

ISSUE

# 07

July  
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 socks  
partner—*

- Member Only Live Auction for Two Retired BEC Pick-ups



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## Dear Members—



Richard Peck, Interim  
General Manager  
446-2310

As noted by the Due Diligence Chair Arleen Boyd, the Southern Bankruptcy is before the court awaiting final disposition (June 13, 2014). There is a lot of work yet to be considered before we can put the Bankruptcy clearly in our rear view mirror! After the court makes

their decisions, the bankruptcy plan will have to be reviewed and approved by the RUS Administration (our primary banker) and the Wyoming Public Service Commission. Next steps for BEC will be the consideration of staying in Southern for the contract duration our buying out of the contract and acquiring our own power supply.

Other efforts to find ways to reduce our electric rates include looking at a management contract that could lead to a merger our consolidation with another cooperative utility. Also up for consideration is the sale of assets to a private utility. All means to reduce our distribution expenses and lower your rates are being considered. However reliability and customer services will not be diminished. To keep updated on the various cooperative activities going on, take a look at your web site ([beartoothelectric.com](http://beartoothelectric.com)) for the most current information.

Your 76th Annual Meeting is scheduled for September 27 at the Roberts High School gym. This year there will be three Trustees up for election; District 1, Clark, Wyoming and Bridger, MT, District 3, Roberts, MT and District 7, Columbus and Rapelje, MT areas. In District 3, MS. Julie Lindgren from

the Red Lodge Area was appointed on May 24 to fill the unexpired term of Pat Hoffman. Julie Lindgren is the Co-owner of the Rockin "J" convenience stores in Red Lodge and Ole's Corner near Fishtail, MT. She has been a twelve year member of BEC and has two grown daughters Jamie and Jody. If you're interested in running for one of the open board positions please review the Bylaws for qualifications and obtain a nomination petition, both items are available online at our web site.

The summer of 2014 is full of construction activities. Near Absarokee the cooperative is completing several miles of re-routing of our power lines for highway construction. We have two contract crews working on the replacement of 500 power poles that were budgeted this year for replacement. Presently we have two contract crews from Davy Tree Trimming working in the Red Lodge and Nye area. It looks like we will also be adding about 50 new services throughout our service area. We look forward to accommodating all members for their electrical needs this year on a first in time service basis.

The policy committee chaired by Laurie Beers has been active in rewriting policies. One policy of interest may be the updated renewable energy policy for community projects. The new policy will allow a community renewable energy facility to be connected without a direct tie to an existing facility. If the members in a given area wish to build a renewable project and then financially support the project with their electric service (net metering) the new policy will allow for such opportunities. Give the office a call if your community is interested in this form of renewable energy supply.



## Southern Montana Electric Bankruptcy Millions Spent, Millions Due

Arleen Boyd, Due Diligence Committee Chair (328-6645)  
District 5 Trustee  
Submitted June 7, 2014

Interested in  
serving  
on your  
Cooperative's  
Board of  
Trustees?

Nominations  
Now Open!

By the time you read this the Southern Montana Electric Cooperative plan of reorganization could be in effect following the U.S. Bankruptcy Court confirmation hearing scheduled for June 13. After working with its members and the secured noteholders, Southern filed the plan on May 12, 2014. In addition to the Highwood Generating Station noteholders, most other creditors reached agreements with Southern supporting the plan. BEC cast its ballot in favor of the plan after a request for proposals produced preliminary pricing from potential power suppliers indicating that it is possible for Southern to buy power at rates that can allow it to meet the terms of the agreement without rate increases for its member co-ops.

Terms of the plan include:

- 4-year payment to the HGS noteholders, primarily Prudential Insurance and Modern Woodmen, of \$21 million at 4.125% interest
- Creation of a trust to sell the Highwood Generating Station with the proceeds going to the noteholders
- Resolution of other claims in accordance with U.S. bankruptcy code
- Provision for a potential exit for BEC.

### Challenges

*Exiting Southern* -- The plan follows more than three years of bankruptcy action which most of you have followed. Shortly after bankruptcy was declared BEC began efforts to secure an exit from Southern through court action to challenge the BEC contract with Southern, legal demands for liquidation, and negotiations for plan provisions for terminating our membership. The plan allows us to leave Southern without objection from the noteholders if BEC prepays its share of their notes and Southern's other members consent. Because BEC and Southern's other three co-op members have not reached agreement on terms for a BEC exit, mediation is underway.

*Making it work* -- With no agreement on exit provisions yet in place we have focused on making the plan work. As members of Southern our responsibility is to provide oversight and analysis to put the plan on track. A "feasible" plan, as required by the court, is one that can work under expected circumstances if reasonable actions are in place to implement it. Feasibility does not guarantee that those actions will be identified or taken.

To make the plan successful Southern will need to secure power at competitive rates, manage operations carefully, reduce expenses, and exercise an unrelenting commitment to making payments to the noteholders in accordance

with an amortization schedule that retires the debt in four years. Southern will need to operate with transparency so that members of member co-ops can confidently support the actions necessary to meet its obligations and ultimately release its members.

### \$36 million paid to date

Market power prices have worked strongly in Southern's favor during the three years of the bankruptcy. With pre-bankruptcy electricity rates set for its members, low market prices for power allowed Southern to supply power to members while collecting sufficient cash to pay bankruptcy expenses and payments to the noteholders. Since declaring bankruptcy in October 2011 Southern has paid more than \$9 million in legal fees and compensation to professionals employed by the trustee, Southern, the secured noteholders, and other creditors. Over the same period Southern paid the noteholders approximately \$26.5 million for "adequate protection" of their interests. The operating reports documenting the payments are posted on the BEC website [www.beartoothelectric.com](http://www.beartoothelectric.com). For information call the co-op or a board member and plan to attend one of the scheduled member meetings posted on the website.



## Trim Energy Waste from Crop Farms

### Farm Efficiency Tips:

Growing grains feeds the nation, but farmers have to keep a careful eye on energy use. Delivering water to crops costs \$2.6 billion energy dollars every year, according to the U.S. Department of Agriculture. The National Sustainable Agriculture Information Service reports 25 percent of that energy was wasted due to poor irrigation pump and motor efficiency.

Here are a few ways to start saving today:

1. **MAINTAIN:** Maintain equipment and facilities

following manufacturers' recommendations for proper use and maintenance.

2. **TURN OFF WASTE:** Turn off equipment when not in use or needed. Educate employees on the importance of not running all equipment at the same time.

3. **MOTOR SAVINGS:** Use National Electrical Manufacturers Association (NEMA) Premium Efficient electric motors. These highly efficient products meet the needs and applications of the farmer and manufacturers based on a consensus definition of "premium efficiency."

Learn more at [www.motors-matter.org](http://www.motors-matter.org).

4. **WATCH RATINGS:** Always consider energy consumption ratings when replacing or installing new equipment, typically the lowest cost equipment is the least energy efficient

Want more ways to save on the farm? Use the animal housing, irrigation, nitrogen, tillage, and grain drying energy calculators at [EnergyTools.sc.egov.usda.gov](http://EnergyTools.sc.egov.usda.gov).

Source: *Ensave.com, National Sustainable Agriculture Information Service, USDA*

## YOUR QUESTIONS ANSWERED

### Q: What is the Unclaimed Capital Credit Education Fund?

**A:** Created in 1996, the Unclaimed Capital Credit Fund provides monies for educational purposes using capital credits that are unclaimed by former members. Prior to 1996, Co-ops were required by law to retain unclaimed capital credits for five years, and then escheat them to the State of Montana. During the legislative session that year, Co-ops successfully lobbied to allow the unclaimed capital credits to be retained by the Co-ops to be used for education.

Since that time, Beartooth Electric Cooperative has donated unclaimed

capital credits for educational purposes across our service area. Initially the funds were donated to schools to support new technology, facility upgrades and even digging a needed well. Currently, the education fund is used primarily to support the Youth Tour Program where BEC awards two Washington DC trips to eligible High School Sophomores and Juniors and the BEC \$1,000 Achievement Scholarship fund which awards one eligible graduating Senior from each of our 11 service area high schools. a college scholarship.

## Trustee Nomination

### QUICK FACTS

- Open elections are for:

District 1  
Bridger, MT  
Clark, WY Area

District 3  
Roberts,  
Bearcreek Area

District 7  
Columbus,  
Rapelje Area

- 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, 2014, 5:00 P.M.

- Elections are conducted at the BEC Annual Meeting, Saturday, September 27, 2014 at the Roberts High School Gymnasium, Roberts, MT.

## Next Board Meeting

July 26, 2014  
12 Noon

Red Lodge Area  
Community Foundation

Join us!

## Chairman's Message



Roxie Melton,  
President  
426-0135

In the past couple of months the Trustees and management have conducted "Town Hall" meetings across the BEC service territory. Thank you to those members who were able to attend a meeting and join us in the discussion of the Southern bankruptcy proceedings and our possibilities for the future of BEC. It is important to us, to keep the membership informed of the Southern Bankruptcy activities and the outcome as we currently know it. I have to say currently, because the Court has postponed and rescheduled the hearings so many times. We were hoping for a confirmation to the bankruptcy plan back on April 14, but the delays and continuances keep coming. Since the plan is still not confirmed, here in the beginning of June, I feel sure some things will change and we need to keep you informed. Please be reassured that all information, not of contract design, can be found on the web site. As soon as we are informed we get the materials to our web design team and they immediately post it.

On May 30, Terry Richardson officially retired from Beartooth Electric after 19 plus years of service. Terry worked in the materials department in his last years and he will be sorely missed. His smiling face and constant optimistic attitude was infectious. When I spoke with his wife she said the "honey do list" is growing and she is looking forward to having him around the house. Terry and his wife live on a ranch near Edgar and I feel sure he has plenty to keep him busy. Thank you for your service to the co-op, we will miss you Terry.

## SUMMER ENERGY EFFICIENCY: *Myth vs. Fact*

**Myth #1:** When I'm not home, keeping my air conditioner at a lower temperature throughout the day means it doesn't have to run harder to cool my home when I return.

**FACT:** To save energy, set your thermostat to a higher temperature during the day, and lower it when you return home.

**Myth #2:** Closing vents on my central air conditioning system will boost efficiency.

**FACT:** Closing vents can cause the compressor to cycle too frequently and the heat pump to overload. You'll also use more energy.

**Myth #3:** Time of day doesn't matter when it comes to running my appliances.

**FACT:** Time of day does matter when running electrical loads. For example, take advantage of the delay setting and run your dishwasher at night to avoid peak times of use and save energy.

**Myth #4:** Bigger is always better when it comes to cooling equipment.

## BEC BOARD OF TRUSTEES

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