

Beartooth receives basis for bankruptcy plan

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By Eleanor Guerrero, Reporter

On Friday, Dec. 14, the trustee for Southern Montana Electric Generation and Transmission Cooperative, Inc. (Southern) submitted its basis for the plan of resolution of the bankruptcy. The document was a short four pages but its effect was devastating for the small co-ops that make up Southern. The plan would require that Southern be kept intact, Highland Generation Station, its power plant, be kept, not sold and that the existing contracts with Southern for energy be honored. It would take on additional power contracts. That includes tremendous debts to PPL which had been suspended and would have required quarterly payments of millions of dollars.

The plan basis states:

“The Trustee intends to file a plan of reorganization pursuant to which Southern will be reorganized and will emerge from Chapter 11 as an ongoing entity.”

“Southern will retain ownership of Highwood Generating Station and the Wholesale Power Contracts between Southern and its members will be assumed..” unless other contracts are worked out and approved by the court.

Southern will enter into a long-term power purchase agreement with one of three entities: Morgan Stanley Capital Group, Inc., Shell Energy North America or PPL EnergyPlus, LLC.

Lastly, the contract between Southern and Western Area Power Administration will be assumed or assumed as

modified.

The Beartooth Electric Co-op (BEC) reacted strongly to the basis for the plan submitted. Its Due Diligence Committee stated, "Despite our efforts, a reorganized Southern does not appear to provide any advantage to BEC, particularly if it is responsible for HGS. To the contrary it would expose BEC to ongoing costs and risks that BEC cannot afford without providing any return."

It further stated that "BEC members are aware of the poor decision-making and lack of due diligence by our former board and the other members of Southern's board. We understand that your position is that Southern's members must bear some consequences of their poor choices."

The Committee outlined the burden BEC currently bears. "BEC members suffer the highest rates in Montana and the region and rank in the top two percent for retail rates, nationwide. They have revamped BEC's board of directors. Our manager resigned." The committee felt the creditors who loaned on such questionable equity should not be rewarded by fully honoring the obligations at the cost of so many innocent members. There is a hearing in federal court on Tuesday, Dec. 18 where further discussion may ensue. The other parties will be permitted input and all alternate plans must be submitted to the court by February, 2013.