



For Immediate Release
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BEC Responds to Southern Montana Electric Bankruptcy

Red Lodge, MT - Fast breaking developments in the Southern Montana Electric Generation and Transmission Cooperative (Southern) bankruptcy filing have Beartooth Electric Cooperative (BEC) working fast to protect co-op interests.

Since filing for Chapter 11 reorganization on October 21, Southern has hired a bankruptcy attorney and accepted the retirement of General Manager Tim Gregori, effective December 31. Gregori currently is taking accrued vacation time. The bankruptcy court hearing originally scheduled for November 17 is now scheduled for December 2 at 10:00 a.m. in the federal courthouse in Billings.

BEC has hired a Billings law firm with bankruptcy expertise to examine BEC's exposure and options in the impending bankruptcy action, which involves the co-op as both a creditor and debtor. *Lawyers with Felt, Martin, Frazier, Weldon, P.C. are examining Southern's Chapter 11 bankruptcy petition and actions to date. On November 28 the BEC board will hold a special meeting with attorneys from the firm to discuss the bankruptcy and potential actions for BEC going forward. The meeting will be open to BEC members.*

BEC's new counsel affirms the co-op's stand that Southern's refusal to seat Beartooth's elected representative to the Southern Board on October 21 was illegal and that actions taken at that board meeting after BEC was excluded, including a 20% wholesale power rate increase, are nullities.

"It is our position that the wholesale power increase was illegally imposed and we are not paying it," said BEC President Roxie Melton. "We have employed counsel to help us protect our financial interests and we are looking at the full range of potential options should our power supply be in question."

A new due diligence committee created by the BEC Board of Trustees is examining potential financial impacts on power supply that may result from Southern's bankruptcy. The committee includes BEC board members and members at large.

"We understand our contract commitments to Southern," said Pat Hoffman, BEC Board Secretary and member of the due diligence committee. "We are looking at the financial implications of various scenarios that could develop as the bankruptcy goes forward."

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