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Reorganized Southern in effect
Beartooth members show support for separation

As the bankruptcy of Southern Montana Electric Generation and Transmission Cooperative was in its final stages, Beartooth Electric Cooperative held public meetings in May and June to discuss the Southern reorganization and invite comments from their members—including comment on a new power contract.

To promote transparency and avoid a repetition of past missteps, Beartooth members approved a bylaw change last year, proposed by the Board of Trustees of Beartooth, to require a 60-day comment period before signing a power contract exceeding a two-year term. The Beartooth Board, however, signed an amended power supply contract last week to comply with a U.S. Bankruptcy Court order finding that a delay in signing the contract could jeopardize the confirmed plan of reorganization for Southern. The comment period would have extended through July. The amended power supply contracts between the reorganized Southern and its members serve as collateral until \$21 million in debt is paid to Noteholders who financed the Highwood Generating Station.

“We obeyed a court order. We wanted a longer comment period,” said Roxie Melton, chair of the Beartooth Board of Trustees. “The long-term power contract is what prompted the bylaw change. This contract is projected to end in four years,” she explained.

Beartooth notified members in May that a settlement with the noteholders had been reached. In June Beartooth voted in favor of the reorganization plan. The plan allows Beartooth to exit Southern if it pays a portion of Southern obligations and the other members of Southern approve.

“We pushed for liquidation of Southern until it was obviously not an option that could be agreed upon,” said Arleen Boyd, chair of the Beartooth board’s due diligence committee, who also represents Beartooth on the Southern board.

Meetings regarding resolution of the Southern bankruptcy and Beartooth options under the reorganization plan were held in nine locations in the Beartooth service area. Comment from those who attended appeared to support the effort to exit Southern.

“We heard agreement on the need to take advantage of new opportunities and escape the risks associated with remaining part of Southern,” Boyd reported. “Our members seemed to understand

that we are weighing those risks and the opportunities that result from paying off the debt early.”

Mike Specht, a Beartooth customer in Clark, Wyoming, is one example. Like other members who attended the recent meetings, he voiced a desire to get away from Southern.

“The sooner we get away, the better off we will be,” said Specht.

Pointing to the highest retail rates in the state, historically poor financial management of Southern, and other costs incurred by Beartooth because of its membership in Southern, Specht said, “Let’s get to the place where any future mistakes are our own.” Specht is a retired fireman from Sioux Falls, South Dakota. He grew up with a grandfather who worked for the Western Area Power Administration and a father who was a plant supervisor at a hydroelectric dam on the Missouri.

“Good power supply decisions are the key,” Specht said.

In order to leave Southern, Beartooth will have to pay off a share of Southern’s reorganized debt and obligations in advance, instead of through purchasing power from reorganized Southern over four years. What debts and obligations Beartooth will have to pay has not been precisely determined.

Finding the point of agreement is still the organization’s goal, as they try to represent the wishes of their 4,300 members. The co-op is currently in mediation with the other three remaining Southern members to negotiate separation and a chance to determine their own destiny.

A history of the bankruptcy and current updates can be found at www.beartoothelectric.com.

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