Sue Beug, Carbon County Resource Council President attended and reported on the current focus at CCRC and the Stillwater Protective Association on low carbon electricity (renewables) and energy conservation as methods to reduce the use of fossil fuel-generated electricity. The organizations include many Beartooth members who may be interested in supporting a solar project at BEC. SPA President Bill Hand wrote a letter to the risk management committee (attached) expressing interest in working with BEC and exploring ways to support a solar project and/or other efforts to promote alternative energy.

A project for solar generation would be financed by interested members. The scale of the project would be determined by the number of BEC members interested in participation that would include a financial investment with return of energy credits based on the investment’s percentage of the electricity output contributed to BEC energy supply. While the scale of a project is undetermined, a viable project would contribute well under one half of one percent of BEC energy supply.

Action: The committee reviewed a draft timeline for development of a project and set the following items for review (preparation by Bill Pascoe, Arleen Boyd, Kevin Owens) at the scheduled April 19 risk management meeting:

- BEC objectives
- Project scale and cost options
- Costs, returns and benefits for members
- Timeframe for implementation
- List of unanswered questions

Flathead Electric has shared two publications it used to inform members – one is a Question and Answer document that explains the contract requirements for members who agree to finance a project by sponsoring one or more panels. BEC has permission to use the content of the documents, which the committee believes highlight the key issues and answer many of the questions raised by the committee.

Update of BEC Financial Forecast – Frank Willett reviewed the Forecast update prepared by Kim Mikkelsen with Frank's review and help. The primary addition is calculation of the impact of borrowing the $1,575,000 for the meter upgrades in 2018 as opposed to the previous calculation of borrowing half of that amount ($787,500) in 2018 and again in 2019 to complete the project. The impacts on cash flow and margins are minimal. The impact on debt service coverage is present – bringing the DSC calculation of average for two of the three years 2018, 2019, 2020
very close to the minimum requirement of 1.25, but the understanding with CFC, CoBank and RUS is that the debt to fund Cushion of Credit deposits is offset by the deposit with the RUS and the impact on DSC will not negatively affect BEC standing with the lenders. Borrowing the entire amount in 2018 would be a hedge against rising interest rates between now and April 2019 when the second half of the amount is needed. The model run assuming two separate loans assumed an April 2019 loan at 5.28%.

Kevin Owens presented the calculations he will share with the board showing the breakeven interest rate point that would support borrowing the entire meter financing amount in 2018 even though it would be spent in 2018 and 2019. Discussion of expected interest rate increases resulted in committee understanding that borrowing the entire amount at 4.85% would not affect the financials significantly and the risk of rising interest rates could argue for borrowing by May 2018 to fix a rate in that range.

**Action** committee sees little risk in borrowing the whole amount in May 2018 and potential risk if expected interest rate increases are implemented before April 2019 and recommends that the board weigh any rate increase before the meeting in a decision to give the manager authority to borrow all or half.

**Rate Design** – The committee reviewed a potential timeline for solar project overlap with meter installation in 2018-2019. The committee agreed that assessing a timeline for rate design evaluation would be best addressed at the April of May committee meeting, even though conversation with EES is underway to set a potential schedule for initial information gathering and identify the potential need for expert input.

**Cyber Security** -- Walter Clapp expressed interest in the status of BEC cyber security plans. Several committee members asked for an outline or report on what the co-op is doing and the content of the plan for security measures. 

**Action.** Kevin has arranged for Morrison-Maierle Systems Corp to present the provisions being implemented to address cyber security at the April 19 risk management committee meeting.

**Brief look at capital credits.** The forecast assumes maintaining payment on 20-year rotation (calculated 5% of total outstanding allocated credits is the goal). Frank distributed his worksheet of capital credits outstanding, allocated for the years from 1993 through 2016. BEC paid credits due through 1992 in 2017. No credits were allocated from 2004 through 2011, a period when payments to Southern Montana Electric Generation and Transmission Cooperative for obligations related to the Highwood Generating Station left BEC in debt and without margins to assign to members. Since 2011 BEC has allocated a total exceeding $3.5 million, bringing the total amount due to members to $6,516,156.
Upcoming Event-- Kim MIkkelson, KW Consulting will present a report on the BEC financial position and business practices and industry common and best practices on April 4. Members are invited and a press release has been distributed with details (in board packet).

Meeting adjourned 5:40 – Next meeting April 19, 2:00 P.M.
Arleen Boyd, Risk Management Committee Chair