

THE BEC kWh

know what's happening

BEARTOOTH ELECTRIC COOPERATIVE MEMBER NEWSLETTER

July 2015

Dear Beartooth Electric Cooperative Members—



*James R. Webb
BEC General Manager
Lower Valley Energy,
President/CEO*

May was a very productive month for Beartooth Electric Cooperative (BEC) and it is impressive to watch how hard all the employees are working on your behalf. While the line crews are busy replacing poles and maintaining the 1,800 miles of overhead and underground energized line, the office staff has been hard at work providing exceptional customer service and looking for ways to reduce costs.

Our BEC/LVE financial staff just completed a two year financial forecast which supports the recommendation of a 5 percent rate decrease. The forecast identifies areas where costs have already been reduced

while targeting areas where BEC still needs to reduce costs. While working through the details of the financial forecast it became very evident to me that we have an exceptionally good finance team working for BEC.

Brad Prophet, BEC Accountant, has been tirelessly serving the BEC members for the past five years. He has an associate degree in accounting from Los Angeles Valley College and also studied accounting at California State University Northridge. In working closely with Brad, his attention to detail and get-it-done attitude blends well with his hawkish nature when it comes to spending the BEC members' money. The good news is that Brad will continue to play a very key role on the BEC/LVE management team and will be instrumental in ensuring the future financial success of BEC.

As we continue to build a strong financial foundation for BEC and seek to improve service while reducing rates, Brad and BEC now have the support and financial expertise of the very talented LVE Chief Financial Officer (CFO), Wade Hirschi. Wade, a licensed CPA, graduated from Idaho State University with a 4.0 cumulative GPA and started his public accounting career with KPMG in

Washington, D.C. During his four year tenure at LVE, Wade has been very successful at streamlining processes in the accounting department and saving LVE members a tremendous amount of money. He has helped LVE maintain some of the lowest electric rates in the country and put the cooperative in a very strong financial position. Wade is very excited to work with Brad and the rest of the BEC office staff and recently had this to say about Brad, "Brad is hard-working, and is dedicated to doing his job right. I appreciate his willingness to dive in and get things done. He is a very valuable part of the BEC team."

Due to the diligent work of the BEC Board of Directors, the Interim General Manager Richard Peck, and the BEC accounting staff, your cooperative is in better financial condition than it has been in years. A lot of BEC's financial challenges are behind it, but we still have a lot of work to do to make the electric rates you pay as low as possible while maintaining reliable electric service. One thing you can be sure of, with Brad and Wade in charge of the accounting and finance, you can rest assured you have an intelligent, innovative and hard-working team in charge of your cooperative's financial integrity and they are determined to make the future at BEC bright.

*James R. Webb,
BEC General Manager
Reach me at —
comments@beartoothelectric.com*



*Wade Hirschi
LVE Chief Financial
Officer (CFO)*



*Brad Prophet,
BEC Accountant*

Interested in serving on your Cooperative's Board of Trustees?

BEC Trustee nomination quick facts:

Open elections are for districts 4 (Red Lodge area) & 6 (Nye area).

Nomination Petitions are available online at beartoothelectric.com, at the BEC Office or through email or fax by request.

Petition submission deadline is—Friday, July 31, 2015, 5:00 P.M.

Elections are conducted at the BEC Annual Meeting, Saturday, September 26, 2015, Roberts High School, Roberts, MT

Save the date—

**The
BEC 77th ANNUAL
MEMBER MEETING**

**Saturday,
September 26, 2015
Roberts High School
Gymnasium
Roberts, MT**

This year's highlights include:

- Trustee Elections
- BEC's NEW Management Team
- Securing Power Supply

And more! Come join us!

EARN YOUR FREE \$20 ACCOUNT CREDIT



Today, all businesses are working to reduce expenses and become more efficient and your new management team at Beartooth is evaluating several ways to reduce costs and bring value and service to our membership. We encourage you to join our efforts and enroll in BEC's E-Bill and Autopay programs. Join now through July 31, 2015 and we'll give you a one-time \$20 credit on your next month's bill.

To date, over 1,100 members utilize the BEC internet based bill presentment and payment solution called E-Bill. Unlike other electronic based payment processors that offer only a "snap-shot" view of payment information, E-Bill allows posting of payments that can be viewed real time. E-Bill will allow you to have access to your electric account information 24-hours a day, seven-days a week.

It is easy to sign up for E-bill and Autopay, just visit the Beartooth Electric Web site (www.beartoothelectric.com), click the "Bill Pay" icon then click on the second bullet to enroll.

E-Bill & Autopay—Make paying your electric bill easier!

E-Bill & Autopay Features:

E-mail Notification

Members will receive an e-mail notification when a new electric bill is generated. The e-mail includes a link for easy navigation directly to your billing information. You can use E-Bill to review account information and pay your electric bill or you may choose to pay in a different manner. The choice is yours.

Multiple Accounts

For members who have multiple accounts, you can easily view each account and pay all accounts with a single payment.

Account History

Members can view current and historical billing information, payment history and usage history graphs.

Payment Processing

Pay your bill electronically using a Visa, MasterCard or Discover brand credit or debit card, or select an electronic bank check transaction.

No Charge

There is no charge for using the E-Bill service.

Autopay

The E-Bill system does not feature a recurring payment process. However, you may enroll your account in our Automatic Bank Draft plan or AutoCard payment plan; both of which provide automatic payments each month.

So, visit www.beartoothelectric.com, click on the "Bill Pay" icon and join BEC's E-Bill and Autopay programs today. Join by July 31, 2015 and earn the one-time \$20.00 account credit. We note that some members have multiple accounts. Each account that is converted to E-Bill and Autopay will receive the \$20.00 credit. Thank you Members for your participation.

BEC Due Diligence: Options, Analysis, Risk Management

These Rural Montana reports have talked a lot about due diligence for two reasons: 1) it has effectively framed decision-making that has put us in a good position today and 2) previous disregard for due diligence got us in trouble with a Southern Montana Electric bankruptcy and overwhelming Highwood Generating Station debt. Due diligence is about managing risk – putting numbers on options and applying the expertise necessary to take action and make choices with confidence. The board resolution adopted early in 2012 to make decisions only after serious due diligence continues to drive decision-making at BEC. Our new management team from Lower Valley Energy (LVE) not only shares the BEC board's risk management approach, they build due diligence into their recommendations and decision-making.

BEC Due Diligence to Date

With an exit from Southern likely, a longer-term power supply search underway, and the management agreement with LVE in place many important goals set by our board and due diligence committee are accomplished. We are in transition from crisis management to management of planned change. By the time you read this we will have announced the timeframe for a modest energy rate decrease.

Decisions made – In addition to influencing the outcome of the Southern bankruptcy and setting up exit provisions we have spent a great deal of time identifying potential power supply and business relationships for BEC going forward. We examined and eliminated consideration of unworkable power supply options including membership in another generation and transmission cooperative.

Due diligence underway – Our agreement with LVE to manage BEC includes a timeframe for evaluating the potential for merging the two co-ops within three years. We have established criteria (see website for the BEC/LVE contract) for measuring the success of the agreement. We anticipate savings and we see that our new management adds value beyond cost reductions. Our contract is with the Lower Valley board of trustees who will evaluate the benefits for LVE while both co-ops assess results and inform members who will vote on any merger or acquisition proposal.

We have informed members of the challenges for a small co-op with few economies of scale, low projected growth, and almost none of the federally subsidized power that helps many small co-ops hold costs down. Even as we focus on making the agreement with LVE work, we continue to assess the benefits of alternative solutions like acquisition by an independently owned utility or simple cooperation and cost sharing with another co-op.



*Arleen Boyd,
Due Diligence Chair
District 5 Trustee
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Submitted June 6, 2015*

Southern and the Highwood Generating Station Southern continues to discuss closure. We anticipate an early exit for BEC. Without the constraints of membership in Southern it will be easier for BEC to plan for rate decreases, longer-term power supply, and business relationships going forward. Neither BEC nor Southern has been informed of an agreement by the Highwood Generating Station trust to sell the plant.

Power Supply

As we reported last month, BEC is examining potential power supply sources to follow the current power contract that expires in October of 2017. The power supply committee has interviewed suppliers and BEC issued a request for indicative (non-binding) proposals to be submitted by June 30 with negotiations expected to follow.

The Beartooth Bylaws (IV, Section 1, G) require the board to give members 60-day notice and provide opportunity for member comments before entering power contracts exceeding two years. Since the April board decision to seek power members have been notified repeatedly of the proposed search process. At the June 30 meeting the board offered opportunity for members to ask questions and comment about the proposed power supply process. Please continue sharing your opinions and concerns with management and board members. We have created an email address (comments@beartoothelectric.com) to route your power supply questions for fast response.

A change for the better

By Anne Prince

It's the little things

When it comes to energy efficiency in the home, sometimes small changes can make a big impact. A small, unglamorous task like changing the filters on your HVAC system makes your unit run more efficiently – keeping your house cooler in the summer and warmer in the winter. It also saves money. And the savings gained from having your system run more efficiently can be applied to more fun or entertaining pursuits that your family can enjoy together.

The lowdown on dirt

As you move around your home, you drive dust into the air from carpets, furniture and drapes. Regardless of where it comes from, dust and dirt trapped in a system's air filter leads to several problems, including:

- Reduced air flow in the home and up to 15 percent higher operating costs
- Costly duct cleaning or replacement
- Lowered system efficiency

Making the switch

Now, that you know the facts, it's time to get busy changing or cleaning the air filter in your heating/cooling system. Many HVAC professionals recommend that you clean or change the filter on your air conditioner or furnace monthly. It's simple and easy, and in many cases, it only takes a few minutes.

Filters are available in a variety of types and efficiencies, rated by a Minimum Efficiency Reporting Value (MERV). MERV, a method developed by the American Society of Heating, Refrigerating and Air-Conditioning Engineers, tests filter effectiveness. The higher the MERV number, the higher the filter's effectiveness at keeping dust out of your system. While most types of filters must be replaced,

some filters are reusable. And don't forget about the winter months. Your heating system needs to work as efficiently as possible to keep you warm (and your loved one feeling snugly), and a clean air filter helps it do just that.

Heating and cooling professionals recommend turning your system off before changing the air filter. Make sure that the arrow on the filter – which indicates the direction of the airflow – is pointing toward the blower motor. When you've made the change, turn your system back on.



A teachable moment

Beyond saving money and improving the air quality in your home, changing your air filter is a great opportunity to teach your family more about energy efficiency. Consider getting everyone involved, and the entire family will learn how simple changes can make a big difference.

For other tips on how to save energy, visit www.energy.gov.

Anne Prince writes on consumer and cooperative affairs for the National Rural Electric Cooperative Association, the Arlington, Va.-based service arm of the nation's 900-plus consumer-owned, not-for-profit electric cooperatives.

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Join us—
BEC Board Meeting
BEC Corporate Office
11:30 AM
July 28, 2015