

Ruralite

TANNER ELECTRIC

MAY 2022

INSIDE >> Beneficial Bats
Learning By Observing
Closing the Gender Gap

TEC lines in North Bend.
PHOTO BY RORY WALTER

Annual Meeting Edition

The information for TEC's 86th Annual Meeting is inside this magazine.
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2021 Annual CEO Report

Welcome to our 86th annual meeting, which I deeply hope is our last one not in person. Most COVID-related rules on gathering have been relaxed or eliminated in our current status. However, the meetings require months of organizing, and for us to make it worth your time, we decided to present our reports in written form one last time. These updates will be posted on www.tannerelectric.coop as well.

Except for a couple of issues related to COVID contacts, Tanner Electric has been business as usual during the pandemic. To keep the employees safe and healthy, we did limit the office to appointment-only for visitors and members. I am happy to announce that our lobby is open again, and I look forward to seeing everyone soon.

The TEC board has met monthly—mostly electronically—but has started transitioning back to in-person meetings. Even during the pandemic these past two years, the TEC board has been fully engaged with its fiduciary duties.

We have experienced steady residential growth, mainly in the North Bend service area. We have recently seen an uptick in new services for Anderson Island. When our crews aren't supporting this new growth, they have been continuing a board-approved plan of replacing older, failing underground lines. In addition, sections of overhead lines that have high outage rates, and crews are undergrounding them as budgets allow.

Financially, TEC has done well and continues to have strong margins. We were able to do this without a rate increase on your energy per kilowatt-hour and fixed-fee side of your bill during the past two years.

Your cooperative hasn't been exempt from all the inflationary costs you have experienced. Housing prices escalate faster and faster each year, and attracting and retaining good employees has been a challenge in this environment. Material costs have doubled—and in some cases—tripled in the past year. So far, we have navigated these unplanned expenses and stayed within our budgets. When we get into the budget planning cycle for 2023, the TEC board will review these costs and make rate decisions for next year. The board does not take increasing rates lightly. To stay financially healthy, these are decisions the cooperative directors are challenged to make.

Last year, the TEC board approved retiring \$300,000 in capital credits. Since 2001, Tanner has retired more than \$1.4 million in capital credits. The TEC board reviews our financial strength and determines if and how much we can retire each year. The audit is in its final stages, and the board will review the findings in late

April.

It looks like 2021 will be a solid financial year, and TEC's equity position will reach nearly 35%. That would be the highest equity position the cooperative has seen in decades. After the marnie cable failed in 2008-09, our equity was just over 18%.

Our power comes from the Bonneville Power Administration, and Tanner Electric is a full requirements utility of BPA. That means our wholesale power comes from mainly the amazing Northwest hydro system. In fact, the hydro system and the Columbia Generating Station—the nuclear power plant in Benton County—make your cooperative more than 95% carbon-free. When you hear commercials or false information about how dirty electric utilities are, remember the truth. TEC is proud to be clean and green, and so should you!



Steve Walter, CEO

Best Regards, CEO Steve Walter

2021 REVENUE SOURCES



2021 EXPENSES



The President's Report

Tanner has once again proven our cooperative can adapt and succeed, no matter the challenge. Although the pandemic's severity is decreasing, we did have some COVID-19 scares and other medical conditions affect our staff this past year. Throughout these challenges, the board and staff have continued to cope with these challenges and provide our membership with the reliable service we have come to expect.

Given the uncertainty of the pandemic economy, we approved an annual budget with minimal margins and overhead. This decision, along with continued membership




Michael Hodge, board president

growth, has improved our margins and debt level for 2021. As the nation's overall economic and material supply crisis continues, our 2022 budget requires us to plan and purchase goods far in advance and in greater quantities than before.

Tanner remains a \$12 million business. We continue to grow, expecting more than 100 new accounts this year. Most of these new accounts are residential, but we do anticipate some commercial opportunities soon. According to staff and our engineering consultant, the co-op's existing and planned infrastructure improvements will accommodate the increased growth without significant additional expenses.

Your board of directors is most appreciative and proud of the TEC family of employees and their dedication to our membership. We cannot thank you enough for keeping our lights on.

Michael Hodge, president
Tanner Electric Board of Directors



TANNER ELECTRIC

Cooperative

FINANCIAL DATA

3-YEAR SUMMARY

ELECTRIC OPERATIONS

INCOME STATEMENT DATA				2019	2020	2021
Operating Revenues	\$ 11,397,673	\$ 12,213,896	\$ 12,442,582			
Less: Cost of Purchased Power	(4,245,071)	(4,074,762)	(4,126,714)			
Gross Margin	\$ 7,152,602	\$ 8,139,134	\$ 8,315,868			
Operating Expenses	(6,713,473)	(7,166,998)	(7,431,374)			
Operating Margins	\$ 439,129	\$ 972,136	\$ 884,494			
Other Income	\$ 20,285	\$ 84,128	\$ 687,483			
Subsidiary Loss	(469,486)	(436,782)	(221,121)			
Capital Credits from Associated Organizations	119,517	115,176	112,656			
Total Non-Operating Margins	\$ (329,684)	\$ (237,478)	\$ 579,018			
NET MARGINS	\$ 109,445	\$ 734,658	\$ 1,463,512			

BALANCE SHEET DATA				2019	2020	2021
Cash and Temporary Investments	\$ 837,579	\$ 787,235	\$ 1,579,811			
Accounts Receivable - Net of Allowance	1,210,478	1,406,629	1,335,400			
Investments in Associated Organizations	1,009,345	1,057,715	1,106,012			
Materials and Supplies	533,352	547,504	633,500			
Other Assets	504,740	199,472	217,783			
Deferred Charges	1,636,051	1,243,638	1,085,190			
Total Current and Other Assets	\$ 5,731,545	\$ 5,242,193	\$ 5,957,696			
Utility Plant - Net of Depreciation	\$ 33,703,343	\$ 33,148,642	\$ 32,822,396			
TOTAL ASSETS	\$ 39,434,888	\$ 38,390,835	\$ 38,780,092			
Patronage Capital	\$ 15,969,134	\$ 16,916,049	\$ 16,267,348			
Memberships	21,810	22,195	22,770			
Other Equity (Deficits)	(4,370,592)	(4,525,029)	(2,820,355)			
Total Equity	\$ 11,620,352	\$ 12,413,215	\$ 13,469,763			
Accounts Payable	\$ 959,201	\$ 688,844	\$ 1,307,881			
Consumer Deposits	47,460	42,260	39,110			
Notes Payable	26,154,793	24,342,840	23,473,114			
Other Accrued Liabilities	653,082	903,676	490,224			
Total Liabilities	\$ 27,814,536	\$ 25,977,620	\$ 25,310,329			
TOTAL EQUITY AND LIABILITIES	\$ 39,434,888	\$ 38,390,835	\$ 38,780,092			

NO PARKING

FIRE LANE

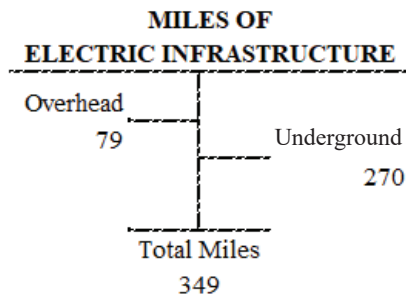
** 2021 Financial Statements were audited by Bolinger, Segars, Gilbert & Moss, LLP **

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Operations Report

TANNER ELECTRIC 2021 YEAR IN REVIEW

New Meters Added	99
<u>Total Active Meters:</u>	
Residential	4,868
Commercial & Industrial	318
Amount of Electricity Sold:	95.8 million kWh
Number of Employees:	17
2021 Net Margin:	\$1,463,511



2021 was a historic year for Tanner Electric Cooperative's operations team. Despite COVID-19 restrictions, widespread supply shortages, and the resulting dramatic increase in the cost of keeping the system maintained and the lights on, Tanner was able to:

- Build a new, 2-mile transmission line along the Snoqualmie Valley Trail in North Bend, the first for Tanner in nearly 50 years.
- Break ground on a new substation and laydown yard.
- Commission and complete a 10-year system planning study.
- Complete 5,500 feet of overhead to underground primary conversion.
- Complete 3,000 feet of underground primary cable replacement.
- Complete yearly pole testing and replacement of those found to be out of specification.
- Complete systemwide tree trimming in North Bend.
- SCADA upgrades on Anderson Island and in North Bend.
- Switch to an upgraded smart meter interface.
- Increased protection for TEC IT systems and member data.
- Hired two new apprentices.

In 2021, operations adapted to some of the most austere conditions Tanner has ever seen. The co-op lived up to our goal of increasing our membership's quality of life, and we did it safely.

I am blessed to work for our members and with the Tanner Electric Cooperative operations team.

Nick Himebauch, manager of operations and engineering

Where Your Dollar Goes:



Board of Directors Candidate Bios

Roger Guay, Ames Lake



The impact of global warming is too dire to ignore, and I continually ask myself, what can I, as an individual, do to address this problem? Thus, as a director on the Tanner Electric Cooperative Board, I try to be open to ideas that will reduce our carbon footprint while increasing the revenue of our co-op.

A good example of this is the Electric Vehicle Level 2 Charging Incentive by Tanner—a win-win solution promoting the much greener use of EVs compared to internal

combustion vehicles while substantially increasing Tanner's revenue.

Another example is the Community Solar Project Tanner completed in 2016 that was wholly funded by volunteer member subscribers.

The electric utility industry is changing in revolutionary ways, and challenges such as distributed generation, micro-grid technology and emergency power backup are increasingly becoming a welcome reality and a necessity. Moreover, since my wife and I work at home, I know that electric service and reliability are foremost in the minds of Ames Lake area residents, many of whom also work at home.

I am a retired physicist and technical fellow emeritus from the Boeing Co. My wife, Patricia, and I have been residents of Ames Lake since 1996. I have been a certified director on the TEC board since 2005 and am currently serving as vice president. I would like to continue representing you in our endeavor to make Tanner, your co-op, the best in America!

Carol Paschal, Anderson Island



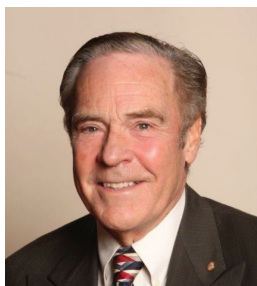
I graduated from the University of Washington with degrees in both Asian studies and accounting. I worked for a large public accounting firm, and then had jobs for a heavy equipment sales company, a construction company, a health insurance nonprofit and a hospital. I moved with my husband, Evans, to Anderson Island 20 years ago and spent three years growing cut flowers.

After that interesting, exciting, but not very profitable adventure, I renewed my professional credentials and worked as a tax preparer until I retired.

I've been an active volunteer on Anderson Island. I was a park commissioner for 14 years, and I am currently the vice president of the Anderson Island Historical Society. I served on the Anderson Island Community Advisory Board, and am on the Conservation Futures Community Advisory Board, which advises the county council on which properties to purchase with Conservation Futures funds.

I've been a member of the Tanner Electric Co-op board since June, when I was appointed to fill an unexpired position. I'm excited to be on the board, because as an electric utility and a cooperative, Tanner has some unique challenges that are different from other businesses that I've been involved with in the past. I bring some accounting experience I hope will be useful. I look forward to continuing to serve as a member of your Tanner board.

Steve Nicholes, North Bend



I am president and founder of Steve Nicholes Consulting LLC, which provides critical management services to top leadership and executive teams in construction-related businesses. For more than 40 years, my expertise has played a key role on construction teams for some of the most significant developments of major hospitals, high-rise offices and residential towers in Seattle, Bellevue and Portland.

Under my leadership at MacDonald Miller Facility Solutions, where

I was executive vice president and managing partner/owner, the company grew to a 2015 volume of \$170 million and an employee base of 750. Serving as a managing partner and board member at MacDonald Miller afforded me the opportunity to more deeply understand construction law, human resources, contract negotiations, banking/bonding insurance issues, business

All candidates are running unopposed

development and business management concepts that one can only learn by having the responsibility and accountability of personal ownership.

I serve on several nonprofit boards, including Tanner Electric Cooperative, Overlake Hospital Foundation and ARMADA Inc. I am also a mentor to a young man at Trail Youth, North Bend.

In the past, I have served on the boards of ASHRAE Region XI (one year as board chair), Puget Sound Blood Center (two years as board chair) and Bicycles for Humanity.

I have been married 49 years and have been blessed with four daughters and 10 grandchildren. I enjoy riding my Harley, running, fly-fishing and cruising Pacific Northwest waters in my 42-foot trawler. The highlight of my running career was making two trips to the prestigious Boston Marathon.

I find community service and work on nonprofit boards rewarding. I have come to really enjoy board work, both for-profit and nonprofit. Each is a different job and both are fulfilling. I look at board opportunities as a way to serve, as a way to give back and where my lifetime of experience can help make a difference.



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Chief Executive Officer

Steven Walter

Operations Manager

Nick Himebauch

Executive Assistant

Lisa Peabody

Director of Finance

Kevin Burns

Board of Directors

Mike Hodge, President

Roger Guay, Vice President

Susan Serrette-Egan, Secretary

Paul Bay, Treasurer

John Saatela

David McGoldrick

Dutch Siedentopf

Steve Nicholes

Carol Paschal

An electric utility owned
by those we serve in:

North Bend

Ames Lake

Anderson Island

*Tanner Electric Cooperative is an
equal-opportunity provider and
employer.*

WA-50

No Ballots Necessary for 2022 Director Elections

Article IV, Section 6 of Tanner Electric Cooperative's bylaws state about election of directors by members:

"The Directors shall be elected by ballot by the Membership at the regular annual meeting of each year and shall hold office until their successors are elected or appointed. Each year, three Directors—one from each District—shall be elected for a three-year term. All candidates for the office of Director shall be voted upon by the Members present at the annual meeting or voting by mail, and the candidate from each District receiving the highest number of votes shall be elected. Members may not vote for write-in candidates. As determined by the President or other officer presiding at the annual meeting, the number of votes received by each nominee will or will not be announced. If only one individual is nominated to run for election for a Director position scheduled for election by Members at the annual meeting, then the individual presiding at the annual meeting may announce that the nominated individual was elected by acclamation and no vote is required."

The incumbent directors this year are running unopposed for seats on the TEC Board of Directors, so no ballots are required for the 2022 elections. Your incumbent directors are:

- Carol Paschal, Anderson Island.
- Roger Guay, Ames Lake.
- Steve Nicholes, North Bend.

The TEC 86th Annual Meeting is in Print

This year, Tanner Electric Cooperative's annual meeting is contained within the Ruralite. Find bios for the board of directors candidates—who are all running unopposed—on page 8. The operations report is on page 25. The CEO's message is on page 28, and the president's report on page 29.