



March 4, 2022

Members,

In August 2021, I sent a letter to all Members outlining the process Bayfield Electric Cooperative (“BEC”) would use to revisit its Distributed Generation (“DG”) policy. This letter is a status update regarding our continuing effort. The DG policy includes, among other things, the credit given for solar energy connected to the BEC grid. The policy is relevant to all members, whether they have solar systems or not.

First, the original timeline has been extended and the updated version is shown below. Our initial letter stated “we will take the time needed to engage the membership and make the best decision we can for all members.” To date, many comments have been received, the board and I have read them, and we appreciate the input. Member input is a valued resource for shaping decisions made by the board. Please keep it coming!

Updated DG Policy Development Process

Action Items	Tentative Deadline
1. Initial letter to members presenting situation and plan	August 17, 2021
2. Initial feedback from members	October 7, 2021
3. BEC gathers additional information on DG policies	December 2021
4. Information shared with members (this letter does this)	February 2022
5. Feedback from membership (to this letter and potential survey)	April 2022
6. Annual Meeting and DG Update	May 2022
7. Board develops a draft policy	June 2022
8. Draft policy presented to all members with explanation	After June BOD
9. Feedback on draft policy from members	August 2022
10. Revise draft, if necessary	TBD
11. Board adopts and informs membership of new policy	Q3 2022

This past fall we developed a tool to help us analyze the financial impact of solar connected to the BEC grid. Our current rate study, completed by a third-party engineering firm, and our contractual obligations with our power supplier, Dairyland Power Cooperative, were used to build the model which identified the financial impacts to both solar and non-solar members. Cheq Bay Renewables, a local solar advocacy nonprofit, has been a valuable contributor to this work. I want to personally thank Bill Bailey, a BEC member, of Cheq Bay Renewables for the effort and perspective he has brought to this process.

By using our modeling tool, we have determined that 1) non-solar members are subsidizing solar members and 2) the amount of subsidy is considerably smaller than anticipated. The average non-solar member account pays an additional 44 cents per month (\$5.30 per year) as a result of the solar power presently generated by BEC members. If members' solar generation increased by 200% above today's level, our model shows the subsidy increases to \$1.09 per month (\$13.03 per year) per member account. Some "Value of Solar" studies contend the subsidy could be reduced by half or more if potential health, environmental, and grid infrastructure benefits of clean power generation are considered.

In addition, it is important to understand that all utilities have rate structures which include some inequities (called cross-subsidization). BEC, which has thirteen different rate classes, is no different. The cross-subsidization between rate classes means that some members are always being subsidized by other members. Even within a rate class, cross-subsidization occurs. For example, because rates are designed around an "average" user, large energy consumers generally subsidize small consumers within a rate class. Some cross-subsidization occurs at BEC, and all utilities, with or without solar generation.

Based on what we see from our model, and what we have so far heard from members, I am confident that we are well on the road to a reasonable and appropriate revision of our DG policy. The updated policy should deliver a predictable solar energy credit for members with existing solar systems, as well as those interested in adding solar in the near future. The process and tools we have developed will also allow for periodic review of the policy, and adjustment of terms if needed, to stay current in our rapidly changing energy industry.

At the same time, we would like to know if you, the membership, would like BEC to have long-term stated goals relating to clean energy, and if so, what sort of goals. To that end, we are considering a survey of the membership in the near future. We feel it is important, not only for the particulars of this policy, but in general, to know the interests of the membership.

We will email members with details if and when a final decision is made to conduct a survey. If you have not done so already, please provide email and cell phone information by updating your account information under the billing tab on our website at www.bayfieldelectric.com/update-account or by calling us at (715) 372-4287. Electronic communication is easier, timelier, and saves money.

Finally, we look forward to our annual meeting which is scheduled for Saturday, May 14 at the Bad River Lodge and Casino. Whether that will be in-person or virtual will be determined as we get closer to the date, but the format will focus on the DG issue, and we will present updated information to the membership. We look forward to seeing you.

I encourage you to offer your input as we move down this road. You can do this by mail, direct email (christopher.kopel@bayfieldelectric.com) or calling (715) 372-7527. For the latest information and updates check our website www.bayfieldelectric.com and select the "DG Policy Process" tab on the top right of the home page. Once again, thanks to members who have offered input, and to all members for your patience as we go through this process.

Sincerely,



Christopher Kopel
Chief Executive Officer