

THE BEC kWh

know what's happening

BEARTOOTH ELECTRIC COOPERATIVE MEMBER NEWSLETTER

June 2015

Dear Beartooth Electric Cooperative Members—



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

Lower Valley Energy's management team officially began managing Beartooth Electric Cooperative on April 1, 2015. We have been working closely with the very talented BEC employees and board of directors to explore opportunities to reduce costs and improve service. The whole BEC/LVE team is focused on providing reliable electric service at competitive rates.

The LVE management team has been particularly impressed with the BEC Operations Manager, Eric Elton. During the transition to the new BEC management regime, Eric has worked tirelessly to bring us up to speed and to help us learn the BEC electrical system. Eric has been faithfully serving the BEC members for the past 22 years. He is extremely knowledgeable of the BEC system, has the trust of all of the employees, and has earned the respect of the BEC board and members. The good news is that Eric will play a very critical role in the new management team and will be the senior staff person when the LVE management personnel are not in Red Lodge.

As we continuously seek to improve service and reduce rates at BEC, the operations and engineering crews headed by Eric now have the backing of two very talented and experienced operations personnel from LVE. First, Bill Spaulding, LVE's Director of Electric Operations has over 39 years of operational experience at and has been instrumental in reducing outage time at LVE by developing a very proactive and ground-breaking maintenance program. His collaborative management style has served to empower all of the LVE operational staff to unleash their creative outage-reduction ideas. Besides their day-to-day service and maintenance work, Bill's team has built miles of new transmission line, new substations and even new hydroelectric generating plants. Bill is excited by the

opportunity to work with Eric and the BEC lineman and recently said,

"Eric and the Beartooth lineman are talented, hard working and dedicated in their jobs. Having inspected the BEC electrical system, I found it to be well maintained and demonstrates their efforts in improving system reliability and operating a safe system. I am excited to work with Eric and the lineman as we implement some of LVE's proven outage reduction techniques. Our end goal is to provide excellent customer service with lower rates."

The other addition to the new operations team is Rick Knori, the LVE Director of Engineering, and one of the top electrical engineers in the Northwest and is renowned for his creative problem-solving skills. Rick has been serving in LVE's engineering department for over 36 years. He and his talented engineering staff have done an excellent job of utilizing technology at LVE to reduce costs and improve service. They built and installed a state-of-the-art Supervisory Control and Data Acquisition (SCADA) System, Geographic Information System (GIS) and Two-Way Automated Communication System (TWACS) for metering and customer information sharing. Rick was instrumental in converting the electric utility in Kauai, Hawaii into an electric cooperative and has been utilized several times by NRECA to perform management audits of other utilities. Rick has already unleashed his creative thinking at BEC and has come up with several ideas to reduce line losses and improve system reliability.

With Eric Elton, Bill Spaulding and Rick Knori, BEC has an operations and engineering team that is second to no other electric cooperative in the country. You know Eric. I hope you also have the opportunity to meet Bill and Rick sometime when they are in Red Lodge working with Eric and the rest of the BEC employees. You have my word that all three of these quality staff members are focused on service and satisfaction of the BEC membership.

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



*Eric Elton,
BEC Operations
Manager*



*Bill Spaulding,
LVE Director of
Electric Operations*



*Rick Knori,
LVE Director of
Engineering*



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

You might wonder why it is important for cooperative members to nominate and elect fellow members to the position of trustee. The reason is simple: the Board of Trustees sets the direction for the cooperative's future, through their five primary responsibilities: **1.** Planning, **2.** Fiduciary, **3.** Legal, **4.** Trustee, and **5.** Controlling.

There are seven board districts within BEC's service territory. Per our Amended Bylaws, each year district trustee positions are open for election. This year, District 4 (Red Lodge Area) and District 6 (Nye Area) are open for the nomination and election of trustees. Trustee service terms are three years.

Your cooperative is committed to open and democratic elections for its Board of Trustees. Nomination of candidates is accomplished by petition and each member from an open district who submits a valid petition is designated as a candidate for trustee from that district. Any qualified member wishing to become a Trustee of Beartooth Electric will be subject to the nomination and election Bylaws of the Cooperative. The time frame for submitting trustee nominations is June 1, 2015 through July 31, 2015.

If you or anyone you know wishes to become a Trustee of Beartooth Electric Cooperative, you must first make sure you are a qualified candidate. The qualifications are listed in the "Qualifications" section of this article. Once you verify your qualification, you will then need fifteen (15) legal cooperative members to sign a nomination petition. The official

"Nomination Petition" is furnished by Beartooth Electric Cooperative. Nomination Petition forms are available at the Cooperative office, 1306 N. Broadway Ave., Red Lodge, you can download the form from our website www.beartoothelectric.com, or call and request a fax or e-mail document. The official election takes place at the Cooperative's annual meeting.

The 2015 Beartooth Electric Cooperative, Inc. Annual Meeting will be held Saturday, September 26 at the Roberts High School Gymnasium, Roberts, Montana. Cooperative members must use mail-in-ballots or bring their ballots to the meeting to vote.

Trustee candidates, we look forward to receiving your nomination petition. Good luck!

BEC Board of Trustees Nominations Now Open!

**June 1, 2015
BEC Trustee Nominations OPEN**

**July 31, 2015
BEC Trustee Nominations CLOSE**

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

BEC AMENDED BYLAWS, September 22, 2012 ARTICLE IV—BOARD TRUSTEES

SECTION 3. Qualifications.

A. No person shall be eligible to become or remain a Board Trustee of the Cooperative who:

1. is not a consuming Member and bona fide resident of the district served or to be served by the Cooperative;
2. is in any way employed by or financially interested in a competing enterprise or a business selling electric energy (excluding net metered customers), or supplies to the Cooperative, or a business primarily engaged in selling electrical appliances, fixtures or supplies to the Members of the Cooperative;
3. has been an employee of the Cooperative for any length of time within the immediately preceding five (5) years;
4. is employed by, is an agent of, or is a close relative of an employee or agent of the Cooperative;
5. is employed by or materially affiliated with any other Trustee; or
6. owns an interest greater than ten percent (10%) or holds a management position in a business wherein more than ten percent (10%) of the goods sold are sold to the Cooperative or one of its subsidiaries, or a combination thereof.

B. Upon establishment of the fact that a Board Trustee is holding the office in violation of any of the foregoing provisions, the Board shall remove such Board Trustee from office.

C. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

SECTION 4. Nominations.

A. It is the responsibility of the Members to solicit candidates for the election of Trustees. The Trustees shall ensure there are qualified nominees.

B. Any fifteen (15) or more Members acting together may make nominations by petition and the Secretary shall publicize such nominations. Nominations made by petition received at least fifty (50) days before the meeting shall be included on the official ballot.

SECTION 5. Election of Trustees.

Elections of Trustees shall be by a form of printed ballot. Each Membership of the Cooperative shall be entitled to vote for one (1) candidate from each district for which a Trustee is to be elected. The candidate from each district for which a Trustee is to be elected receiving the plurality of votes cast for that office at such meeting shall be declared elected as Trustee. If, after a recount, there is a tie for a Trustee position, the winner shall be determined by a coin toss.

SECTION 6. Trustee Seating.

At the Board Reorganization Meeting immediately following the Annual Membership Meeting, all newly elected Trustees shall sign a statement verifying they are qualified and have no conflict of interest that violates these Bylaws. The newly elected Trustees shall then be seated.

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,
Due Diligence Chair
District 5 Trustee
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Submitted May 9, 2015*

Chairman's Message



Roxie Melton
Chairman of the Board
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It was so nice to see many of you at the Town Hall meetings in May. I love telling good news, especially when it means lower rates and savings to the membership and the co-op. Lower Valley has a history of making good cost saving decisions and I look forward to working with them over the next couple of years.

On the other hand, saying welcome to Lower Valley means saying good bye to other friends. Our Interim General Manager, Richard (Dick) Peck joined our group with a six month contract three years ago and we have had to extend it three times. To enter the office and

round the corner and not see his smiling and jolly disposition will leave a void. His dear wife Vickie with her welcoming hug each time we meet and bright smile will also be missed. Richard has accomplished so much in the past years. Our ride to financial stability has been an interesting journey. Richard, from all of us on the board, we wish you many years of happy fishing and teaching your grandchildren the joy of the sport.

In addition, Bob Walker, rejoined our team for a 3 year stint as the Interim Director of Finance. He worked to gain a handle on the finances and work orders. With his help everything is back on an even keel. I have no doubt with Bob's exit he has left Brad Prophet with an excellent working knowledge of the co-op and Brad has demonstrated an incredible sense of cooperative finances.

We had one departure that resulted from the Management Agreement. Dianne Makinson concluded her employment at the end of April when her position was eliminated. I want to say a special thank you to Diane for her dedicated service to Beartooth and wish her the very best in her next adventure. Her cheery demeanor and optimism will be missed as well.

The Graduation season is also here and I would like to announce the winners from each school that received a \$1,000 scholarship to continue their education.

Absarokee	Ty Pflingsten
Bridger	Emily Tucker
Columbus	Brooke Kern
Joliet	Terryn Bermes
Powell	Taylor Woodward
Rapelje	Brianna Krieger
Red Lodge	Jill Purcell
Reed Point	Miranda Youngren
Roberts	Richard Hibbs

Lower Valley is now our new management team but business is still as usual here at Beartooth. Until next month, thank you for the opportunity to serve on your behalf.

NEXT BOARD MEETING: JUNE 30 - BEARTOOTH ELECTRIC COOPERATIVE OFFICE - 11:30 AM

77th ANNUAL MEMBER MEETING 2015



BEC Members arriving to attend the BEC Annual Meeting. Plan to join us this year!

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 Management Team
- Securing Power Supply
- Vote-by-mail