Risk Management Report

Committee Meeting – July 17, Red Lodge Office


**Forecast Model presentation by Terilyn Wallis.** Wallis walked through the presentation planned for the October 31 BEC Board meeting when she will meet with the board, interested staff, committee members and members at large to outline the approach and results of her work with the risk management committee to prepare the BEC Forecast Model using the Compass format developed by RUSCFC and used widely in the electric co-op and other industry segments. Kim Mikkelsen, BEC financial and risk management consultant, who is retiring this year, recommended the transition to the new format. Mikkelsen recommended considering the engagement of Wallis to assume responsibility for supporting the board’s strategic analysis, what-if risk evaluations and financial forecasting as well as providing potential financial consulting for management.

Wallis had met with committee members and staff to create a BEC Compass model producing results in line with the financial results already verified by the current model and budget. The object is to demonstrate that the model will accurately calculate BEC results and produce reports in the format that the co-op has used effectively with board, committee and members for the past four years. Wallis reported that the Compass model calculations now line up with the approved BEC financial results and the report formats can be readily produced as in the past.

Forecast model is a lynchpin of financial planning and evaluations at BEC – it supports budget and financial management calculations as well as strategic planning and analysis by the board’s risk management committee. Objectives/benefits for updating the forecast going forward include: developing clear versions of the financial forecast as budgets and plans evolve, streamlining generation of what-if scenarios, and analyzing data for upcoming strategic decisions dealing with rate design, equity planning and other issues.

The reports produced by the new model are attached with the presentation slides that Wallis will present on July 31. The board will discuss potential engagement of Wallis as a BEC consultant/resource in a closed session following the board meeting.

**Kevin Owen reported on the status of the BEC community solar project.** Member deposits to secure investments in the project currently approach approximately 30 panels. The initial base configuration is planned to contain 48 panels with construction anticipated to begin by March 2019 and implementation of generation possible by April 2019. The BEC property can support additional projects, which could be proposed in response to member demand at later dates at
the parking lot location and behind the office facility. Price of design and construction remains estimated at approximately $750 per panel with all costs borne by members who choose to invest and receive monthly credit for the power produced by the panel(s) they have financed. The committee was positive about progress and the optimism about reaching the goal for member participation in the first project phase. The website is being updated to carry up-to-date information as well as easy investment procedures. The committee recommends sharing the information presented to the committee, including technical details, with members.

**Rate design** – The initial outline for a schedule to examine rate design at BEC begins with Education. A list of identified next steps and launch of the education effort will be distributed at the board meeting.

**Conservation** – Bill Pascoe introduced questions regarding member education and possible implementation of programs to support member efforts to improve energy efficiency in their businesses and residences. He raised the issue of possible use of BEC member escheated (unclaimed due to death or something else) credits to finance energy auditing or other conservation programs for members. Currently escheated credits are legally available to co-ops for educational uses only and must be forwarded to the state if not used for education. Would the Montana Electric Cooperative Association (MECA) support further discussion about changing the escheated funds provisions in Montana law? Kevin Owen agreed to contact MECA with the question. There was discussion about investigating other means for supporting and financing conservation: member payments, partnerships with contract conservation providers, sharing in-house expertise.