

Moving Fast -- In A Good Direction

Getting Out of Southern Montana Electric

Every month as the Rural Montana deadline approaches we hope to announce an exit from Southern Montana Electric. Once again, however, our refrain is: *not quite yet, working on an immediate release, encouraged by Southern's expressed intent to close within two years.*

It is exciting to see imminent action on the most important matters we have dealt with over the past three years: leaving Southern, securing power for the future, and reducing rates.

Reducing Rates

As reported last month, leaving Southern (even if the exit is not immediate) and savings from the new management agreement with Lower Valley Energy allow BEC to deliver a modest energy rate decrease for members. The analysis is complete and by the time you read this management will have prepared rate reduction implementation plans for board review. To ensure that additional rate changes are applied fairly the board will examine rate structures for the various classes of members as suggested in the recently completed BEC cost of services study.

Buying Power for Members

For the past three years the due diligence committee and BEC board examined and successfully opposed various proposals to keep Southern together to sell power to its members at rates high enough to cover enormous payments for Southern's Highwood Generating Station debt. We talked with many power suppliers and potential business partners in preparation for an exit from Southern. We decided against joining another Generation and Transmission Cooperative where required contracts are reported to exceed 50 years.

Now, with experts reporting a favorable market for obtaining new power contracts BEC is conducting a search for power supply to follow our current contract that expires in October 2017.

Process for Power Supply Selection -- We have interviewed six interested suppliers and will review their indicative proposals (non-binding offers) that may trigger immediate negotiations. We are prepared to launch a formal request-for-proposal (RFP) process, if appropriate, after reviewing the initial offers.

Selection Criteria -- Our profile for a supplier providing a power contract with an anticipated maximum term of seven to ten years includes the following criteria:

- Ethical business practices
- Reliability
- Solid business projections for the contract term

- Support for business in Montana
- Advantageous rates and credit provisions
- Industry-standard terms and protections

Member participation -- To ensure a competitive process BEC will need to make timely decisions and maintain a level of confidentiality for the competing bidders. It is important for BEC members to understand the process and have an opportunity to provide input. We have created an email address (comments@beartoothelectric.com) to route your power supply questions for fast response. You are welcome to contact a board member or a member of the team conducting the power supply review. The team working on the power supply process includes BEC Manager Jim Webb, Engineering Manager Rick Knori, due diligence committee member Bill Pascoe, and due diligence chair Arleen Boyd. Board meetings always are open and the June 30 meeting will start with an opportunity for comments on power supply.

Arleen Boyd. District 5 Trustee, Due Diligence Committee Chair
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