

BELOW ARE MEMBER COMMENTS AND QUESTIONS RECEIVED DURING THE 2020 VIRTUAL ANNUAL MEETING, WITH OUR RESPONSES. MEMBERS ARE ENCOURAGED TO CONTACT THE COOPERATIVE WITH ADDITIONAL QUESTIONS.

DISTRIBUTED GENERATION RATE

From Joan Elias: I am very disappointed in the decision the board made regarding the way the power generation of solar members will be repaid, and the way in which that decision was made. This is a cooperative, right? Why were members, especially members who have installed solar systems, kept from the decision-making process?

I can understand changes being made to the agreements with members. But:

- 1) I would like to see the calculations on which the changes are proposed;
- 2) I would like the membership to have a chance to weigh in on proposed changes;
- 3) It is reasonable to make changes to new agreements, but it is unfair to make changes on existing agreements
- 4) I would like to see our co-op's solar agreements in comparison with other electric co-op's agreements. I think this new arrangement is out of line.

RESPONSE: The changes to the distributed generation rate were made in March based on a policy decision by the Cooperative Board, not based on a specific calculation. The Cooperative uses a standard form DG (distributed generation) application and agreement form, substantially the same as those used by other cooperatives and approved for use by public utilities by the Public Service Commission. Each cooperative and utility determines its own rates for DG, and Bayfield Electric's rate is consistent with that offered by the majority of Wisconsin cooperatives.

From Bill Bailey: I am disappointed in the Board's decision to change its net-metering policy for solar PV generation and also that the Board did not respond to my letter addressed to them dated March 19, 2020. I feel most of the BEC members support clean energy and this new policy discourages it and subsidizes non-solar members at the expense of those owning solar generation. It only reversed the problem instead of correcting it. I encourage the Board to revisit this decision and involve co-op members in the process.

From Roy Settgas: My comments to BEC board/management:

- 1) in general the lack of transparency around board activity - for example, no agendas or minutes published, even on the new improved website - makes it seem like to coop is governed in a fashion that is hidden from its member-owners.
- 2) many BEC members have invested significantly - often 10s of thousands of dollars - in solar distributed generation systems. for BEC, a member-owned and member-serving cooperative, to unilaterally and without consultation with affected members, cut the value of the production of those systems by 75-80% - is poor governance. the affected members

deserve a detailed explanation of why this change was made.

From James Miller: I expect that the board will address the issue of solar power exchange rate at this meeting. Failure to do so would be an abrogation of their responsibility to listen to member concerns and respond professionally with due transparency and honesty.

From Jane Hennessy: I thought the daily fee we pay was to offset costs for infrastructure etc. I do not understand the decision to reimburse less than retail per kwh for home solar.

From Tom Podlesny and Bobbi Rongstad: We are extremely disappointed in the Co-op's decision to do away with net metering. We had to pay \$1000 for the opportunity to install solar panels on your system. We were not eligible for any incentives because the Co-op refuses to participate with Focus on Energy. The decision you made is a huge disincentive to customer who wish to install solar. We ALL need to move to renewable energy as soon as possible. We feel cheated. We invested our retirement funds in the solar array, expecting to reduce our energy bills so that we realized under a 10 year payback. It was a shock to learn that you changed the rules that have been in place for decades. Small (<20 kW) renewable systems have been billed on net metering by most all utilities for at least 30 years. You have created a disincentive and are punishing those of us who made investment in the future. I certainly hope you reconsider. If we had been given this information a year ago, we would have sized our system differently. with members, just a letter that was difficult to understand. We feel devalued as Coop members ... We ask the Board to reconsider this change of policy.

From Charley Ray: Speaking for myself as well as the Town of Bayview regarding the changes to the net-metering policy. I would ask the Board to reconsider it's policy change. People made investments based upon the previous policy. While I recognize things change, I have not seen any information to justify this significant policy change. As a Town Chair, I now have to go to my citizens and explain why our investment in solar energy will not pay back as quickly as forecast. This is not a good look for BEC or Coops in general. If the Board needs to change the net-metering policy in this direction, please consider grandfathering in the existing customers who made decisions based upon your standing policies. I would ask that the Board consider policies supportive of solar production as it is a great interest to the residents of the area. BEC could be servicing these solar operations, could be developing resilient distributed generation and many other approaches to creating a sustainable energy future.

From Jill Lorenz: I was really surprised to get the notification of Policy 300.11 which BEC sent out in mid-March. As a long-time member of the Cooperative, I would have thought there would have been some discussion of this change with those who would be affected. And since I understand that the purpose of the change was to avoid one group of members from subsidizing another group, I would like to see data to support that this change does that. My solar system overproduced for me this year. When my previously banked overproduction was zeroed out last month, I subsidized my fellow members with 843...

From Roger Aiken: To be fair, they have made improvements in power reliability in our area, but I think we want more than they can give in terms of providing power choices. They appear to be only about stringing lines. The fact that we got any solar at all is minor miracle. I wonder how much any of these folks actually understand about the national power grid and power pricing?

From Todd Bille: I guess I will need to research a Tesla battery system to be energy independent and not support the BEC in any way

From Robert Schlack: The MAJOR reason for our undertaking a larger project than we otherwise would have are two policies of BEC. First, BEC is not one of those cooperatives that are in Renew Wisconsin and where we might have gotten a subsidized support from the State. There is no excuse for our not being part of this. The second reason is the policy of no net metering. These behaviors are similar to those undertaken decades ago when urban bus systems were losing funds because of a lack of riders so they raised the fares and guess what, lost more riders. really dumb on reflection. The policies of BEC are doing the same thing. Driving potential customers away from the coop. Fewer customers to cover the fixed costs. You need to go in the other direction. Integrating the new technologies for decentralized distribution and expanding our membership in that way making BEC sustainable for the long run. I hope the Board reverses its policies on net metering and Renew Wisconsin. Thank you.

From Clare Hintz: I would like to know what the board's vision is for long term resilience given climate change and other disruptions? The current decision to drastically reduce the reimbursement for home-generated solar power seems to me to be completely backwards given where the world is going. As a home solar producer/user I have no problem paying my fair share for the infrastructure, and I would much rather stay on the grid than not. I would encourage the board to be proactive about planning long term for distributed, local power generation, and provide a FAIR price for excess solar generated by homeowners. We as a coop need to encourage local renewable power generation, not discourage it.

From James Miller: I think the \$1.20 daily charge each member account pays for infrastructure, regardless of whether we use power, should take care of fixed expenses. Therefore, there appears to be no good rationale to reimburse less than full retail per kWh for home-produced solar. Is my understanding correct? Please provide data.

From Gordon Anderson: Yesterday we learned that Bayfield Electric Cooperative is planning on changing its distributed generation buyback policy. Why has there been no information released to customers (stakeholders)? Where is the transparency? Did you think no one would notice? We installed our solar panels 2 years ago as an investment in our children's and grandchildren's future by reducing our carbon footprint to slow global warming and climate change. We acted in good faith based on what we were told by BEC and now you want to renege on the agreement and basically pull the rug out from under us! I feel this a very short sighted decision and we as stakeholders should have an

opportunity to address this issue through a thoughtful dialog with the board of directors

From Robert Schlack: We are currently investing in a solar system designed to provide us with 100% of our expected electricity needs and employing battery storage for when the array is not generating power.

RESPONSE: The Cooperative Board is elected by the membership to make decisions in the best interest of all of our members, and agrees that long-term sustainability is a very important goal. The Cooperative does not own generation assets, but supports the efforts of its parent cooperative, Dairyland Power, to increase the overall percentage of renewable generation in its portfolio. All DG-owning members were sent a copy of the new DG rate in March, along with a letter explaining the policy and the 5-year grandfathered rate applicable to owners of existing systems. The Board does not believe that the DG rate change results in renewable generation owners subsidizing other members. Rather, the “avoided cost” rate for excess energy sold back to the Cooperative reflects Dairyland’s market price for generation within the wholesale power market that includes Wisconsin. In other words, it reflects the wholesale price of the energy component of your electric service. It is important to understand that under the Cooperative’s rate structure, not all of its fixed costs (e.g., line upgrades, debt service) are recovered in the daily facilities charge. Instead, a portion of those costs are recovered via the per-kWh energy rate. Therefore, the system of rolling over or “banking” kWh credits for excess generation in a given month under the old rate resulted in DG-owning members paying less than their proportional share of the Cooperative’s fixed costs. In other words, because the kWh credit “paid” by the Cooperative for excess energy reflected the price of energy as well as a percentage of fixed costs, those costs were not being fully recovered from DG owners. Nevertheless, existing DG members are grandfathered in at the old rate through 2024. Despite the rate change, we believe our DG-owning members will continue to enjoy the benefits of offsetting their monthly power bills and reducing the overall demand for fossil fuel-fired generation.

COMMUNITY SOLAR

From James Miller: I do not have solar panels at my home, although I invested in two of the panels at the Bayfield Electric headquarters. I live in the woods and solar wouldn't work for me. Nevertheless, I want to encourage people to adopt solar and I am concerned with the new policy at the co-op. It seems inconsistent to say that the folks like me who generate power from the panels in Iron River should get full credit per kWh, but others who invest in panels at their home do not.

From Daniel Rietz: I am curious whether the Coop members that invested in the BE solar farm had their shares or value diluted in equity with the in-home installation changes to kWh credits. If the BE board views solar as a negative, then those punitive changes should be applied equally.

From Peter Nordgren: I also have invested in solar shares with BEC. I share the concern that the new policy disadvantages those who have installed home solar. I also ask the board to revisit the policy, in consultation with the membership.

From Connie Cogger: We invested significantly in: the solar garden from our retirement funds, and now the policy is changed? There was no consultation.

RESPONSE: Members who have purchased shares of our community solar facility are governed by the subscription agreement. The number of shares eligible for purchase were limited based on each subscribing member's load so that there would be no "excess" energy produced by the member's share that is not consumed each month. Therefore, solar subscribers are treated the same as DG-owning members who do not produce more energy than they consume in a given month. This is no different than under the old DG rate policy.

From Joseph Russo: Have the snow obstruction and inverter issues been corrected on the BEC Solar garden? I purchased a 90% kWh usage. To date my investment has returned: 2017=70%, 2018=60%, 2019=50%. I am also concerned about the net metering issues that are affecting many who have invested in residential on-site solar systems.

From Tom Podlesny and Bobbi Rongstad: Will the panels in the solar garden be cleared of snow this winter?

RESPONSE: As with any installation, production depends on available sun and is subject to mechanical failures. Generation from our community solar facility was below expected last year because of the non-functioning inverters which convert the DC power generated by the panels to AC for delivery. The inverters have been replaced. Heavy snow also results in reduced output, but unfortunately there is no way to access the facility to clear the snow without the risk of damage to the panels. However, when the sun is out, the snow on the panels melts and slides off relatively quickly.

NEW SERVICE EXTENSIONS

From Gayle Chatfield: In the last few years I have heard of two potential new coop members I know tell me that the cost for the new service was so expensive to their new homestead that they did not connect. They put their money into off-grid solar electric system and batteries. It seems to me that back when electricity was new that they realized that if more connected, it would be better for everyone in the long run, just as I'm sure that those young homesteaders today would find the convenience of having electric service would be better. But the price of extending the line has gone up, and up. As a member, I feel that we should consider having a sliding scale that lower income new customers could have the line extended at a lower cost. Once they are members and paying for the next decades it would not be a large loss, and it seems we should add members whenever we can.

RESPONSE: The cost of extending electric service has unfortunately increased along with the cost of home construction labor and materials. However, we cannot ask our other members to subsidize line extensions for a low income member. Under the principle of cost causation, the cost of labor and materials for the line extension must be borne by the member who requests that service.

ELECTRIC RATES

From Roger Aiken: I am a 12K user of BEC power yearly. I have 23 shares at the solar farm in Iron River and am an Evergreen member. I am disappointed by the Board's decision to negatively impact the members of BEC by purchasing more expensive power from Dairyland Coop rather than through net metering of locally generated solar power. I believe this is driven by Dairyland's need to pay for its inefficient and expensive power generation. If BEC has no voice with Dairyland then they should find their own way or join with other coops to democratize our power. That's what the Coop movement is about. We have half the median annual income in our area.

From Roger Aiken: Our median income in the Bayfield area is 1/2 the national, and yet our rates are right up there with everyone else. We need to find a way to provide affordable power to our communities in NW Wisconsin. Being aware of the possibilities and taking advantage of new technologies and opportunities is critical. But not if it doesn't improve your long-term outcomes. You may have to cut costs and personnel as well, which has never been done. Many businesses in NW Wisconsin are operating with older equipment. You could extend your depreciation cycles among other things.

RESPONSE: Bayfield Electric and most other Wisconsin electric distribution cooperatives are members of Dairyland Power Cooperative. The Dairyland member cooperatives each have a seat on the Dairyland board and have a voice in setting policy, including rates. Bayfield Electric's contract with Dairyland is an "all-requirements" wholesale contract, which means that the Cooperative is not free to purchase power from local independent power producers. As a member of Dairyland Power Cooperative, Bayfield Electric supports the diversification of Dairyland's energy portfolio, and Dairyland has made significant investments in solar and wind generation as well as other policy decisions aimed at reducing the Wisconsin cooperatives' carbon footprint. Bayfield Electric's wholesale power costs are the same as those for other Dairyland member cooperatives. Like Bayfield Electric, Dairyland Power cannot discriminate between its members on the basis of income or location. The rates charged by Wisconsin cooperatives reflect their members' rural base and the fact that there are significantly less customers per mile of line than for urban-based utilities (Bayfield Electric has an average of 4.6 miles of line per customer), with a correspondingly smaller pool of customers to share in the cooperatives' fixed costs.

From Roger Aiken: How does equity benefit members? The Coop is not a profit making business and was never designed as such. The margin between assets and liabilities is important as a reserve for emergencies, but COOP incorporation should not be a profit loss equation. You are providing power, not sending kids to college. It's there to benefit the members. I think you have lost your way.

RESPONSE: You are correct that the Cooperative is a not-for-profit utility. Excess margins over operation and maintenance costs are received with the understanding that they are furnished by the members as capital. Pursuant to our Bylaws and the terms and conditions of loan agreements with our lenders, the Cooperative is required to maintain specified reserves. In addition, the amount and frequency of retirement of capital credits is committed to the discretion of the Board of Directors. Retirements of a percentage of former and current members' capital credits are made on an annual basis. This is a benefit that is not shared by customers of investor-owned and municipal utilities.

From Roy Settgas: my questions to the BEC board/management:

- 1) will you share the results of previous and upcoming rate studies with membership? if so, when do you expect the results of the current study to be available? if not, why not?
- 2) prior to changing BEC distributed generation policy, what other electric coops were surveyed for policies and what were their policies?
- 3) how many BEC members operated distributed generation systems?
- 4) what is the current estimated annual shortfall due to BEC undercharging for its facility fee, per the most recent rate study?
- 5) what is the best current estimate of the change to overall BEC costs/revenues due to the change in distributed generation policy?
- 6) what is needed in order to open a respectful and substantial dialog between BEC board/management and affected BEC members regarding distributed generation policy?

RESPONSE: There are currently 89 Cooperative members with DG systems. The Board does not generally share rate studies and other proprietary analyses with the membership. Rate studies are only one piece of information that go into the formulation of rates. The Cooperative does not have permission from other cooperatives to share their rate policies, however some can be found on those cooperatives' websites. Bayfield Electric establishes its rates based on the costs of its operations, fixed costs and a reserve for emergencies and as required by its loan covenants. The old DG rate policy did not result in a shortfall, per se, but rather resulted in non-DG-owning members paying a greater share of fixed costs.

VIRTUAL ANNUAL MEETING

From James Miller: Please send all of us the rules of order for this meeting.

From David Awtrey: How was this a 'member' meeting? No discussion of member issues.

From Tom Fratt: Discussion of chat questions would have been logical!

From Joan Elias: That's it?? no discussion of the solar net metering?

From Janice Penn: This is a coop. Questions should be addressed at the annual meeting. what are you afraid of?

From Roger Aiken: Well that was a nice conversation. Kind of what we have come to expect from this group.

From Daniel Wiggins: I guess no discussion.

From David Awtrey: This is what we call a report, not a meeting of members.

From Bob Rice: So, let me get this straight. You made a major policy change with less than adequate membership input that understandably offended many members and you pretend that it's not even an issue in your annual meeting? Deeply disappointed with the UN COOPERATIVE management of renewable energy issues.

From Roy Settgas: Per my comments above - the way this coop is governed seems to have the coop board and management on the other side of a wall from the members - not good. Hope you will take this to heart and think about changes needed.

From Gordon Anderson: Think we just got stiffed!

RESPONSE: To the extent not covered by Article III of the Cooperative Bylaws, annual meeting procedure is governed by Robert's Rules of Order. Due to the limitations of the Zoom platform, the volume of questions, and inability to recognize individual speakers, the virtual annual meeting this year had to accommodate member comments and questions by this Q&A. While we regret that we could not hold an in-person annual meeting, the safety of our members and staff is paramount. It is also important to understand that the Cooperative is not a direct democracy. Member participation is encouraged chiefly by voting for your director representative on the Board. Governance and policy decisions are committed to the Board of Directors.

OTHER QUESTIONS, COMMENTS AND SUGGESTIONS

From Peter Nordgren: I appreciate the cooperative's effort to support farmers by providing members with a coupon for dairy products. I was disappointed that the coupon was redeemable only through a private corporation whose political actions don't align with my interests. For the future, consider providing a coupon for a cooperative-produced dairy product that can be obtained at our local cooperative stores.

RESPONSE: Thank you for your suggestion. We will be on the lookout for opportunities to support other producers in the cooperative family.

From Roger Aiken: Can I ride my fat bike along the powerlines or will I be arrested?

RESPONSE: The Cooperative's lines are maintained within private easements and road right-of-way. The easements are only for electric line and related purposes and do not allow trespass on private property which they cross. However riding on public road right-of-way would not be considered trespass.

From Roger Aiken: Ditch the Wisconsin Energy Cooperative News. You can save some money there.

RESPONSE: Thank you for your suggestion. The newsletter remains an important source of information for many of our members who do not have access to the internet.

From Joan Elias: I really do appreciate everything the field crews do to keep us in power.

RESPONSE: Thank you Joan! Our crews will continue to work hard every day to ensure the reliability of our system.