EXHIBIT 2

TO

MEMBER COOPERATIVES'

SECOND AMENDED

DISCLOSURE STATMENT

SOUTHERN MONTANA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC.
MEMBERS' LIQUIDATION ANALYSIS

A. Introduction

Under the "best interests" of creditors test set forth in section 1129(a)(7) of the Bankruptcy Code, the Bankruptcy Court may not confirm a plan of reorganization unless the plan provides each holder of a claim or interest who does not otherwise vote in favor of the plan with property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor was liquidated under chapter 7 of the Bankruptcy Code. To demonstrate that the Members' Plan satisfies the "best interests" of creditors test, the Members have prepared the following hypothetical Liquidation Analysis, which is based upon certain assumptions discussed in the Disclosure Statement and in the notes accompanying the Liquidation Analysis (the "Notes"). Capitalized terms not defined in the Notes shall have the meanings ascribed to them in the Members' Plan and the Disclosure Statement.

The Liquidation Analysis estimates potential Cash distributions to Holders of Allowed Claims and Interests in a hypothetical chapter 7 liquidation of the Debtor's assets. Asset values discussed in the Liquidation Analysis may differ materially from values referred to in the Members' Plan and Disclosure Statement. The Members prepared the Liquidation Analysis with the assistance of their advisors.

B. Scope, Intent, and Purpose of the Liquidation Analysis

The determination of the costs of, and hypothetical proceeds from, the liquidation of the Debtor's assets is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Members, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Members and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in an actual chapter 7 liquidation, and unanticipated events and circumstances could affect the ultimate results in an actual chapter 7 liquidation. The Liquidation Analysis was prepared for the sole purpose of generating a reasonable good-faith estimate of the proceeds that would be generated if the Debtor was liquidated in accordance with chapter 7 of the Bankruptcy Code. The Liquidation Analysis is not intended and should not be used for any other purpose. The underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. The Members did not conduct, and did not acquire, an analysis in preparing the Liquidation Analysis. NEITHER THE MEMBERS NOR THEIR ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.

In preparing the Liquidation Analysis, the Members estimated Allowed Claims based upon a review of Claims listed on the Debtor's Schedules and Proofs of Claim Filed to date. In addition, the Liquidation Analysis includes estimates for Claims not currently asserted in the Chapter 11 Cases, but which could be asserted and Allowed in a chapter 7 liquidation, including Administrative Claims, wind-down costs, trustee fees, tax liabilities, and certain lease and contract rejection damages Claims. To date, the Bankruptcy Court has not estimated or otherwise fixed the total amount of Allowed Claims used for purposes of preparing this Liquidation Analysis. For purposes of the Liquidation Analysis, the Members' estimates of Allowed Claims contained in the Liquidation Analysis references specific Claims estimates, even though the Members' estimates of ranges of projected recoveries under the Plan to Holders of Allowed Claims and Interests are based on ranges of Allowed Claims and Interests. Therefore, the Members' estimate of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including determining the value of any distribution to be made on account of Allowed Claims and Interests under the Plan. NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION OR ADMISSION OF THE MEMBERS. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.

Global Notes to the Liquidation Analysis

1. Conversion Date and Appointment of a Chapter 7 Trustee

The Liquidation Analysis assumes conversion of the Debtor's Chapter 11 Case to a Chapter 7 liquidation case on the Confirmation Date. On the Confirmation Date, it is assumed that the Bankruptcy Court would appoint one Chapter 7 trustee (the "Trustee") to oversee the liquidation of the estate. The Liquidation Analysis assumes that the Trustee, subject to the Bankruptcy Court's approval, may employ professionals to assist in liquidation of and winding-down the Debtor's business. The kind and the number of the professionals the Liquidating Agent employs could result in additional expense and distributions to Creditors could be delayed.

2. Primary Assets of the Debtor

The Liquidation Analysis assumes a liquidation of all of the Debtor's assets. The Debtor has two major categories of assets. The first category consists of HGS, assets required to run or inextricably related to HGS, and all contracts related to HGS's operation (the "Power Assets"). The second category consists of all other assets. The Liquidation Analysis does not attribute any value to the Debtor's intangible assets such as the Debtor's tradename.

3. Going-Concern Liquidation of Power Assets

The Liquidation Analysis assumes an "orderly" liquidation, under which the liquidation of the Power Assets would occur over a period of twelve months starting on the Conversion Date. However, the Trustee may not have sufficient funds to conduct an orderly liquidation and instead may have to engage in distressed sales of the Power Assets. The amount of proceeds realized in such distressed sales likely would be materially lower than those assumed in the Liquidation Analysis.

In addition, there is a risk that the Trustee would be unable to liquidate all of the Power Assets as going-concerns. While the Bankruptcy Code does not set forth a specific time period under which a Chapter 7 Trustee is allowed to operate a debtor's business, the Bankruptcy Court may conclude that the twelve-month period assumed in the Liquidation Analysis exceeds the time contemplated by the Bankruptcy Code. Should the Bankruptcy Court limit the Trustee's operation of the Power Assets, proceeds from the sale of such assets likely would decrease.

4. WAPA Contracts

The Liquidation Analysis assumes that the Trustee will assume the WAPA Contracts and assign the WAPA Contracts to the Members. Since WAPA must consent to any assignment or other transfer of the WAPA Contracts (and, therefore, veto any assignment or transfer thereof,) the Liquidation Analysis assumes that the WAPA Contracts have no value.

5. Liquidation Analysis Waterfall and Recovery Ranges

The Liquidation Analysis assumes that the proceeds generated from the liquidation of the Power Assets, plus Cash estimated to be held by the Debtor on the Conversion Date and estimated preference action recoveries, will be available to the Trustee (the "Liquidation Proceeds"). The Trustee then would use the Liquidation Proceeds to satisfy non-Debtor liabilities (as described in further detail below), Secured Claims, the costs and expenses of the liquidation, including wind-down costs and Trustee fees (the "Liquidation Costs"), and such additional Administrative and Priority Claims that are estimated to be incurred in a chapter 7 liquidation. Any remaining net Liquidation Proceeds would then be allocated to Creditors and Interest Holders in accordance with the priorities set forth in section 726 of the Bankruptcy Code.

6. Factors Considered in Valuing Hypothetical Liquidation Proceeds

Certain factors may limit the amount of the Liquidation Proceeds available to the Trustee. Certain of these factors that relate specifically to the liquidation of the Power Assets are discussed in further detail below. In addition, it is possible that distribution of the Liquidation Proceeds would be delayed while the Trustee and his or her professionals become knowledgeable about the Chapter 11 Cases and the Debtor's business. This delay could materially reduce the value, on a "present value" basis, of the Liquidation Proceeds.

7. Source of Information

Except as otherwise stated in the Notes, the information set forth in the Liquidation Analysis below were taken from the Debtor's Balance Sheets set forth in the Debtor's Operating Report dated December 16, 2013 (Doc. No. 1182) and set forth in Exhibit 3 to the *Disclosure Statement for Trustee's Amended Plan of Reorganization* (Doc. 990-4), the *Trustee's Third Amended Plan of Reorganization* (Doc. 1048), and the *Disclosure Statement for Trustee's Third Amended Plan of Reorganization* (Doc. 1049).

Liquidation Analysis

Notes		Claim Amount	Liquidation Value	Recovery
1	HGS		$ 16,500,000.00	
	Office Equipment		82,409.70	
	Automobile (HGS)		29,395.00	
	Telemetry Equipment		275,103.77	
2	Cash		4,651,343.91	
	Funds Held by Indenture Trustee		567.56	
	Petty Cash (HGS)		105.43	
	Certificate of Deposit		10,000.00	
	Accounts Receivable		2,571,251.12	
	Accrued Interest Receivable		1,035.65	
2	Prepaid Expenses		84,149.36	
2	Prepaid Transmission		1,250,000.00	
	Rent and Utility Deposits		0.00	
	Central Montana Capital Credits		327,432.65	
	Investments in Other Organizations		77,199.84	
	CFC Collateral Payment		1,003,500.00	
	Land (HGS Site)		400,000.00	
	Surplus Property		960,002.04	
	Gross Liquidation Proceeds		**$ 28,223,496.03**	
3	Wind-Down Costs and Priorities			
4	Wind-down Costs	$ 804,315.11	$ 804,315.11	100.0%
5	Trustee Fees	$ 282,235.00	282,235.00	100.0%
6	Administrative Claims	$ 0.00	0.00	
6	Priority Claims	$ 7,649,623.14	7,649,623.14	100.0%
6	Priority Tax Claims	$ 181,770.32	181,770.32	100.0%
	Proceeds Available to Secured Claims		**$19,305,552.46**	
7	Construction Liens	$ 3,500,000.00	$ 3,500,000.00	100.0%
7	FIB Secured Claim	$ 600,000.00	600,000.00	100.0%
7	CFC Secured Claim	$ 5,000,000.00	1,003,000.00	20.1%
7	Noteholders' Indenture Lien	$ 131,949,294.56	14,340,578.31	14.1%
	Proceeds Available to Unsecured Claims		**$ 0.00**	
8	General Unsecured Claims	$ 392,500,000.00	$ 0.00	0.0%
	Proceeds Available to Member Claims		**$ 0.00**	
8	Member Claims	$ 2,127,315.40	$ 0.00	0.0%
	Proceeds Available to Member Interests		**$ 0.00**	
7	Member Interests	$ 21,362,456.66	0.00	0.0%

C. Specific Notes to the Asset and Liability Assumptions Contained in the Liquidation Analysis

The Liquidation Analysis refers to certain categories of assets and liabilities. The numerical designation below corresponds to each line item with a specific note.

1. Power Plant Liquidation Value

As stated above, the Liquidation Analysis assumes that the Trustee sells the Power Assets as going-concerns over a twelve-month period. The Members used the fair market value of HGS and associated assets from the Expert Report (the "**Report**") prepared at the request of the Noteholders by Alvarez & Marsal Valuation Services, LLC. The assumptions regarding the value of the Power Assets are further set forth in the Report.

However unlikely, the Trustee's sale of the Power Assets may result in the incurrence of capital gains by the Trustee to the extent that proceeds obtained from the sale of any Power Asset exceeds that Power Asset's tax basis. The exemption provided for in section 1146(a) of the Bankruptcy Code that permits a waiver of applicable state stamp and related transfer taxes is inapplicable in chapter 7 cases. The Trustee would be responsible for any such state taxes incurred. However, no estimates of such taxes are included in the Liquidation Analysis, which, if included, would reduce the proceeds generated by the sale of the Power Assets.

2. Cash, Prepaid Expenses, and Other Cash Equivalents

Cash consists of cash balances as reported in the Balance Sheet dated November 30, 2013, contained in the Debtor's Operating Report dated December 16, 2013 (Doc. No. 1182), including cash in Debtor's bank, operating, and reserve accounts and excluding cash posted as collateral or other security for obligations owed to any third party. In addition, the Liquidation Analysis assumes that any prepaid expenses are recoverable by the estate for the benefit of creditors. In addition, other than the potential preference recoveries referred to above, the Liquidation Analysis does not assume any recoveries for any other avoidance actions.

Cash is divided into encumbered cash and Unencumbered Cash. Unencumbered Cash is expected to be $3,300,000.00. The Liquidation Analysis assumes that the proceeds from the Yellowstone Valley Settlement are entirely unencumbered.

3. Wind-Down Costs and Priority Claims

The Liquidation Proposal assumes that the Wind-Down Costs and Priority Claims will all be paid out of proceeds from unencumbered assets and then encumbered assets.

4. Wind-Down Costs

To maximize recoveries on remaining assets, minimize the amount of Claims, and generally ensure an orderly liquidation, the Trustee will need to retain a substantial number of individuals currently employed by the Debtor during the chapter 7 liquidation process. These individuals will primarily be responsible for operating and maintaining the Debtor's assets, providing historical knowledge and insight to the Trustee regarding the Debtor's business and the Chapter 11 Cases, and concluding the administrative wind-down of the business after the sale of the Debtor's assets. The Liquidation Analysis assumes that employee headcount associated with the Power Assets will be reduced to zero from the current levels over a twelve-month period, although the majority of any such employee-related costs are assumed to be incurred in the initial six-month period after confirmation. After the divestiture of the Power Assets, employee costs are assumed to decline substantially.

Wind-down costs consist of the regularly occurring general and administrative costs required to maintain the Debtors' assets during the liquidation process, and the costs of any professionals the Trustee employs to assist with the liquidation process, including accountants, attorneys, and other advisors. The Liquidation Analysis estimates the wind-down costs associated with maintaining a workforce, including employee wages, severance, retention bonuses, and other expenses, to be 2.0% of Liquidation Proceeds, excluding Cash. In addition, the Liquidation Analysis estimates that any professionals employed by the Trustee will generate actual and necessary fees during the wind-down process of approximately 1.0% of Liquidation Proceeds. This estimate also takes into account the time that will be required for the Trustee and any professionals to become educated with respect to the Debtors' businesses and the Chapter 11 Cases.

5. Trustee Fees

Although section 326 of the Bankruptcy Code provides for statutory Trustee fees of 3.0% for liquidation proceeds in excess of $1,000,000, the Liquidation Analysis assumes conservatively that the Bankruptcy Court will only authorize Trustee fees of 1.0% of Liquidation Proceeds. Should the Bankruptcy Court authorize Trustee fees in excess of 1.0%, the Liquidation Proceeds available for distribution to Creditors and Interest Holders may be materially reduced.

6. Administrative and Priority Claims

Administrative and Priority Claims consist of: (a) Claims entitled to administrative expense priority under section 503 of the Bankruptcy Code; (b) reclamation Claims under section 503(b)(9) of the Bankruptcy Code; and (c) Claims entitled to priority under section 507 of the Bankruptcy Code. Because the Debtors' post-petition payables primarily relate to the operation of their Power Assets, which are assumed to be sold as going-concerns, the Liquidation Analysis assumes that such payables will be paid in the ordinary course by the purchaser. Claims arising from the post-conversion rejection of contracts that were assumed during the Chapter 11 Cases or entered into post-petition are also included in this category.

7. Secured Claims

Secured Claims consists of the following: (a) Construction Liens that, pursuant to Montana law, are senior to the Noteholder's Indenture Lien on HGS; (b) a First Interstate Bank loan that is secured by a mortgage on certain real property valued at $600,000.00; (c) a CFC loan that is secured by a cash deposit in the amount of $1,003,000.00; and (d) Noteholders' loan which is secured by HGS. In addition, the Liquidation Analysis assumes that Noteholder's Indenture Lien includes a makewhole claim. Should the Bankruptcy Court determine that the Noteholder's makewhole claim is invalid, the projected recoveries for Creditors in the

Liquidation Analysis would be reduced materially.

The Liquidation Analysis assumes that the secured claim holders would not be entitled to default interest or interest-on-interest (i.e., compound interest). Should the Bankruptcy Court determine otherwise, projected recoveries for Creditors in the Liquidation Analysis would be reduced materially.

The Members have provided cash collateral to the CFC. The Liquidation Analysis assumes that, upon conversion, the CFC would permanently apply any cash collateral it holds in full or partial satisfaction of their Claims. This Liquidation Analysis assumes that the cash collateral is the only distribution available to the CFC.

8. Unsecured Claims

There are insufficient Liquidation Proceeds for Unsecured Creditors and Members to obtain any recovery in the Liquidation Analysis.