

BEC has filed its tax form 990 on time. It's based on financial performance through December 31, 2013. Bob's staff is current on closing work orders. Bob continues to draw upon BEC's Cooperative Finance Corporation (CFC) line of credit for short term cash flow requirements. In addition, during 2014 BEC will use this line as bridge financing to fund capital projects, since the long term Rural Utility Service (RUS) capital financing is only available once BEC has completed projects. The interest rate on the line of credit is 1.9% versus the long term financing rate of 4.25 – 4.5%.

Committee Reports

Finance: Dan

Dan reported on the Finance Committee meeting of May 7th. At the last board meeting, the board approved the retention of Summers-McNea as BEC's auditor. Summers-McNea has raised its fee for a three year contract by \$1200 over the last contract period. The Finance Committee considered this acceptable, and the board agreed.

The committee reviewed the rationale for a cost effective debt consolidation to enable BEC to finance an exit from the Southern Montana G&T Cooperative (Southern), pending resolution of Southern's bankruptcy. The prepayment penalty of RUS debt would be \$980,000, which outweighed the projected interest cost savings of \$450,000. Therefore, BEC will not undertake the proposed debt consolidation.

The budget for the 2014 annual meeting is \$35,000 but Richard is now projecting costs of \$45,000, due in large part to electronic vote counting. Richard will examine areas for cost reduction.

Financial reports reflect BEC operating on budget through March 31st. Cash balances were \$350,000. Capital spending was \$100,000 under budget, which represented largely a timing variance.

Dan moved and David seconded that the board accept the first quarter financial statements as presented.

The motion carried unanimously.

Policy Committee: Laurie reporting on the meeting of May 6th

The committee continues to work on policies with BEC counsel, Larry Martin.

Due Diligence: Arleen

See attached report.

Southern issued a Request for Proposal (RFP) on May 26th for a four year power supply contract to determine if four cent cost of power, assumed in the bankruptcy plan, is available. Balloting by the Southern board on the bankruptcy plan is May 29th, leaving not much time to secure responses to the RFP. BEC abstained on a motion at the board to file documents with the court that assumed 4 cent power, since Southern has not verified such pricing. The Southern board has not considered a budget with reduced administrative costs.

The mediation between BEC and the other three Southern coops to resolve BEC's request to leave Southern will end June 23rd. At that point, BEC will either accept the mediated terms or request arbitration.

Member town hall meetings are scheduled (see calendar below). Rapelje and Reed Pont meetings occurred last week with 20 people attending. Arleen will circulate talking points for board members to have at their respective meetings.

Southern Montana Electric (SME) has engaged counsel to investigate liens on its property. Once these are clarified, SME can sell its property, repay Southern's loan secured by the property, and then disband.

Dan asked for a summary of all legal and consultant fees related to the bankruptcy for both Southern and BEC.

Consent Agenda. The board approved the consent agenda.

Report from the Manager: Richard

The BEC union ratified the new three year contract as of May 1st. Major features:

- Wage rates will increase 1%, 2% and 2% for each of the next three years beginning May 1st.
- BEC will contribute an additional 2%, 1% and 1% to the 401K plan each of the next three years from a current contribution of 3%.
- All union employees will be paid for 50% of their sick leave over 520 hours. They will also receive 50% of their sick leave when they retire or leave after 10 years of service.
- New hires will not participate in the defined benefit plan. Instead, they will receive a 9% contribution to the 401K plan with an additional 3% match.
- Payment on health insurance rose \$.25/hour to \$6.75.

Dan moved and Dave seconded to accept the new union contract.

Motion passed unanimously.

Terry Richardson will retire May 30. Richard will fill his position with a materials service contract.

E bill participation is 1,500 accounts, up 500 from a year ago. Richard will introduce another incentive program to increase enrollment.

New Business

Election of New Secretary-Treasurer

Laurie moved and Arleen seconded to appoint Dick Nolan as the Secretary-Treasurer.

Motion passed unanimously.