

Report on construction, operations and maintenance: Eric

BEC replaced 470 poles in 2014, just under the 500 that it budgeted.

Eric discussed the new three phase, Tippet Rise project near Nye. When completed the project will be a large performing arts center that will generate its own wind and solar power. BEC's cost to provide power to the project will likely be more than \$1 million. It should save BEC transmission costs and its new equipment will result in less line loss. Because providing the lines and power will also improve BEC's distribution system in the area, Richard will recommend the project receive a \$135,000 credit for the capital improvements the cooperative realizes. HDR, BEC's engineering firm, will design and engineer energy distribution facilities. The project underscores the need for a BEC policy on community power installations.

Finance and Accounting: Brad

Brad and Bob Walker, Interim Director of Finance and Accounting, are preparing calendar year-end reports. Cash balance at year end will likely be \$100,000 -\$125,000 and the outstanding balance of the Coop's line of credit \$390,000.

Committee Reports

Finance: Dan

The Finance Committee reviewed the budget and work plan and presented it to the board on December 9. There will be no increase in rates during 2015. The budget does not yet reflect a BEC exit from Southern nor the management agreement with Lower Valley Energy (LVE). The 2015 budget is on the BEC web site and includes an executive summary listing all assumptions.

Dan will add \$54,000 to the budget for communications equipment and services (video and phone) to support the management agreement with LVE. He'll also include a \$76,923 capital credit to the Tippet Rise project in 2015. With these changes,

Dan moved to accept the 2015 budget as presented. Dick seconded the motion. The motion passed unanimously.

Richard noted that he and Eric will be traveling to LVE's offices next week to work on the management agreement's transition plan. Richard is moving ahead with integrating the BEC and LVE data systems. See attachment 1.

Due Diligence and Southern: Arleen with Martin Young joining by telephone.

The board discussed the urgency of presenting BEC's latest exit offer to the other Southern coops during mediation.

The cost to pave Salem Road leading to the Highwood Generation Station remains an open issue that cannot be resolved until it is known whether Highwood, once sold, will operate or not. If it operates, the neighboring land owners may require paving and Southern would have an obligation (and BEC as a member of Southern) to pay for it. The board asked for the costs of

different levels of paving.

Southern is working to pay off its \$600,000 of secured and \$1.22 million of unsecured debt held by First Interstate Bank. Southern will obtain three appraisals on SME and Southern real properties, which can be sold to satisfy these debts. The board wants to know the values per acre of these properties. Martin and the board agreed that when the properties are sold, proceeds will go to Southern.

Arleen stated that the responsibility to move the fence at HGS (placed originally in the wrong location) is the responsibility of the buyer or seller but not Southern's:

The board discussed the cost of having the Coop's attorney review the Nancy Temple report on Southern's pre-bankruptcy actions to ensure nothing in it was confidential and, thus available, for all BEC members to read. The board agreed that Arleen should have its attorney proceed.

See attachment 2.

Consent Agenda: Richard

The board accepted the consent agenda.

Manager's report: Richard

The majority of December activities were related to the 2015 budget and associated financial forecasts for buying out and not buying out of Southern.

First Interstate Bank has asked BEC to refinance its loan of \$245,172 at 5.5 percent. Instead, BEC will pay off the loan in the 3rd QTR of 2015 using its CFC line of credit whose present rate is 2.8 percent for the \$2.0 million. BEC's present outstanding balance on our CFC LOC is about \$400,000.

BEC's secured, \$4.3 million, CFC Power Vision loan for past and future capital expenditures has neither a term nor interest rate. Its interest rate will be set when BEC borrows the funds and will be based on the years of the loan. The maximum years (term) is 30 years with an interest rate of 4.9%. The Power Vision loan is like a long term letter of credit at no cost until it's used. CFC would suggest BEC use the funds in a five year period.

During the month Richard met with staff, HDR Engineering, and Tippet Rise Project Manager, Alaban Bausett, to determine project requirements for Tippet Rise's performing arts buildings and future artist communities. BEC has collected \$20,000 in initial engineering fees for scoping the project. HDR has determined that 3-phase power needs to be delivered to the site. Initial costs will be in the range of \$900,000 to \$1,000,000. HDR will determine how the project will improve BEC's system, which will allow the coop to offer Tippet Rise a credit in the range of about \$150,000 to \$200,000 for system improvements. BEC will sign a contract with HDR to design the project. BEC will also work with Tippet Rise on a 1 to 2MW distributive generation project.