

THE BEC kWh

know what's happening

BEARTOOTH ELECTRIC COOPERATIVE MEMBER NEWSLETTER

May 2015

Dear Beartooth Electric Cooperative Members—

April 1st, 2015 marks the beginning of a management services agreement between Beartooth Electric Cooperative and Lower Valley Energy. But more importantly, this marks a prime opportunity for two excellent cooperatives – with great employees and shared cooperative values – to work more closely together. It is an honor for Lower Valley Energy to be a part of this exchange with Beartooth Electric Cooperative.

The last 3 years for Beartooth Electric have been filled with a tremendous amount of hard work on the part of your interim Manager, Dick Peck, your very diligent board of directors, the hard working employees of the cooperative, and committee member volunteers. Such a large organization as Beartooth Electric will take a long time to turn and steer towards a better future, but we are already on that path.

This transition and management services agreement has been 18 months in the making. Many meetings between managers, board of directors and staff have taken place. After digging into all the details, developing a new budget, and assisting in a cost of service study, the priorities are clear to us. The management team will be focused on reducing power supply costs, line losses, and operating expenses, and prioritizing BEC's capital dollars and system improvements to yield the best results for optimum reliability.

Member satisfaction, lowered operating costs, and transparency are at the core of every decision we make. We take pride in being involved with a member-owned organization. I have already spent time getting to know not only those who operate Beartooth Electric, but also you, the membership. We had the opportunity to attend 4 town hall meetings in Roberts, Fishtail, Clark and Columbus - I was immediately impressed with the thought and care the membership expressed,

the due diligence and effort the board puts into every decision they make and the true desire of all employees to provide exceptional service to the members. Everyone from the members to the board to the employees wants the same thing – lower rates without jeopardizing reliability.

Thank you for the opportunity to be a part of your new management team. Thank you for electing a board that shares the cooperative values of a fair price for reliable electricity with great customer service.

Along with me as your manager, you will get to know Rick Knori, our Director of Engineering, Bill Spaulding our Director of Operations, Angie Jennings our Staff Assistant, Wade Hirschi our CFO, and Brian Tanabe our Marketing Manager. We are excited about the prospects of lower rates at Beartooth Electric, and continued improvements in system reliability. But most of all, we are excited at the opportunity to serve and to get to know you, the members of Beartooth Electric Cooperative.

James R. Webb
President/CEO,
Lower Valley
Energy



BEC builds strength through cooperative partnerships

Your cooperative builds strength through partnerships with many cooperative organizations. Our newest partnership with Lower Valley Energy (LVE) will provide management efficiencies that we could not achieve alone. Another cooperative partnership BEC enjoys is with National Information Solutions Cooperative (NISC) who provides BEC business systems technology including customer care & billing solutions designed to help create efficiencies throughout our office and extend those efficiencies to our members.

Through BEC's NISC systems we offer you the time saving bill management programs e-bill, paperless statements and Autopay. We invite you to take a look at these systems and qualify for a bill credit incentive if you sign-up now.

e-Bill

Receive, view, and pay your electric bills online. This free service makes it easy for you to pay your bill whenever and wherever it is convenient for you. It also lets you view up to 12 months of previous bills and payments whenever you like, 24 hours a day.

Paperless Statements

By making the switch from paper account statements to paperless online statements you can:

- Reduce your risk of identity theft from paper statements.
- Access previous statements to help track your account history.
- View transactions for your BEC accounts online, securely and conveniently.
- Download statements to your computer for easy and safe record keeping.
- Eliminate the need to store or shred stacks of paper statements.

Autopay

Automatic Credit/Debit Card Payment of Automatic Bank Draft: Autopay provides members with a quick and easy monthly payment plan-with Autopay you have the opportunity to have your monthly electric bill payment automatically deducted from your checking/savings account or credit/debit card. No stamp, no mailing, no worries,

A \$30 bill credit could be yours! Sign-up Now!

Simply sign up for e-bill* to receive your monthly bill directly in your e-mail and receive a \$10 bill credit. Choose paperless statements and receive another \$10 bill credit. Add Autopay* as your bill payment option and receive an additional \$10 bill credit. It's that easy!!!

**e-bill, paperless statements and Autopay credits are one time credits. Offer expires May 31, 2015.*

Not an automated member? No problem.

Stop by and pay your bill at the cooperative's office at 1306 N Broadway Ave in Red Lodge. Office hours are 8 a.m. to 5 p.m. Monday – Friday. We enjoy the opportunity to visit with our members.

You may also use our night drop located in the cooperative office front door.

Have questions?

Please contact your BEC customer service representatives at 406-446-2310.

CLICK TO JOIN!

www.beartoothelectric.com



or call us

406-446-2310

Next Board Meeting

May 26, 2015

11:30 AM

Beartooth Electric Cooperative Headquarters
1306 N Broadway Ave, Red Lodge

Join us!

BOARD MEETING NOTICE:

Beartooth Electric Cooperative's regular monthly board meetings will now be held at our cooperative headquarters-1306 N Broadway Ave, Red Lodge, MT. Join us and experience our new conference room and live conferencing technology.

A New Direction? Analysis says yes.

A leadership position we do not want. Beartooth Electric members pay the highest electricity rates in Montana. Between 2004 when BEC helped start a new wholesale power cooperative, Southern Montana Electric, and 2011 when Southern declared bankruptcy our costs to purchase power and the rates we charged members more than doubled. Rates held steady from 2012 until now. As we reported at member meetings early in April, we finally are on financial ground that positions us to begin, carefully, reducing rates and changing that 10-year trend line.

Can we afford to decrease rates? We plan to begin reducing rates in 2015 because of projected savings in two areas. First, cost reductions resulting from the management agreement with Lower Valley Energy will produce savings to support a small decrease in 2015. Second, this year's budget markedly reduces expenses for legal and other services we have employed over the past three years to help secure a sustainable (for BEC) resolution of Southern's bankruptcy. Additionally, we calculate that between 2004 and 2010 BEC paid Southern nearly \$5 million on top of the high rates we paid to purchase power and invest in the Highwood Generating Station (HGS). Those cash calls and mind-bending expenses will not recur. While there still is exposure to additional Southern costs, the risk is lower than at any time in Southern's history.

In March an independent firm presented a Cost of Services Analysis to the BEC due diligence committee and board. The COSA, an industry-standard analysis tool for co-ops, confirms reductions in costs at BEC in 2015 and a corresponding reduction in required revenue. From a second perspective BEC Financial models, developed with the help of a separate firm, look at the longer-term impacts of a Southern exit and predict cost reductions that support member rate reductions.

With the bankruptcy resolved and an exit from Southern in sight we calculate that BEC can supply power responsibly and provide a demonstrably affordable initial rate decrease – a small step on the new trend line.

At a member meeting in Columbus BEC Manager Jim Webb set the criteria for evaluating our performance. "What matters," he said, "is that we supply quality service for members and reduce costs so the board can reduce rates."

Southern Montana Electric.

Leaving Southern -- the sooner the better -- will help reduce rates at BEC. Reaching agreement on an early exit from Southern has been harder than expected, but we believe we are close. If we do not secure an immediate exit we will leave Southern when the HGS notes are paid. Southern anticipates complete payment of the notes within two years.

What's next? We are actively analyzing power supply options to follow our current power contract that ends in October 2017. Working with an established power resource firm we reviewed market projections and potential approaches for a search for power at BEC. The firm's report notes a favorable market and suggests approaches for a search for power. Our new management team, the due diligence committee, and the board have set a priority on defining a search process and identifying criteria for evaluating supply options.

Stay informed. Stay involved. We are managed by a team from the co-op with the lowest residential rates of all the electric cooperatives in the country and a history of excellent management and member services. We will be making major decisions about power supply and maintaining our system – the nuts and bolts that affect both your rates and your service. Please pay attention and provide input. Board trustees welcome your calls and comments.

The reports cited in this report are available from the co-op and on our website www.beartoothelectric.com.



Arleen Boyd,
Due Diligence Chair,
District 5 Trustee
Submitted April 13, 2015

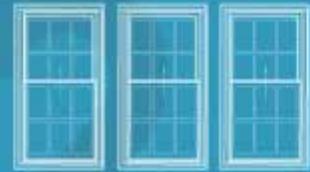


SAVING ENERGY *Saves Money*

Looking for ways to save energy and money at home? Check out the 8 things all homeowners should do to cost effectively lower their energy bills.



Install and set a programmable thermostat. Save an estimated 10 percent per year on heating and cooling costs by using a programmable thermostat.



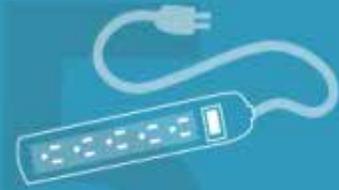
Use sunlight to your advantage. Choose window treatments that allow you to use natural light while reducing heat loss and gain.



Switch to ENERGY STAR appliances, fans and electronics. Using ENERGY STAR certified products throughout your home could save nearly \$750 over the lifetime of the products.



Choose energy-saving lighting. Replacing 5 of your home's most frequently used lights with energy-efficient ENERGY STAR bulbs could save you \$75 a year in energy costs.



Use an electronic power strip for your electronic equipment. Help reduce phantom loads -- and save up to \$100 a year -- by plugging electronic devices into a power strip and turn it off when not in use.



Reduce energy for water heating. Take simple steps -- like lowering your water heater's temperature and installing low-flow showerheads -- to reduce your water heating bills.



Hire a professional to maintain your heating and cooling system. Check and replace your air filters regularly and arrange for annual maintenance with a qualified technician.



Consult a home performance contractor to achieve large savings. These professionals will do a comprehensive audit of your whole house using special tools to measure home energy efficiency.