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FOR IMMEDIATE RELEASE
May 21, 2012

BEC acts again to protect members

The Beartooth Electric Cooperative (BEC) board has acted again in its ongoing effort to protect members from the potentially horrendous debt from the bankruptcy of its wholesale power provider, Southern Montana Electric.

In a letter dated May 13, the board told the federal bankruptcy court's trustee, Mr. Lee Freeman of Livingston, that its responsibility to evaluate the cooperative's financial exposure and to plan for managing the coop following Southern's bankruptcy required information Freeman should provide.

In the letter, the board asked Freeman to secure expertise to analyze:

> * The cost/return of Southern's Highwood Generation Station's (HGS) . The analysis should examine HGS' 40 megawatt phase one existing facility and separately its planned 120 megawatt completed facility, each under various business and market scenarios using current data and assumptions. * Current engineering data and financial assumptions for HGS, its market value, and its potential use and cost for providing 40 and 120 megawatts. * The costs to BEC and Southern's other member systems of reorganizing Southern under Chapter 11 or liquidating it.

These analyses, the letter explained, will help BEC evaluate the cooperative's financial exposure and identify a path after bankruptcy that will produce the least harm to its members. Anticipating the opportunity to contribute to the court's resolution of Southern's bankruptcy, BEC asked Freeman to share the results of the analysis before he recommends a bankruptcy plan to the court.

The letter described the HGS analysis as similar to one BEC's former board agreed to but never performed. Instead the board relied on Southern's assurance of HGS' feasibility, which Southern based on an analysis by the engineering firm it employed to build HGS.

The letter questioned Southern's previously projected scenarios for marketing or using HGS power, which were designed to attract investors, and asked for a realistic new examination of potential uses for the plant.

Acknowledging that Freeman was exploring the sale of HGS, the letter expressed a concern that HGS would sell at a price well below its cost, in part because of the plant's actual operational capabilities and in part because of the discounting that bankruptcy would inevitably produce.

The price at which HGS might sell is critically important for BEC. It will reduce the remaining amount of Southern's $85M debt ($187 million with interest) for HGS that BEC may incur because of its existing all requirements contract with Southern.

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