

THE BEC kWh

know what's happening

BEARTOOTH ELECTRIC COOPERATIVE MEMBER NEWSLETTER

MARCH 2015

Dear Members—

BEC Quick Look Calendar—

Deadline: March 31, 2015
Autopay/e-Bill Registration

Enroll online at—
www.beartoothelectric.com

Town Hall Meeting Schedule:

March 30, 2015
ROBERTS

March 31, 2015
FISHTAIL

April 1, 2015
CLARK, WY

April 2, 2015
COLUMBUS

The staff has just completed the 2014 operational and financial reports for your cooperative. The filing of the federal bankruptcy plan for Southern Montana G&T in June set the pace for returning the cooperative back to a level of operational normalcy. The margins (profits) for the year were higher (\$578,000) than budgeted (\$510,000). During the past year the staffs with contractors were able to replace over 500 older poles, update about five miles of underground wire and trim trees over 300 line miles of power lines with funds provided by your electric rates. The staffs work activities helped reduce outages during the year. Pole replacement and trimming of trees is still the number one operational priority for the 2015 BEC budget. Maintaining our ten distribution substations and 1,798 miles of power lines always require your cooperative to be diligent. A high level of service reliability is our annual goal with a very friendly member oriented staff.

This past November your board signed a three year management agreement with Lower Valley Energy of Afton, Wyoming. The company is a cooperative just like Beartooth. A management transition plan was just accepted by your board to implement the new agreement. The plan will result in a reduction of four employees from Beartooth but the changes will have no negative impact on customer service.

In late March and early April member meetings will be held to discuss the varying impacts of the plan and on the issues of power supply. In your March bill there will be dates, time and location of the member

meetings. This information will also be available on your BEC website and at the Red Lodge office.

Distribution related costs account for 50% of your annual electric bill and power supply costs account for the remaining 50%. Your board selected Lower Valley as a management option after evaluating several business alternatives to reduce distribution costs. Opportunities for the future of our power supply abound when the present power supply contract ends. The contract ends with the final payment of Southern noteholders (estimated to occur in late 2016) or the by our prepayment of the noteholder debt. Presently the cooperative is paying \$70/Mwh to Southern to pay off the noteholders. Current power supply market costs are in the range of \$43/Mwh. Going forward with a new power supply contract will be somewhere in the range of \$50 plus/Mwh.

By reducing both distribution and power supply costs in the near term your Beartooth Board is looking forward to obtaining their goal of reducing your electric rates. Prior to making any changes the bankers and regulators must evaluate the BEC rate reduction. The Beartooth Board is in the process of making a 5% rate reduction after mid-year possible. More information will be available at the member meetings in March and April.

Sincerely-Richard Peck,
Interim General Manager



PLAN TO JOIN US...



Town Hall Meetings Scheduled!

Important member meetings are scheduled for March 30 through April 2, 2015. The Beartooth board will host meetings in local communities to discuss options for the future of the cooperative. Members will also have a chance to ask questions about the new management agreement with Lower Valley Energy. Mark your calendars now. More information will follow.

March 30 - Roberts

March 31 - Fishtail

April 1 - Clark, WY

April 2 - Columbus

Power supply and business operations... defining next steps and measuring results

A new management team is poised to help BEC maintain high power distribution standards and move out of first place in the competition for highest electricity rates in the state. Working with our current manager and board of trustees the team from Lower Valley Energy (LVE) is already at work on plans for serving members, reducing costs, and securing affordable power going forward.

Due diligence

We have been reporting for three years on our commitment to due diligence that collects information, applies expertise, and analyzes alternatives before making informed decisions. BEC members have contributed time and expertise to our Due Diligence Committee and we have benefitted from outside expertise both contracted and volunteered. We have evaluated wholesale power supply options and examined our business operations to identify how we can best get affordable power and deliver it reliably.

Business operations -- We examined many potential business models before forging the 3-year contract with Lower Valley Energy that offers extraordinary opportunity for us to benefit from expertise and skilled management. The synergies between our two co-ops and the outstanding results they have delivered to their members were major factors driving the decision to contract with LVE.

Power supply -- BEC pushed for Southern Montana Electric, our current power supplier, to secure a contract for power immediately after U.S. Bankruptcy Court confirmed Southern's reorganization plan. We reached agreement with Southern on how to take our share of that contracted power with us when we leave Southern. Now we are examining wholesale power options to follow that contract, which ends in October 2017. After careful analysis we rejected some options including joining another generation and transmission co-operative, which would require entering an all-requirements contract even longer than the 40-year contract we had with Southern before the bankruptcy reorganization. In addition to traditional G&T power supply contracts we have looked at acquisition by an investor-owned utility, loose partnership with another co-op, and staying independent in our power supply contracts and business operations.

A major focus at BEC with new management will be developing a roadmap for how to meet energy needs into the future. As our 2013 revised bylaws require, we will collect information on available power supply resources and forecast our supply requirements in order to develop an Integrated Resource Plan before committing to long-term contracts



Arleen Boyd,
Due Diligence Chair,
District 5 Trustee
Submitted February 8, 2015

We use financial modeling to calculate the potential impacts of various business scenarios and power supply alternatives. We modeled the value of leaving Southern early and confirmed the benefits of an immediate exit, which we continue to pursue.

What do you need to know?

Our financial information, plans, and agreements, including our new contract with LVE, are available from BEC and posted on our website (www.beartoothelectric.com) that also provides information about Southern. Board members welcome calls from members. At Town Hall Meetings March 30 through April 2 we will share information and answer questions. Please attend the meetings and meet the new management team. We may have news about the exit from Southern. We want to hear from you on criteria for measuring the success of our new management approach. We believe that only the facts – positive numbers, programs, and services for our members -- will show that this relationship with Lower Valley Energy is the right decision and direction for our future.

Next Board Meeting

MARCH 31, 2015

11:30 AM

Red Lodge Area Community Foundation

Join us!

Chairman's Message



Roxie Melton
Chairman of the Board
robertsystop@aol.com
406-426-0135

It is March already and it really doesn't feel like winter this year. The weather is so mild that it concerns me what could be around the corner. Just be assured that whatever is dished out to us in the months ahead your power crews will be there. The winds have also been pretty hard on the system lately but our linemen have been able to get the power up and flowing without much delay.

I'm sure you remember reading about National Rural Electric Cooperative Association (NRECA) in the past. They are the national organization that also

conducts the electric cooperative member Youth Tour trips to Washington D.C. each year. Beartooth participates in this program and selects two delegates annually. We received a number of excellent stories and narratives about the positive effects of having power brought to the rural communities. It was a difficult task to decide which students wrote the best story.

This year our winners are from Rapelje High School. We will be sending Bianey Lara Ambriz & Brianna M. Erfle to Washington D.C. this June. Congratulations to these students, I hope you have a wonderful time and learn much about our country and its history.

The merger of services is underway and Lower Valley will be in place over the next couple of months. We look forward to the cost saving benefits this effort will bring to the coop. Please don't hesitate to contact your area director or the Beartooth office if you have any questions about the process. At this point, we have scheduled a Town Hall meeting in the Roberts area for March. Please plan on attending if you live nearby. We will be holding others meetings around the service area in the not too distant future.

Thank you for the opportunity to serve on the coop board on your behalf. I look forward to seeing you soon.

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bill credit!

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One-time \$33.50 bill credit. Valid only for first-time Autopay and e-Bill enrollees. \$33.50 credit applies only when the Autopay, e-Bill or both options are selected as your payment and/or bill receipt method. Offer expires March 31, 2015.

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Click 'Bill Pay' to start



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We'll give you a \$33.50
credit per account on the
next billing cycle.

Offer expires 3/31/15.