



Beartooth Electric Cooperative, Inc.

www.beartoothelectric.com

Members Newsletter • Beartooth Electric Cooperative, Inc. • PO Box 1110, Red Lodge, MT 59068 • 406-446-2310

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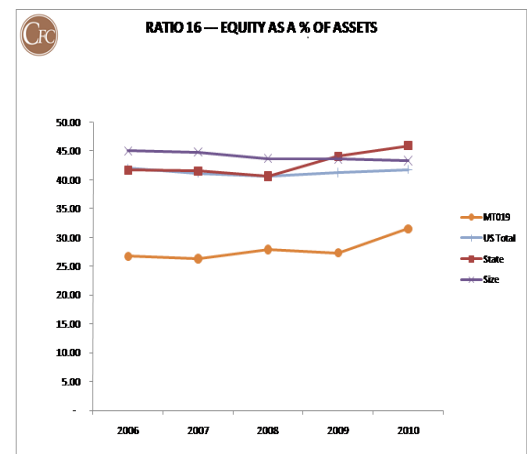
Ron Roodell
General Manager
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General Manager's Report — By Ron Roodell

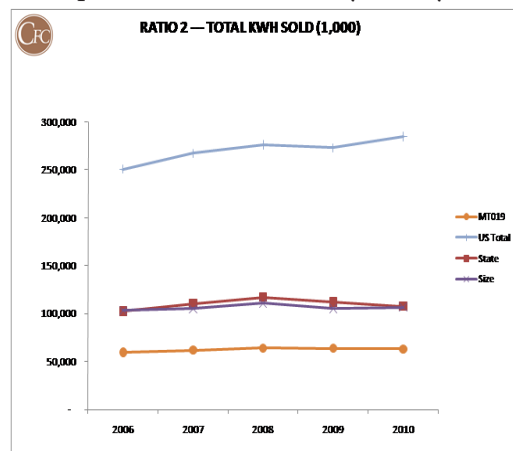


A Few Facts about Your Cooperative

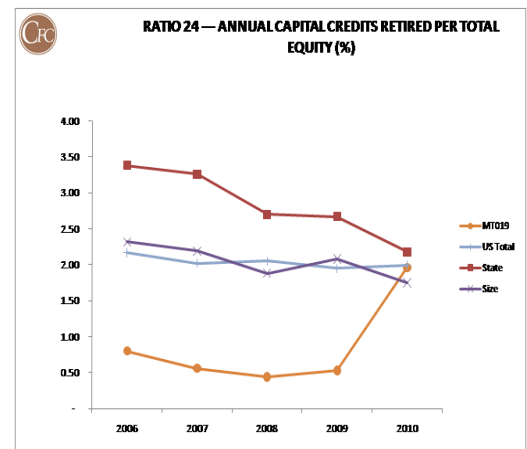
When giving some thought as to what I should write about this month, it occurred to me that there are many members who were unable to attend the our annual meeting this year where I shared numerous facts about the Beartooth Electric Cooperative (BEC). So, this month I am including a few graphs I believe you will find interesting. These graphs come from a report that is prepared annually by the Cooperative Finance Corporation (CFC). This report includes 145 ratios that cover the most recent 5-year period. These ratios provide good information that we can use to better understand how and why we perform the way we do as we compare ourselves to other electric cooperatives in the State of Montana, across the entire USA, and to those electric cooperatives specific to our size. I've included very brief comments with each graph. I encourage you to study these graphs and give me a call with questions or comments you may have.



Ratio 16: Equity is a measure of the extent that our consumers have financed our assets. BEC has moved from a low of 26.30 at the end of 2007 to 31.50 at the end of 2010. Target equity ratio is 40% or higher.



Ratio 2: BEC sells about 59% as much energy as other coops in the state and coops our size across the country.



Ratio 24: BEC went a number of years with no general capital credit retirement. BEC had general retirements in both 2010 and 2011 (not shown).

(Continued on Page 4)



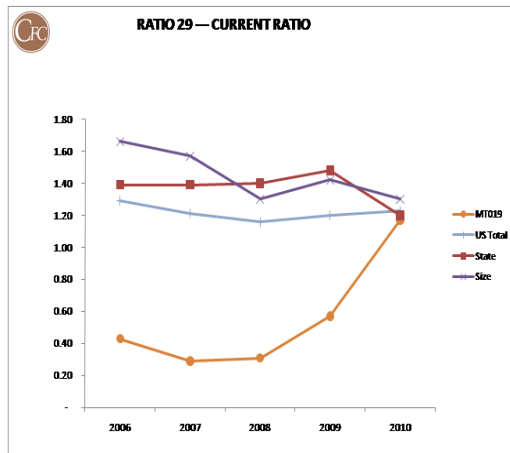
NEW BEC WEBSITE

It's here, the new BEC website!

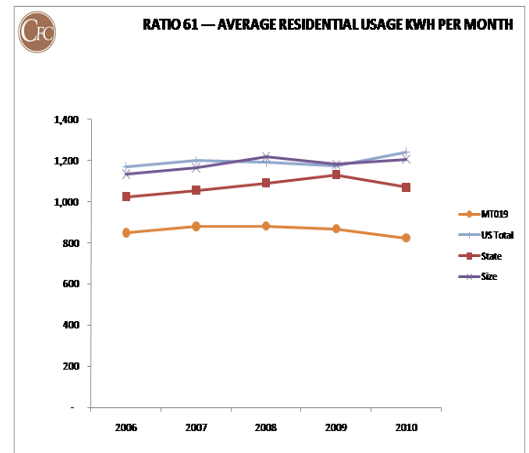
Our new site offers a home page news section, quick links to our members only section, Southern legal proceedings, e-bill, our new Kids Zone and an all new EnergySavers web link.

Many of our members want to save energy and money but are not sure of the best products to purchase. We are pleased to offer access to 20% off best-quality energy efficient products through EnergySavers.coop. Members can easily access the energy saving products for their home, business and personal use through our main website. Just look for the EnergySavers.coop logo and find special savings on items like CFLs and other lighting products, weatherization products, water conservation items, and other tested energy saving devices.

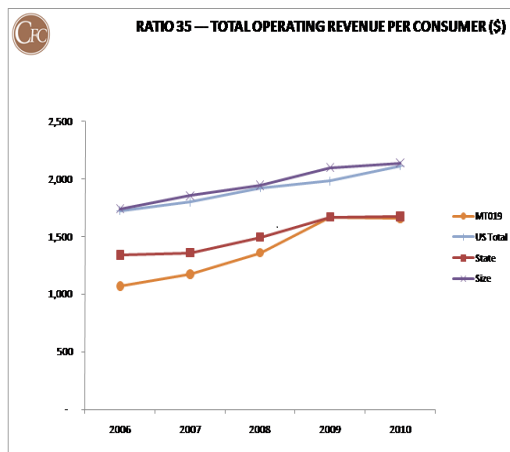
If you have not been to: www.beartoothelectric.com visit us today!



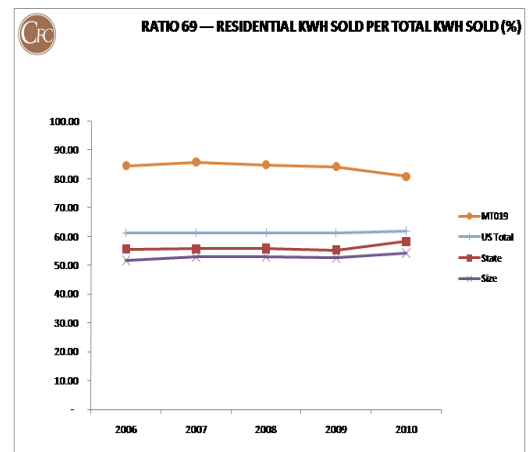
Ratio 29: Current ratio is a measurement of short-term solvency. A ratio less than one generally indicates a cash flow problem, which we had in years previous to 2010. Target is to maintain a ratio of around 1.5.



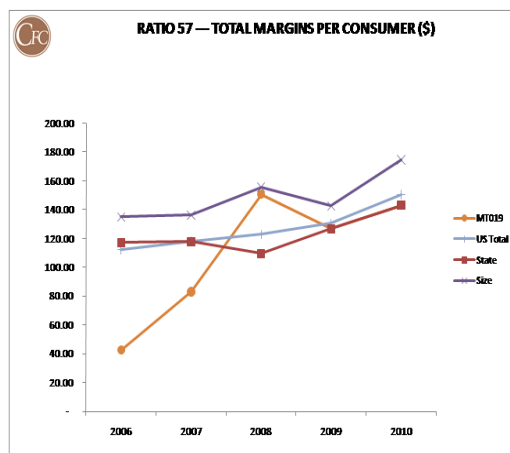
Ratio 61: BEC has had the lowest average residential usage in the state for the last 5 years, by approximately 17-23%, and was 32% lower than the median for coops our size across the country.



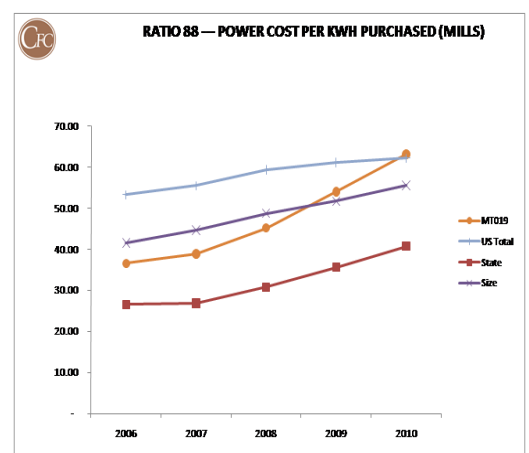
Ratio 35: By consumer, we are at the bottom (\$1,657.37), slightly below the state median and about 22% below the median for coops our size.



Ratios 69: 81% of our energy sales are residential. The state median is 58% and coops our size is 54%.



Ratio 57: An average of \$143.01 per consumer went to margins in 2010. The bump in 2008 was related in large part to the wholesale power surcharge. In 2009 and 2010, BEC is 18% lower than the median for coops our size.



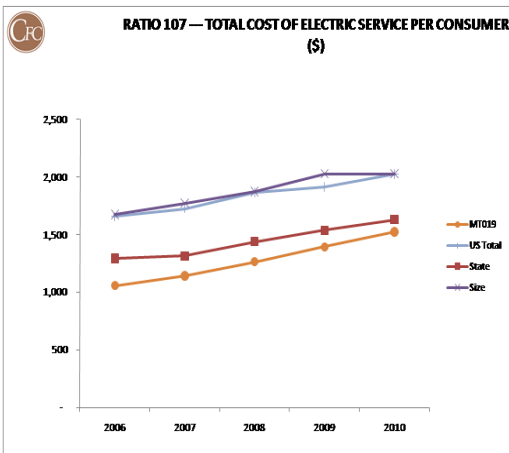
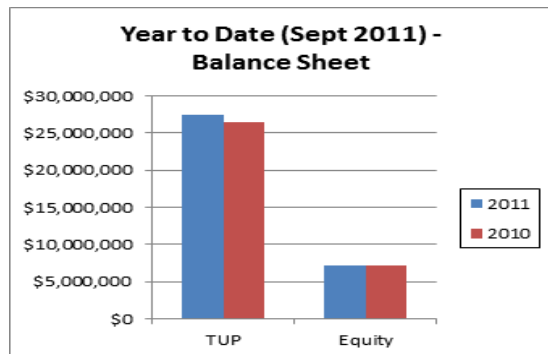
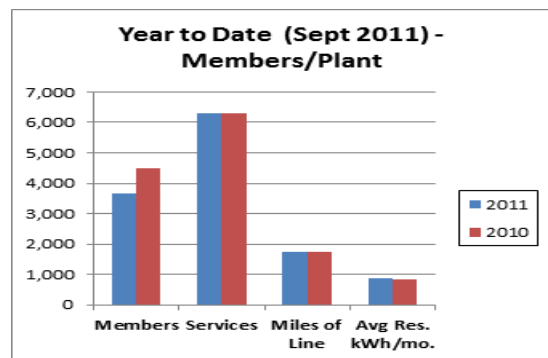
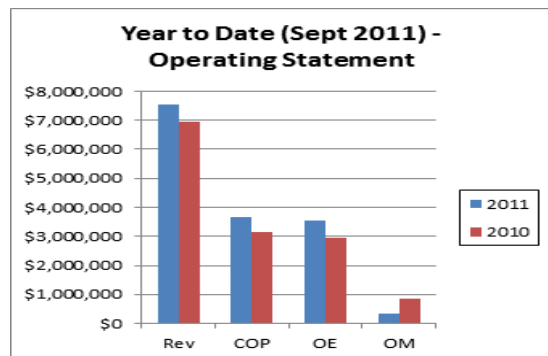
Ratio 88: Upon review of historical records, BEC was among the ten (10) coops with the highest wholesale power costs in Montana from 1986 to 2000 and have been among the highest five (5) since then.

BOARD ROOM REPORT

The Board of Trustees held their regular board meeting on November 22, 2011. Action and discussion items included:

- Approved Financial Report (RUS Form 7) for September 2011
- 3rd Quarter 2011 Budget Review
- Preliminary 2012 Budget Review
- Cost of Service Study Review
- Financial Forecast Review

Financial Summary: (Abbreviations) Rev – Revenue, COP – Cost of Power, OE – Operating Expenses, OM – Operating Margins, TUP – Total Utility Plant.



Ratio 107: Total cost of providing electricity on a per consumer basis in 2010 was \$1,523. This is over 6% lower than state median and 25% lower than coops our size.

BEC staff is committed to finding and keeping the right balance with the improvement of BEC's operational & financial performance, providing reliable service, and keeping rates as low as possible.

Best wishes to all of you for a healthy and prosperous year in 2012.

TRUSTEE REMOVAL PETITION UPDATE

As you may be aware, there was a petition circulated among the BEC members calling for the removal of Trustees John Prinkki and Joe Kern from the Board of Trustees. The Board of Trustees acquired the services of Attorney Joel Todd to render an opinion as to whether or not the requirements of the petition process as described in the Amended Bylaws have been met.

Attorney Todd, very recently delivered a Memorandum of Law to the trustees, in which he stated, "there are sufficient signatures (330) on Petition and a Special Meeting should be held to consider trustee removal. At the meeting, John and Joe have the right to present their response to allegations in Petition and to argue against removal. A vote of members present at the meeting will be taken. Simple majority prevails on removal. Voting by mail does not apply. Any vacancy may be filled by appointment by the remaining members of Board."

Discussions are underway with General Counsel to define the proper procedure for conducting such a Special Meeting. Stay informed by visiting the BEC website at www.beartoothelectric.com for up to the minute news.

What's Happening @ BEC

by Dave Werner—Manager, Engineering & Operations

Idle Services

An idle service is identified as an electric service that has been inactive (not been used) for 12 consecutive months or more.

As part of an ongoing effort to reduce the number of idle services on Beartooth Electric Cooperative's (BEC) system, and thereby reduce the costs associated with taxes on infrastructure and maintenance on service points that no longer generate revenue, we continue to follow-up with our members with idle service correspondence and review the actual numbers of these services.

BEC is required to report the number of idle services on our RUS Form 7, a Financial and Statistical Report that maps out the financial standing of the cooperative. Currently, BEC's percentage of idle services to total active services is approximately 9½%, or almost 10% of our total active meters. That's twice as high as other electric cooperatives in the state and 50% higher than cooperatives our size across the country.

We're trying to reduce that number to 8½% of our total services by the end of this year and intend to continue to reduce that number in 2012.

While many of these services appear to include duplicates in our customer data base and/or metering points that no longer exist, there are still hundreds that are simply abandoned and have remained so for years.

More than a few cooperatives have gone through the painful process of removing idle services. No one likes it, but it's a necessary part of cleaning up our system.

So as we continue to process and retire these services, we'll continue to work with our members who would like to retain these metering points by paying either the applicable base charge or a Line Retention Rate.

Pole Inspections & Line Patrols

A total of 57 poles in Wyoming and 112 poles in the Columbus areas will require replacement as a result of recent pole testing in 2011. Pole replacements began in the Red Lodge, Clark, and Columbus areas this fall and will continue into the next year.

BEC's crews in Red Lodge and Columbus have patrolled approximately 6,700 poles, or 380 miles of line this year-to-date. An additional 1,655 poles were inspected by contract resources earlier this year, or another 94 miles. A total of 474 miles have been inspected, which accounts for approximately 28% of our total infrastructure.

In Clark, Wyoming, pole replacements have been completed along Roads 1AF, 1BH, and in the Line Creek areas. Approximately 30 poles were replaced by line crews in the past

few weeks, with another 10 to 12 poles scheduled for replacement before the end of the year.

Construction on pole replacements in the Shane Creek areas began the week of October 31st, with 10 poles originally scheduled for replacement. Construction was completed on these first pole replacements by the end of November. An additional 5 poles were replaced during that period, even though work was hampered by weather and rugged ground.

Tree Clearing

Fireline Fire Protection Services has completed clearing right-of-way (ROW) for BEC south of the intersection of Highway 419 and Highway 78, on Tuttle Lane through the Town of Roscoe and on through the Luther area. The majority of work is completed, with final work scheduled in the Town of Roscoe.

Beartooth line crews have also been out clearing ROW in the Red Lodge and Rosebud areas on those portions of power line that have been identified as problem spots. Columbus crews completed clearing additional areas outside of Absarokee.

Announcements

THE BEC kWh (know what's happening) is the winning name in the BEC "Name our Newsletter" contest. CONGRATULATIONS member Amber Nordahl, who submitted the winning entry! See the February 2012 BEC Newsletter for the updated newsletter design!

SCHOLARSHIP applications are due January 31, 2012. BEC \$1,000 Achievement Scholarship candidates, please submit your application to your high school counselor no later than January 31, 2012. MECA Memorial Scholarship candidates, applications are due at the BEC Office by the end of business, January 31, 2012.

Get all the latest news @ www.beartoothelectric.com