

Committee reports:

Risk Management Committee:

Arleen Boyd reported on the recent Risk Management Committee held April 20, 2017. At this meeting Frank Willett presented Scenario 5 results to the committee along with a comparison of Scenario 5 to the previous scenarios. His comparison of scenario assumptions and results shows that a 5% rate decrease in total revenue in 2017 is possible with a 20-year capital credit rotation in place. At the end of the forecast period (2023) long-term debt is approximately equal to current debt (approximately \$11.6 million), the new meters are in place for the system, equity is 42% and all financial ratios are within lender standards.

Arleen pointed out that the model needs to be corrected to calculate the rate decrease accurately and committee members asked for a final examination of the financial ratios by Kim Mikkelsen for the board's review.

Arleen reported that the committee and board members discussed the assumptions and potential risks and reached consensus that, with the updated information in hand, the board could responsibly vote to approve the rate decrease effective July 2017.

The group discussed the EES Cost of Service Analysis recommendations regarding how to fairly implement the 5% rate reduction across all member rate classes. Confirming previous conclusions that rate design would be best considered after the new meters are in place and can provide comprehensive data on member use, the group discussed beginning the research and education process for the committee to look at rate design for the future.

Jim Webb reviewed the difference between demand charges and facility charges.

Arleen reported on conversations with Sun River Electric about its new rate methodology. They have significant data and the manager and board president are willing to come to Red Lodge to share their experience with what is a new and spreading way to address rates in a changing time for energy consumption. Arleen reported that she had worked out arrangements with Sun River Electric to have them present this information at the May 30, 2017 board meeting.

Arleen also reviewed a risk management class she attended, conducted by NRECA, in Great Falls. Discussion followed that risk

management is necessary and has become an integral part of the BEC culture. She encouraged directors to take advantage of classes being offered at the NRECA Summer School.

Frank Willett reviewed Scenario #5 of the financial forecast that he and Kim Mikkelson had updated. He also sent out a scenario #6 to the board answering Bill Pascoe's questions on levels that would allow rates to be reduced. Frank pointed out that scenario #5 is based on a seven year forecast and scenario #6 is more on how low can rates go and still have a margin of \$150,000. A history of BEC margins was handed out.

Frank Willett continued with his discussion of scenario #6 compared to scenario #5 of the financial forecast. He requested that the scenarios be placed on the BEC website and the Scott Fry include them with the current BEC manager search.

Finance Committee:

Julie Lindgren reported that she liked having risk management and finance committee meetings together. She informed the board that the committee is looked at possible new auditors and changing the BEC audit time frame. Questions were raised regarding length of time for contracts and moving annual meeting up in the year. The board held lengthy discussion on whether to move BEC fiscal year end to December 31 instead of June 30. Bill Pascoe pointed out that moving annual meeting should be a separate question because there is always a brief audit report during annual meeting assuring members everything is correct.

Chairman Peterson requested a written silent vote from board members on whether or not to move the BEC fiscal year end to December 31. After tabulation, the vote was unanimous to change BEC's fiscal year end to December 31.

A motion was made by Julie Lindgren, seconded by Dick Nolan, to accept moving BEC's fiscal year end to December 31. Motion carried. Voting was unanimous.

The board discussed changing auditors. Julie Lindgren stated that it would be easier for the current auditors Summers McNea to transition the BEC fiscal year to December 31, 2017. She also pointed out that a new contract with Summers McNea would only be until December 2018.

A motion was made by Bill Pascoe, seconded by Dick Nolan, to stay with the current BEC auditors, Summers McNea until December 2018. Motion carried. Voting was unanimous.