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December 31, 2013

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## **Decisions loom for Southern bankruptcy**

Two competing plans are in front of the bankruptcy court that will decide the future of the Southern Montana Electric Generation and Transmission Cooperative. The plan submitted by Prudential and its associated noteholders calls for reorganization of the co-op. The other plan, filed by Southern's four member co-ops, calls for liquidation. In a court filing on Dec. 27 and a resolution passed by the Beartooth board on Dec. 30, Beartooth Electric Cooperative has made it resoundingly clear that they are moving forward to support liquidation.

“Whether the decision is made to liquidate under the members’ plan filed in October, or under our recent motion to convert to Chapter 7, either way, our members benefit if Southern is closed down,” said Beartooth’s spokesperson, Arleen Boyd.

The filing on Friday was a joint action by Beartooth and Fergus Electric Cooperative as “parties in interest” to dissolve Southern. The motion brings the key issue to the fore: whether or not the wholesale power contracts and the membership contracts can be assumed and assigned (to secure Southern’s debt).

“If not,” the motion reads, “no plan of reorganization is remotely possible and every passing day is just a waste of money squeezed from Montana ratepayers.”

The resolution signed by Beartooth’s seven-member board on Monday emphatically states that the cooperative will not consent to any assumption or assignment of the wholesale power contract under the reorganization plan.

Will Southern remain in business despite the wishes of its members? With two plans and a motion to convert to Chapter 7, that decision is in front of the court.

“Southern has a number of positions to take in court, and has to decide which ones are best supported by the facts,” commented Laurie Beers, Beartooth Trustee who serves with Boyd on Southern’s board. Southern’s board has only been back as the debtor in charge since late November when the former trustee was dismissed by U.S. Bankruptcy Judge Ralph Kirscher.

Negotiations among Southern, Prudential, and Southern's individual member cooperatives are scheduled for early January to see if a consensual settlement is possible.

Decisions faced by the members of Beartooth are no less daunting. The Beartooth board continues to explore options for power supply should the contract with Southern be put aside. A recent report of the Beartooth board's due diligence committee suggests "merger or acquisition with identified power suppliers could lower rates for wholesale power and provide more efficient distribution support." Within the context of due diligence to pursue a path "with defined benefits and lower rates for members than are possible with continued membership in Southern," the committee also reported a consultation with counsel to evaluate actions should Beartooth's bankruptcy be considered.

On January 3 the Southern board will meet with the member co-ops to hear about their liquidation plan. The board heard Prudential's presentation on the proposed reorganization plan at an earlier meeting in December.

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