

# THE BEC kWh

know what's happening

BEARTOOTH ELECTRIC COOPERATIVE MEMBER NEWSLETTER

APRIL 2015

## Dear Members—

Three years ago I traveled down from Alaska and signed what I believed to be a short term contract of six months to help your board reestablish member confidence in their cooperative. At the signing of my contract your board had two individuals with 18 months of non-profit cooperative experience, three individual's with six months of experience and two board members that had just been appointed. Several hours of board training alone would need to be implemented over the next few months to help the board clarify their board responsibility.

There were 23 employees in my first month of employment with limited executive leadership. The manager and operations superintendent had just recently resigned. The Director of Accounting and Finance resigned in the second month after I arrived. Needless to say I had substantial amount of management opportunities. Starting anew with good executive leadership was the spark that Beartooth needed to get your team refocused for the challenges ahead. Today with 17 employees the Beartooth staff has arisen to the opportunities each year in providing exceptional customer service with NO increases in electric rates.

The cooperative staff has been adding about 60 new services each year, also your BEC team with the assistance of contractors have been providing communication services, trimming trees, replacing about 500 poles a year and replacing several miles of bad underground. Six major cooperative vehicles have been replaced to keep your

transportation equipment in good shape, 36,000 plus hours have been worked each year without a lost time accident (workers compensation premiums have decreased). The maintenance of your grid and operational efficiency of your employee team is nothing but top notch.

The Beartooth Board in early 2012 formed four major committees of Finance, Due Diligence, Policy and Bylaws. The BEC board adopted their first budget with major oversight in July 2012. The new budgeting process now gives the membership the opportunity to be involved in oversight all along the three month budget building process. The membership is notified of the budget meeting time frames, funding needs (long term borrowing requirements) and has access to the information on line or at the Beartooth office.

Transparency is a major legacy of your present BEC board. Not only will you find your annual budget online but there is information on the Southern Bankruptcy, Bylaws and Board Policies, future meetings and all activities of your cooperative. Transparency came about with the rewriting of all the cooperative Bylaws with the assistance of individual members and BEC Board members. Today at any board meeting the individual member is welcomed to attend and bring forth any issues they may have.

As I start my month of transition back to Alaska in April, I would like to thank the many individual members of the cooperative that shared their uncompensated time freely by putting together a well-balanced cooperative

outline of Bylaws and Policies for the Beartooth Electric Membership:

Jack Schutte-Bridger

Deb Thomas-Clark

Mike Specht-Clark

Judith Gregory-Red Lodge

Janet Luloff-Roberts

Frank Willett-Fish Tail

Bill Hand-Nye

Charles Sangemeister-Nye

Sharlene McComas-Red Lodge

Rick Hill-Nye

Bill Pascoe-Absarokee

Burt Williams-Dean

Gary Buchanan-Roberts

These BEC members are owed a deep debt of gratitude for their work and perseverance in reshaping the future of Beartooth. I would also like to thank the present board and former board member Pat Hoffman for their time in becoming responsible to the needs of the cooperative membership. Finally I would like to give a tip of the hat to your employees who have always responded in providing quality service and energy 24/7.

Warm regards to all, my adventure here in Red Lode has been most enjoyable-

Richard G. Peck



# WHAT IS EHA?

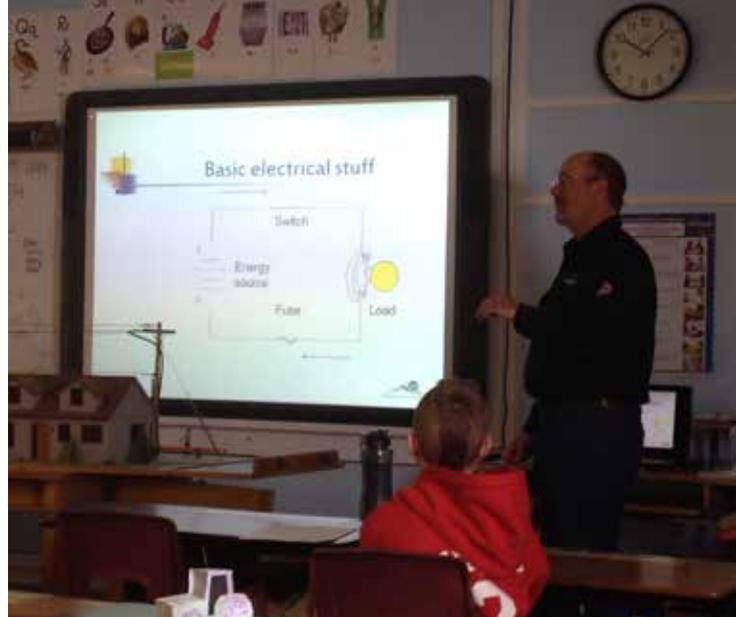
It stands for Electrical Hazard Awareness. It's the message that Lee Hauge has been bringing to the schools in Carbon and Stillwater counties since 1987. Its electrical safety made fun! For the past 28 years Lee has taught electrical safety to over 5,000 kids in the Beartooth Electric Co-Op service area.

EHA is not a boring session of rules to memorize on how to be safe around electricity. It's a group effort of minds exploring the basics of electricity and problem solving. It becomes a forum where everyone gets involved. One of Lee's goals is to get every kid involved in some fashion before the day is over. "Once we get going, it is really pretty easy getting all the kids to participate in some fashion", according to Lee.

Lee comes armed with a Power Point computer program that he has developed over the years. Lee uses this tool to teach the kids basic electrical concepts. This computer program is designed to stir the kids' minds and to create questions and thoughts about electricity that we solve as a group. Lee also brings the Display Graphics electrical display board that the co-op jointly purchased back in 1987, along with 3 other neighboring co-ops. Today only Beartooth Electric and Yellowstone Valley Electric utilize the display unit. The unit is basically a model of a small town set up to display several electrical hazards that one might encounter out in the real world. "It's pretty cool," according to Lee. "It operates at 1,400 volts running at a very, very small amperage. It can draw some pretty impressive arcs of electricity the usually gets the kids attention.

After we spend about 45 minutes working on "basic electrical stuff" with the power point program. We get up and stretch a little bit then get back to "work". Now for the next 45 minutes, the group moves over to the display board and applies what they have learned. Here, the group talks about things like flying kites around power lines how to look for power lines before climbing trees, what to do if you encounter a down power line after a big wind or snow storm, the dangers of, and how to deal with, a damaged power "green box" if one is ever encountered. The group also talks about how to deal with an electrical emergency in the event of a motor vehicle crash involving power line.

The day wraps up with Lee asking each of the kids to help him by giving him safety tips on how to be safe at home with electricity so he can pass it on to the next group of kids. Lee says he has a lot of fun working with the kids and hopes that they go home at the end of the day a little safer.



Lee Hauge  
BEC Sub-Foreman



# It's about numbers ... mostly dollars

**Southern Montana Electric** -- It is painful to look back at how much money Southern Montana Electric spent to support its nearly 3-year bankruptcy – more than \$10 million in legal and professional fees and approximately \$26.5 million in “adequate protection” for the secured noteholders, plus its ongoing operational costs and court expenses.

In June 2014, the picture changed for Southern and BEC. Leaving behind 40-year contracts between Southern and its members and plans to keep the Highwood Generating Station, the bankruptcy court approved an agreement to assign HGS to a liquidation trust and allow (but not require) Southern to close after paying the HGS noteholders and other legal obligations within four years. Today Southern is supplying power to members and making payments that could retire the notes within two years. The noteholders also will receive the proceeds from the sale of HGS.

Under the plan BEC has a right to leave Southern, with consent from its members, after paying a share of Southern's obligation to the noteholders and other liabilities. We are in final negotiation for an exit. Leaving early would allow us to avoid risks from unforeseen decisions at Southern. Terminating our all-requirements contract with Southern would clear the path for new business agreements and potential contracts for power to follow our current power supply contract that runs through September 2017. Most importantly, analysis shows that leaving Southern early may accelerate a potential rate reduction for BEC members.

**Focus on Beartooth** -- Beartooth is focused on business at home while still working to leave Southern. Even with an early exit additional payments may surface, but we believe that most liabilities related to Southern are identified and many are paid. We just paid \$245,172 for a Southern line of credit BEC guaranteed in 2011. Our 2015 projected budgets for legal costs and independent analysis are less than half of what was required last year. We have new management with a commitment to continue progress toward better service and lower rates.

**Power Supply** -- BEC is investigating how and when to launch a formal search for power supply to follow our current contract. A consultant is working with management and the due diligence committee on an overview of the market,

available resources, and alternative approaches and timeframes for securing power after the current contract expires. The report will help BEC assess whether, how, and when to issue a request for proposals to supply power. The committee and board will review the report in March.

If a request-for-proposals process is launched BEC will notify members and provide opportunity for questions and input as required in Article IV, Section 1 G of the BEC bylaws. The bylaw provision requires 60-day notice to members of proposals to enter or amend power contracts exceeding two years.

**What is next?** By the time you read this, a month from now, we could have news on several important matters: definition of a process to seek power longer term; sale of HGS; negotiations to leave Southern; and possible sale of properties near HGS owned by Southern and by SME Electric. The Town Hall meetings will have introduced our new manager to members.

Our financial information, plans, and agreements, including our new management contract are available from BEC and posted on our website ([www.beartoothelectric.com](http://www.beartoothelectric.com)). Board members welcome calls from members.



Arleen Boyd,  
Due Diligence Chair,  
District 5 Trustee  
Submitted February 8, 2015



# **A Tribute to Richard Peck—**

## **BEC's Departing Interim General Manager**

Change. Some embrace it. Some fear it. Some deny it. In the spring of 2012, our cooperative was in the midst of it. A man from Alaska walked through our front door, our Interim General Manager, Richard Peck. We had heard a lot about him. A marine, academic, electric cooperative guru, Unalaska council member, world traveler and now, our Interim General Manager. It didn't take long for both believer and non-believer to recognize that he was made of the salt of the earth—idealistic, ethical and people-orientated by nature.

Richard, you epitomize the view of a leader as someone who not only makes “people feel that they're at the very heart of things, not at the periphery,” but actually put forward, and implemented, a vision of leadership in which that was a reality, not just a feeling.

Although you are a kind and open person, you never hesitated to take on sensitive issues and to swim against the tide. Our cooperative's tides rolled and you unwaveringly steered our ship through the storm. With your focus on safety, providing the tools and training necessary for every undertaking and never hesitating to recognize achievement, you have raised us all to your high bar.

Now that your time is short, we want to celebrate the journey you have led. Thank you for the gifts you have shared with your team—Here's our top ten:

1. Safety First.
2. Value People.
3. Surround Yourself with Good People.
4. Accentuate the Positive.
5. Expect Greatness.
6. Learn from Others.
7. Overcome Obstacles.
8. Take Risks.
9. Have a Work Ethic.
10. Love What You Do.

We wish many blessings to you, your wife Vicki and your family.

Thank you Leader, you've made a difference. Thank you Friend, we wish you a very Happy Birthday, days that are always bright and lines that are always tight!

**Thank You!**  
*Your BEC Staff*