

INNER LANE • INDIAN CREEK ROAD • NOTI CREEK • SHEFFLER ROAD • PRAIRIE ROAD • KILLIAN LANE • WALKER CREEK ROAD • LAKE
E • GREEN CRK ROAD • CHARDONNAY WAY • FERGUSON ROAD • ENID ROAD • WILLIAMS WAY • WEST FORK ROAD • KEITH ROAD •
6TH STREET • DEMMING ROAD • AIRPORT ROAD • GOLDIE LANE • COX BUTTE • PITNEY LANE • DEADWOOD LOOP ROAD • FISK R
IVER LANE • SMYTH ROAD • PATAHA CREEK ROAD • NELSON MTN ROAD • LESLIE WAY • CHESHIRE LANE • RICHARDSON UPRIVER F
HWAY 99 • COOK ROAD • HAWK RIDGE ROAD • KNIGHT ROAD • RICHARDSON BRIDGE • BEAR CREEK • EMORY LANE • TEMPLETON
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1937-2017

2016 Blachly-Lane Annual Report

**The Next 80 Years:
Energized for
a Bright Future**



From left, Ernie Jacksch, District 1, vice chairman; Cliff Kelley, District 5, chairman; Curtis Short, District 2; Marlene Northrup, District 4, secretary/treasurer; Cheryl Haskell, District 3.

Board and General Manager's Report



“Today’s challenges in bringing power to the people include advancing technologies, aging infrastructures and regulatory pressures—balanced with the ever-present work of keeping costs as low as possible.”

—Cliff Kelley

Looking Back, Looking Ahead

Eighty years ago, the pioneering members of Blachly-Lane Electric Co-op banded together to bring affordable electric energy to our community. With assistance provided by the Rural Electrification Administration, they formed a cooperative and worked together to build a dam and powerhouse, and put in poles and lines to bring power to the people.

Today’s challenges in bringing power to the people include advancing technologies, aging infrastructures and regulatory pressures—balanced with the ever-present work of keeping costs as low as possible.

In 2016, your board of directors faced many of those challenges. We reaffirmed our commitment to improve the safety and reliability of our system. We made challenging decisions that resulted in

maintaining the co-op’s value to its members. Members can rely on Blachly-Lane’s solid financial standing, and we are proud of that.

I invite all members to look at today’s electric service challenges with the ingenuity and imagination of our founders, as together we advance the 80-year Blachly-Lane legacy.

**Cliff Kelley
Chairman**



Energized for a Bright Future

Eight decades have come and gone since electricity first came to the homes and farms of Blachly-Lane, and the co-op remains a constant and unifying element in the community.

Blachly-Lane’s history teaches us this lesson: The sky is the limit when we work alongside our neighbors for things that we believe in and bring mutual benefit.

We made strong progress in 2016 on our 10-year plan to reinvest in the cooperative and keep it fit for the future.

Financial Management

Blachly-Lane earned net margins of \$861,339 for the year. Gross margins were 1 percent under budget primarily due to revenues that were 3 percent lower than budgeted. Total expenses for 2016 were 5 percent under budget.

In 2016, Blachly-Lane returned \$760,000 in capital credits to its members and former members.

Operations and Engineering

We continued to improve capacity and reliability to our industrial corridor

and renewed our focus on long-term improvements to residential areas in 2016. Redundancies and capacity are being built into our substation network to prepare for future load growth and reduce outages for members. Cable, pole, transformer and voltage regulator replacements throughout our system supported our strategic plan of maintaining the high reliability standards our members warrant. We replaced several pieces of aging equipment and vehicles.

Last summer, we held open houses in four service area locations. We provided members with detailed information regarding options the board of directors had under consideration to solve Americans with Disability Act issues, and seismic and operational concerns. The board chose to strengthen our existing buildings against seismic activity and add a multipurpose meeting room to the south side of the building.

Ground-breaking has occurred on the project, which is expected to be complete by late summer 2018. We believe the improvements will bring value to members and maintain Blachly-Lane's legacy for decades to come.

Member Services and Programs

Members now can use SmartHub to manage payments, notify us of account and service issues, check energy use and receive special messaging from Blachly-Lane, all at the touch of a button. SmartHub is available on Android and iOS smartphones and tablets as well as

on the web.

This summer, members will see our new FlexPay prepaid metering program. FlexPay eliminates costly deposits and lets members pay as they go—like putting fuel in an automobile—to give them more control over their bills.

Our Co-op Connections Card program provides an average of 43 percent savings on prescription medications, and additional savings on vision and dental services not covered by insurance. About 40 area businesses offer discounts on goods and services to cardholders, helping members' dollars stretch further.

In 2016, our energy-efficiency program provided rebates to 78 members on HVAC, water heating, insulation, window and appliance upgrades. Coincidentally, 78 members also received direct install services to bring LED light bulbs into their homes, along with other energy-saving devices. In addition to several hundred dollars in lighting products, members report significant monthly savings after receiving this service, which is available to all members at no charge.

Part of your energy rate goes to fund the Bonneville Power Administration's federally mandated energy-efficiency programs. In other words, we have paid for these rebates and direct installs through our rates. It is your money, and we want you to reclaim it by taking advantage of these programs. Call (888) 883-9879 to schedule your direct install. Rebate information is on the Blachly-Lane

"The sky's the limit when we work alongside our neighbors for things that we believe in and bring mutual benefit."

—Joe Jarvis

website.

Blachly-Lane invites all members to join forces with ORECA-Action, a grassroots effort to keep a keen eye on impending legislation that could affect our co-op. ORECA-Action members advocate for legislation that keeps costs low, and puts pressure on legislation that would end up burdening our members. Members who sign up will be alerted when threats arise that need your action, and you will be given ways to do so. Register at www.oreca-action.org.

People and Systems

In 2016, without adding to the total number of employees, we added an engineering and operations coordinator and a substation/meter technician to our team.

Advanced inventory control processes were implemented to keep our fixed costs down.

Lastly, Blachly-Lane came into full credit card

compliance standards by implementing Secure Pay. The credit card compliance standards require all member payment information to be handled directly through a secure hosting provider rather than through our member service representatives.

We also conducted cybersecurity penetration testing to ensure member information and our network systems are safeguarded.

In 1937, our founders made up their minds: If they were to have electric service, they would have to do it themselves.

I can hardly imagine all the advances that will challenge the next generation of Blachly-Lane Electric Cooperative members. But I am sure of one thing: the same "we can do it ourselves" spirit will energize Blachly-Lane for the next 80 years.

Joe Jarvis
General Manager



Blachly-Lane County Cooperative Electric Association

Consolidated Balance Sheet

As of December 31

	2016	2015	2014
Assets			
Net Utility Plant	\$16,643,378	\$15,202,675	\$13,033,273
Other Assets and Investments	1,635,477	1,597,130	1,557,727
Current Assets	3,781,532	3,094,679	4,556,800
Total Assets	22,060,387	19,894,484	19,147,800
Equities and Liabilities			
Equities	13,847,056	13,720,180	13,414,185
Long-term Debt	4,765,040	3,159,398	3,663,555
Current Liabilities	2,176,572	1,965,553	1,991,339
Deferred Credits	1,271,719	1,049,353	78,721
Total Equities and Liabilities	\$22,060,387	\$19,894,484	\$19,147,800

Consolidated Statement of Operations

Year Ended December 31

	2016	2015	2014
Operating Revenues	\$12,596,770	\$12,202,726	\$12,326,483
Operating Expenses	11,966,777	11,368,482	11,230,523
Operating Margins	629,993	834,244	1,095,960
Nonoperating Margins	231,346	155,432	200,434
Net Margins	\$861,339	\$989,676	\$1,296,394

Consolidated Statement of Cash Flows

Year Ended December 31

	2016	2015	2014
Cash Flows from Operating Activities	\$2,112,208	\$1,619,199	\$1,559,784
Cash Flows from Investing Activities	(2,142,825)	(2,338,133)	(153,511)
Cash Flows from Financing Activities	740,318	(1,260,154)	(1,296,312)
Change in Cash and Cash Equivalents	709,701	(1,979,088)	109,961
Cash and Cash Equivalents, beginning of year	461,602	2,440,690	2,330,729
Cash and Cash Equivalents, end of year	\$1,171,303	\$461,602	\$2,440,690

The presentation above is summary information only. The cooperative's audited financial statements, including footnote disclosure, are available from the cooperative's offices.



Savings to Members

Today, Blachly-Lane Electric offers money-saving rebates and low-interest loans to members to support their energy-efficiency improvements.

Our direct installation program puts LED lightbulbs, energy-saving showerheads and advanced power strips in members' homes to give instant savings on their electric bill. Call (888) 883-9879 for these free services.

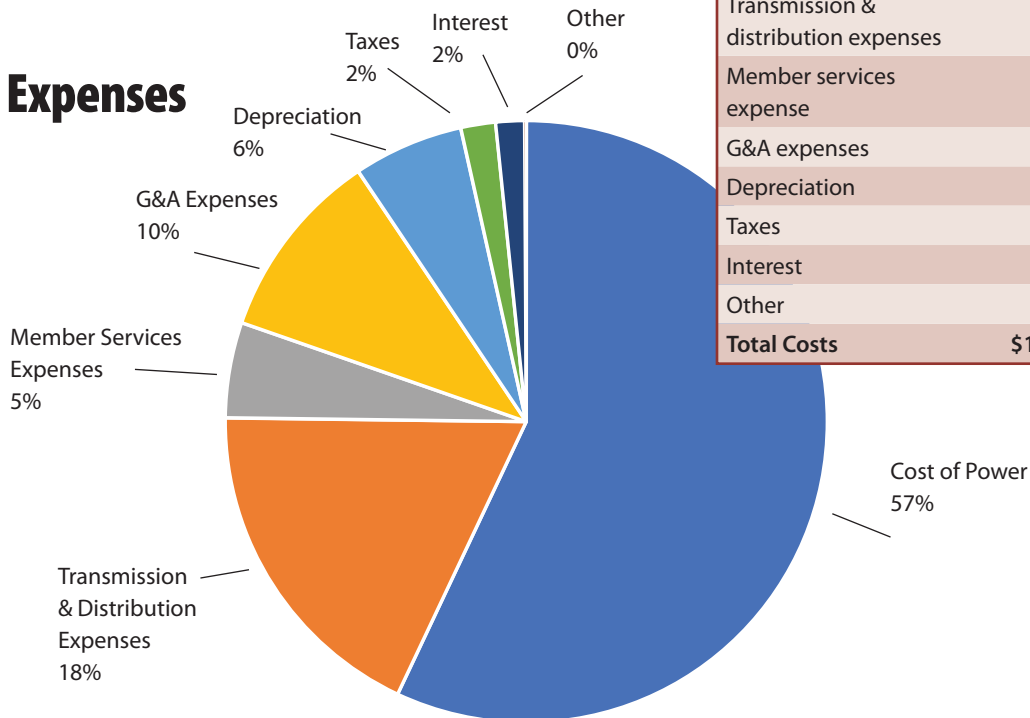
Co-op Connections Cards save members even more through local business discounts and up to 60 percent off prescriptions, dental and vision services. Pick up a card at the office to access these savings.

Blachly-Lane Fast Facts

Square miles in service area	380
Meters	3620
Miles of line	517
Meters per mile of line	7
Number of employees	22
Kilowatt-hours sold	165,320,550
Operating revenue	\$12,596,770
Cost of power	\$6,766,295
Taxes	\$221,162
Average monthly residential:	kWh 1,300
	Bill \$155

Figures are as of year-end 2016

2016 Expenses



2016 Expenses

Cost of power	\$6,766,295
Transmission & distribution expenses	\$2,226,688
Member services expense	\$610,960
G&A expenses	\$1,245,991
Depreciation	\$701,789
Taxes	\$221,162
Interest	\$182,444
Other	\$11,448
Total Costs	\$11,966,777



Mary Locke, 33 years



Kris Myers, 27 years



Matt Smith, 23 years



Ken Gast, 18 years



Kevin Smith, 16 years



Chris Parker, 16 years



Cynthia Schacht, 15 years



Hiedi Pierson Holbrook, 10 years

We Were There

Blachly-Lane's 80th anniversary is an opportunity to celebrate the everyday ways we've been a part of our members' lives.

We have been there for the thousands of cups of coffee, loads of laundry and hot showers enjoyed since our founders turned the lights on in 1937.

Newlyweds have roasted their first Thanksgiving turkeys in ovens powered by Blachly-Lane. Heirlooms have been created at sewing machines and in woodshops. Birthday cakes have been baked and graduations celebrated. Porch lights welcomed daughters and sons returning from their first dates—and we were there.

We powered up our industrial corridor as businesses came one by one. Barn lights and irrigation pumps changed the way our farmers work. When ballfields were lit up and morning announcements first came over the intercom, we were there.

From the Golden Age of radio to liquid crystal display televisions, families have gathered around to hear of wars beginning, wars ending and walls falling. When the tragic news came across our TV

screens on 9/11, Blachly-Lane was there.

Babies have been rocked to the glow of night lights, and furnaces have kept grandparents comfortable. A broken heart was comforted with a pint of ice cream from the freezer. We were there.

We remain energized to bring you our best service through sun and storm. We are honored to be your co-op.



Ryan Garner, 9 years



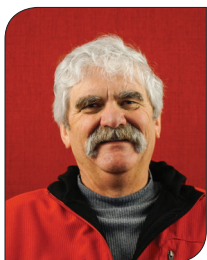
Jeff Youngblood-Lee, 9 years



Karen Horejs, 8 years



Joe Jarvis, 6 years



Greg Gardner, 5 years



Carole Phillips, 4 years



DeeAnn Nelson, 4 years



Matt Bottensek, 3 years



Jake Hendrickson, 2 years



Pam Spettel, 2 years



Garrett Crinklaw, 1 year



Jeff Jones, 1 year



Logan Drullinger, 1 year



Nick Domenigoni, 1 year

Remembering When the Lights Came On

A Lifetime of Rural Power

Karen Redhead was 4 years old when her family came to Triangle Lake.

Her father worked at Johnson's Mill, and the family lived in company housing.

Her father wired the house with one ceiling light and one electric outlet in the kitchen.

Hot water was provided by a tank attached to the wood stove. Her mother washed clothes on a washboard and—except in the summer—clothes were strung on lines through the house to dry.

Karen and her mother went to the "light plant" each month to pay their bill.

The family had their first television when Karen was in high school.

"Nobody could believe it," she says. "We had listened to stories on the radio, but suddenly we could see people on the TV."

As an adult, Karen got as far as Deadwood. Her home used to be heated by a wood stove and baseboard heat. Now, she enjoys the comfort of a ductless heat pump, paid for in part with a rebate from Blachly-Lane.

"For all these years, Blachly-Lane has been great," she says. "We have storms and snowing and blowing, and they always manage to get us back on quickly. Recently, I called about problems with my yard light, and the very next day they came out and took care of it." ■

Karen has been a Blachly-Lane member 76 of her 80 years.



Karen Redhead remembers when electric power was a rare luxury and appreciates all the comforts available because of it today.



Linnis Jones did not get electricity until just before graduating from high school. He found cold water from the refrigerator and hot showers to be his favorite changes.

Electricity Brings Comfort

Linnis Jones recalls his family farm on High Pass got electric service in 1949 or 1950, just before he graduated high school. He says the post-war copper shortage created a lag in the time it took to get the materials needed to build the Blachly-Lane electric system.

Around that time, his father built a new house that was wired for electricity, and the farm was wired for irrigation to grow string beans, wheat, barley and oats.

Cold water from the refrigerator is the thing Linnis says he enjoyed the most about having electric service. That, and a hot shower.

"Before then, we had to heat bath water in a tub with wood," he says. "Heating that water would make the inside of the house so hot. Taking that first shower was so wonderful. I also liked that we didn't have to pump and carry our water after that."

"I appreciate Blachly-Lane. People anymore don't know what it is to live without electricity. And it wasn't just farms and homes. The school didn't have lights, heat or water, either." ■

Linnis has been a Blachly-Lane member as long as he has had electricity—68 of his 86 years. He has served on Blachly-Lane's Counting Committee and remains an active member of the AWARE Committee.

