



For Immediate Release
September 13, 2012

BEC prepares for big decisions ahead

The Beartooth Electric Cooperative (BEC) Due Diligence Committee announced this week completion of two major efforts to help analyze potential power supply sources for the co-op. The BEC Board of Trustees reviewed and accepted two reports commissioned by the committee to help identify options and frame immanent decisions that are critical to the co-op's future.

EES Consulting of Kirkland, Washington, examined the market value of the Highwood Generation Station, the power plant financed and built by four Southern Montana Electric Generation and Transmission Cooperative (Southern) members, including BEC. The plant produces no electricity for sale and carries unpaid debt exceeding \$85 million, not including interest. The EES report identifies market value for the plant far less than its cost for all likely uses of the facility. If BEC is held liable for Southern's obligations tied to HGS and the plant is sold at market value, the report provides a realistic estimate of the financial outcome for BEC. The report concludes that planning to use electricity from the plant for its future power supply makes little sense for BEC.

"We are doing rigorous analysis on this committee," said due diligence committee member Judith Gregory. "The HGS report puts many questions and assertions to rest – and it cost less than 10% of the outlay the former board cited to discourage due diligence last year."

The Due Diligence Committee and the BEC Board also reviewed and endorsed a financial model created by an independent expert to enable BEC to examine the short-term and long-term impacts of various levels of debt the federal court may impose to resolve Southern's bankruptcy.

"We are working on plans to establish competitive rates and maintain a strong infrastructure. Using this flexible financial tool BEC can test a broad range of assumptions regarding the co-op's fixed and variable costs, income, and necessary investment to keep our plant strong," said Richard Peck, Interim General Manager at BEC.

Southern declared bankruptcy in October 2011. In November 2011 U.S. Bankruptcy Court Judge Ralph Kirscher appointed a trustee to oversee

Southern's finances and replace management that had brought the co-op to bankruptcy. The trustee, Lee Freeman, has indicated that he may present a plan for Southern's future as early as this fall. After the court reviews the plan, creditors and debtors will have an opportunity to comment and offer alternatives.

Using the HGS report and the new financial model, the BEC Due Diligence Committee is comparing the costs, risks, and advantages of various power supply options and business relationships that may be available when the bankruptcy concludes. The committee has narrowed the scope of its analysis to a list of future paths that BEC may take. The committee chair will report on the paths and the analysis to date at the BEC annual meeting on Sept. 22.

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