

Beartooth Electric Cooperative Regular Board Meeting
Tuesday, November 27, 2018
12:00 Noon | Beartooth Electric Office
Agenda

Beartooth Electric Cooperative will be referred to as BEC herein. The Glossary of Terms and Acronyms website link is <http://www.BeartoothElectric.com/content/glossary>.

1. **Call to Order:** Board President, Julie Lindgren, called the meeting to order at 12:03 p.m.

2. **Pledge of Allegiance**

Present: Presiding: Julie Lindgren, Bill Pascoe, Arleen Boyd, Dan Dutton, Richard Nolan, and Roxie Melton

Staff:

Kevin P. Owens, General Manager
Kaaren Robbins, Member Communication & Services
Eric Elton, Line Superintendent
Brad Prophet, Accountant

Via telephone:

Larry Martin, Legal Counsel

Visitors:

Ralph Lewis
Jim Rodgers
Frank Willett

3. **Visitor Comments**

None.

4. **Approve Agenda**

MOTION

A motion was made by Richard Nolan and seconded by Roxie Melton, to approve the agenda as amended. Motion carried. Voting was unanimous.

5. **Approve Minutes**

- October 30, 2018, Regular Board Meeting

MOTION

A motion was made by Dan Dutton and seconded by Richard Nolan, to approve the minutes with edits. Motion carried. Voting was unanimous.

6. Committee/Trustee/Attorney Reports

- Finance Committee (Julie Lindgren)
 - 2019 Budget Timeframe:
 - November 15 Operating Expenses
 - November 29 2019 Capital
 - 5-Year Capital Plan
 - Update Yellowstone River Crossing
 - December 3 Begin working with Wallis Consulting
 - December 18 Budget Update Discussion with preliminary financial modeling More Meetings?
 - January 29 Board Meeting—Budget Approval
 - Third Quarter Financials

MOTION

A motion was made by Arleen Boyd and seconded by Bill Pascoe, to accept the Third Quarter Financials as presented. Motion carried. Voting was unanimous.

- **Risk Management Committee (Arleen Boyd)**

Risk Management Meeting, November 19, 2018
Committee Attendees: Frank Willett, Bill Pascoe, Julie Lindgren, Jim Rodgers, David Peterson (via telephone), Arleen Boyd. Board attending: Richard Nolan, Roxie Melton (via telephone), Telephone participants: Gary Saleba (EES), Gail Tabone (EES), Larry Martin (BEC Counsel).

Meeting convened at 2:10. The two primary agenda items were continued rate design education and plans to examine opportunities to provide members information and programs that support energy conservation.

EES Consulting President Gary Saleba led, via telephone, a discussion of rate design issues. EES Senior Associate Gail Tabone also participated by phone. Saleba's presentation addressed questions from a committee list (copied below) with many additional questions and comments from attendees. EES experience with companies throughout the industry provides insight into changes being considered and implemented to separate energy costs from fixed costs in customer billing in order to support fair rates and strategic revenue requirements at a time when energy use is projected to continue to grow at a much lower rate than in the past.

BEC has a Cost of Service Analysis (COSA) scheduled for the second quarter of 2019. At her presentation in October Tabone noted that a COSA analysis of existing customer classes and their payments to cover their shares of co-op revenue requirements is useful for rate design evaluation but does not necessarily fully address rate design analysis that looks at alternatives for how to establish classes and rate structures to best accomplish strategic goals. Saleba reported that average energy use is down and the traditional two-element rate structure for residential users (costs for securing energy plus a base charge) is being questioned widely. The base rate rarely covers all costs other than energy, so other costs are absorbed and included as part of the energy bill. With a general reduction in the projected growth of energy use, many electric co-ops wish to bill for energy accurately and cover other costs openly and separately. Previous growth in kilowatt-hour use allowed a kWh rate to include other costs without escalating the energy tariff beyond reason. Saleba called that result "no foul" because load growth provided ample kWh units to carry costs other than energy.

The BEC seven-year forecast estimates 0.5% annual increase in kWh sales due to new members with current member use flat. Saleba calls that a reasonable assumption and sees many utilities concerned about use reduction, not just reduced increases as customers demand net metering for renewable energy installations.

Rate design approaches being considered by co-ops, and other utilities include:

- Adding demand charges to all classes of customers
- Using a ratcheted demand charge (percentage of individual peak demand)
- Implementing a minimum bill (that includes a set kWh amount)
- Basing a fixed cost on amperage at the residence

Preparing for the COSA and rate design evaluation -- Bill Pascoe noted that BEC has used data but not yet much demand data other than for irrigators. Tabone said that some utilities had used pilot projects to get demand data when full demand reporting is not yet available. The best data includes 12-months customer demand data. EES will send a data request to BEC to start the COSA process. Dates for the COSA process are not changing, but the content and schedule for the roll-through of rate design analysis and full examination with members will be updated by Pascoe, Boyd, Tabone, Saleba) for review by the committee and board as the 2019 budget period proceeds.

Additional Saleba points to consider as the committee/board evaluations go forward:

- A majority of co-ops are looking at the potential impact of a rate design change to separate energy and fixed-cost elements, but very few have made changes to date.
- Inclusion of fixed costs in kWh rates does not work anymore
- Seasonal loads exacerbate reduced load issues
- Digital meters make demand calculations doable and useful
- Millennials and other young electricity users voice support for and concerns about transparency, choice and clean energy
- Low-use customers pay a proportional increase as fixed costs move from kWh inclusion to demand and fixed cost increases
- Many utilities that change net metering rate design provisions "grandfather" existing customers in
- It is wise to examine impact on individual ratepayer segments when making rate design changes
- The COSA will include cost base calculations to use in rate design
- Segmenting the residential class presents challenges - one class can be fairly done

The current risk management focus is on rate design and planning for potential conservation/energy efficiency programs and information. Bill Pascoe led a discussion of co-op investments in Montana's Universal System Benefits Programs (USB) in accordance with 69-8-402, MCA. USB programs fund energy conservation, renewable resource projects and applications, and low-income energy assistance. Montana utilities must fund the programs at 2.4 percent of their 1995 retail sales revenue. Rural electric cooperatives are not required to file reports with the PSC and may collectively pool their statewide credits to satisfy their annual funding requirements for universal system benefits programs and low-income energy assistance (69-8-402, MCA). Currently Flathead Electric and a small number of other utilities more than meet the Montana electric cooperatives requirement.

The group discussed some programs offered by co-ops and agreed that asking other co-ops what they are doing and what the issues are would provide good data for planning consideration at BEC. Julie Lindgren noted that a strategic planning session for early 2020 could address conservation goals and programs using data collected in 2019 and results from initial 2019 efforts. Kevin Owens is investigating funding programs available for co-ops and will ask Montana managers about their programs. The committee will collect data and put conservation on upcoming agendas.
Arleen Boyd, Risk Management Co-chair 11/25/19

Questions for Gary Saleba - Call-in meeting 11/19/18

What are the predominant trends in rate design? We hear about separating fixed costs from variable costs. How many co-ops (percentage) cover all fixed costs separate from billing for power?

Examples of successful rate design implementations over the past 3-4 years to separate energy costs from fixed costs? Examples of planned implementations? Examples of unusual approaches?

How are customers responding to shifts to the separation of power cost from other costs?

How do customers respond to the user data they receive from digital meters? Are customers changing energy use or habits? Are younger customers responding differently from older (over 60) customers?

In transitions to billing full distribution costs separately from energy costs have small energy consumers been hurt? Have they objected? Have you seen a method for calculation of costs and benefits for large and small energy users?

Have you seen examples of co-ops creating a class for net-metered customers? Pros and cons? How about a class on seasonal members? Pros and cons?

- **Bylaw Committee (Arleen Boyd)**

The Bylaw Committee is set to meet next week on December 4. The committee is looking at the issue of trustee terms (Amended Bylaws Article 4). We have a situation where trustees will now have terms six months shorter or longer due to the bylaw change approved by the members at the annual meeting of September 2018.

The Board's instructions for the committee:

1. There is no concern regarding a shortened term.
2. The spring annual meeting date will not be changed.
3. If there is an issue with quorum, it should be addressed.

An amendment was discussed regarding the board's April 2017 motion to change the fiscal year end from June 30 to December 31. What we really did is that we moved our audit year to end on December 31. Committee Chair Arleen will work with Larry to amend this April 2017 motion and present at the next meeting, January 15, 2019.

- **Policy Committee (Roxie Melton)**
The Policy Committee will meet next in February 2019.
- **Communication Committee (Richard Nolan)**
Kaaren Robbins will cover the Communication Committee review in staff reports.
- **Treasurer's Report (Arleen Boyd)**
There was no Treasurer's Report presented

CONSENT AGENDA (Items 7-9, shown in blue)

7. Membership Connections and Cancellations, Capital Credit to Estates, Registers, Reports, and Summary of Disbursements

8. Financials—Brad Prophet

Due to the Thanksgiving holiday, these reports were run early as a draft.

PG 62

Period End will be corrected to read October 31, 2018

PG 61

October budget is at an approximate \$50k loss. The last 7-10 days of the month was colder, and usage went up, but overall the month was warmer than projected. However, it looks like we will meet or exceed the annual budget.

PG 70

These are checks to members who had already completed the estate retirement process had allocated capital credits as a result of the NWE payback.

PG 70

Bill Pascoe inquired to the Anixter check which references twenty meters. Brad explained that there are numerous invoices included in this check. The system only pulls one description.

PG 72

Missing descriptions from conversion. The first column last year, second column budget, third column year to date. The graph should be labeled January-October 2018.

PG 54

Arleen inquired if we were going to omit the pennies. Brad stated he would make that adjustment going forward.

9. Staff Reports

• General Manager's Report—Kevin Owens

- The WECC Board of Directors (on June 20, 2018) and the Federal Energy Regulatory Commission (FERC) (on October 18, 2018) approved an assessment of \$25,282,000 to Western Interconnection Balancing Authorities and/or Load-Serving Entities for WECC's 2019 Statutory costs. This amount was calculated in accordance with Section 11.1 of the WECC Bylaw. Your organization's share of that assessment is \$3,621.00.
- Shares du Soleil- The REAP Grant was submitted on October 31. Phase I was completely sold out on November 1 (60 panels). An additional nine panels of Phase II (20 panels) have also been sold. An engineering company has been hired to provide a foundation design for the ground mount rack system. Permitting for the project will begin in December.
- Policies- Following approval of the policies 311, 312, 416, 416A and 419 at the October Board Meeting final edits provided by Bill Pascoe and Larry Martin were included. Policies were forwarded on to Kaaren for final formatting.
- The 2019 Budget process has begun.
- Participated in the Red Lodge Rotary Veterans Day project at the Beartooth Clinic.
- Line Crew set new poles for the Red Lodge Ice Rink relighting project. Line crew hung Christmas Garland on Broadway Ave in Red Lodge. An extremely positive response from the community and members.

• Member Communication & Services Report—Kaaren Robbins

1. Communication Committee Meeting
The meeting was held Tuesday, November 13 at 2:30 pm, BEC Red Lodge Office.
 - 2019 Annual Meeting
 - 2019 Trustee Nomination Petition (Motion to approve)
 - A motion was made and rescinded to allow for the Bylaw Committee and Legal Counsel review and presentation at the next scheduled board meeting, January 15, 2018.
 - 2019 Annual Meeting Timeline

- New Billing Statement Design
 - Review NISC templates
 - A review suggested NEW design
 - This is a big step with NISC. They will program and implement our design as an enhanced offering to all clients.

The next Communication Committee Meeting is to be scheduled.

2. Work in Progress

- BEC Family Christmas Party
 - Rock Creek Resort | Flathead Room | December 14, 2018 | 6:00 PM. Please bring an unwrapped child's gift or money for the community Christmas giving campaign.
- CCC Certificate Portfolio Development
 - Certificate work continues. My required portfolio of communication samples is under construction.
- January Rural Montana
 - Kevin-Shares du Soleil
 - Kaaren-Winter Storms | Scholarships | Trustee Candidates Districts 2 & 5 | Capital Credit Retirement- Unclaimed Capital Credits
 - Board-Report
- BEC Board of Trustees Seeks District 7 Candidate
 - Direct mail postcard to drop 11/7
 - Candidate application deadline 12/15
 - Candidate interviews early January 2019
 - Trustee appointment January 29 Board Meeting
- Shares du Soleil PHASE I SOLD OUT
 - Phase I is sold out (60-panel certificates)
- Shares du Soleil PHASE II
 - Phase II added 20 additional panels to the array (Total will be 80). Sales began November 2. All members with panel certificates on reserve were contacted first to obtain their reserve orders. Phase II sales will continue until December 31 or when all certificates are sold.
 - Current sales are 66.
- Shares du Soleil
 - Partner certificate design in progress.
 - Outside sign design
 - Lobby solar array dashboard display system

- Lobby Monitor Member Info Display
 - Current events, Local News/Weather, etc. monitor system
 - Backwall BEC Lighted Logo Display
- 2019 Annual Meeting
 - Date: Saturday, May 4, 2019 (May the Fourth be with You)
 - Venue: ANIPRO Event Center, 2878 MT-78, Absarokee, Montana
 - Theme: Taking Charge of Change
 - Timeline development
- December Billing Insert
 - Holiday Safety, Annual Meeting Save the Date, District 7 Candidate Deadline December 31, Calendar (Need committee meeting dates)
- December Billing Notice
 - Annual Meeting Save the Date, Signup Member email
 - Member eNewsletter
 - Post Board meeting email scheduled for December 9, 2018
 - End of Year scheduled for late December 2018 (date dependent upon early January Board meeting schedule)
 - 2019 Budget
- Operation Round Up
 - Operation Round Up received \$109.03 billed 11/07/2018. 190 Accounts and 175 Customers. Current Balance for Operation Round Up is \$1,237.88.
- LISD/LIDD
 - Total LISC/LID Discount Accounts for October billed 11/07/2018. WY: \$33.97 and MT: \$192.09 = Total \$226.06. The total number of accounts is 35.
- News Releases/Ads
 - BEC & MECA Scholarships (all local papers)- December 6
- Current Website
 - Continue content updating
 - New headers
 - Post new press releases
 - Post financials
 - Update calendar
 - Continue redesign website sitemap

- Facebook
 - Content follows board meeting information, press releases, and RM
- BEC Membership Application
 - Update in progress-Questions are with Counsel, Larry Martin
- BEC New Member Welcome (email & hard copy package)
 - Work in progress-awaiting membership application

- **Line Superintendent Report—Eric Elton**
CONSTRUCTION, OPERATIONS & MAINTENANCE

- The Red Lodge crews have been installing the new TWACS meters in the Absarokee and Belfry areas. (We have installed just over 250 meters so far).
- Columbus crew is working on a two-mile plow job. They have also had a few new services to put in.
- Markus worked with Operation Second Chance this year. The soldiers were very appreciative of the experience.
- The guys set the six new poles for the ice rink in Red Lodge just waiting for the lights to show up now.
- We installed 13 new services in October.
- There was a total of 19 outages system-wide in October. (Please see attached breakdown sheet).
- We had 319 individual consumers out of power at some point in the month of October having the duration of 2035 minutes. (Please see attached breakdown sheet).

EDUCATION, SAFETY & LOSS

- Marty Tomlin was in Bend Oregon at a staking school working on his staking certificate.
- Connie, Stephanie and I were at ST. Louis the week of the 12th doing some training with NISC.
- We did have a MECA safety meeting in October. (Please see attached sheets). I would like to thanks Jonnie Stanton for all his hard work with MECA over the years. Jonnie decided to retire this January, we wish him well.
- No lost time accidents to report in the month of October.

- **TRUCK, TOOLS & EQUIPMENT**
 - All trucks and equipment are in good working order.

MOTION

A motion was made by Roxie Melton and seconded by Dan Dutton to accept the Consent Agenda. Motion carried. Voting was unanimous.

10. New Business

- Board Resolution - Special Equipment

MOTION

A motion was made by Bill Pascoe and seconded by Dan Dutton, to approve the Resolution setting forth to resume the preferred RUS procedure/method of accounting for special equipment. Motion carried. Voting was unanimous.

11. Old Business

- NRECA Board Leadership Award—Arleen Boyd completed her NRECA Board Leadership Training and in recognition received her NRECA Leadership pin.
- Amendment Proposal for the Resolution that Changed “Fiscal Year”—Arleen Boyd
 - This is reported under committee reports, Bylaws Committee.
- Bylaws Change Discussion with Member-owner Approved Proposed Bylaws Amendments
 - This is reported under the Bylaws Committee of committee reports.
- Montana Council of Co-ops-Bill Pascoe

The Montana Council of Co-ops advocates for all state cooperatives and supports the cooperative values. Beartooth Electric’s dues structure would be at the \$465 rate. The board recommends not to join the Montana Council of Co-ops at this time.
- David Peterson Retirement Gathering

David will notify the board when he returns to Montana from Arizona. A recognition gathering will be scheduled upon his return.

12. Upcoming Meetings

- BEC Finance Committee Meeting | BEC Office | November 29, 2018
| Noon

- BEC Bylaws Committee Meeting | BEC Office | December 4, 2018 | 2:00 PM
- MECA Winter Meeting | Great Falls, MT | December 4-5, 2018
- BEC Family Christmas Party | Rock Creek Resort - Flathead Room | December 14, 2018 | 6:00 PM
- BEC Finance (Budget) Committee Meeting | BEC Office | December 18 | Noon
- BEC Communication Committee Meeting | BEC Office | TBD
- BEC Regular Board Meeting | BEC Office | January 15, 2019 | 8:00 AM
- BEC Risk Management Committee Meeting | BEC Office | January 15, 2019 | 10:00 AM
- BEC Regular Board Meeting | BEC Office | January 29, 2019 | Noon
- MECA Summer Board Meeting | Red Lodge, MT | July 9-10, 2018
Tour: BEC Shares du Soleil

13. Executive Session

- Banking Processes Update
- Board Self Evaluation

14. Executive Action

- General Manager Kevin P. Owens updated the board on BEC banking processes.
- The Board conducted their annual self-evaluation and discussed goals for the next year and how they can improve.

15. Adjourn

President, Julie Lindgren adjourned the November 27, 2018, BEC Board of Trustees meeting at 4:15 p.m.

ATTEST:

/s/Arleen Boyd
Arleen Boyd, Secretary