

the BEC kWh

know what's happening

MARCH 2014

Dear Members—

In our small town of Red Lodge, Montana it is exciting to find young entrepreneurs that can put together great ideas and products that could have a major impact on the outdoor retail industry. Hailey DeMarois and Hans Howell are two native Montanans originally from the Missoula area. They have known each other from middle school but went their separate ways to college. Hans is a graduate of the University of Montana in Business and Hailey graduated from fashion design school back east.

Their Company name-Roscoe Outdoor is from our local gateway community to the Beartooth Mountains-Roscoe, Montana. The following short story of “Roscoe Outdoor” is written by Hans Howell:

Roscoe Outdoor is a small outdoor clothing company founded by fellow Montanans Hailey DeMarois and Hans Howell. Our business is located in Red Lodge, MT where we specialize in producing high quality, durable, comfortable outerwear. The genesis for the company came several years ago

when we were hiking along Montana’s beautiful rocky mountain front west of Great Falls. We were discussing some of the shortcomings in outdoor pants and the idea occurred to us that we might do better. With Hailey’s fashion design degree and work experience as a pattern maker paired with Hans’ business background, we set out to offer our own vision of what good outerwear should be. Although many clothing companies exist, many people still struggle to find that well-fitting, useful piece of outdoor clothing. With that problem in mind, Roscoe Outdoor designs and builds for the demanding folks who charge into the mountains and rivers each year.



Richard Peck,
Interim General
Manager
446-2310

This spring/summer 2014 season we are offering several garments any Montanan can appreciate. The Washakie pant, available for both women and men, is a favorite among climbers, back-packers, and outdoor enthusiasts. It boasts quick-dry, DWR treated, 4 way stretch fabric, 5 YKK zippered pockets, and double knees

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Chairman of the Board

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OUTFIT THE BEAST

WHAT'S HAPPENING @BEC

MARCH 2014

March 7, 2014
BEC Achievement
Scholarship Applications
Due to High School
Counselors

March 13, 2014
BEC Bylaws Committee
Meeting
12:00 Noon
RLACF*

March 14, 2014
High School Counselors
Submit BEC Achievement
Scholarship Awardee

March 25, 2014
BEC Board Meeting
12:00 Noon
RLACF*

**RLACF-Red Lodge Area
Community Foundation Building*

**FOR ALL THE NEWS VISIT...
WWW.BEARTOOTHELECTRIC.COM**



New performance outerwear available for
men and women this spring, 2014!

www.roscoeoutdoor.com

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and seat for added durability. A calf cinch feature in the pant allows pant leg cuffs to be rolled up and kept tight to the leg, while an internal belt design at the waist minimizes pressure points that can be bothersome under a climbing harness or the hip strap on a backpack. Another pant in our 2014 line is the Hellroaring - made from light weight quick-dry, DWR treated material it is intended for the summer hiker. We chose to use Rip-Stop Nylon/Polyester fabric which offers both durability and stretch.

The light weight fabric and the design of the Hellroaring pant affords comfort on long hot summer days when staying cool is an important consideration. We also produce men's and women's shorts from the same quick dry, DWR treated Rip-Stop Nylon/Polyester fabric. The women's shorts feature a comfortable tri-color elastic waist band along with zippered and non-zippered pockets. The men's shorts offer numerous pockets including one large diagonal internal pocket. Both men's and women's shorts are perfect choices for hiking, climbing, fishing and rafting.



We are getting close!

A little over two years ago the Beartooth board created a due diligence committee to examine power supply options and evaluate the co-op's position in the bankruptcy of Southern Montana Electric Generation and Transmission Cooperative. We had then, and still have, a contract running through 2048 obliging us to buy power from Southern – and Southern's contracts are pledged as collateral for an \$85 million loan from Prudential Insurance that financed the Highwood Generating Station just outside Great Falls.

BEC has supported liquidating Southern and we have filed legal challenges to the contract that holds us in Southern. We also are in settlement discussions with the noteholders and the other Southern members. By the time you read this a month from now there may be an announcement of a settlement -- or of continued legal action. By April we expect to schedule district meetings where the board and the committee will share both our legal position and our short and long-term options for getting electricity and delivering it reliably and affordably.

There is a lot of information for us to organize and share and it is critical that you, the owners of this co-op, receive it. It will not be difficult to understand. While our committee and board review financial and industry information with experts, we consistently ask the same questions we believe you ask every day: what are the options, what will work, and do the numbers add up?

We are not in control of Southern's bankruptcy process, but for two years we have kept ahead of it – sometimes driving decisions and proposals with our research and willingness to share its results. Absent data anything can sound reasonable – even a

40-megawatt generating station that cost at least three times as much to build as comparable plants with the same capacity. It remains difficult to believe that the total investment in HGS has exceeded \$120 million.

Why settlement discussions?

Parties in settlement discussions try to reach an agreement that benefits both sides with less risk and expense than legal action might bring. This case has six parties in discussion: Prudential and their associated noteholders, Southern, and Southern's four member co-ops. For BEC the objectives of a potential settlement are the same as the goals for our pending legal actions: find a way to exit Southern and eliminate the risk and expense of owning a generating station we cannot operate affordably -- without incurring the unsustainable power costs projected in previous plans presented to the court, including the one recently filed by Prudential and the other noteholders.

What's Next?

We are a small co-op with few meters per mile of line – just like many other co-ops with much lower rates. It would be gratifying – even exciting – to turn our attention exclusively to Beartooth and managing power delivery to our members. We are getting close to seeing what the path in court will be. That does not mean that our efforts to set a path for BEC are near completion. That is what we will be discussing with members in the very near future.

Arleen Boyd, District 5 Trustee
Due Diligence Chair
328-6645





MESSAGE FROM THE CHAIRMAN OF THE BOARD



Roxie Melton
President
426-0135

I so hope everyone is staying warm. As I write my hands are so cold I can hardly type the message.

We had a very busy January and February with the Due Diligence, Finance and Communications Committee meetings and the meetings with the note holders of Southern, Southern Board meetings and the three other co-ops.

The lack of transparency with you—the membership—by the prior board is what got Beartooth Electric Cooperative in this current difficult financial position. To date, we have changed the BEC Bylaws and policies to require more input from the membership on power supply issues, annual budget and the borrowing of long term debt (more than two years) prior to making major decisions.

The board's emphasis on transparency or the importance of increased communications to you the membership in the coming months is vital. You will be seeing increased communications in various formats that are available to BEC as the Southern Bankruptcy comes to a resolve in the court. The membership input will be sought at all meetings of the board and their committees.

I would suggest you keep a watchful eye on our website (beartoothelectric.com). The website will have the most recent information. Items are posted as soon as they happen. So if we have scheduled a

meeting that you are particularly interested in attending, you will have plenty time to work it into your schedule. The staff always tries to post the date and times of all meetings, the actions of the board and the agenda of the next board meeting.

The board and staff utilize our "Rural Montana" to provide a lot of general information. However, I want to remind you that this information has to be written about thirty days ahead of time so the news will be dated. It may contain information that could leave a shorter time for you to schedule an opportunity to attend meetings or other informational events. Therefore check on the (beartoothelectric.com) website for current information on dates and times of activities.

Beartooth also updates our local weekly papers on the activities of Beartooth Electric. We also utilize a bill stuffer or billing notices on your monthly statement of forthcoming activities. If you receive an E-bill there will be a link on the statement that will take you to the actual bill stuffer so that you will have access to the same information.

One other method your board has used in the past is "Town Hall" type meetings throughout our service area to keep you updated on recent board action or pending decisions. As we move towards a closure on the Southern Bankruptcy we look forward to communicating with all of membership in a timely fashion.

In closing, I would like to thank the people that have been working on the Communications effort. They include Deb Thomas, Bill Hand, Dick and Gretchen Nolan and Arleen Boyd.

BEC BOARD MEETING

March 25, 2014
12 Noon

Red Lodge Area
Community Foundation

LIEAP

Low Income Energy
Assistance Program

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