

the BEC kWh

know what's happening

Dear Members—

Some of you may have noted that 60 watt and 40 watt incandescent light bulbs are being phased out of the market place by our government in 2014.

Incandescent light bulbs are not outlawed but the 2007 Energy Security Act changed the efficiency requirements that make it impossible for incandescent bulbs to meet the new efficiency standards. The 100 watt incandescent light bulb has already been removed from the market place. Both compact fluorescent (CFL's) and Light emitting diodes (LED's) are now available in various wattages. Yes the new efficient bulbs are expensive, but the hours of usable life are significantly greater than incandescent bulbs. Furthermore the new bulbs utilize a lot less energy.

In example; a 100 watt incandescent bulb in a normal year will burn for about 3,500 hours per year. This is about 40% of the yearly hours of 8,760. The 100 watt bulb will use about 350 Kwh per year. Given BEC electric rates of \$.12 per Kwh this is an annual energy cost of \$42.00 per bulb. I would also note the incandescent bulb will last on the average of about 1,100 hours. Therefore in any given

year you will replace the bulbs in your home at least twice.

In example; a 100 watt LED equivalent bulb utilizes about 17 watts of energy. Given the same home usage pattern of about 3,500 hours per year the LED bulb will burn about 60 Kwh per year at an annual cost of about \$7.20. The annual operating cost of an incandescent bulb is \$42.00 and a LED bulb is \$7.20—a savings of \$34.80 for an LED bulb or an annual savings of about 83% per bulb. I would also note the LED bulb will last from three to five years; therefore you will continue to reap additional energy savings from the new bulbs.



Richard Peck
Interim General Manager
446-2310

All of us at Beartooth Electric Cooperative encourage you to purchase and install these new LED bulbs. It is definitely one way to lower your annual energy costs!

On another note of saving \$\$\$—is the opportunity to sign up for the BEC auto payment on our web site. Therefore you will not have to worry about the recent postage increase! The first month you sign up (per account) BEC will give you a TEN \$\$\$\$\$\$\$\$\$\$ in billing credit.

Warm wishes to all—

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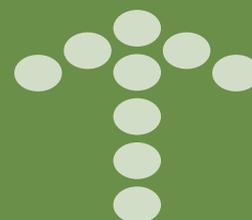
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Youth **Tour**

CONGRATULATIONS 2014 BEC Delegates Brooke Krieger & Robby Schoener

Congratulations Brooke Krieger and Robby Schoener! BEC's 2014 Youth Tour delegates.

Annually, more than 1,500 students from all across America take part in the Youth Tour experience.

This June, Brooke and Robby will travel to Washington, D.C., where they will have the opportunity to meet our U.S. Representatives and Senators. This unique trip will give them the opportunity to watch history come alive as they explore the museums, memorials and monuments.

In addition, they will meet student leaders from nearly every state and hear dynamic speakers on Youth Day.

Bottom line, they will make friendships that will last a lifetime and be part of a group that has more than 50,000 alumni in every walk of life including U.S. Senators and CEOs.

The BEC board of trustees and staff thank each student who participated in this year's competition.

Thank you to—

- Brianna Krieger-First alternate
- Hailey Zinne-Second alternate
- Bianey Lara Ambriz
- Brianna Arno
- Jordan Marsh, and
- Morgan Sorensen.



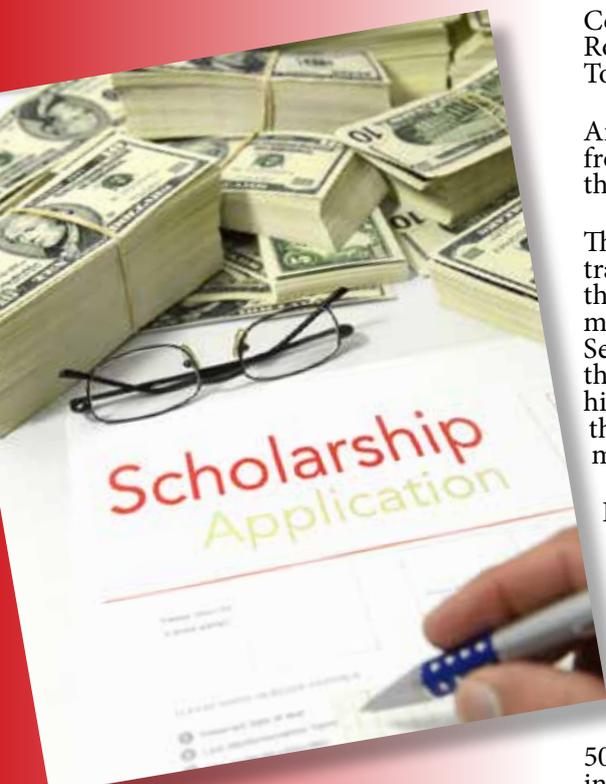
Brooke Krieger

The qualifying process was not easy, particularly with the requirement to write an essay. We greatly appreciate the effort, time and talent these students put forth in this competition.



Robby Schoener

Brooke and Robby, enjoy the 2014 Youth Tour! We are proud to have you representing Beartooth Electric Cooperative.



UPCOMING SCHOLARSHIP APPLICATION DEADLINES:

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

March 14, 2014
High School Counselors
Submit Scholarship
Awardee Information to
BEC





Welcome Change, Big Challenges

Every month we say that things may change during the four weeks between our preparation of these reports and their distribution to you in *Rural Montana*. “Change” barely describes what happened last month. At the end of November there were two proposed plans before the U.S. Bankruptcy Court: a liquidation plan filed by Southern Montana Electric’s member co-ops to close Southern down and a reorganization plan filed by Southern’s trustee to keep Southern together to pay the noteholders’ loan for the Highwood Generating Station. The terms of the trustee’s plan would have forced rate increases at BEC and denied us the opportunity or means to take advantage of power supply opportunities we know can benefit us all.

What happened?

October 21—Fergus Electric filed a motion to remove Southern’s trustee. BEC joined. We testified that his reorganization plan could force BEC into bankruptcy.

November 26—U.S. Bankruptcy Judge Ralph Kirscher terminated the trustee’s appointment and Southern’s board took responsibility for its business and bankruptcy actions.

December 17—Prudential Insurance Company and their associated noteholders filed a modified version of the trustee’s reorganization plan. The noteholders plan requires Southern to stay together to pay their claims for HGS.

December 18—The noteholders presented their plan to Southern’s board.

December 27—Fergus Electric Cooperative and BEC jointly filed a motion to convert Southern’s Chapter 11 bankruptcy to a Chapter 7 liquidation.

January 3—Southern met with its member cooperatives. They asked Southern to support liquidation through the member’s liquidation plan or through a Chapter 7 conversion. The co-ops provided individual board resolutions asking Southern to liquidate in the most efficient manner allowed.

January 9–10 (this report is filed January 4)—the member co-ops, Southern, and the noteholders will hold mediated negotiations to see if a consensual settlement is possible.

BEC and Southern

We are caught in Southern’s bankruptcy. Even though all members of Southern’s board are representatives from the member co-ops, Southern

has independent financial responsibility as well as duty to its members. Your representatives on Southern’s board, Laurie Beers and Arleen Boyd, believe that Southern exists to serve its members. We are presenting data and analyses of the costs, benefits, and risks of the competing plans to help Southern arrive at positions on matters before the court.

Where do we stand?

BEC cannot afford the reorganization plan and supports liquidation at Southern -- through the members’ plan or through a Chapter 7 conversion. Two years of due diligence reveal that other power supply options and business partnerships offer a better financial future for BEC than membership in Southern.

The noteholders call their plan “affordable,” citing an out-of-date, inaccurate report that they contend shows that Southern’s members were ready to pay even higher rates when they began looking for private financing for HGS. We do not know who reviewed that report or how it was used to secure funding, but we do know that our members’ rates, among the highest in the country, are not affordable now and would increase under the noteholders’ proposal.

What’s next?

The January 14 bankruptcy hearing likely will be postponed until February. Items scheduled include a motion by Prudential to dismiss the BEC suit to deny the use of its contracts as collateral and approval of the disclosure statements supplied for the co-ops’ liquidation plan and the noteholders’ reorganization plan. The Fergus/BEC motion to convert to Chapter 7 also could be heard in February. The adversary proceeding initiated by all four co-ops to challenge the assumability of their wholesale power contracts is pending.

If negotiation produces a settlement agreement you will hear about it immediately. We will keep you informed of all developments and changes. Visit the website: www.beartoothelectric.com or call a trustee or the co-op (446-2310).

Arleen Boyd
Due Diligence Committee Chair
328-6645



MESSAGE from the Chairman of the Board



*Once again be assured, that during a transition—
the lights will NOT go out!*



Roxie Melton
President
426-0135

I hope everyone is coping with all the snow and extremely cold weather. With all this snow, maybe we will have enough snow pack so that the irrigators won't need their systems until later. What a different year your co-op is experiencing now that Southern's bankruptcy trustee has been released from his duties and replaced by the Southern Board of Trustees. I know that many of you realize Southern is now "Debtor in Possession".

While we are focused on our power supplier and its bankruptcy we know our primary responsibility is to run your co-op as efficiently as we can. We have developed a budget and work plan for BEC that is both conservative and comprehensive. This year, in line with our new bylaws we have formally let members know about the budget process and asked for their participation by giving us input. We have opened our meetings to comment on the budget, which will be approved by the board in January.

I have had numerous members asking if we are now in a better situation. If we are starting to see a little light at the end of the tunnel or are we getting near the end. The answer is not easy. The goal is still the same, to get out of Southern and to sell Highwood or to otherwise dispose of it.

Southern is now back in the hands of Southern's board with representatives from each of the four co-ops, Beartooth, Fergus, Mid-Yellowstone Tongue and River. At this time we have to help Southern's board evaluate the plans being proposed to resolve the bankruptcy.

We have a proposed plan from Prudential using Morgan Stanley as the power supplier. We do not feel that this is a viable plan and we know that Southern is just too small to be able to provide services and much needed support to our tiny network of Co-ops. In addition, with constantly increasing rates it is very possible for one or more of the Southern co-ops to go bankrupt.



When I attend meetings with the other Southern co-ops I am proud of the work our due diligence committee and our board have done and how it prepares us to stand up for what we know our members need. The thousands of work-hours our committee members and board members have invested along with the independent evaluations we have commissioned and studied make us confident about our positions. We are contributing valuable information to the evaluations Southern has to make during these next steps in the bankruptcy.

If are able to convince the bankruptcy judge that a plan supporting reorganization for Southern is not feasible, the four co-ops may be able to go their separate ways. This will mean establishing a new power supplier for BEC. Your co-op is in communication with numerous suppliers that would be willing to provide electricity to our co-op.

BEC BOARD MEETING
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February 25, 2014
12 Noon
Red Lodge Area Community Foundation

LIEAP
Low Income Energy Assistance Program
Contact BEC at:
www.beartoothelectric.com
406-446-2310

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