number of new services being installed, as we added more than 300 new services in 2017, the highest since 2008. This still doesn't compare to our pre-recession numbers that were upwards of 600 new services per year. We are hopeful that we will continue to see growth in 2018. The

increase in numbers will help distribute the cooperative's fixed costs of service across a

larger membership base, reducing pressure on electric rates and helping to off-set the pattern of declining retail kWh sales.



Metering project

As we near completion of our systemwide meter upgrade, we would like to thank our members for their patience and cooperation with this project.

Technology has evolved in the 20-plus years since we installed our previous metering system and we are excited for the additional features our new system will provide our members, both in efficiency and reliability.

We invite you to join us at our annual meeting on April 19, at Bemidji High School, where our line workers will hold an electrical safety demonstration for kids as part of our youth activities during the business meeting. Bring your camera and take a picture with a line worker and some fun photo props.

As always, Beltrami Electric appreciates your cooperation and patience regarding all projects I have mentioned in this update. On behalf of our crews, thank you for being a member of the cooperative.

Northern Lights CLASSIFIEDS

Classified ads rules

- Ads are due by the fifth of the month prior to publication of the next issue. Example:
 - o Ads submitted by April 5 – will be published in May issue.
 - o Ads submitted between April 6 and May 5 – will be published in June issue.
- Ads may be submitted via our website at www.beltramelectric.com (preferred).
- Include name and Beltrami Electric account number on all submissions.
- All ads must be **50 words or less** and typed or printed clearly.
- Members may only submit one for sale and one wanted or free ad per issue.
- No real estate, rental, personal or commercial ads will be accepted.
- Ads are published at no charge as space permits on a first-received, first-printed basis, **with no guarantee your ad will appear.**
- Ads are only allowed to be repeated for **three consecutive months** and must be resubmitted each month.
- Editor reserves the right to edit or reject any ad.
- All telephone numbers are presumed to have a 218 area code unless otherwise noted.

For Sale:

2016 snowblower 28" - Briggs & Stratton engine, hand warmer, used maybe 6 hours. Nice little beast. \$750/negotiable. 2016 Snapper riding lawn mower - 46" deck - Briggs & Stratton engine, 22 hp, hydrostatic transmission, cruise-control - \$1,400. Call Renee at 239-0128.

Mardan model 72DS 6-string guitar w/case. Good condition. 32-ft Hewitt aluminum roll-a-dock. 243-2445 (please leave a message if no answer).

Older Simplicity snowblower. Throws snow fine but needs a bit of carb work to run more smoothly. \$50. 760-3500.

Sebo Carpet Cleaning System, four bags power and one roller brush. \$25. 835-7719.

Emptying cabin at Debs. Selling: glass topped Maytag cook stove, mint \$300; 15 cu. ft. refrigerator/freezer \$250; antique wood table/4 pressed-back chairs \$200; love seat, dark geometric print \$100; burgundy recliner \$75; leather-like rocker/matching ottoman \$75; glass top patio table/4 chairs \$50. Photos available, 751-8746.

Four Goodyear Wrangler SRA tires p275/60 7/32tread \$200; Chuck Norris Total Gym \$200; Sleep# bed - queen complete \$100; brass plated head/footboard queen \$50, queen bed-frame \$25; Brass headboard full \$25; 2 Lakewood radiant heaters \$15 ea; Singer sewing machine \$20; 15' ladder stand \$75. Phone 209-5431 after 5:30 p.m.

Set of four used Goodyear Assurance tires 215/55 R17. 20k miles on tires. \$125. 556-7058.

1994 16' Crestliner Pro Am Single console; 60 hp Mariner. 3hp stern-mount Minnkota. Lowrance HDS7 sonar and GPS. Shoreland'r roller trailer. Full travel/mooring cover. Well maintained and serviced. Service records available. \$3,250. 766-2457.

Moving: Full size bed set orthopedic mattress/classic kings down: box spring, dresser, nightstand, and chest \$400, like new. Electric fireplace, like new \$175. Dark brown davenport hide-a-bed queen size, 7 ft long with large cushions, \$500. 444-8747.

Go Fish! 1996 Lund deep hull Adventure Series, 50 hp Mercury 4-stroke motor, Shoreland'r trailer, Hummingbird depth finder, Power anchor. Stored indoors, unused for 11 years. Full recent check-up.

Good condition. \$6,000. Stihl large weed whacker with brush cutter attachment, with shoulder harness. Limited use. \$120. 586-2884.

2015 Ski-Doo MXZ TNT 600 E-Tec snowmobile, electric start, reverse, fuel efficient engine, 121-inch track, extras include: mirrors, skid plate, sunburst yellow color. Has 2,800 miles, in immaculate condition. It is my wife's sled and at 65 she is done snowmobiling. \$6,300 (\$1,000 below blue book). Price is firm. 612-868-3807.

Like new lift chair. Used less than three months. Will sell for \$600. Cost new is \$1,200. 751-1507.

12' Porta-Bote, folds to 4" thick, 3 seats, pair of oars and locks, rated for 6 hp motor, lake ready in 15 mins, pair of RV mounts, paid \$1,400, will sell for \$875. 547-1744.

Two matching recliners with wood trim, very good condition. Both for \$100. 586-2990.

Rainbow trailer, 8' x 14' w/removable sides, \$600. Two riding lawn mowers: 38" Snapper, \$150; 42" John Deere, \$150. Horizon treadmill, used twice, has all (bells and gauges). Paid \$595, make offer. 766-5285.

Three framed/matted prints: David Moss, Snow Owl and Elk, \$25 each. New portable ice maker, red. \$40. Boatlift w/power, 2 years old, \$5,500. 335-0173.

Older saddles, need work, \$50 ea. Dark blue sofa/hide-a-bed, \$75. Dark green La-Z-Boy rocker/recliner, \$25. La-Z-Boy love seat, greens/browns, \$50. Baby stroller with detachable car seat, \$50. Homemade warm baby blankets, boy or girl, will put name, date and weight on them, \$45. 467-3487 or 766-1203.

Wanted:

3-point chisel plow 6-10 feet wide. Also an ATV pull-behind type rough cut mower. 586-2599 leave message.

Free:

Fiberglass runabout, needs interior seats covered. 766-5285.

ATTENTION KIDS!

Join us for some fun and educational activities!

Beltrami Electric will have a children's activity area near the high school commons this year! While parents listen to the meeting program, their children can enjoy some fun and educational activities hosted by BEC employees.

- Register to win a kid's bike! (Must be present to win.)
- BEC line workers will present a fun and educational live electrical safety demonstration!
- Dress up as a line worker!
- Get your photo taken with a line worker photo prop!



What can SmartHub do for you?

The Center of Member Engagement

SmartHub is a convenient tool for cooperative members who want a quick and easy way to manage their electric account from their mobile device or computer.

With SmartHub, you can make a payment or schedule a future payment, check your current and past monthly energy usage, receive e-mails regarding your bill, view current and prior billing statements, go paperless, sign up for autopay, easily report a power outage, view our real-time outage map, contact us with a request or question and much more!

To sign up or log in to SmartHub, please visit www.beltramelectric.com and click on the SmartHub icon or download the app to your mobile device and manage your account 24/7 from anywhere!



Present this coupon at the registration table (with your preprinted address on the reverse side) during Beltrami Electric Cooperative's annual meeting THURSDAY, APRIL 19, at Bemidji High School to be eligible for a

\$100 cash prize drawing.

No substitute coupons will be accepted. Must be registered and present to win.

2018 Annual Meeting

Thursday, April 19, 2018

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 16 with the number dining so we know how many to plan for. Thank you!

Name: _____ Account #: _____

Number Attending: _____

Please RSVP by Monday, April 16, 2018.

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 Tuesday, Feb. 20, 2018. A quorum of directors was present.

The following reports were given:

- The board recognized Sid Sletten for his years of service at the cooperative and congratulated him on his upcoming retirement.
- CEO Echternach presented a resolution recognizing Sid Sletten for his close working relationship with the board of directors of Beltrami Electric Cooperative.
- CEO Echternach gave his monthly report, including loan funds received, updates on the new meter system, legislative issues, scheduled visits with legislators in March and local economic development. He also reviewed the 2018 Political Action Plan.
- Sid Sletten reviewed January work orders.
- Arlene Hogquist reviewed the cooperative's Balanced Performance Scorecard.
- CEO Echternach and Sid Sletten reported on the margins and 2017 capital credit allocation.
- CEO Echternach reviewed the cooperative rate schedules and presented updated Rate Schedule 1.
- President Coe appointed the voting delegate and alternate to Cooperative Response Center (CRC).
- 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 Resolution recognizing Sid Sletten for his service to the board of directors.
- Approved the consent agenda and work order inventories.
- Approved to retain nonoperating margins as permanent nonallocated equity.
- Nominated Rick Coe as director to Minnkota Power.
- Nominated Murl Nord as director to Square Butte.

TAKE TIME TO THANK A LINE WORKER!

Lineworker Appreciation Day
April 9, 2018



Remember to #ThankALineworker

4111 Technology DR NW
PO Box 488
Bemidji, MN 56619-0488
218-444-2540 • 800-955-6083
www.beltramielectric.com

Fun kids'
events! Bring
the entire
family!

2018 Annual Meeting Program

April 19, 2018 | 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)

Introduction of candidates

and election of directors Gerad Paul, *Attorney*,
Minnkota Power Cooperative

**Reading of official notice of
meeting, proof of mailing**

& minutes of 2017 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 Jim Horan, *Director of Government
Affairs & General Counsel*, Minnesota
Rural Electric Association

Grand prize drawing (\$300 cash prize)

Adjournment of meeting

Please bring your copy of the *Northern Lights* to the annual meeting.

**ANNUAL
MEETING PRIZES**
(must be present to win)

GRAND PRIZE
\$300 cash

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



Guest speaker - Jim Horan, Minnesota Rural Electric Association (MREA)

Jim Horan is the Director of Government Affairs & General Counsel for the Minnesota Rural Electric Association (MREA), a statewide association representing Minnesota's 45 distribution and six generation and transmission cooperative utilities. Jim is responsible for government and regulatory affairs, public and media relations and serves as general counsel to the association. Jim leads the cooperative efforts at the Minnesota capitol and with the Minnesota Congressional Delegation on a range of energy and operational issues. He also represents cooperative utilities in the regulatory process and in interactions with state agencies. Prior to joining MREA, Jim managed energy efficiency programs, member services, government/regulatory affairs and communications for a distribution cooperative in Eastern Oregon. Jim holds a law degree from William Mitchell College of Law and is currently pursuing a Master's Degree in Human Resources Management.