

Beartooth Electric Cooperative, Inc.
Minutes of the Board of Trustees' Meeting, August 28, 2018
Held at the offices of Beartooth Electric Cooperative

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, David Peterson, Dan Dutton, Bill Pascoe, Richard Nolan and Roxie Melton

Staff:

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

Via telephone:

Larry Martin, Legal Counsel
Arleen Boyd, Secretary/Treasurer

Visitors:

Jim Rodgers, Member

3. Visitor Comments

None.

4. Approve Agenda

MOTION

A motion was made by Richard Nolan and seconded by David Peterson, to approve the agenda as presented. Motion carried. Voting was unanimous.

5. Approve Minutes

- July 31, 2018, Regular Board Meeting

MOTION

A motion was made by Daniel Dutton and seconded by David Peterson, to approve the minutes as edited. Motion carried. Voting was unanimous.

6. Committee/Trustee/Attorney Reports

- **Finance Committee (Julie Lindgren)** Chair Lindgren reported the Finance and Risk Management Committees convened the scheduled Finance Committee review of the second quarter financial reports. Brad Prophet presented the full Q2 report in preparation for the August 28 board meeting and responded to attendees' questions and comments. Owens highlighted the increased labor costs for removing idle services which are a risk for the co-op both in potential safety hazards and safety concerns and costs for service if required. The committee noted a \$1.654 million increase in cash with cash and investments showing \$2.3787 at the end of the quarter. Frank Willett proposed reminding the board that the cash balance is largely the result of a change in plan to borrow the entire amount for the two-year meter project expense in 2018 instead of following the original plan to borrow half of the total in 2018 and the second half in 2019. Willett noted that the cash reflects cash in the bank to cover 2019 commitments for meter costs and the plan, posted on the website, needs to be updated to reflect the actual borrowing this year to finance the two-year commitment. Currently, the plan does not match the current reports. The loan to finance the entire project was taken this year in anticipation of rising interest rates.

Arleen Boyd moved, Julie Lindgren seconded, and the committee approved a recommendation for the board to accept the Q2 financial report presented by Prophet for evaluation and discussion by the committee.

Lindgren voiced appreciation for the clear and comprehensive Q2 financials presented.

MOTION

A motion was made by Bill Pascoe, and seconded by Richard Nolan, to accept the Q2 financial report approved and recommended by the Finance Committee. Motion carried. Voting was unanimous.

- **Risk Management Committee**
Risk Management Meeting, August 14, 2018, Noon. Committee members present Bill Pascoe, Frank Willett, Walter Clapp, David Peterson, Julie Lindgren, Arleen Boyd. Attendees: Kevin Owens, Dick Nolan, Dan Dutton, Roxie Melton, Sue Beug.

Solar Project -- The committee agreed to start with a report from Manager Kevin Owens on progress with the Shares du Soleil project. The goal for the first phase of the project is to install an array of at least 48 panels with members currently signed up to finance the output of 27 panels with interest by some of those members to finance an additional 9 output certificates placed on reserve (placed on reserve means that members who have purchased the maximum of two output certificates have expressed their desire to purchase additional certificates if available after the November 1 phase one sales end date). The project is scalable, and the manager is confident that members will contract for certificates representing credit for the output of the 48 anticipated panels for the initial

phase. The BEC headquarters location is estimated to be able to support 108 panels.

Owens announced that he recently learned that a Red Lodge city sewer line runs through the initially specified project location. The planned location for the project on the south side of the parking lot likely will be changed. Engineering specifications will be reviewed for relocation on the BEC site.

Rate Design -- The committee and attendees examined an outline of *Steps and Deliverables for Examination of Rate Design/Structure* based on the spreadsheet listing of tasks required for evaluation of rate design at BEC prepared by Kevin Owens, Bill Pascoe and Arleen Boyd in the first quarter of 2018. There was extensive discussion of the objectives, materials needed for examination and starting dates to perform necessary tasks. The outline document follows this report showing the path forward with detail for education, evaluations, timeframes, steps, and dependencies for the noted steps. The initial spreadsheet includes steps, not reflected in *Steps and Deliverables for Examination of Rate Design/Structure*, that will be taken if rate design change is recommended by the board.

All present agreed that the examination of rate design/structure is designed to look at possible options including the possibility of maintaining the current structure and continuing to update it. The objective for all options, including the current structure, is to meet revenue requirements through fair rates for all classes of members. **The committee supports the board's transparency and recommends involving members at all points in the rate design evaluation as it goes forward, including notifying members and encouraging their attendance at meetings and presentations by industry consultants and other experts.**

NRECA Class Report – Arleen Boyd reported on the NRECA class, *Strategic Technologies and Their Impact on the Cooperative*. The committee briefly discussed the broad range of developing technologies affecting the electric power industry and their potential impact on small cooperatives. Many technologies are becoming affordable and manageable for rural co-ops and benefits previously considered too expensive or too time-consuming to implement may be within reach.

Conservation and Energy Efficiency – A scheduled brainstorming discussion of opportunities for implementing measures to help members implement energy efficiency measures will be held at the next risk management meeting. Time was too short to address the issues as planned. Equity strategies also are planned for discussion.

Wallis Consulting --- The committee chair prepared an outline of anticipated activities for Terilynn Wallis Consulting to address with the committee. Manager Owens has incorporated them into a proposal for Wallis, which he expects to discuss with her before the board meeting.

Steps and Deliverables for Examination of Rate Design/Structure

For each item committee will continue to upgrade and add to: objective, questions to answer, supporting resources, data, and dates. The numbers for each item correspond with numbered items in the spreadsheet outlining dates for rate structure analysis/evaluation through 2019.

- 6) Data from Belfry - irrigation and residential
 - Hourly consumption demand data
 - Data starting 10/18 and analysis scheduled for 10-19
- 7) Initial daylong education session on rate design October 9 -- EES Consulting workshop/presentation for risk management committee, board, BEC members.
 - Objective: Provide a basic understanding of principles for a framework for evaluating current and possible BEC rate structures - initiate member participation in the evaluation.
 - Rate design options/benefits, industry trends
 - BEC profile re options/benefits
 - Supporting material - EES and other documents
- 9) Obtain and review substation hourly load data
 - Objective: Collect and understand the hourly use for demand/peak data to start the fair evaluation of individual member demand.
 - All substations
 - Start Q1, 2019
- 14) Prepare COSA and initial review
 - Objective: Establish/document revenue and cost requirements for member classes, identify fair rate assessment options
 - Date: Create Q1, 2019 --- Review Q2, 2019
- 19) Review COSA results to confirm or modify class revenue allocations
 - Objective: understand fair rates under existing rate structure, start the analysis of possible rate options
 - Date: Q2, 2019
- 10) Consider/evaluate demand charge options
 - Objective: Identify the pros and cons of demand charge options for BEC members
 - CP, NCP, ratchets?
 - Sources for evaluation and supporting data: Previous COSA analyses, 2019 COSA, BEC data, CFC, CoBank, NRECA
 - Starting Q2, 2019 after COSA
- 11) Engage Irrigation members
 - Objective: share information and get input on possible rate design structures
 - Outreach: publications, meetings (Belfry and Columbus meetings?)
 - Dates: Jan/Feb 2019

12) Engage residential and commercial members

- Objective: share information and get input on potential structures, possible sharing in bill inserts or direct mail
- Outreach: publications, meetings (Belfry, Columbus, other) all member communications vehicles
- Date: Before May 2019

13) Consider/evaluate irrigation rate structure options

- Objective: Get committee, members and board informed with same information and open discussion
- Sources for evaluation data: COSA, BEC data, CFC, CoBank, NRECA, other
- Date: Q3, follow COSA

XX) Consider/evaluate residential and commercial rate structure options

- Objective: Extend discussion of rate design particulars to all member classes
- Sources of data: COSA, BEC data, CFC, CoBank, NRECA, other
- Date: Q3

Next Risk Management Committee Meeting - September 18, 11:00 a.m.

- **Bylaw Committee (Arleen Boyd)**

President Lindgren requested the committee to ponder a couple of items if the proposed bylaws amendments are passed at the annual meeting:

1. Will we be holding another annual meeting in six months? I believe the answer is yes. Counsel Martin confirmed. I propose an afternoon meeting possibly 4:00 p.m.-8:00 p.m. during the week, not to take a Saturday.
2. When we elect Trustees to the Board at the Annual Meeting, it is for a three-year term. This change disrupts the three-year term calendar.

Arleen agreed these items need to be reviewed. Counsel Martin is looking into these items. He will obtain preliminary information and distribute within the next week.

- **Policy Committee (Roxie Melton)**

Chair Melton reported that the policy committee met last week and conducted a final review of the presented policies. They are now presented for approval.

Bill Pascoe asked if there is anything controversial in these policies that the board should be aware. Roxie and Kevin stated that these policies are prepared for approval.

MOTION

A motion was made by Dan Dutton, and seconded by Bill Pascoe, to approve the policies as presented in the board book. Motion carried. Voting was unanimous.

Kevin provided an update on the 400 series policies. He, Bill Pascoe and Counsel Martin reviewed and the updated policies which will be presented at the next Risk Management Committee and Policy Committee meetings for review.

- **Communication Committee (Richard Nolan)**

Chair Nolan reported that Ryan Hall, Director of Communications, MECA presented the findings of the NRECA Lexicon Project. This valuable presentation is included in the August board book.

Bill Pascoe added that we would have a terminology question coming up in the near future. We currently have base charge and energy charge and what will best define demand charge. Is that the terminology or something as suggested with by Kim Mikkelsen, system availability or other? Dick and Kaaren will follow-up with Ryan regarding member-owner friendly demand terminology.

- **Treasurers Report (Arleen Boyd)**

Treasurer Boyd has reviewed the financials and had no report this month. Arleen will be redoing the list of what she is looking at every month and will present it to the board prior to the annual meeting. Arleen also stated that she is interested in continuing in the role of Secretary/Treasurer in the 2018-2019 board.

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

8. 2018 - July Financial Statements - Brad Prophet

Accountant Prophet presented the July financial reports.

Questions-

PG 25, Line 56.

When will we allocate the NWE refund? It is a board resolution later in the meeting. It will be allocated prior to the Annual Meeting.

Bill Pascoe noted that kilowatt (kWh) sales have been below budget for both June and July, is that irrigation sales? Accountant Prophet noted that irrigation sales are down. This has been a wet and mild June and July. Therefore, less irrigation and also less use of air conditioning.

9. Staff Reports

- **General Manager Report - Kevin Owens**

Note: NorthWestern (Imbalance and Transmission) are estimates as we have not received the June billing. June Morgan Stanley adjustment is not available either.

- BEC benefits are currently under review for the 2019 Plan Year. I am reviewing coverage options and pricing with NRECA and a local health insurance broker.
- Shares du Soleil:
 - Members continue to purchase certificates. Current sales sit at 32 certificates with member interest in purchasing an additional 9 certificates if available.
 - A grant funding application (not to exceed \$15,000) was submitted to the Montana Solar Community Project to assist in engineering and marketing direct costs.
 - The focus in the last month has been on foundation and rack system design. Met with City of Red Lodge Planner to review project. Meeting revealed that the City has a main sewer trunk line running directly through the South parking lot location. This revelation will negate construction of the solar array along the South property line in the parking lot.
 - Currently pursuing rack and foundation design for sitting solar array on the North side of the driveway. Continuing to work with City Planner on required setbacks.
 - City Planner informed us that the state is currently reviewing ownership of the railroad right of way. The Courts are in the process of deeding this land over to the adjacent property owners. This will allow a little more space for the array buildout toward Hwy 212.
 - Currently in contact with State of Montana Field representative for U.S. Department of Agriculture who is the primary contact for REAP grants. October 31 is the next submittal deadline for REAP grants under \$80,000 project cost. April 1 is the next deadline.
- Attended the MECA Accounting and Finance Meeting held at the Pollard Hotel the week of August 20th. I was provided the opportunity to open up the meeting with a short presentation welcoming them to Beartooth Electric and provide them insight into where we've been and where we are at in 2018. It's a great story that I love to tell. It was the right group to be talking to about the merits of connecting a Strategic Plan with a 5-year Capital Plan, Annual Budget and a 5-year financial model. We have a plan, and we're sticking to it.

I stuck around for a presentation by Byron Benkwith, Regional Vice President with CFC who gave an excellent presentation "Electric Rate Concepts in an Era of Change." I believe the Board should invite him to a training workshop as we get into discussions concerning a COSA and Rate Design.

- Staff worked with Board members to select and plant a tree as a tribute to Laurie Beers for her dedication, commitment, and passion provided to Beartooth Electric Cooperative.
- Engaged the services of Larry Martin on August 17th to review a number of policies, review a couple of member issues, a service contract with Terri Wallis, and Co-Bank Loan documents.

- I attended the monthly meeting of the Carbon County Resource Council.
- 2018 Company Goals Update

- **Communications & Member Services Report – Kaaren Robbins**

- 1. Communication Committee Meeting** | The meeting was held Thursday, August 16 at Noon, BEC Red Lodge Office.

Agenda

1. NRECA Lexicon Survey Results presentation by Ryan Hall, MECA Communication Director and Rural Montana Editor (presentation follows-at end of board book)
2. October Rural Montana: Content Deadline September 5
 - Kevin Owens: Annual Meeting Review | Meter Project
 - Kaaren Robbins: Financials (center spread)
 - Board/Committees: Quotes - Annual Meeting Review
 - Space available
 - a. Youth Tour Candidates (?)
 - b. Fall Energy Efficiency (?)
 - c. Tree Trim Update/TWACS Update/Shares du Soleil Update
3. BEC Connections email - pre-board meeting August 25 release
 - a. Board meeting agenda, board book link, invitation
 - b. Shares du Soleil Update
 - c. Annual Meeting (Candidates, Vote-by-Mail, Signup/Early Bird)
4. Website Redesign

- 2. Work in Progress**

- **September Billing Insert**
 - Annual Meeting
- **September Billing Notice**
- **Member eNewsletter**
 - Post Board meeting email scheduled for September 7/8, 2018
 - Pre-Annual Meeting meeting email scheduled for September 21/22, 2018
- **BEC 80th Annual Member Meeting** Saturday, September 29, 2018, ANIPRO Event Center
 - Theme: Taking Charge of Change
 - Vote-by-mail mails September 7
 - Ballot Pastor selection (NEED)
 - Caterer

- Presentation design (WIP)
- Sound (Alex)
- Door prize letter to vendors
- Legal announcement to local papers September 7
- Agenda/Financials handout (WIP)
- Ads for local papers (WIP)
- Gift -Solar LED driveway markers (2-each member)
- Tables
 - Shares du Soleil with Solar Sam
 - Meter upgrade- Smarthub, Budget Billing, Auto-Pay, Operation Round Up
 - Education (Energy Efficiency)
- **Operation Round Up**
 Operation Round Up received \$101.17 billed 08/07/2018. 189 Accounts and 173 Customers. Current Balance for Operation Roundup is \$1,233.09.
- **LISD/LIDD**
 Total LISC/LID Discount Accounts for July billed 08/07/2018. WY: \$35.56 and MT: \$139.24 = Total \$174.80. Total number of accounts is 34.
- **News Releases/Ads**
 - Press Release: 80th Annual Meeting - September 7
- **Website**
 - Continue content updating
 - New headers
 - Post new press releases
 - Post financials
 - Update calendar
 - Continue redesign template
- **Facebook**
 Content follows board meeting information, press releases, and RM
- **Community Solar certificate**
 Design in progress.
- **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
- **Work Accomplished is presented in the book for your review.**
- **Line Superintendent's Report-Eric Elton**

CONSTRUCTION, OPERATIONS & MAINTENANCE

- Red Lodge crews have been working on the TWACS install in the Edgar Substation. The next substation to work on is Luther.

- Morrison-Maierle did install the new server for TWACS at the Red Lodge office. They will also be working on the CRUZ module with Jim over the next week.
- Columbus crews have been installing new services, and they have also had some substantial storm clean up from high winds along with large trees.
- Marty is still seeing a large number of customers looking for new services. It hasn't slowed down at all this year.
- I met with HDR and Northwest Energy to look at the Nye Substation on the 21st of August. Northwestern is looking for a bid to change out the transmission line and the power transformer so they can step the voltage up from 50KV to 100KV.
- One Asplundh Tree crew is working south of town still and the second crew is working in the Clarks Fork Valley.
- We installed 13 new services in the month of July.
- There was a total of 29 outages system-wide in the month of July. (Please see attached breakdown sheet).
- We had 597 individual consumers out of power at some point in the month of July having a duration of 10690 minutes. (Please see attached breakdown sheet).

EDUCATION, SAFETY & LOSS

- Next MECA safety meeting is August 29th.
- No lost time accidents to report in the month of July.

TRUCK, TOOLS & EQUIPMENT

- All trucks and equipment are in good working order.

MOTION

A motion was made by Roxie Melton, seconded by Bill Pascoe, to approve the Consent Agenda as presented. Motion carried. Voting was unanimous.

10. New Business

- **RESOLUTION AUTHORIZING THE ASSIGNMENT OF THE NorthWestern Energy Refund Per FERC Order**

BE IT RESOLVED, that Beartooth Electric Cooperative, Inc. elects to allocate the NorthWestern Energy's refund per FERC Order to the Cooperative's Members on a patronage basis for the refund period of January 1, 2011, to April 17, 2014, in the amount of \$1,112,067.94.

MOTION

A motion was made by David Peterson, seconded by Richard Nolan, to approve the Resolution as presented. Motion carried. Voting was unanimous.

- **2018 Annual Meeting**

- **MECA Annual Meeting**

Attendees will be Roxie Melton, Arleen Boyd, Julie Lindgren, and Bill Pascoe.

11. Old Business

- **Policy Review**

- ER501 - Wage & Salary (Non-Union)
 - ER508 - Confidentiality of Personnel Files
 - ER509 - Harassment
 - ER510 - Agreement with IBEW Local #44 (Cover Policy)
 - ER512 - Alcohol and Drug-Free Workplace
 - ER513 - Smoking
 - ER514 - Alcohol and Drug-Free Workplace
 - ER517 - Workplace Violence and Threats
 - ER518 - Retirement Receptions & Service Recognition
- Previously approved under agenda item Policy Committee Report.

- **NRECA Trustee Class Reports**

- Arleen Boyd
- Roxie Melton

- **Financial Consultant Engagement Letter**

Kevin is progressing per the requirements provided by the board.

- **Board Evaluation Timeline**

President Lindgren is working with Counsel Martin to define the board self-evaluation. The evaluation will be scheduled in the near future. David Peterson will be included in the evaluation if it occurs after his resignation.

12. Upcoming Meetings

- BEC Communication Committee Meeting | BEC Office | September 14, 2018 | Noon
- BEC Risk Management Committee Meeting | BEC Office | September 18, 2018 | 11:00 a.m.
- BEC Policy Committee Meeting | BEC Office | September 18, 2018 | 1:00 p.m.
- NRECA Region IX Meeting | Anchorage, AK | September 25-27, 2018
BEC Annual Member Meeting | ANIPRO Event Center | September 29, 2018 | 8:00 a.m. Registration | 9:00 a.m. Business Meeting
- MECA Annual Meeting | Best Western Heritage Inn | Great Falls, MT | October 1-4, 2018

- BEC Board Officers Election Meeting | September 29, 2018 | Following the Annual Meeting
- EES Cost of Service & Rate Design Seminar | October 9, 2018 | Red Lodge Pizza Co. - Natalie's Banquet Room | 9:00 a.m.-5:00 p.
- BEC Regular Board Meeting | BEC Office | October 30, 2018 | 12:00 Noon

13. Executive Session

- General Manager Evaluation

14. Executive Action

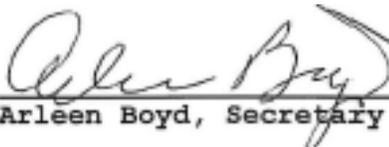
In Executive Session, the board discussed the General Manager's Evaluation. The board will discuss on Tuesday, September 11, 10:00 a.m. the compilation of Kevin's past year performance that will be sent from President Lindgren and his 2019 goals document will be sent from Bill Pascoe. On Friday, September 14, 2018, 10:00 a.m. the board will present Kevin his 2019 Goals. Negotiations will occur the following week.

15. Adjourn

MOTION

A motion was made by David Peterson, seconded by Roxie Melton, to adjourn the August 28, 2018, BEC Board of Trustees meeting at 4:40 p.m. Motion carried. Voting was unanimous.

ATTEST:



Arleen Boyd, Secretary