



Reliability, rising costs and financial responsibility: Three reasons for our first rate change in seven years

Changes will be reflected on April billing statements, after the winter heating season

– by Jared Echternach, president and CEO

Your cooperative faced a financially challenging year in 2024. While our expenses were below budget, we experienced insufficient revenue attributed to lower-than-expected energy sales due to mild weather. In fact, in 2024 our service area experienced the fewest heating degree days in 10 years. While we're proud we haven't had a rate change in seven years, we're certainly not immune to inflation. The average cost of a wood pole has increased 35% since 2018. Underground wire 63%. Transformers 140%. All of these additional costs place tremendous pressure on the cost of your electric service.

Minnkota Power Cooperative is our wholesale power supplier and will increase rates 8% in April. Wholesale power accounts for roughly 70% of our costs, so changes in wholesale rates have a significant impact on our operation. The remaining 30% of our costs are internal. Some of these are controllable, some are not. Your board of directors and employees have done an excellent job of keeping controllable costs within budget.

In December, your board of directors approved a rate increase effective with the April 2025 billing cycles. The monthly access fee for residential/small commercial rate classes will increase \$7.50 per month and the energy rate will remain the same at 12 cents per kilowatt-hour. A demand charge line item was added to residential/small commercial bills last fall at zero dollars. A demand charge of \$1.50 per kilowatt (kW) will be implemented with the April billing cycle on residential/small commercial accounts. There will also be changes to other rate classes, which are summarized on the following pages. Overall, the average rate increase will be approximately 12.7%. This will vary depending on rate class and how you use electricity. Spread over seven years, this averages 1.8% per year, which is below the rate of inflation over the same period.

As a not-for-profit electric cooperative owned by its members, Beltrami Electric's board of directors only increases rates when it must, to remain financially stable and to meet our lenders' financial covenants. Your board of directors and employees take this responsibility seriously, as we too are members. One of the challenges we face as a rural electric

cooperative is low density. We have roughly six members per mile of line compared to investor-owned utilities with 35-50 consumers per mile of line and municipals with 50-75 consumers per mile of line. This is an enormous difference in terms of cost recovery. Simply put, we have fewer members and more miles of line. As a result, we have significantly fewer members from whom we recover our fixed costs.

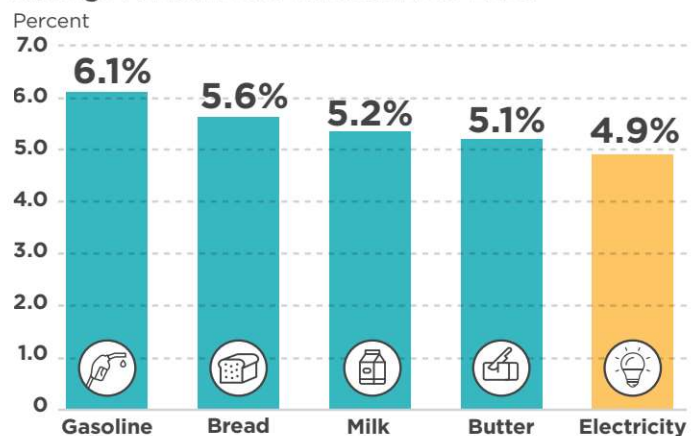
Historically, Beltrami Electric has recovered much of its fixed costs through the energy rate. When we sell fewer kilowatt-hours due to weather, energy efficiency and conservation, it reduces our ability to recover our fixed costs. As a result, your board of directors has elected to increase the monthly access charge, implement a demand charge and keep the residential/small commercial general service energy rate the same. A summary of the rate adjustment can be found on page 3 of this issue, along with a couple of examples of how the changes may impact your monthly bill. We will provide additional details in the next couple of months.

I can assure you as a cooperative we will continue to look for ways to manage costs for our members, striving to provide value without sacrificing safety or reliability.

ELECTRICITY REMAINS A GOOD VALUE

Although inflation has led to increasing costs in many areas of our lives, the cost of powering your home rises slowly when compared to other common goods. Looking at price increases over the last five years, electricity remains a good value.

Average Annual Price Increase 2018-2023



Source: U.S. Bureau of Labor Statistics
Consumer Price Index