



# 2025 budget and rate outlook

by Jared Echternach, president and CEO

Your board of directors is in the process of reviewing the 2025 preliminary budget and rates. We expect wholesale power costs to increase in 2025. This will have a significant impact, as wholesale power makes up 70% of our total costs. We will continue to work hard internally to minimize the impact, but at this point an adjustment will be necessary in 2025. The last retail rate adjustment occurred in April 2018, nearly seven years ago!

Think of the things you purchase on a daily or monthly basis: milk, eggs, beef, gasoline or eating at your favorite restaurant. How much have those prices increased over the last seven years? While we're proud we haven't had a rate change in nearly seven years, we're certainly not immune to inflation. For example, the average cost of a wood pole has increased 35% since 2018; underground wire 63%; and transformers 140%. All of these additional costs place tremendous pressure on the cost of your electric service.

Your board of directors has been working hard to analyze our rates to ensure we appropriately recover our costs, and that each rate class is paying its fair share. As part of that process, we engage an independent consultant to perform a Cost-of-Service study. This study provides an unbiased, independent assessment of how our costs are allocated and ultimately how those costs should be recovered through rates.

Cooperative rates are intended to be fair across all rate classes, and your board of directors works diligently under a rate policy designed to ensure fair rates. As a not-for-profit, member-owned cooperative, the only time we adjust rates is when we absolutely must to satisfy our loan covenants and to keep your cooperative financially stable.

## Residential electricity use and bills decline

While it may be hard to believe with the level of inflation we have experienced in recent years, residential electricity use and monthly bills have declined. The average residential

member used 106 fewer kilowatt-hours per month in 2023 than they did in 2019. Correspondingly, the average residential member paid \$8.32 less per month for electricity in 2023 than they did in 2019.

## Residential demand

Residential members may have noticed a new line item on their bills titled Demand. This began appearing with the August billing cycle and presently has no charge. Commercial members are acutely familiar with the demand component of their bill as they have been billed in that fashion for decades. So, what is demand and why is it a line item on your bill? Demand measures the highest amount of power used at one time each month. Running more appliances and devices at the same time increases your demand, and a demand charge aligns this peak use with the highest grid costs. A demand charge helps members control their electric bills by reducing peak use, and it helps BEC lower overall peak demand. A demand charge more accurately reflects how we are billed for the cost of wholesale power. It also lets members control their bills by spreading out their electricity use throughout the day.

Please know that as a not-for-profit electric cooperative owned by its members, Beltrami Electric's board of directors only increases rates when they absolutely must to remain solvent and meet our lenders' financial covenants. Your board of directors and employees take this responsibility seriously, as we too are members. Approximately 70% of our costs are directly related to purchasing wholesale power over which we have little control. The remaining 30% is internal, some of which is controllable, some of which is not. Your board of directors and employees have done an excellent job of keeping those controllable costs in check. I can assure you as a cooperative we will continue to look for ways to manage costs for our members, striving to provide value to them without sacrificing safety or service reliability. We will communicate any changes in advance so members have

time to prepare and budget. In addition, we will continue to promote ways members can save on their energy bill through our conservation and efficiency programs.

