



“Beartooth Electric is **OUR** energy cooperative.”

SANDRA OBERT / Roberts, Montana

JOYCE JAMIESON / Roberts, Montana

your cooperative newsletter

January 2016



2016 Budget Reveals More Good News



2016 BUDGET REVEALS MORE

GOOD NEWS

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James R. Webb

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BEC YOUTH EDUCATIONAL PROGRAMS | SCHOLARSHIP DEADLINES APPROACHING-

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At the November Beartooth Electric Cooperative Board of Trustees meeting in Red Lodge, the board was very pleased to pass the co-op’s 2016 budget. Laying out the 2016 budget is part of the roadmap towards improvements at Beartooth Electric and tangible benefits for members. The foundation of the 2016 budget (available on our website at www.beartoothelectric.com) is a focus on improved service, system maintenance, and reduced rates.

The elements of improved service, system maintenance, and reduced rates are all tied closely together at Beartooth Electric. Service is improved by a wide-ranging look at what it takes to bring power to you, our members. Service is also improved by gathering feedback as we did this last summer, trying to listen better to your concerns. Improving service requires examination of system reliability, which we are doing through a very detailed maintenance plan. The new maintenance plan adds a level of responsibility to further ensure the strength of the electric system we all rely on. And by honing the maintenance plan and improving our processes, we feel we increase our efficiencies and in turn spend your money more wisely.

A very large component of the buzz surrounding the 2016 Beartooth Electric budget is the new power

source contract. The cost of the power we use, and subsequently the cost to bring that power to you, our members, is a large slice of the pie. Securing very competitive power supply cost rates for members resulted in dramatic savings in the 2016 budget—the budget amount is 38 percent less than the 2015 Budget.

Other rate-reducing measures we hope to continue in 2016 involve the administration and management services provided by Lower Valley Energy. Through shared efficiencies and best practices, the 2016 Budget projects a savings of about 10 percent compared to 2015.

Improving the Beartooth Electric distribution system, increasing reliability, and being more efficient with our processes all add up to a better cooperative. By establishing tangible goals such as reducing line losses, further decreasing your rates, and improving the maintenance of our electric distribution system, we will work to improve your satisfaction with your co-op in 2016. The future at Beartooth Electric looks very bright. We are very happy to serve your electric power needs.

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



Start saving with a DIY home energy audit

As temperatures begin to drop and your energy focus turns from cooling your home to heating it, consider using this time to increase energy efficiency and cost savings for the colder months ahead. Whether your home is old or new, chances are you are spending more on energy costs than necessary.

Armed with some basic knowledge and a little time, you can conduct a baseline energy audit of your home to identify where you are losing energy (and money). Use a checklist and take notes on problems you find as you walk through your home. Remember, the audit itself won't save you money unless you act on your findings.

DIY 101

So, where to start? If your home has multiple levels, work from the top down. Begin in your attic or highest floor, and work your way down to the first floor or basement.

1. Insulation and air leaks (drafts) – According to the Department of Energy, improving your home's insulation and sealing air leaks are the fastest and most cost-effective ways to reduce energy waste and make the most of your energy dollars. Check to see whether there is sufficient insulation in the attic. Are openings containing piping, ductwork and chimney sealed?
2. Electronic devices – Inventory all of the electronic devices you have and how often you use them. Computers, printers, DVD players, phones and gaming consoles are notorious “vampire power” users – they drain energy even when not in use. If items can be turned off without disrupting your lifestyle, consider plugging them into a power strip that can be turned on and off (or put on a timer).
3. Lighting – Note where you still have incandescent lights. Can you replace them with CFL or LED upgrades? Do you have nightlights? If so, consider replacing them with LED nightlights. Are there places where you can install motion sensor lights in low use areas, such as a closet, porch or garage?
4. Thermostat/indoor temperature – Do you have a programmable thermostat? When was the last time it was programmed? Is the date and time correct? If they are not, this could throw off the automatic settings. Is it set so the temperature is lower during the day and/or times when no one is home and at night when people are sleeping? Consider lowering the temperature a few degrees. (Recommended 68° in winter and 78° in summer).
5. Appliances and cleaning – Appliances are large energy users, and if yours are more than 10 years old, they are likely not as energy efficient as today's options. How and when you use them also make a difference. Do you wash your clothes in hot water, or can you use cold water instead? Does your hot water heater have a blanket? If not, consider insulating it. Make sure your dryer vent isn't blocked – this will not only save energy, it may also prevent a fire.

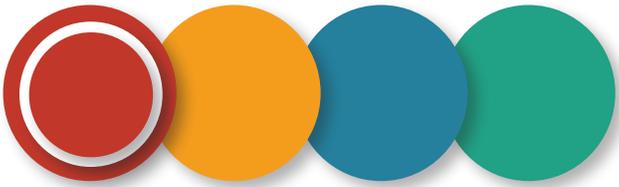
Evaluation

Once you have completed the audit, take a look at the findings. Prioritize actions that you can take based on your time and budget, weighing where you can get the most impact for your investment. Increasing your home's energy efficiency will make your family comfortable while saving you money.

Get yours today!
 DIY Home Energy Audit
 Check List
 online at
beartoothelectric.com
 at the BEC office
 or call us and request an
 email or hard copy by mail
 406-446-2310

DIY Home Energy Audit Check List		
<p>Whether your house is old or new, chances are you are spending more on energy costs than necessary. By understanding how your home uses energy, you can determine the best ways to modify energy use and keep more money in your wallet. With a little time, you can conduct a baseline energy audit of your house to identify where you are losing energy (and money). Use this checklist and take notes on problems you find as you walk through your home. However, the audit itself won't save you money unless you act on your findings.</p> <p>TIP: If your home has multiple levels, work from the top down. Begin in your highest floor and work your way down to the lowest floor. Once you have completed the audit, take a look at the findings. Prioritize actions based on your time and budget, weighing where you can get the most impact for your investment.</p>		
1. Insulation and Air Leaks (drafts)	Result/Suggested Action	Next Steps
Is attic hatch above an air-conditioned space, weather stripped and at least as heavily insulated as the attic?		Quick Fixes 1.
Does attic hatch close tightly?		
Are openings for pipes, ductwork, and chimneys sealed?		Long Term Solutions 1.
Are drafts coming from windows, doors, electrical outlets?		2.
Are there gaps along the baseboard, edge of flooring and/or at junctures of walls, ceiling?		
2. Electronic Devices	Can device be plugged into a power strip (and/or put on a timer)?	Next Steps
Inventory of electronic devices: <ul style="list-style-type: none"> • Computers/printers • Mobile devices • DVD/Blue-ray players • Stereo • Gaming consoles 		Quick Fixes 1.
		2.
		Long Term Solutions 1.
		2.

3. Existing Incandescent Lighting	Opportunity to Switch to CFL or LED	Next Steps
Note locations of existing incandescent lighting: <ul style="list-style-type: none"> • Hallways • Bedrooms • Bathrooms • Closets • Nightlight areas • Living area • Kitchen • Dining area • Porch • Laundry/Mudroom • Utility/Storage areas 		Quick Fixes 1.
		2.
		Long Term Solutions 1.
		2.
4. Thermostat/Indoor Temperature	Result/Suggested Action	Next Steps
Do you have a programmable thermostat?		Quick Fixes 1.
When was the last time it was programmed?		2.
Is the date and time correct?		
Is the temperature adjusted during the day and/or times when no one is home and at night when people are sleeping?		Long Term Solutions 1.
Can you adjust the temperature a few degrees and still be comfortable?		2.
5. Appliances and Cleaning	Result/Suggested Action	Next Steps
Which appliances are more than 10 years old? <ul style="list-style-type: none"> • Refrigerator/Freezer • Stove • Dishwasher • Washer/Dryer 		Quick Fixes 1.
Can you wash your clothes in cold water instead of hot?		2.
Can you use your washer, dryer or dishwasher during an off peak time instead of during the day?		Long Term Solutions 1.
Does your hot water heater need an insulating blanket?		2.
Is your dryer vent blocked?		



Risk Management— Looking for Trouble ... and Opportunity

Risk Management

The Beartooth Electric Cooperative risk management committee, set up by the BEC Board of Trustees, includes co-op members with valuable experience and expertise. They are working with the board to identify risks and analyze alternatives.

Over the past four years we focused on business alternatives. We took membership in a generation and transmission cooperative off the table. We left Southern Montana Electric, which freed us to secure power at much better rates and opened the door for new financial and business agreements.

As we worked to leave Southern we could forecast reduced expenses and favorable new power contracts. Now we are seeing quantifiable results. Excellent rates for wholesale power at BEC are fixed for the next 7 years. Last year we paid \$5.1 million for power, nearly 50 percent of our total revenue. Our new contracts reduce our power cost significantly, creating opportunity for additional member rate reduction.

We have not yet calculated the amount of our next rate reduction – that requires calculation of the reduced revenue opportunity followed by examination of lower revenue scenarios that ensure plant safety and reliability while improving our financial ratios. Those calculations are underway.

Examining Alternatives

For the first time standalone Beartooth provides a positive benchmark for evaluation of organizational alternatives. We no longer are seeking a solution to overwhelming problems or a way out. We are on solid ground looking at business alternatives to improve our position. “Improve” means to deliver reliable power and quality service at lower rates.

One option is to remain independent: a small co-op with challenges of low density and low growth. We have often reported on those challenges and the fact that it is difficult to lower rates significantly with a widespread system financed by revenue from so few members. To improve economies of scale we have a management agreement with Lower Valley Energy that provides excellent staff without full overhead or long-term personnel obligations. The agreement anticipates assessment of the potential for a merger with BEC becoming part of the larger co-op.

LVE is both a source for improved financial results at the independent BEC and a potential business alternative for the future. In addition to financial improvements resulting from our exit from Southern and new power contracts, we predict financial gains from implementation of efficiencies and best practices by LVE management. Financial gains will benefit an independent BEC and provide data for analysis of the potential benefits of a merger.

Next month we will report on the results of the analysis NorthWestern Energy and BEC have done to assess whether an acquisition could provide a financial advantage for BEC members while protecting the interests of NWE ratepayers as required by law.

Next Steps

BEC has three upcoming steps for you to track. We will: 1) Use the forecast model in January to perform comparative analyses of various rate reduction scenarios for BEC as a standalone cooperative managed by LVE. 2) Perform in March a comprehensive Cost of Service Analysis (COSA) to decide how to fairly lower rates across member classes. 3) Continue to assess the risks and benefits of business alternatives available to BEC. Southern Connection Update

Our exit from Southern is final. We paid our legally required share of Southern’s debt for the Highwood Generating Station (HGS) and are paying expenses we would have paid as a Southern member. We receive Southern’s financial statements each month to help us track their progress toward completion of bankruptcy obligations and the potential receipt of payments that could include amounts due to BEC. We continue to monitor Southern’s payback of the HGS notes. Once the notes are paid, our obligation to pay expenses ends.

We inform you to generate input and improve decision-making. Please contact any board member or our manager, Jim Webb, for information



*Arleen Boyd
Risk Management Chair,
District 5 Trustee
Submitted December 9, 2015*



Roxie Melton
Board President
Submitted November 10, 2015

PRESIDENT'S MESSAGE

I hope everyone had a great holiday season. Now it's back to business.

Recently I had a salesman come into the store. He told me he had some information and if I didn't like it he would leave. I thought that odd since he started out with such a negative attitude. He proceeded to tell/guess what my monthly power bill was. I told him it was not as high as he had guessed and he insisted rather harshly that I tell him what my monthly power bill was. At this point I was getting suspicious especially since he did not have the courtesy to introduce himself and who he represented. So I told him again it was not that high and that it was really none of his business. The man got pretty huffy and mad, at which time he stormed out.

When he turned to leave, I saw a pamphlet in his hand that had a picture of a wind turbine. I wish that I had played along to see what kind

of deal he would have proposed and promises he would have made. I really wish I could put a little turbine at the store but it would have to go on the roof as there is no safe area around me on the ground. Plus, the winds we have here lately would probably snatch it off the roof.

Fact is, Beartooth is proactive in the Distributive Energy arena and we have a Net Metering Policy in place for those that would like to avail themselves of this endeavor. However, I want to stress with our membership that if you are approached, please take the information and contact Beartooth. Have a Beartooth or LVE employee verify that the information they provide you is correct and that they can honestly save you money and provide a benefit over time. Also, that the equipment is installed according to our system requirements.

Until next time, stay warm and stay safe.

Roxie Melton

NEXT BEC BOARD MEETING | JANUARY 26, 2016 | 11:30 AM | BEC RED LODGE OFFICE

MECA Memorial and BEC Achievement Scholarship Applications

Deadline January 30, 2016

MECA Memorial Scholarship (\$500 scholarship)

The MECA Memorial scholarship application is open for the 2016-2017 academic year. To be considered for the scholarship, 1. You must reside in a household served by Beartooth Electric Cooperative, Inc. (BEC), 2. You or your parent/guardian must be an active member of BEC and 3. Submit the application and required supporting documents to BEC by January 30, 2016. The MECA Memorial scholarship candidate will be selected by the BEC Board based upon a variety of criteria including academic



strength (GPA and SAT/ACT scores), community involvement, activity in school, employment, and written personal statement. The MECA Memorial Foundation will select final scholarship recipients in early 2016. All students are encouraged to **APPLY NOW!** Applications are available at www.beartoothelectric.com.

BEC \$1,000 Achievement Scholarship

The MECA Memorial scholarship application is open for the 2016-2017 academic year. To be considered for the scholarship, 1. You must reside in a household served by Beartooth Electric Cooperative, Inc. (BEC), 2. You or your parent/guardian must be an active member of BEC and 3. Submit the application and required supporting documents to your high school counselor by January 30, 2016. The BEC Achievement scholarship candidate will be selected by the student's high school selection panel based upon a variety of criteria including academic strength (GPA and SAT/ACT scores), community involvement, activity in school, employment, and written personal statement. All students are encouraged to **APPLY NOW!** Applications are available at www.beartoothelectric.com.