

Beartooth Electric Co-op looks towards the future with new power suppliers

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By Eleanor Guerrero, CCN Reporter

With the future of the Beartooth Electric Cooperative so open, it was declared at the meeting of the board on Friday, Oct. 26, that they looked forward to the Nov. 16 determination by the Trustee of Southern Electric Generating and Transmission Company (Southern) in the proper solution of the bankruptcy.

On that date, according to Arleen Boyd (due diligence committee and BEC board member) the trustee must issue a solution for Southern and hopefully, a determination of the debt burden for BEC through a plan or outline of his approach. The board admitted it was a huge obstacle to future planning for the little co-op to not know the size of the shadow of debt under which it would be laboring. The latest news is that the November date has been moved back to Dec. 14.

At this meeting audits were the topic of the day-both for BEC internally and for members to find greater means of efficiency in their heating and electric needs.

Independent auditor said the biggest concern was having “14 percent of BEC’s assets in a company involved in a state of bankruptcy.” The United States Rural Utility Services (RUS) is a major creditor for BEC and it carefully monitors company debt and financial performance. It was made clear that to write off the great loss now would impair BEC’s financial ratios to the point they would violate their RUS status. Should it fall below a “tier” (times interest earned) warned the auditor, RUS could put it on a warning list. Should it continue below par, it could eventually be taken over by the government. If BEC were to write off all its Southern investments now, it would fall perilously close to that level. As a result, the accountant advised the board to hold off on writing off losses now to see what Southern debts were ordered by the trustee.

Also at issue reported Boyd, were the moneys transferred by SME Electric Transmission and Generating Company (SME) to Southern. SME property owned free and clear was mortgaged less than two months before the bankruptcy filing to secure a line of credit for \$600,000 for Southern-and three transfers from SME to Southern exceeding \$120,000 were made by the manager in the weeks immediately preceding the bankruptcy. Approximately \$50,000 was loaned from SME to the for profit company Independent Electric Supply Service, Inc. (IESS) in the months before bankruptcy. BEC is investigating through upcoming depositions whether any portion of its contributions to those transfers were is recoverable.

When board member Laurie Beers expressed concern, Boyd assured her that the trustee was aware of BEC’s tier status with RUS. The accountant assured her that he speaks regularly to the RUS local representative and 2-3 times a year with the head of RUS. “The courts and the trustee look at satisfying the creditors. But not if we can’t give them that much money. One possibility is liquidating Southern. We’ve told the trustees what

we can sustain and that we do not want to be part of Southern and Highwood (Highwood Generating Station)-which is at half its current asset value,” said Boyd.

In the meantime, Boyd added, “We are talking to at least three power suppliers and are in deep conversations with them evaluating these criteria: rates, security, their track records, business saavy, ethical representations, etc.” The biggest issue is the cost of wholesale power and how to lower or hold rates for members.

As for the trustee’s presentation to the court in December, Boyd said it could be a “full blown plan” or just an outline. She assured the board that BEC is in confidential negotiations and attorneys for BEC, the other co-ops and the trustee are discussing the debt. The board welcomed Clean Energy Ambassadors, a nonprofit funded to help community-based utilities and their members in energy efficiency. BEC President Roxie Melton said many members responded to an earlier survey expressing great interest in energy audits for greater efficiency and lower rates.

Stevie Moe appeared for Clean Energy Ambassadors and said it was possible for her to be contacted directly by members interested in various degrees of energy audits. “We can definitely do an audit that says if you do this and this, it can lower your bill this much.” Her Vista assistant, Andrew added, “Sometimes the best thing is not affordable if the first thing a person can do costs \$500. So we can also offer the second best thing to do to lower your rates. We can help.”