

# THE BEC kWh

know what's happening

BEARTOOTH ELECTRIC COOPERATIVE MEMBER NEWSLETTER

AUGUST 2014

## Save the date—

The  
BEC 76th ANNUAL  
MEMBER MEETING

Saturday,  
September 27, 2014  
Roberts High School  
Gymnasium  
Roberts, MT

This year's highlights—

- Vote-by-mail
- Trustee Elections
- Southern Bankruptcy Information
- Door Prizes

Hold on to your hat partner—

- Member Only Live Auction for Two Retired BEC Pick-ups (See page 4)

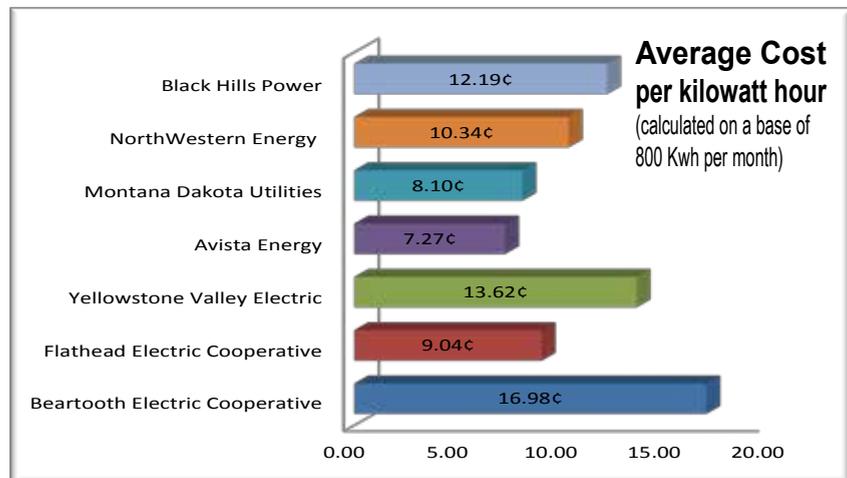


## Dear Members—

During the recent Town Hall meetings several members asked about rate comparisons to Northwestern Energy, other Montana cooperatives and our processes for calculating your monthly bill. The questions were prompted by a recent Billings Gazette article about NorthWestern Energy having some of the highest investor owned utility rates in the region. The June 22 Gazette

article on electric rates, was contrasting both private and public utilities in the northwest region.

The electric energy article noted the following utilities and utilized a monthly base of 800 kilowatt hours for comparative purposes:



Yes, NorthWestern Energy rates may be high, but compared to the Beartooth rates—they are much lower. Beartooth has not raised their rates in over three years and is our goal to NOT increase rates. Even if we stay in Southern over the next four years we will see stable rates at the present level. If we are to buy out of Southern and travel down a different business path there may be some future rate relief.

This past month we received our annual comparison of our financial statistics to the other cooperatives in Montana and the United States. In Montana there are 23 cooperatives and in the USA there are 815 we are compared to. In Montana we have the lowest residential sales of any cooperative (769 Kwh per month) and the

highest electric rates. In the USA there are 748 cooperatives that have higher residential sales when compared to Beartooth and there are only 23 cooperatives in the USA that have higher rates. Both of these statistics provide challenges to your cooperative, but they also provide opportunities to the membership.

As we move out from the shadow of the Southern bankruptcy we look forward to bringing suggestions and ideas for a brighter future! I look forward to seeing all of you at the 76th Annual Meeting at Roberts High School on September 27 and to update you on your future.



Richard Peck,  
Interim General Manager  
446-2310

## NOTICE OF ANNUAL MEETING

BEARTOOTH ELECTRIC COOPERATIVE, INC.  
RED LODGE, MONTANA



# BEC 76th ANNUAL MEMBER MEETING

## Plan to join us on September 27, 2014



Come and join us for elections, information and fun! Plan to attend this year's 76th Annual Member Meeting.

If you live in Districts 1, 3 or 7 and are interested in serving on your Cooperative's Board of Trustees-Nomination petitions are available NOW at the BEC Office or on our website [www.beartoothelectric.com](http://www.beartoothelectric.com).

• Petition submission deadline is—Friday, August 8, 2013, 5:00 P.M.

• Elections are conducted at the BEC Annual Meeting. Deadline: August 9, 2013

## Member's Only— LIVE Auction

That's right! A Member's Only LIVE Auction!

Bring your paddle, bid and checkbook! These retired BEC pick-ups are up for auction—as is—and ready to drive away from the 76th Annual Member Meeting.

### 2002 Chevrolet 2500HD

- 247K+ miles
- routine maintenance
- field bruises & dents
- good tires
- 4x4

### 2003 FORD F-150 Lariat

- 160K+ miles
- routine maintenance
- field bruises & dents
- good tires
- 4x4

*Must be present to bid.*

The 76th Annual Meeting of the members of Beartooth Electric Cooperative, Inc., will be called to order at 9:00 a.m. Saturday, September 27, 2013, in the Roberts High School Gymnasium, located in the Town of Roberts, County of Carbon, and State of Montana. Member registration and donuts and coffee begins at 8:00 a.m. The business meeting will commence at 9:00 a.m. and adjourn at 12:00 p.m.

### ACTION WILL BE TAKEN ON THE FOLLOWING MATTERS:

1. Quorum Report
2. Reading of the Notice of Meeting and Proof of Mailing thereof
3. Reading of unapproved minutes of the 2013 Annual Meeting of Members and taking any necessary action thereon
4. Election of three members to your Board of Trustees to succeed Trustees whose terms expire.
  - District 1  
Dan Dutton, VP
  - District 3  
Julie Lindgren
  - District 7  
David Peterson
5. Unfinished business
6. New business
7. Adjournment

# PICK-UP AUCTION!



2002 Chevrolet 2500HD

2003 FORD F-150 Lariat



# MEMBERS ONLY!



Arleen Boyd, Due Diligence  
Committee Chair (328-6645)

District 5 Trustee

Submitted July 10, 2014

*“We want to put our energy into promoting business efficiencies at BEC and developing programs for members who are asking for help in reducing their bills”*

## Southern reorganized. Time to move on?

The BEC relationship with our power supplier, Southern Montana Electric Generation and Transmission Cooperative has consumed much of our attention for more than three years. We have worked hard to deliver on our due diligence commitment to understand and respond to the demands of Southern's bankruptcy while setting standards and planning for alternatives to membership in Southern. We have identified power supply and business alternatives that could allow us to deliver reliable power and work to move our rates out of their current position among the highest in the region and the country. We want to put our energy into promoting business efficiencies at BEC and developing programs for members who are asking for help in reducing their bills through support for conservation, distributed generation, and other means.

### **Time to make the plan work AND move on**

With the recently confirmed plan Southern is reorganized. Southern will pay \$21 million to the noteholders who financed the Highwood Generating Plant. Other debt and financial obligations are defined and have been paid or incorporated into the reorganization plan. HGS has been placed in a trust designed to sell the plant and provide proceeds to the noteholders. New power contracts with Southern's member co-ops run for four years rather than the previous contract requirements that ran through 2048. The plan contains provisions for BEC to prepay its share of Southern's obligations at any time and seek exit from Southern. All members may seek exit from Southern after payment of the notes is completed.

Under the plan we may exit Southern immediately, seek exit at a later time during the expected 4-year period required to pay the noteholders, or stay in Southern for the full four years outlined in the plan. Our preferred choice is to exit immediately. We have identified power supply options and business plans that can improve our efficiency and reduce costs. It would be difficult to implement many of the options while still a member of Southern.

### **Negotiated Exit from Southern**

At recent member meetings we confirmed our conclusion that leaving Southern will allow us to move forward with better alternatives for power supply as well as management of our co-op.

The reorganization plan and the BEC contract with Southern contain provisions for a BEC exit because we insisted that an exit is the only way we can meet our commitment to get on with business at BEC in the best interests of our members. Southern and its other co-op members as well as the noteholders recognized the need to provide BEC an exit path. Despite the exit provisions we could fail to secure a reasonable and fair exit in negotiation with Southern and its members. With the reorganization plan now in effect, the worst case scenario for BEC is no longer decades of contracted membership in Southern, but instead a requirement to remain a member of Southern for the four years required to pay off debt.

Leaving Southern will allow us to better address challenges at BEC resulting from:

- High distribution costs due to low growth and low energy use per meter.
- Years of paying for Southern's investment in a failed generation plant and its power supply contract mistakes.

Because mediation requires confidentiality we cannot yet share details about proposals for terms of an exit. If mediation is not successful you may hear that we are arbitrating to arrive at a fair settlement. If mediation is successful you will hear about work to secure financing for prepayment of our share (17.5%) of Southern's obligation to the noteholders and fair payment of other Southern obligations.

## Chairman's Message



Roxie Melton,  
President  
426-0135

I hope everyone is enjoying the summer. As I look across the fields, I'm seeing more round and square bales than I've seen in years. It's so good to see that the exceptional winter has been replaced by regular rain fall. Guess the irrigators won't need much help this year, but that's OK.

Usually I write about some of the activities of the co-op, but this time I want to tell you about an organization that supports your co-op. Since 1940, MECA (Montana Electric Cooperatives' Association) has worked hard to be a strong voice for legislative representation at the state and national levels, provide safety and loss control training for the employees and directors, author the Rural Montana monthly magazine, Sponsor the High School tours to Washington, D.C. and provide oversight for the self-insured worker's compensation pool.

At this time I want to focus on a legislative issue that not only effects the co-op's in Montana but has a far reaching effect on our daily lives. Currently, if a forest or range fire occurs a person or corporation can be liable up to the full extent of their coverage in addition to civil liabilities. At this time the injured could claim the fair market value to replace 100 year old trees thereby far exceeding the fair market value of the property.

For example, an individual purchases a small piece of land for \$30,000. A fire develops and 25 trees are destroyed. The owner claims that the replacement cost of the mature trees is \$10,000 each. At this rate, the claim will easily be in excess of the fair market value of the unimproved property. \$250,000 is quite a windfall for the property owner. In addition, you are naturally responsible for costs to extinguish the fire, economic damages, and the actual restoration cost associated with restoring the damaged real and personal property to its undamaged state, to the extent that those actual and tangible restoration costs are reasonable and practical.

For instance, someone driving/working in a field could easily cause a spark with a piece of equipment and ignite a fire. Accidents occur and a fire could be financially devastating to a family to the extent of losing their entire holding, as the law reads at this time.

MECA is proposing that our legislature add the following to the existing bill:

“but in no event shall such restoration costs be greater than the fair market value of the property immediately before the fire.”

“Fair market value” means the amount a willing buyer would pay a willing seller in an arm's-length transaction when both parties are fully informed about all of the advantages of the property and neither is acting under any compulsion to buy or sell, as determined by a certified appraiser who is qualified to appraise the property.

The bill, as it stands today, could also drastically increase insurance fees if left as it is. Please call or write your state representative and urge them to support the suggested change to section 50-63-104—Liability for forest or range fires. Thank you for your support.

Hope everyone continues to have a great summer. Just a reminder the Annual Meeting is September 27, 2014. It will be at the Roberts School, starting with donuts and coffee at 8 AM and the meeting will start promptly at 9 AM. Look to see you there.

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**Next Board Meeting**  
*Join us!*

August 26, 2014  
12 Noon  
Red Lodge Area Community Foundation

