

# the BEC kWh

know what's happening

## WOW—what a storm...

...that got started on October 2 and lasted through the early morning hours of October 5. The early winter storm started with our Billings weather people predicting winter storm watches and warnings for our area on Wednesday. They noted the storm could drop up to 18 to 24 inches of heavy wet snow in our part of southern Montana. They predicted lots of trees would be damaged with the heavy snows-with associated down power lines. Unfortunately they were 100% correct in their forecast. I would like to share with you the anatomy of the outages and Beartooth's response to getting your service restored. It was challenging to say the least!

On Thursday AM, the calls started coming in from Fishtail and Nye. As the day progressed calls came in from all parts of the service area. Our Line Superintendent Eric Elton, staff and I started evaluating our personnel resources, material inventory and equipment. On Thursday AM we engaged a line crew from Outback Construction to supplement our crews. As the afternoon progressed and our system starting to collapse, we now started looking for additional personnel resources and we engaged two additional crews from Outback line construction company that were working for Fergus Electric at Grass Range. These new crews joined the party early Friday morning.

Our crews and contractors found Thursday night extremely dangerous as blizzard like conditions made repair work and visibility almost nonexistent. We curtailed our operations just after 11:00 PM and had all staff back at work by 7:00 AM Friday. By now we had contacted our material supply partner HD Supply in Billings for badly needed line splices and fuses. Late Thursday we also located snowmobiles, snowshoes and a track vehicle to assist us in service restoration work.

Friday morning with all hands on deck and over half the system out of service, we started to take inventory on how to restore the system in the most expeditious manner. The Line Superintendent in consultation with his staff laid out a plan that took into consideration the largest group of individuals on a feeder to be restored first. One contract crew was dispatched south of Belfry and two contract crews were dispatched to be with our Columbus personnel. Our service restoration teams worked hand in hand with office personnel to locate and notify members what actions and areas the BEC restoration team was working. Yes, there were a lot of voiced frustrations by the members from



Richard Peck—  
Interim General  
Manager

time-to-time, but your staff did an awesome job in keeping you informed. We actually did not get ahead of the game until the snow started to unload from the trees and clear from the power lines early Saturday. Therefore, the fuses would hold and we could continue repairs down the line. By late Saturday night we had the majority of the service restored. There was one area off Lover's Lane near Absarokee that did not get their service restored until Sunday AM. This area had three broken poles and multiple line breaks that required several crew members to work together and make repairs. Finally by Sunday noon our crews had 99.9% of the system returned to normal operations.

Starting Monday October 7, we will be going over our repair areas and cleaning up and replacing damaged lines. We will be keeping one Outback line contract crew on to assist our personnel in this cleanup effort. All of the staff thank you the membership for your patience during the storm. Next month I will give you an update on the storm costs and the operational steps we will take for the future to make emergency repairs smoother. Thanks—Richard Peck, Your Interim General Manager.

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## CONGRATULATIONS! DOROTHY OLSON

### BEC's 75th ANNIVERSARY PHOTO CONTEST

### FIRST PLACE & BEST OF SHOW WINNER

Thank you Dorothy Olson for sharing photographs of the 1948 electrification of your family's Columbus homestead.

Dorothy's photographs lent the spirit of our service area electrification to all 75th Anniversary print materials.

Richard Peck, BEC Interim General Manager presented Dorothy with both 1st Place and Best of Show ribbons and Energy Credit Certificate awards during the Annual Meeting.



Installing electric line at the Edward B. Olson Farm  
Top—"Shorty" Stuart (l)  
Rex Guthrie (r)  
Bottom—BEC Linemen  
circa 1948



## DUE DILIGENCE UPDATE

By the time you read this the hearing originally scheduled by U.S. Bankruptcy Court Judge Ralph Kirscher for November 12 to weigh confirmation of a plan to reorganize Southern Montana Electric Generation and Transmission Cooperative may have been rescheduled. The amended plan, outlined last month and below, was filed by Southern's court-appointed trustee on September 23. Rural Montana articles must be submitted for print a month in advance, so we will work to keep you updated as events develop.

### THE REORGANIZATION PLAN

Under the proposed plan BEC and the three other Southern member co-ops (total members/ratepayers reported at 11,364) would remain members of Southern paying Highwood Generating Station (HGS) notes and other secured debt totaling, with interest, approximately \$100 million over twelve years. Additionally, the plan allocates tens of millions of dollars to finance Southern's operating expenses and to keep HGS "operations ready" for Southern's power supplier, Morgan Stanley Capital Group, Inc. (MSCGI), to employ if they see fit. MSCGI has requested assurances, including a \$10 million security deposit, individual guarantees by Southern's members, and a lien on HGS. Currently, the term of Southern's members' wholesale power contracts extends through 2048.

Under the plan wholesale power rates begin at the current rate and rise annually, reaching a 33% higher rate over twelve years. Based on financial analysis, BEC believes that the current wholesale power rate, without increases, cannot be sustained by our co-op and that raising retail rates at BEC may force members to cut back on their electricity use. Southern's wholesale rate covers power, debt, and bankruptcy costs.

### OTHER ACTIONS

Prudential and the other HGS noteholders filed a motion to dismiss BEC's pending complaint to deny the use of its wholesale contract as collateral for HGS. The court set a hearing on the motion for November 12.

On September 24 Southern's co-ops filed a declaratory judgment action asking the court to find their wholesale power contracts with Southern void for failure of consideration and/or declare that Southern may not assume those contracts. The contracts currently are collateral for the HGS debt.

At a September 24 hearing on the disclosure information filed with the trustee's plan the co-ops argued that the trustee had not provided adequate disclosure. They stated their intention to object to the reorganization plan and file an alternative plan. The judge approved the disclosure on October 1 and instructed the trustee to file a Plan Supplement with additional information by

October 18. During the court hearing the judge questioned the feasibility of the trustee's plan that reorganizes the debtor (Southern) over the opposition of all of its members.

### TRUSTEE'S EXAMINATION OF BEC

The trustee rescheduled his examination of BEC's representative for October 22. We have no new information about the intent or scope of his inquiry. We have provided documents and will report to you following the examination.

### DUE DILIGENCE CONCLUSIONS

The BEC Board and Due Diligence Committee have reported the following conclusions:

- Southern adds unnecessary expense and risk with no added value for BEC.
- HGS adds unnecessary expense, risk, and no positive return.
- BEC's current wholesale power rates are not sustainable.
- There are better alternatives available if BEC can exit Southern.

Court filings and BEC reports are available at [www.beartoothelectric.com](http://www.beartoothelectric.com) or by calling the co-op.

Arleen Boyd—  
District 5 Trustee,  
Due Diligence  
Committee Chair



# BEC's 75th ANNUAL MEMBER MEETING

## Breakfast Elections Speakers Prizes

Our 75th Annual Member Meeting was filled with food, information and fun. Thank you to all who took the time to join us!

### Meeting Stats:

- 107 Voting Members
- Over 150 Attendees
- Re-election of:  
Roxie Melton—Trustee, District 2  
Arlene Boyd—Trustee, District 5
- All proposed Amended Bylaws changes passed
- 2013-2014 Board of Trustee Officers  
Roxie Melton, President  
Dan Dutton, Vice-president  
Pat Hoffman, Secretary/Treasurer  
Arleen Boyd, Southern & SME Board Representative

**STAY INFORMED** Go to the new Beartooth Electric Cooperative website often to get the latest news and information on the Southern bankruptcy.

[www.beartoothelectric.com](http://www.beartoothelectric.com)



### 2014 Budget Planning Calendar

11/6 Finance Committee Mtg  
11AM BEC Office

11/26 Board Meeting  
12 Noon RLACF\*

12/27 Board Meeting  
12 Noon RLACF\*

\* Red Lodge Area Community Foundation

## CO-OP BUDGET PLANNING

Your newly implemented Amended Bylaws changes requires transparent budget planning and the notification of meeting dates and times to all members. Please join us in the financial planning process for our 2014 operating year.

*Beartooth Electric crew installing electric power at the Edward B. Olson Farm*

*On left, Edward B. Olson circa 1948*



## PRESIDENT'S REPORT

The 75th Annual Meeting is now behind us. We had about 150 people in attendance for the delicious breakfast and informative meeting. We had some really interesting speakers and a lively question and answer period. In addition everyone attending received a \$33.50 savings certificate for their November bill.

Travis Kavulla of the Public Service Commission spoke of the desire of Southern to be a power broker but really didn't have the expertise or size to accomplish the task. He stated that, "Bad decisions, lack of corporate oversight and egos," were at the root of the problem. Another bad choice was that

Prudential charged 8% interest where other co-ops were pay 3 to 5 percent, it was a huge risk. He also stated, "that a clean break", needs to be made with Southern.

Kevin Owens, General Manager of the Columbia River People's Utility District and a BEC member, also spoke of how people lose sight of who they are and the purpose of the local utility. He also gave similar examples of how other co-ops got in trouble when they ventured beyond their level of expertise. But Owens said that with the unity the four co-ops are now showing opposing the reorganization and the aversion of the plan offered by Southern, he is optimistic.

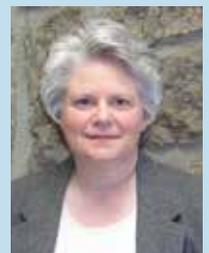
The standing committees gave reports of their member's efforts to realign the co-op and update policies and procedures. Continue the communication activities to ensure the membership is involved and informed. The finance committee continues to challenge the co-op to do more with less but never compromising the integrity of the system.

Last year the board and finance committee challenged Richard Peck, General Manager, not to

borrow any funds for the year. It looked like the summer activities might incur some major work and a small amount would have to be borrowed. However, the staff pulled together and completed the year with no additional debt and saved the co-op over \$300,000 over the operating costs of last year. The employees are to be commended for a job well done!

In closing I would like to thank you for re-electing Arleen and myself to our Districts. We started together, 3 years ago, a daunting task of bringing the co-op back to the tradition of membership control and involvement. It is indeed an honor to work on your behalf to bring about closure to the Southern Bankruptcy and the return of our co-op.

*Roxie Melton—  
President,  
District 2 Trustee*



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