Risk Management Meeting, January 15, 2019, 10:15 A.M. (following BEC board meeting)
BEC Office, Red Lodge

Agenda
• Committee plans, next steps for 2019 — Bill Pascoe, Arleen Boyd — 15 minutes
• Electric Rate Concepts in an Era of Change — Burton Beckwith, National Rural Utilities, Cooperative Finance Corporation (CFC), Regional VP Member Services
• Consumer Financing (programs for conservation financing), Eric Anderson, CFC

The committee has discussed plans for 2019 starting with reviewing the budget and examining the base level BEC Forecast based on budget and plans that are expected to be approved in February. What-if questions for forecast review examination will follow.

Bill Pascoe led discussion of the following list of additional areas of committee focus for 2019 based on Board strategy and BEC investments, budget and planning 2018-2020. Efforts will concentrate on education of the committee and board regarding rate design alternatives and preparation for a Q4, 2019 examination of equity management alternatives and development of a solid BEC equity management strategy by the board.

Risk Management Committee 2019 Focus
• Financial Forecast
  o Identify risks and risk management questions
  o Develop risk management forecast what-ifs with Teri Wallis

• Cost of Service Analysis (COSA) with EES Consulting (April completion)
• Rate Design Examination
  o Develop clear objectives and process
Engage EES, CFC, Terilyn Consulting and other information sources

Identify seminars and other rate design information

List member rate design issues and potential impacts

**Equity Management Analysis**

- Develop objectives and define process
- Use budget and forecast data to develop and test equity management strategies
- Examine five-year capital expense forecast
- Dig into impact of capital investment on equity
- Work with Teri Walls, others, to educate the committee and board to support the board’s development of an equity management strategy by end of 2019

**Debt Risk Evaluation** – follow up on issues of payment of capital credits and results of more borrowing related to cash in place

**Conservation opportunities for members**

- Examine individual and collective conservation programs for cooperative members
- Identify and examine reports on successful programs and associated risks

**Cyber risks?**

**Eric Anderson presented information about a CFC Consumer Financing Program** offered in partnership with the National Cooperative Bank that deals with retail consumer loans nationally. The program gives co-ops the opportunity to offer members secured and unsecured loans for home energy and consumer solar projects. Anderson called the program one financing tool in the toolkit members may have to address energy projects.

Anderson noted potential financial, compliance and legal risks for electric cooperatives engaging in efforts outside their standard areas of expertise. CFC believes that the program addresses the risks with support from CFC and NCB in the marketing and execution of the loans. A primary challenge is identifying how to assign responsibility for a new co-op effort.

**Burton Benkwith CFC Member Services Regional Vice President presented a comprehensive overview of Electric Rate**
**Developments and Challenges.** Benkwith outlined three steps for “ratemaking” that include establishing: rate requirements (how much?), cost of service (from whom?), and rate design (how?).

Rate design alternatives are changing he says because new technologies (AMI, distributed generation and smart controls) provide data for examination and planning of fair rate design programs and new-generation members welcome programs and technologies that provide both flexibility and control for consumers. The presentation details rate design trends and opportunities, which the committee will discuss at its next meeting.

The CFC report is available for the board and members and will be posted on the BEC website.