



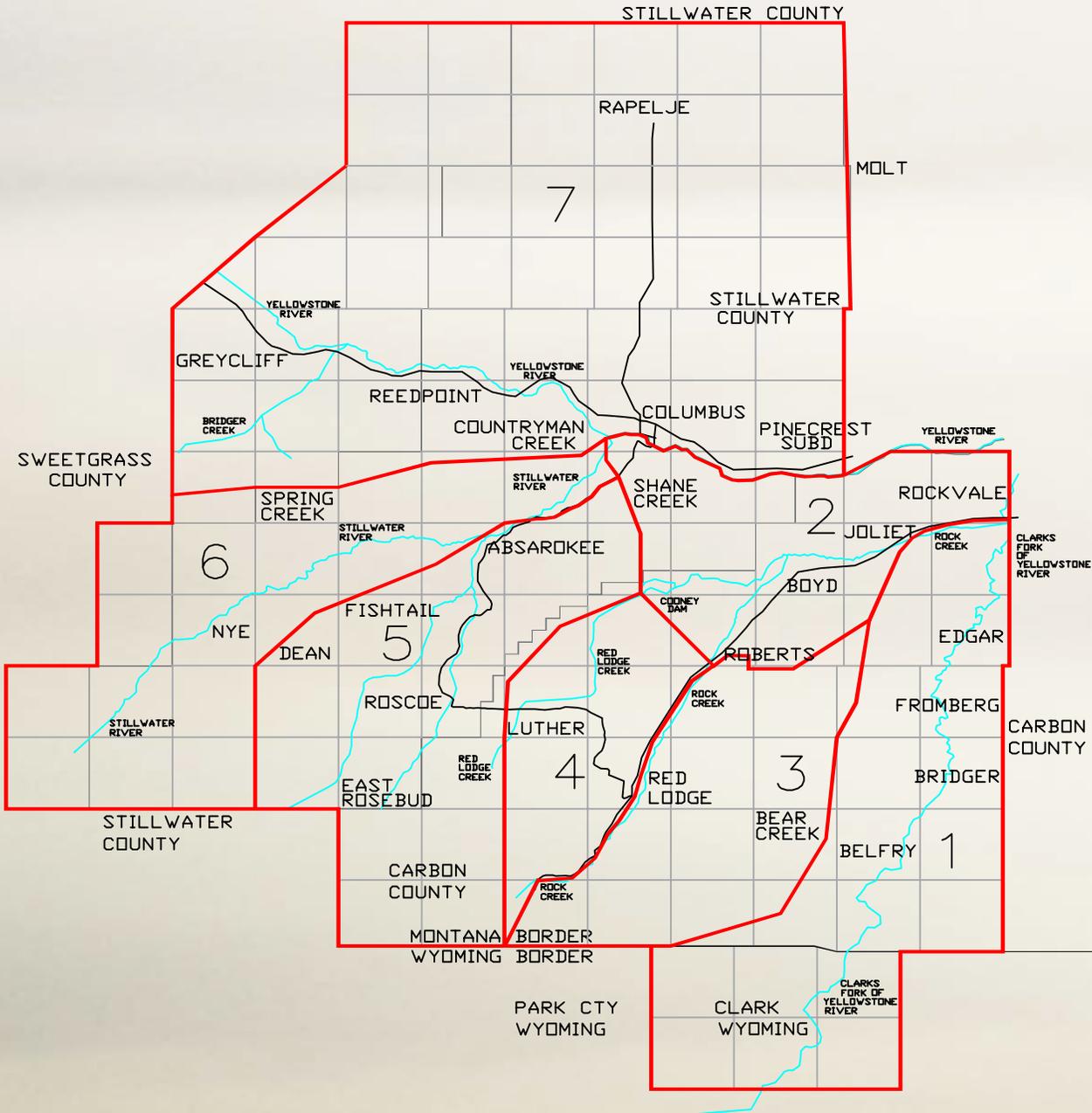
2010 ANNUAL REPORT

BEC's 73rd Annual Member Meeting
Saturday, September 24, 2011
Roberts High School, Roberts, MT
Registration Opens: 8:30 AM
Meeting Begins: 10:00 AM

RISING TO THE CHALLENGES

Of Today & the Future

7 DISTRICTS



leadership

BOARD OF TRUSTEES

Beartooth Electric Cooperative, Inc., *Rising to the Challenges of Today and the Future,* under the leadership of our Board of Trustees.



**Martin
Kimmet**
District 1

Term ends
2011



**Arleen
Boyd**
District 5

Term ends
2013



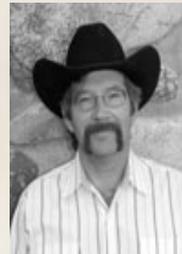
**Roxie
Melton**
District 2

Term ends
2013



**John
Prinkki**
District 4

Term ends
2012



**Joe
Kern**
District 6

Term ends
2012



**Lance
Million**
District 3

Term ends
2011



**Allen
Nordahl**
District 7

Term ends
2011

MESSAGE FROM OUR

On behalf of the Board of Directors, I extend a sincere invitation and strongly encourage the membership of Beartooth Electric Cooperative to attend the 2011 Annual Membership meeting to be held on September 24th in the Roberts High School Gymnasium.

In addition to the great meal served by the St. Agnes Parish Council of Catholic Women & Faith Community of Red Lodge, important information about BEC activities during the past year and next year will be presented to keep our Cooperative, *Rising to the Challenges of Today and the Future*. Most important of all, we will vote on proposed Bylaws changes and three Board of Trustee seats.

The format for the 2011 Annual Meeting has been changed to better accommodate our membership. The meeting will start at 10:00 AM and conclude at 12:00 PM. Registration will open at 8:30 AM. By starting earlier, we hope that more of our members will be able to attend and not have to worry about giving up nearly a full day, as was the case in previous annual meetings. We anticipate that the discussion on the proposed Bylaws changes and election of trustees will take up much of the meeting time, so we will not have a guest speaker this year.

The Bylaws Review Committee has worked very diligently over the past year to review the current bylaws. The committee's recommended changes were reviewed by Attorney Nathan Espeland and ultimately approved for presentment to the membership by the Board of Trustees. Votes will be cast in three parts; Article 1, Article 2, and Articles 3 & 4 together. Articles 3 & 4 will be voted on together as they deal with trustee elections and vote-by-mail.

Wholesale power supply continues to be the greatest concern for Beartooth Electric and the other members of Southern Montana Electric Generation & Transmission Cooperative (Southern). As we have been advising the membership over the last 6 years, we will no longer receive any power from the Bonneville Power Administration (BPA). BPA will no longer sell power to electric utilities east of the Continental Divide. This low cost hydro power will be replaced with a much higher cost power contract from PPL. Southern has been phasing in the corresponding rate adjustments as the amount of power received from the BPA has declined over time.

The current abundance of power supply in our region and the low demand for electric energy has had a devastating effect on our wholesale rates. The Southern load forecast this past year was 98.5% accurate and the contracts secured by Southern that were designed to meet their peak load, have met that peak with little need to buy power during peak load hours. However, during off peak hours, from 11:00 PM to 7:00 AM, Southern has often had to sell that power back into the market at a loss. This situation was compounded when customers of the City of Great Falls electricity arm, Electric City Power, elected to no longer buy power from the City. This left Southern in a "stranded" situation whereby the power secured by Southern to meet those customer loads also had to be sold into the market at a loss. Independent Electric Supply Service (IESS) was created for the purpose of reducing the losses associated with the sales of this "stranded" power supply. Although IESS was unable to recover the total stranded costs, they were successful in greatly reducing the associated losses. This situation is very similar to any other commodity sale where future contracts did not match the market when they came due.

john prinkki

OUR PRESIDENT

...I hope that you will find the time to attend the 2011 Annual meeting in Roberts, Montana on September 24th. We encourage all members assistance in our quest of Rising Above the Challenges of Today and the Future...

Farmers and ranchers deal with this on an annual basis with grain and cattle markets.

An article titled, “NWE’s rates still near the top—but other regional utilities creeping upward,” was printed in the July 24th edition of the Billings Gazette (http://billingsgazette.com/news/state-and-regional/montana/article_35cdb136-ca49-5a48-b). In this article, NorthWestern spokeswoman Claudia Rapkoch states “Every utility is dealing with the same issues that we are: power supply costs, integration of renewable power like wind, and investing infrastructure. Several utilities have been piling on double-digit rate increases, year after year, and several say they will be doing so in the future.”

Ms. Rapkoch makes the same argument for investment in power supply that Southern and other utilities make, “It’s similar to buying a house,” Rapkoch said. “You’re paying a bit more at first than you would to rent, but you’re building value over time, and creating significant value compared to the alternative.”

The situation facing Southern and NorthWestern Energy are typical for nearly every utility in the nation whether it is a cooperative or an independently owned utility like NorthWestern Energy. It is interesting to note that the Montana Public Service Commission has come out in strong support of the NorthWestern Energy Co. to own their generation resources. The PSC states the same reasons for ownership as we have stated. Power from our own generation will be more expensive for the first few years, but will ultimately be the best choice for all of the members served by the distribution cooperatives that own Southern.

The Southern Board has authorized by resolution, increasing Southern’s borrowing limit to \$300M in order to complete the construction of the 120MW HGS natural gas plant. The decision to finance additional funding will not be finalized until such time as the economics of the project—determined by the interest rate and final cost of construction—are ascertained.

I hope that you will find the time to attend the 2011 Annual meeting in Roberts, Montana on September 24th. I look forward to seeing you there.

Sincerely,



John E. Prinkki
Board President



MANAGER'S REPORT

...Our focus is you the member. We will continue to work hard to provide the best possible service to you. We invite and welcome your suggestions and comments because that's how we only get better at what we do. It takes all of us, working together, to be the best that we can be...

When reflecting on all that took place at your cooperative this past year, I am amazed at how we have been able to navigate through it all. The Cooperative has had to deal with such things as wholesale rate increases, employee retirements, software conversions, devastating storms, fire damage claims, etc. These are significant issues to deal with, all in one year's time frame, for a small cooperative.

My focus this year is to highlight some of the more significant achievements within each department of the Cooperative.

the Engineering & Operations Departments

Storms: The Cooperative experienced numerous storms this past year, including heavy snows, ice, winds, and floods. The most devastating of these was the flooding. Hillsides with power lines gave way, a number of pole structures adjacent to river banks were either washed away or crews were able move them prior to their being washed away, and entire stretches of line had to be relocated. As I write this report, we are still bringing resolution to damaged areas and are doing follow-up work in areas where temporary fixes were made to enable the 'fast' re-energizing of member's power.



Wyoming: Crews spent a lot of time in Wyoming this year addressing power quality concerns and continuing with the rebuild of the distribution power line that serves this area. With regard to power quality, crews conducted power line corridor restora-

tion efforts (trim/remove trees), re-configured pole top designs to increase conductor separation, installed bird flappers on wires to make lines more visible to raptors, replaced many old porcelain lightning arrestors, and reviewed the existing system protection strategy. All of this appears to have helped as the number of complaints received has dropped significantly and reports received from members have been positive. With regard to the power line re-build project, the Cooperative continues the effort to increase the system operating voltage from 12.47 kV to 24.9 kV by extending it another 3 miles into this area. Doing so will reduce the magnitude of the voltage swings when large loads come on line, thus eliminating the potential for the customer to see it by the dimming of incandescent lights.

Maintenance: The Cooperative continues to be diligent in the maintenance of the power line corridors and pole testing. The lack of commitment to these areas in years past has put us in a position of playing catch-up. We are testing the quality of about 2,000 poles each year. The results of this testing yield a rejection rate of approximately 10%—much higher than typically seen by cooperatives which have an active pole replacement program. As you would expect, this translates to increased maintenance costs. Also, costs associated with clearing of power line corridors are higher because of vegetation overgrowth. The goal of the Cooperative's vegetation maintenance program is to achieve a seven-year rotation cycle. This past year, power line corridors were cleared in the Main Fork of Rock Creek area south of Red Lodge, as well as the Shane Creek and Whitebird Creek areas near Columbus. It is crucial that we stay committed to maintenance as the liability associated with the neglect of it, can be extremely expensive.

New Services: New service requests continue to be quite low relative to what we experienced several years ago. This is somewhat of a blessing, however, as it allows Cooperative crews to complete scheduled Construction Work Plan and maintenance projects rather than our having to hire a contractor.

Personnel: As I write this report, the Cooperative is losing two longer term employees in the engineering and operations departments. Line Superintendent, Marvin Dukart, is retiring and Engineering Manager, Thad Moseman, is leaving to take over the family ranch near Winifred. Marvin and Thad were very committed and faithful employees who believe strongly in the cooperative business model. They will be missed. We are excited to report to you that Dave Werner was hired in July of this year as the new Manager of Engineering & Operations. Dave is an electrical engineer who comes to us from Powder River Energy Corporation in Wyoming. He will oversee both the engineering and operations departments.

the Office

Financial: The Cooperative closed the year in sound financial condition. Our TIER Ratio (Times Interest Earned Ratio), which is a measurement of our ability to earn margins sufficient to cover interest expense on long-term debt, moved upward to 2.36. Our DSC (Debt Service Coverage) Ratio, which is a measurement of our ability to generate sufficient operating funds to cover cash requirements of its long-term debt service on an annual basis, stands at 1.82. The Cooperative's Equity Ratio, which measures the extent to which our consumer's have financed plant and other assets with their own funds, or in other words, the percent of total assets the member actually owns, moved up from 27.31% in 2009, to 31.50% in 2010. One other financial ratio that we keep an eye on is the Current Ratio, which is a measure of our ability to cover the Cooperative's short-term liabilities. In 2010, our Current Ratio was 1.17, moving up from 0.57 in 2009. Finally, the Cooperative refinanced the remaining 5% loans it had with the Rural Utility Service with a series of lower interest rate loans from the Cooperative Finance Corporation. By

doing so, the Cooperative will save nearly \$86,000 while lowering the blended interest rate for the Cooperative from 5.04% in 2009 to 4.44% in 2010.

Energy Sales: Energy sales in 2010 were 64,430,704 kWh, up slightly from sales of 64,356,143 kWh in 2009, or about a 0.1 percent increase. The average wholesale power cost increased from \$54.02/MWh in 2009 to \$63.14/MWh in 2010, or nearly a 17% increase. As a percent of revenue, power cost rose from 41.36% in 2009, to 47.34% in 2010.

Software Conversion: A major achievement in the office area this year was the conversion of the billing and accounting software program. This conversion process was very challenging for the employees as they had to learn the new system and were also required to run the old and new system in parallel for a short period of time. They rose to the challenge and deserve a great deal of credit for its success. Included in the new software package is the ability for customers to view and pay their bills online. The new billing invoices sent to consumers provide a great deal more information than the invoices they have received in the past. Many consumers have already signed up for electronic bill pay. Coincident with this project was the replacement of our ten year old server and some old computers.

Low Income Senior Citizen & Low Income Disabled Discount Program: This is a new program implemented this past year on a trial basis to see what kind of response we would get. Those who qualify for the program receive a 10% discount on the energy (kWh) portion of their power bill. So far, we have 43 members signed up who collectively have received discounts totaling \$2,211 since January 1, 2011.

Capital Credit Retirement: The Cooperative is retiring capital credits this year that total approximately \$225,000. You may recall the Cooperative did not have a general retirement of capital credits during the years 2006-2009. In 2010, the Cooperative had a general capital credit retirement of

(Continued on next Page)

approximately \$102,000. Those of you who were members in 1986 and 1987 should be receiving a check this year. The Cooperative will be paying out all of the remaining patronage capital allocated in the year 1986 and part of the allocation for 1987.

Personnel: In May of 2011, long-time employee, Margo Mains retired. Margo worked for the Cooperative 29 years and was a familiar face to many of our long-time members. Margo now enjoys running her small ranch west of Red Lodge. We are excited to welcome new accountant, Brad Prophet, to our Cooperative family. Brad is a familiar face around Red Lodge as he has been very active in the Red Lodge community.

the Communications & Member Services Department

Although this one-person department has only been in existence since February 2011, I am very pleased with what it has been able to accomplish. Kaaren Robbins heads this department. Kaaren comes to us with an extensive background in the communications and customer service areas. Her primary focus thus far has been improved member communication. I am hopeful you have seen a noticeable improvement in this area. We are committed to this effort for the long haul.

Website: The Cooperative created a website in the spring of 2010. Although it provided some very good information, we were not able to develop it to the desired level. Kaaren has taken on that responsibility and has greatly expanded on the information available. We encourage all members to stay up-to-the-minute with BEC information at www.beartoothelectric.com.

Unclaimed Capital Projects: This past year, the Cooperative was able to fund three school projects that totaled about \$20,000. This funding comes from the Cooperative's unclaimed capital fund. These are monies that go unclaimed by past cooperative members. The Cooperative is required to use this fund for educational purposes or turn this money over to the State. The Board of Trustees has chosen to put this money toward the education

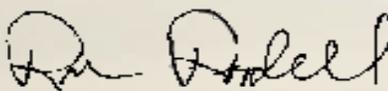
of our children. Funding recipients this year were the Luther School, Columbus High School, and Reed Point Public Schools. Also from this fund, the Cooperative awarded ten \$1,000 scholarships to graduating seniors of high schools attended by children of our cooperative members.

Members

As mentioned earlier in my report, much more effort was made by staff this year to improve communications with our members. Our goal is to keep the members better informed on what is going on at the Cooperative while making it easier for them to do so. Staff utilizes the website (more timely), the *Rural Montana* magazine, and bill inserts as the information conduit to our members. Informational meetings were held with members so as to provide them with the latest information and to also provide them a forum to ask questions and make comments. I believe these were valuable meetings and our intent is to continue to schedule them in the future.

In conclusion, I strongly believe that we have accomplished a lot with a small staff this year and the employees deserve the credit for this. They were challenged in many ways and they consistently answered the call of *Rising to the Challenges of Today and the Future*. They take their jobs very seriously and I am very proud of the job they do. We will continue to have challenges in the years ahead. We will continue to do our job to the best of our ability. Our focus is you, the member. We will continue to work hard to provide the best possible service to you. We invite and welcome your suggestions and comments because that's how we only get better at what we do. It takes all of us, working together, to be the best that we can be.

Respectfully yours,



Ron Roodell
General Manager/CEO

your cooperative

employees

Ron Roodell General Manager/CEO
 Mary Anderson Director of Finance
 Dave Werner Manager, Engineering & Operations
 Kaaren Robbins Communications & Member Svcs
 Jim Avent Journeyman Lineman
 Travis Barker Journeyman Lineman
 Guy Behrent Journeyman Lineman
 Pam Cole Plant Accountant/New Service Rep
 Bill Colgrove Line Foreman
 Linda Dukart Customer Service Representative
 Eric Elton Journeyman Lineman
 Mike Ferguson Line Foreman
 Lee Hauge Line Sub-Foreman
 Larry Hilderman Meter Technician
 Justin Hersrud Apprentice Lineman

Jason McDonald Journeyman Lineman
 Dianne Makinson Data Entry/Personnel Clerk
 Don Parks Line Sub-Foreman
 Brad Prophet Accountant
 Terry Richardson Warehouseman
 Connie Teachout Billing Clerk/Cashier
 Sam Walkowiak Journeyman Lineman
 Jake Wright Journeyman Lineman

Congratulations to our 2011 retirees and thank you for your years of service!:

Marvin Dukart & Margo Mains

Best wishes to Thad Moseman in his new endeavours.

facts

	2010	2009	2008
Miles of Line	1,732	1,726	1,704
Average Number of Accounts Billed	5,590	5,565	5,524
Total kWh Purchased	69,454,811	71,061,934	72,854,205
Total kWh Sold	63,430,704	64,356,143	64,571,365
Line Loss (%)	8.7	9.4	11.4
Total Revenue from kWh Sales	\$9,237,375	\$8,635,143	\$7,312,683
Total Revenue from Wholesale Power Surcharge	\$0.00	\$627,728	\$173,477
Total Cost of Purchased Power	\$4,381,076	\$3,834,473	\$3,289,212
Average Revenue per kWh Sold	\$0.1463	\$0.1349	\$0.1139
Average Cost Per kWh Sold	\$0.0692	\$0.0540	\$0.0512
Average Monthly kWh Consumed per Billed Member	941	959	969
Capital Credits Paid to Date	\$2,317,634	\$2,179,050	\$2,144,951
Total Member Margins & Equities	\$7,060,833	\$6,379,499	5,699,328

COOPERATIVE BALANCE SHEET

DECEMBER 31, 2010

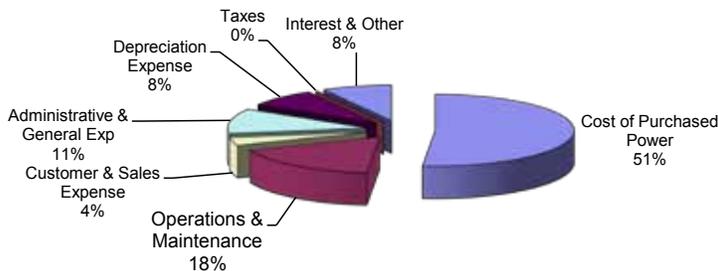
Assets (what we own)	2010	2009	2008
Utility Plant			
Electric Plant in Service	\$25,861,068	\$25,375,919	\$24,552,016
Construction Work in Progress	689,907	515,251	164,921
Total	<u>\$26,550,975</u>	<u>\$25,891,170</u>	<u>\$24,716,937</u>
Less: Accumulated Depreciation	10,947,054	10,593,497	9,906,978
Net Utility Plant	<u>\$15,603,921</u>	<u>\$15,297,673</u>	<u>\$14,809,959</u>
Other Assets and Investments			
Investments in Associated Organizations	3,298,309	4,678,813	2,854,671
Invest in Assoc org - Nongeneral Funds	300,211	301,177	302,179
Total Other Assets & Investments	<u>\$3,598,520</u>	<u>\$4,979,990</u>	<u>\$3,156,850</u>
Current Assets			
Cash & Cash Equivalent	542,148	272,027	45,815
Temporary Investments	543,394	493,587	27,962
Accounts Receivable, net	1,051,085	1,097,792	1,110,350
Materials & Supplies Inventory	171,792	260,988	241,047
Prepayments	350,845	369,641	295,338
Other Current & Accrued Assets	5,522	5,268	4,633
Total Current Assets	<u>\$2,664,786</u>	<u>\$2,499,303</u>	<u>\$1,725,145</u>
Deferred Debts	\$549,348	\$579,630	\$745,308
Total Assets	<u><u>\$22,416,575</u></u>	<u><u>\$23,356,596</u></u>	<u><u>\$20,437,262</u></u>
Liabilities (what we owe)			
Current Liabilities			
Notes Payable	\$738,191	\$2,934,000	\$4,275,000
Current Portion of L-T Debt	421,300	371,900	378,402
Accounts Payable	592,122	614,192	412,110
Consumer Deposits	67,667	25,062	20,181
Other Accrued Liabilities	465,032	467,027	485,583
Total Current Liabilities	<u>\$2,284,312</u>	<u>\$4,412,181</u>	<u>\$5,571,276</u>
Long-Term Liabilities			
Long-Term Debt—RUS	571,008	1,800,490	1,998,459
Long-Term Debt—FFB RUS	6,282,344	5,767,074	3,727,549
Long-Term Debt—Other	6,195,489	4,980,020	3,426,694
Total Long-Term Liabilities	<u>\$13,048,841</u>	<u>\$12,547,584</u>	<u>\$9,152,702</u>
Equities			
Patronage Capital	6,228,635	5,662,132	4,864,113
Operating Margins—Current Year	752,744	705,088	832,118
Other Margins & Equities	79,454	12,279	3,097
Total Margins & Equities	<u>\$7,060,833</u>	<u>\$6,379,499</u>	<u>\$5,699,328</u>
Other Deferred Credits	\$22,589	\$17,332	\$13,956
Total Liabilities & Other Credits	<u><u>\$22,416,575</u></u>	<u><u>\$23,356,596</u></u>	<u><u>\$20,437,262</u></u>

STATEMENT OF REVENUE AND EXPENSES

DECEMBER 31, 2010

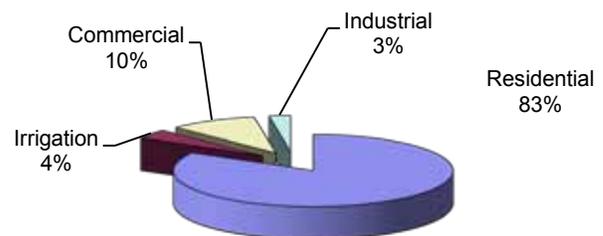
Operating Revenue (what we took in)	2010	2009	2008
Electric Energy Revenue	\$9,237,375	\$9,263,480	\$7,486,160
Other Electric Revenue	27,305	17,597	15,124
Total Operating Revenue	\$9,264,680	9,281,077	\$7,501,284
Operating Expenses (what we paid out)			
Cost of Purchased Power	\$4,381,076	\$3,834,473	\$3,284,871
Transmission Expense	4,443	4,112	4,341
Operating Expense	972,430	865,151	908,534
Maintenance Expense	515,904	515,597	504,561
Customer Accounts Expense	255,441	223,046	171,503
Customer Service & Information Expense	42,612	44,252	33,950
Sales Expense	734	1,571	-
Administrative and General Expense	954,696	817,597	711,8265
Depreciation Expense	694,048	733,122	655,133
Taxes	1,429	1,393	1,424
Interest on Long-Term Debt	586,298	566,126	526,565
Interest Expense—Other	101,025	138,168	173,779
Other Deductions	1,800	1,800	1,800
Total Cost of Electric Service	\$8,511,936	\$7,746,408	\$6,978,287
Net Operating Margins (what we have left)	\$752,744	\$1,534,669	\$522,997
Non-Operating Margins			
Interest Income	\$43,395	\$50,558	\$41,041
Non-Operating Margins - Other	(50,190)	(1,140,245)	(10,809)
G & T Capital Credits	497	213,086	232,766
Other Capital Credits & Patronage	\$53,000	\$47,020	\$46,123
Total Margins	\$799,446	\$705,088	\$832,118

Cost of Electric Service—2010



Cost of Purchased Power	\$4,381,076
Operations & Maintenance	1,492,777
Customer & Sales Expenses	\$298,787
Administrative & General Expense	954,696
Depreciation Expense	694,048
Tax Expense	1,429
Interest & Other Expense	689,123
Total	\$8,511,936

Revenue by Rate Class—2010



Residential	\$7,687,909
Irrigation	382,358
Commercial	939,211
Industrial	227,897
Total	\$9,237,375

MINUTES

OF THE ANNUAL MEETING OF THE MEMBERS OF BEARTOOTH ELECTRIC COOPERATIVE, INC.

MINUTES OF THE ANNUAL MEETING OF THE MEMBERS OF BEARTOOTH ELECTRIC COOPERATIVE, INC.

The Annual Meeting was held at the Roberts High School gymnasium, Roberts, Montana, September 25, 2010. The Business Meeting was called to order at 1:00 p.m. by President John Prinkki.

President Prinkki welcomed the members and asked for a round of applause for the fine meal served by the St. Agnes Parish Council of Catholic Women and Faith Community of Red Lodge.

The Invocation was then given by Pastor Robert Bilyeu of the Luther Community Church.

Presentation of the colors was made by American Legion-Carbon Post 17.

The National Anthem was sung by Pamela Elver.

Chairman Prinkki appointed Lance Million to serve as Acting Secretary of the meeting.

Chairman Prinkki appointed a Credentials and Election Committee consisting of: Burton D. Williams, Galen Hronek, and Gordie Blevins.

Secretary Million read the formal Notice of Annual Meeting and Proof of Mailing.

Secretary Million reported that the Bylaw requirement for a quorum at the Annual Meeting is fifty or more members. Secretary reported that there were 279 members registered for the meeting and thus constituted a quorum. The members present are listed on Exhibit A attached hereto and by reference made a part hereof.

On MOTION of Ray Goringa, seconded by Charles Sangmeister, the reading of the minutes of the 2009 Annual Membership Meeting was waived and the Minutes were approved as mailed to the membership in the annual meeting brochure.

Chairman Prinkki introduced the current Board Members and their spouses:

Mike and Marilyn Plymale
Chris and JoAnn Peters
Lance Million
Allen Nordahl
Ronnie Wright Jr.
Joe and Johanna Kern

Chairman Prinkki introduced former Board Members and their spouses:

Pat and Wavel Billingsley
Mary Lou Flanagan
Miriam Weiler

Chairman Prinkki introduced special guests:

Tim Gregori of SMEG&T Cooperative, Inc.
Dick McComish of ECI
Marlene Amen, Yellowstone Valley Electric Cooperative

Manager Roodell and BEC staff conducted the first prize drawing.

Chairman Prinkki provided the members with his annual President's Report which detailed the issues facing the Cooperative for the upcoming year as well as the progress made by the Cooperative in numerous areas.

Chairman Prinkki introduced Rick Matusiak of Summers & McNea accounting firm, auditors for the Cooperative. Mr. Matusiak gave a financial report and review of the Cooperative's finances as of December 31, 2009.

A second prize drawing was conducted.

Manager Ron Roodell provided his report regarding the growth and comparison of BEC with like size cooperatives both statewide and nationally.

Charles “Jacob” Miller presented a Power Point presentation on the Youth Tour to Washington D.C. and thanked BEC for sponsoring the trip.

Dave Wheelihan, Chief Executive Officer of MECA provided the members with commentary regarding adopted and pending Federal and State Legislation which will have significant impacts on the generation and distribution of electric energy nationally and regionally.

The next prize drawing was then conducted.

Chairman Prinkki thanked Attorney Dick Heard for twenty-three (23) years of legal service provided to BEC.

Chairman Prinkki then turned the meeting over to Attorney Nathan Espeland to conduct the annual election of Trustees. The Acting Chairman read the pertinent By-Law provisions requiring a trustee to be a member of the Cooperative and bona fide resident of the district served.

Trustee Ronnie Wright, Jr. addressed the membership and explained that due to the business and family commitments, he would not seek reelection as Trustee from District #2. Ronnie then thanked the membership for an opportunity to serve the members as a Trustee.

The Acting Chairman then called for nominations for the office of Trustee from District No. 2. Sue Schwend nominated Roxie Melton. Ronnie Wright, Jr. nominated Frankie Ropp. Thereafter, the Acting Chairman called for nominations two additional times, and after the required time had expired, and no additional candidates had been nominated, Clifford A. Bare MOVED that nominations cease. Motion seconded by Charles Sangmeister. All voted in favor and none voted no. The Acting Chairman then asked each candidate in the order nominated to briefly speak to the membership as to their desire to hold office as Trustee for District No. 2. The Members were asked to print the name of the candidate for whom they wished to vote on the gold ballot and mark their ballots. After voting was completed, the ballots were then collected by the staff and delivered to the Election Committee to be counted.

The Acting Chairman then called for nominations from the floor for Trustee to serve District No. 5. Loyal L. Kessler nominated Mike Plymale. Kathleen A. Ralph nominated Arleen Boyd. Thereafter, the Acting Chairman called for nominations two additional times, and after the required time had expired, and no additional candidates had been nominated, Clifford A. Bare MOVED that nominations cease. Motion seconded by

Joan M. Stadtmiller. All voted in favor and none voted no. The Acting Chairman then asked each candidate in the order nominated to briefly speak to the membership as to their desire to hold office as Trustee for District No. 5. The Members were asked to print the name of the candidate for whom they wished to vote on the green ballot and mark their ballots. After voting was completed, the ballots were then collected by the staff and delivered to the Election Committee to be counted.

The final prize drawing was then conducted and the grand prize winner announced. Winner of the one-year waiver of Base Charge (not to exceed \$400) was Loyal L. Kessler.

Chairman Prinkki then called for unfinished business.

Chairman Prinkki then opened the floor for member questions or comments. Member questions were answered by Chairman Prinkki and Manager Roodell.

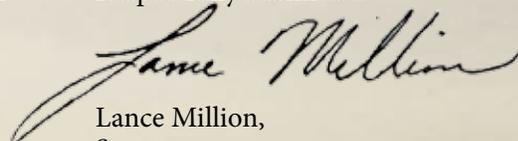
At the conclusion of the member question and comment period the Chairman opened the floor for new business. There being no new business brought before the floor, the Chairman turned the meeting over to Attorney Espeland to report on the election results.

The Trustee election ballots were counted by the Election Committee under the supervision of CPA Rick Matusiak of Summers & McNea. The results of the elections were formalized by the Certificate of Election Inspectors signed by the inspectors and the auditor verifying the election results.

Attorney Espeland reported on the results of the Trustee Election for Trustee District No. 2. Candidate Roxie Melton received 154 votes. Candidate Frankie Ropp received 101 votes. Attorney Espeland reported on the results of the Trustee Election for Trustee District No. 5. Candidate Mike Plymale received 98 votes. Candidate Arleen Boyd received 153 votes.

There being no further business, Chairman Prinkki called for a MOTION to adjourn. A MOTION was made by Clifford A. Bare, seconded by Ray Goringa. The meeting adjourned at 4:10 p.m.

Respectfully submitted



Lance Million,
Secretary

OFFICIAL NOTICE OF ANNUAL MEETING



BEARTOOTH ELECTRIC COOPERATIVE, INC.
RED LODGE MONTANA

The 73rd Annual Meeting of the members of Beartooth Electric Cooperative, Inc. will be called to order at 10:00 a.m., Saturday, September 24, 2011, in the Roberts High School, located in the Town of Roberts, County of Carbon, and State of Montana. The meeting will be concluded with the serving of a lunch beginning at 12:15 p.m. Member registration begins at 8:30 a.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 2010 Annual Meeting of Members and taking any necessary action thereon.
4. Reports of officers, trustees, employees and committees.
5. Election of three members to your Board of Trustees to succeed Martin Kimmet, Lance Million and Allen Nordahl, whose terms expire.

District No. 1

Martin Kimmet

District No. 3

Lance Million

District No. 7

Allen Nordahl

6. Unfinished business.

7. New business.

DATED THIS 1ST DAY OF SEPTEMBER 2011

Lance Million,
Secretary

RULES OF ORDER FOR CONDUCT OF ANNUAL OR SPECIAL MEMBERSHIP MEETING

1. Members wishing to speak are to give their name and the district/area in which they reside.
2. Only members may be allowed to speak for three minutes on each issue and for one time only, except that an additional two minutes may be granted by unanimous consent of the Board of Trustees or the Chairperson.
3. No signs or handouts will be permitted within the building of the place of the annual meeting, except such handouts as required for the official conduct of the annual meeting. No handouts made available outside the building will use the name of the cooperative, its letterhead or logo to imply that the cooperative supports or opposes any candidate for trustee or resolution.
4. No demonstrations shall be held within the building of the place of the meeting.

Beartooth Electric Cooperative, Inc.
PO Box 1110
Red Lodge, MT 59068-1110

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AGENDA

BEARTOOTH ELECTRIC COOPERATIVE, INC. • 73RD ANNUAL MEETING OF THE MEMBERS
SATURDAY, SEPTEMBER 24, 2011 • ROBERTS HIGH SCHOOL

Registration	8:30 AM
Meeting Called to Order & Welcome (President John Prinkki)	10:00 AM
Invocation	Pastor Bob Bilyeu Luther Community Church
Presenting of the Colors	American Legion - Carbon Post 17
National Anthem	Tamara Upton
Appoint Acting Secretary	John Prinkki, President
Appoint Credential & Election Committee	John Prinkki, President
Reading of Notice of Meeting & Proof of Mailing	Lance Million, Secretary
Establish a Quorum	Lance Million, Secretary
Reading/Approval of Minutes of 2010 Meeting	Lance Million, Secretary
Introduction of Board/Spouses & Guests	John Prinkki, President
President's Report	John Prinkki, President
Financial Report	Rick Matusiak, Auditor
Manager's Report	Ronald R. Roodell, General Manager
Present Proposed Changes to Bylaws and Vote	Lance Million, Secretary
Election of Trustees: Elections of Trustees are for Districts 1, 3 & 7 Incumbent trustees are: Martin Kimmert (District #1), Lance Million (District 3) and Allen Nordahl (District 7)	Nathan Espeland, Attorney
Unfinished Business	John Prinkki, President
Member Question & Comment Period	John Prinkki, President
New Business	John Prinkki, President
Grand Prize Drawing	John Prinkki, President
Lunch	12:15 PM