Beartooth Electric Cooperative ("BEC")

2019 Strategic Planning Session

Meeting:

Wednesday and Thursday, October 2-3, 2019

Held at the Carbon Fork in Red Lodge, MT

CoBank Participants:

Andy Glover (Facilitator)

BEC Participants:

Julie Lindgren, President
Bill Pascoe, Vice President
Arleen Boyd, Secretary / Treasurer
Daniel Dutton, Trustee
Roxie Melton, Trustee
Dick Nolan, Trustee
Ralph Lewis, Trustee

Kevin Owens, General Manager
Eric Elton, Line Superintendent
Kaaren Robbins, Communication / Member Services
EXECUTIVE SUMMARY

Over a day and a half the BEC Board, General Manager and Key Staff participated in a facilitated strategic planning session (see Appendix A for the Agenda). As part of the initial introduction presentation it was affirmed that the primary desired outcome of the meeting would be to:

- Identify 3 key deliverables to be addressed over the next 3 years
- Provide policy or policy guidance to help better run the coop going forward

In preparation for the session, a survey and SWOT assessment was completed by the participants, the results of which were presented and discussed to determine the highest priority topics to focus on for further discussion (see the body of the report and the introduction presentation in Appendix B for details).

A healthy dialogue took place regarding the group’s “Vision” of what BEC needs to be in order to address members’ future needs. Ideas that resonated included:

- Innovative
- Member Driven
- Transparent
- Financially Stable
- Have Effective Tools, Systems and Equipment
- Have a Rate Design that Prioritized Equality

These details can also be reviewed in the body of the report. The notes taken during these discussions can be reviewed in the Flip Chart Photos – Appendix C.

Upon completing the review and discussion of current Strategic Imperatives, SWOT and Survey results, the highest priority topics to discuss were determined and ranked as follows:

1) Effective Rate Design
2) Equity and Debt management
3) Technology Change, et al
4) Board Compensation and Benefits
5) Additional Revenue
6) Financial Stability - Catch All
A summary of each discussion is covered in the body of the report, including a conclusion statement for each topic.

Overall, however, time was taken at the conclusion of the meeting to specifically identify the 3 primary desired deliverables to be addressed in the next 3 years, and to provide policy or policy guidance to help better run the coop going forward, which were as follows:

1) Finish the Rate Design Process
   a. Phase 1 should be completed and implemented in 2020
   b. Phase 2 (with Data) completed in 2021, and implemented in 2022

2) Address Equity Management Issues and Establish Policies (with Numerical Guidance Ranges)
   a. Completed in 2020

3) Explore the Potential for expanding Member Services to include “energy-focused” products and services; ie. appliance rebates, financing, weatherization, renewables, etc.
   a. The expanded products and services will have 3 primary focus points, including
      i. New revenue from strategic load growth and new services
      ii. Revenue neutral energy efficiency programs
      iii. Promote the efficient use of BEC’s product
   b. This exploration and implementation should be completed in the 2021-23 timeframe

In addition, 2 other general guidance comments emerged from the discussions that could potentially be covered in multiple categories

1) Address fears regarding revenue and technology change
2) Continue with normal economic development activities

These key deliverables were established as a result of the wide ranging and robust conversations on the selected set of high priority topics. See the body of the report and the various assembled Appendices for further details.
2019 Strategic Planning Session - Summary:

Day 1 - Facilitated discussion from 9:00 – 5:00 on Wednesday, October 2

Introduction and Agenda Review, Affirmation of Desired Outcome:

The BEC strategic planning session began with a brief background of Beacon as a CoBank service and introduction by Andy Glover as facilitator. This was followed by a review of an introductory presentation (see Appendix B), which covered the Agenda (see Appendix A), ground rules, a review of consensus, and a clarification of the facilitator’s role.

An overview of the strategic planning process was discussed, reflecting on the important connection between BEC’s mission, the collective vision of what the coop needed to be for members in the future, and what the coop might need to change to deliver on that vision.

The group then affirmed that the desired outcome of the planning session would be to:

- Identify 3 key deliverables to address over the next 3 years to help BEC be what it needs to be to meet members’ future needs.
- Provide policy or policy guidance to help management better run the coop.

Mission - Vision Discussion: Some time was then taken to discuss the groups’ initial view of BEC’s mission and what service the coop would need to provide members to be valued in 3-10 years, recognizing that providing services beyond selling electricity could offset potential declines in future revenue from energy sales.

Upon review and discussion of the current mission statement, “To Provide our members with reliable, reasonably priced electricity and related services delivered in a safe and efficient manner”, the group concluded the mission statement provided adequate and appropriate direction for the coop. There was consensus that other services BEC could provide membership should remain generally energy related.

BEC’s vision of what the coop needed to be to meet members’ future needs was briefly discussed. While many ideas were put forward (see Flip Chart Photos in Appendix C), the ones that resonated most were that BEC needed to be:
Innovative
Member Driven
Transparent
Financially Stable
Have Effective Tools, Systems and Equipment
Have a Rate Design that Prioritized Equality

Prior Initiatives: A few moments were taken to provide an update on the status of the historical strategic initiatives:

- AMI Meter Project – Nearly completed
- Community Solar Project – Completed
- Revised Rate Design – Currently advancing through the Committee process

SWOT Assessment Results: The pre-session SWOT Assessment was reviewed next. It was agreed that BEC’s primary strengths and weaknesses were accurately identified as follows:

Strengths:
- GM and staff
- Power supply/contract/cost
- Member support/Communications
- Financial planning, process and business model
- Solid, engaged Board

Weaknesses:
- Small coop with limited staff resources
- Limited growth
- Term of power supply contract
- WY vs. MT regulatory differences

Opportunities were discussed next and also affirmed, but with a noted prioritization (red, then blue dots):

Opportunities:
- Additional revenue/New services
- Member/Community engagement
- Load development
Threats were also discussed and affirmed, with noted prioritization (red, blue, then green):

- Tech change / DG / DER / EE / Storage
- Transmission cost
- Cyber threat
- Acceptance of new Rate Design

Survey Results: The SWOT results were compared to the pre-session survey results. Note that in advance of the planning session the survey results were reviewed with the Board President and General Manager. It was agreed that the importance of the top 3 topics was sufficiently clear that they should be fixed topics on the agenda for discussion. These included:

**Survey Results Summary**

- Effective Rate Design Strategy
  - Member communications regarding changing rate environment
- Equity and Debt Management
  - Periodic Financial Forecasting
  - Board Compensation and Benefits

The balance of the highest rated survey topics were discussed and prioritized with the most relevant SWOT topics for further conversation (red, then blue):

- DG / DER, Energy Efficiency, and Renewables
- Other Revenue Enhancing Services
- Member education about Co-op mission, structure, costs
- Succession planning, recruitment and retention
  - Board, CEO and staff
**Topic Selection and Prioritization:** Through discussion and dot voting the group decided upon the following discussion topics and order:

1) Effective Rate Design  
2) Equity and Debt management  
3) Technology Change, et al  
4) Board Compensation and Benefits  
5) Additional Revenue  
6) Financial Stability - Catch All
Topic #1 – Effective Rate Design

The conversation began with a recognition that this topic is a continuation of prior discussions and a significant amount of work has already been completed bringing BEC to the current point. EES has already performed a Cost of Service (COS) study and a Rate study is currently in process. These efforts, however, have not and will not address all aspects of the subject as there are a number of critical decisions that need to be made (with the assistance of the information from the COS and Rate studies), including among others (see Flip Chart Photos – Appendix C for further details):

- Whether to shift from a 2 part to a 3 part rate design (including residential demand)
- How to best insulate the coop from revenue effects of future weather events
- How to best address cost effects of a rate change on various impacted groups (what is “fair”)
  - For example low income membership, vs. distributed generation (DG) users, energy efficiency (EE) adopters, seasonal, weekender, mega user, and other important member stakeholders
- How quickly does a new rate design need to be put into effect (what is the bigger context)

It was generally acknowledged for a variety of reasons that a change in the rate design was critical at some point in the intermediate future. Through conducting a time sensitive “Vision” exercise, there was consensus that having implemented a rate design change that would insulate BEC from i) weather events and ii) reduce reliance on energy sales for revenues to cover fixed charges was essential in no later than 3 years. There was further consensus that an incremental change in rate design was preferable to a radical change, and that the longer BEC waited to initiate a change the more radical the incremental change would need to be.

It was also recognized that there were benefits to an incremental change, including the opportunity to better manage member acceptance and providing the opportunity (at a lower risk) to better identify members particularly vulnerable the impacts of a change, for whom programs and services could be developed in an effort to mitigate those impacts. It was acknowledged that while data from the new AMI system would not be fully available for another year, it was not required to make initial rate design choices. It was noted, however, that the data would be very helpful to refining the second phase implementation.

Given these layered priorities, there was consensus that to meet the target deadline of being fully implemented with a new rate design in 3 years, a first phase rate design implementation would need to be rolled out in early 2020.
Conclusion: This discussion had 2 primary outcomes. The first was to provide the Rate Design Committee guidance for their considerations. The second was to provide a timeline to accomplish and put into effect a revised rate design.

- The Rate Design Committee should make a rate design decision by no later than the first quarter of 2020
  - The rate design should incorporate an incremental and phased approach to implementation (2 steps)
  - The design should be based on an understanding of the impacts on the various member profiles
  - Board and staff communications plans will be ongoing

- The rate design should be put into effect in the second quarter of 2020
  - The timing will provide opportunities for feedback and experience before being readdressed for a second phase rollout
    - Feedback tools such as town halls or other methodology will be considered and evaluated
  - This will provide an opportunity to develop programs and services to address the impacts from the rate change on vulnerable members / member groups

- The rate design should be readdressed in 2 years (2021), with additional data for phase 2 implementation and execution in year 3 (2022)
**Topic #2 – Equity and Debt Management**

This discussion acknowledged that BEC’s current standard financial procedures and practices have been established over a number of years, evolving into a readily accepted understanding regarding how the coop should be managed over time. A wide range of these standard procedures and practices have been assumed to be “policy”, but presently that have not been formalized. Some of the few currently “Firm” policies included adherence to financial covenants as required by BEC’s lenders (such as Debt Service Coverage, Equity to Assets, etc.).

With an eye towards succession planning for both the Board and Management, there was consensus that these working assumptions should be converted into a set of formal financial policies to provide Management a set of working ranges for the future.

Items discussed to be addressed included:

- **Minimum cash on hand** ($500K was suggested for discussion)
- **Equity to Assets** (Suggested range between 40-50%)
- **Patronage retirement cycle** (A target of 5% or 20 years was suggested, presently at 25 years)
  - Currently 100% on a FIFO basis; this methodology should be discussed
    - Consider new vs. long term member views
      - Do they value capital credits
      - Consider members’ service expectation of BEC as a Not for Profit / Tax Exempt entity compared to expectations of a For Profit / IOU
- **Patronage Capital Discounting** under various circumstances, including:
  - Bankruptcy
  - Partnerships
  - Special Appeals
  - Moves out of Territory
    - Consider impacts to education funds
  - Estates
    - What should the weighted average discount rate be
  - How to address the 2008 to 20xx patronage retirement gap
- **These policies should flow into the Assumptions of the Forecast Model**
  - Depreciation schedules should periodically be reviewed for consistency with actual useful life
Conclusion: Consensus was achieved with respect to the following Equity and Debt management deliverables going forward.

BEC Management should work with the Finance / Policy Committee to accomplish the following by the end of 2020:

- Rewrite the equity management rules
  - Address the pros and cons of a LIFO vs. FIFO patronage retirement methodologies
    - Pursue a change as appropriate
    - Write new or modify existing policies accordingly
- Address new member interests as it pertains to cooperative equity
  - Enhance education with respect to the benefits of BECs cooperative structure to membership
- Convert existing “soft” financial management standard procedures and practices into a set of formal financial management policies
**Topic #3 – Technology Change, et al**

While technology change is a very broad and somewhat nebulous topic in general, the specific problems focused on by the group included the following:

- Revenue attrition
- Lack of predictability / Speed of Change (at industry level, but slower in MT)
- Message vs. Reality (adoption curve is still slow, especially in MT)
- Opportunity vs. Threat (there was a cost / benefit to tech change that needed to be acknowledged and managed)
- Changing energy use (potential reduction), but not necessarily changing energy importance
  - Ex. LED lights
  - Energy efficiency in general
  - More Electronic devices
  - Increased reliance on electricity
  - Increased sensitivity to energy quality (members’ demand for high quality service)
- Potential for beneficial electrification
- How to be a trusted energy advisor
- Benefits of AMI, will provide incentives to change habits
- Communication is instant and important
  - There is a confluence between energy reliance and new communications technology

The group recognized that Technology change was a 2 sided issue, including both risks and opportunities, for example:

<table>
<thead>
<tr>
<th>Technology risks</th>
<th>Technology Opportunities</th>
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<tbody>
<tr>
<td>Killer Tech, potentially enabling energy independence (unlikely, but potentially impactful)</td>
<td>Leverage Tech to manage operating costs</td>
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<tr>
<td>Revenue impact from increased EE</td>
<td>Use Data to be more efficient</td>
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<td>Residential Solar Panels</td>
<td>Expertise collaboration with other parties</td>
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<td>Community DG Aggregation</td>
<td>NISC Tools – EE management with Smart Hub</td>
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<td>Some Micro-grid Policies</td>
<td>Cyber – Keeping up with Tech change to manage risk</td>
</tr>
<tr>
<td>Battery + DG Applications (far off risk)</td>
<td>DG/DER Rate Design</td>
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<tr>
<td>Staff Limitations (to keep up with trends and technology applications)</td>
<td>Potential Beneficial Storage Applications</td>
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Conclusion: This discussion was foundational to broader guidance, but as a standalone topic the group provided the following strategic guidance with respect to Technology Change:

- By 2021 - Use the technology to improve operating efficiency when more systems and data are in place
- Leverage technology change to increase revenues through strategic load growth
- Incorporate NISC tools to increase operating efficiencies and member value
- #1 - Prioritize internal efficiencies
- #2 – Prioritize EE at a revenue neutral rate
- Position BEC as a “Trusted Energy Advisor” for the future
**Topic #4 – Board Compensation and Benefits**

A general clarifying discussion regarding board compensation and benefits was held in executive session at the end of the day. General notes from the discussion can be reviewed in the Flip Chart Photos – Appendix C.

However, the final outcome of the discussions will become a revision to Policy No. TP205 if approved by the board at a future Board meeting.
Day 1 Review:

Time was taken to review the topics discussed throughout the day, with the following observations rising to the surface (see Flip Chart Photos – Appendix C for additional details):

- The stars are presently aligned regarding various strategic issues:
  - Addressing Rates
  - Potential approval from the Legislature to utilize unclaimed capital credits for beneficial member programs such as energy efficiency
  - Availability of AMI Data to support the Business case for BTE Services in 2021
- There’s currently room in the power supply contract for more community solar energy
- Other specific local generation, such as small hydro (specifically a 2MW seasonal ditch project), may meet the due diligence “snicker test”
- The timing of the 2027 power contract provides opportunity to review the cost curve of solar at various substations, which could be evaluated for future project viability
  - Local generation isn’t presently top of the priority list, but in approximately 3 years it might be
- Future solar projects take time to develop, which may require optioning the property now to maintain the possibility of a project in the future
- Expanding the current community solar project to a 2nd phase could be considered today (potentially at lower economics given the prior use of grants, etc. for 1st phase)
- A battery project might be a consideration at some point
- Timing could be good for market research such as a survey with membership
- BEC does a major NRECA survey every 3 years (fall 2020 is next scheduled date)
Day 2 - Facilitated discussion from 9:00 – 12:00 on Thursday, October 3

**Topic #5 – Additional Revenue Opportunities**

This discussion started with a wide ranging list of potential specific additional revenue opportunities for consideration (see Flip Chart Photos – Appendix C for additional details). These ideas started from an acknowledgement that the regional growth potential in the Billings / Red Lodge / BEC territory was not bad, and that today the coop was growing at roughly 100 meters per year. It was also recognized that BEC’s system had room from a system capacity perspective to accommodate growth and expand utilization. Accordingly, growth ideas ranged from engagement with developers, to RD discussions in various towns, to EV incentives with dealerships, providing services to a charging station entity, to the acquisition of a related service business (such as a potential propane entity), etc.

In the end, it was recognized that every potential idea that was discussed would in reality be hard to execute. The question the group universally focused upon was, “where was the gap that BTE could fill?” It was observed that entrepreneurial enterprises don’t tend to put a lot of their own money into a project. As a model, accordingly, it was suggested that perhaps BEC should focus on finding partners for various additional revenue opportunities (such as potential economic development initiatives), which would thereby limit BEC’s upside and downside to a tolerable range.

**Conclusion:** There was consensus that with respect to additional revenue opportunities, BEC should focus on what it knows well, which is the energy services business and energy related topics. It was acknowledged that given the coop’s current priorities, this was likely a 2021-2022 objective and that Board and General Manager time and resources would need to be committed to the effort. With additional data, BEC may be able to more precisely identify a load profile preference for additional member revenue opportunities (ex. preference for additional residential housing loads vs. big business / load opportunities). A Board level Development Committee might be created to look at various opportunities for further exploration. Otherwise, the Board and General Manager should keep their eyes and ears open to potential opportunities that would contribute to future revenue. A traditional business plan “cheat sheet” methodology should be utilized and applied as an assessment discipline when applicable for non-traditional / new venture revenue opportunities.
**Topic #6 – Financial Stability - Catch All**

The Financial Stability topic rose as a priority for discussion given a general concern for the stability of future revenues and BEC’s ability to manage various expense threats in the future, such as:

- 3 storms in 1 year / Catastrophic storm(s) / Acts of Nature
- Abnormal or extreme weather related revenue variability
- A major fire / fires
- Rate design change (positive and/or negative factors)
  - Phased vs. immediate implementation of a 3 part rate
  - No rate design change
- Negative sloping energy use curve (long term)
- Major shifts in power contract / transmission costs

This discussion focused on the potential risks of various scenarios where revenues might go down or costs would go up, and the various tools available to BEC to manage these risks, including: cash reserves, lines of credit or insurance products. From a bigger picture perspective cost and revenue matching opportunities such as modification of BEC’s rate design to a 3 part rate were discussed, as well as the thoughtful consideration of the various assumptions that supported BECs 10 year financial forecast model scenarios. Lastly, the importance of the accumulated years of energy industry experience between Management and the Board with respect to the management of long term power supply and BEC’s power supply contract was recognized. It was acknowledged that primary goal for BEC was to provide certainty and predictability for members, which implies balancing between committing to tolerable future financial stability and assuming the risk of either attaining a potentially lower cost or getting stuck with a potentially higher cost of power supply to serve members into the future.

Conclusion: There was general consensus that to maintain future financial stability, continued proactive use of BECs 10 year financial forecast to assess the coop’s tolerance of various risks and opportunities is prudent. It was recommended that a formal review of the 10 year forecast on at least an annual or more frequent as needed basis should be established in policy. It was recognized that the financial policies to be established in 2020 should also appropriately consider the potential impacts of these various risks and assumption variables.

It is recognized that BEC is reliant upon various experts for the evaluation of certain risks, including future power supply and transmission issues (noting that there is significant strength and experience in these areas within BEC’s current Board and Management). At present, it was noted that engaging in
power supply contracts beyond a 5 year commitment was unadvisable. However, when to pull the trigger on a potential power contract extension would be subject to the evaluation of a number of price to risk variables. Accordingly, it was recommended that a formal power supply contract review should take place on an annual basis, and on an ongoing basis power supply issues should be reviewed monthly.
Strategic Planning Session Objectives Conclusion - Summary of Key Deliverables

Resulting from wide ranging and robust conversations on the selected set of high priority topics, the following Key Deliverables were established at the conclusion of the Strategic Planning Session (see Flip Chart Photos – Appendix C for details).

1) Finish the Rate Design Process
   a. Phase 1 should be completed and implemented in 2020
   b. Phase 2 (with Data) completed in 2021, and implemented in 2022

2) Address Equity Management Issues and Establish Policies (with Numerical Guidance Ranges)
   a. Completed in 2020

3) Explore the Potential for expanding Member Services to include “energy-focused” products and services; ie. appliance rebates, financing, weatherization, renewables, etc.
   a. The expanded products and services will have 3 primary focus points, including
      i. New revenue from strategic load growth and new services
      ii. Revenue neutral energy efficiency programs
      iii. Promote the efficient use of BEC’s product
   b. This exploration and implementation should be completed in the 2021-23 timeframe

Other general policy guidance potentially covered by multiple categories
   a. Address fears regarding revenue and technology change
   b. Continue with normal economic development activities
Appendices

Appendix A:  BEC Strategic Planning Session Agenda
Appendix B:  BEC Facilitation Into
Appendix C:  Flip Chart Photos
Beartooth Electric Cooperative Strategic Planning Session

**Agenda – October 2-3, 2019**

**Wednesday, October 2nd**

9:00 – 5:00 Planning Meeting - Day 1

9:00 – 9:45 Welcome / Introductions

Agenda Outline Review

- Ground rules for the meeting
- Consensus overview
- Facilitator roles
- Mission - Vision - Strategy Philosophy
- Methodology
- Affirmation of Desired Outcomes
- Vision Discussion

9:45 – 10:30 Where Are We Now

- Initiatives Review
- SWOT Discussion
- Survey Results Discussion

**10:30 – 10:45 Break**

10:30 – 11:00 Topic Affirmation

- Rank / Prioritize
  - Fixed Topics
    - Effective Rate Design
    - Equity and Debt Management
    - Board Compensation and Benefits
  - Open Topics
    - To be determined
- Order confirmation

11:00 – 12:00 Topic 1 Discussion
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<tr>
<th>Time</th>
<th>Activity</th>
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<tr>
<td>12:00 – 1:00</td>
<td>Lunch</td>
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<td>1:00 – 2:00</td>
<td>Topic 2 Discussion</td>
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<td>2:00 – 3:00</td>
<td>Topic 3 Discussion</td>
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<td><strong>3:00 – 3:15</strong></td>
<td><strong>Break</strong></td>
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<td>3:15 – 4:15</td>
<td>Topic 4 Discussion</td>
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<td>4:15 – 5:00</td>
<td>Progress Assessment</td>
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<td>• Observations</td>
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<td>• Address Topics Set Aside for Follow Up</td>
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<td>• Affirm Priorities and Agenda for Day 2</td>
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<td>• What to think about overnight</td>
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<td><strong>5:00 – 5:30</strong></td>
<td><strong>Free</strong></td>
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<td>5:30</td>
<td><strong>Dinner</strong></td>
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### Thursday, October 3rd

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<th>Time</th>
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<tr>
<td>9:00 – 12:00</td>
<td>Planning Meeting - Day 2</td>
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<td>9:00 – 9:15</td>
<td>Day 1 Review</td>
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<td>9:15– 10:15</td>
<td>Topic 5 Discussion</td>
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<td><strong>10:15 – 10:30</strong></td>
<td><strong>Break</strong></td>
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<td>10:30 – 11:30</td>
<td>Topic 6 Discussion</td>
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<td>11:30 – 11:45</td>
<td>Organizational Plan</td>
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<td>• Address Topics Set Aside for Follow Up</td>
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<td>• To do list…</td>
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<td>• Priority / Payoff Matrix</td>
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<td>• Metrics</td>
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<td>11:45 – 12:00</td>
<td>Wrap up / What’s next?</td>
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<td>• Observations</td>
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<td>• Summary</td>
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<tr>
<td><strong>12:00 – 1:00</strong></td>
<td><strong>Lunch - Depart</strong></td>
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Disclaimer: This presentation is for internal Beartooth Electric use only. Distribution to third parties, in whole or in part, without the expressed written consent of the CoBank Beacon Team is strictly prohibited.
'Would you tell me, please, which way I ought to go from here?'

'That depends a good deal on where you want to get to,' said the Cat.

'I don’t much care where--' said Alice.

'Then it doesn’t matter which way you go,' said the Cat.

--Lewis Carroll, “Alice’s Adventures in Wonderland”
Agenda Review

- See Agenda in the folders
Ground Rules

- Problems not people
- Don’t talk about solutions until it is time to talk about solutions
- Be 100% present—laptops closed, cell phones on vibrate
- One person talking at a time
- Everyone participate, nobody dominate
- What else?
Ground Rules

While Brainstorming

- No evaluation of ideas
- Encourage wild ideas
- Build on the ideas of others
- Looking for quantity of ideas vs. quality
- Record all ideas
- Everyone is equal
Consensus = agreeing to proceed with no hidden reservations

It does **NOT** mean that everyone agrees.

It means everyone agrees to **actively support** a decision as the best one under the circumstances.

Everyone will **personally live with it** because their reservations and concerns were **heard and considered**.

“Disagree and Commit!” - *Intel saying*
Our Role as Facilitator(s)

- Facilitation of Discussion
- Secretary / Scribe / Recorder as we go along
- Referee - To keep us on track
  - We CAN Change the Rules
  - IF you all agree...
**Process: Mission - Vision - > Strategy**

- **Mission**
  - What we do

- **Vision**
  - What we want to be in the next 3 - 10 years

- **Strategy**
  - Tasks to achieve the vision

- **Strategic Plan**
  - Objectives of the strategy (KPI’s)

- **Operating Plan**
  - Objectives of the strategic plan (Division KPI’s)
Analyze – What’s the Root Cause?

"The significant problems we face cannot be solved by the same level of thinking that created them."

— Albert Einstein
Topic Discussion Methodology

- Problems / Gaps / Pain Points
- Root Causes / Causal Factors
- Potential Solutions
- Strategic Guidance
  - Policies
  - Goals
  - Initiatives
Affirmation of Desired Outcome

- The 3 key deliverables to address over the next 3 years to help the coop be what it needs to be to meet members’ future needs
- Policies or Policy Guidance to help Management meet members’ future needs
Mission

- To provide our members with reliable, reasonably priced electricity and related services delivered in a safe and efficient manner.
Vision Statement

- BEC is recognized as a member-driven, financially stable and innovative Cooperative well-positioned to meet the challenges of an evolving electric industry.

So, what does the coop need to be to provide valued service to members in 3-10 years...?
Review of Historical Strategic Initiatives

- AMI Meter Project
- Community Solar Project
- Rate Design
Where we are now?

"He uses statistics as a drunken man uses lamp-posts...for support rather than illumination."

-Andrew Lang
SWOT Results Review

Strengths:
- GM and staff
- Power supply/ contract/ cost
- Member support / Communications
- Financial planning, process and business model
- Solid, engaged Board

Weaknesses:
- Small coop with limited staff resources
- Limited growth
- Term of power supply contract
- WY vs. MT regulatory differences

Opportunities:
- Additional revenue / New services
- Member / Community engagement
- Load development

Threats:
- Tech change / DG / DER / EE / Storage
- Transmission cost
- Cyber threat
- Acceptance of new Rate Design
Survey Results Summary

- Effective Rate Design Strategy
  - Member communications regarding changing rate environment
- Equity and Debt Management
  - Periodic Financial Forecasting
- Board Compensation and Benefits
- DG / DER, Energy Efficiency, and Renewables
- Other Revenue Enhancing Services
- Member education about Co-op mission, structure, costs
- Succession planning, recruitment and retention
  - Board, CEO and staff
Topic Affirmation

- What should we focus on...?
- What order should we follow...?
Mission

Other - Rev. decline

Weather: No control.

Member Interests
Find Alternative Mission

Stifling
Funding

1. Red
2. Blue
3. Green
Vision

Innovative
- New Ideas
- Out of the Box
- Do Other Stuff
- New ways to do existing tasks
- Reinvention
- Wholesale purchase
- D.I.Y.
- Not stuck in "old ways"

Member Driven
- Actively seek ways to involve members
- Total Transparency
- Don't hold back (info?)

Demographics
- Awareness
- Not what assumed/expected
- Changing Member Base
- Rededication of Coop System "Why should you care"
- Meet my members where they are
- D in media, channels
- Re-education of BEC and Board
- Industry change is behind"
- Young engagement is kind
- System stakeholder analysis

- Retirees/Senior/"established" members
Financially stable.

Method to provide operational efficiency

Goal: No rate increases over medium to long term

Planned rate increases to meet expense demands

Have tools, systems, equipment to meet creep needs.

Rate design for equality

Address possible revenue attrition

1. Usage could go down, declining usage
2. DG + low cost storage "off grid" (toto)
Opportunities

Additional Rev.

New Services

Member Engagement

Community Engagement

Load Development
Threats

- Tech Change/ DG/ DER/ EE/ Storage
- Transmission Cost
- Catastrophic Risk to Elect. System
- Cyber threat.
- Acceptance of new Rate Design
Survey Topics

Eff Rate Design
Eq. + Debt Mgmt.
Board Comp + Bene's.

Other Key Enhance/s

Member Education - Coop Mission
Structure Costs

Succession Planning Recruitment Retention
Board, CEO, Staff
Topics

Eff. Rate Design
Equity + Debt Mgmt.
Board Comp + Bases
Tech Change, et al
Add'l Rev.
Financial Stability Catchall.

Mod'd Revenue vs. Corp

Financially Stable
- Revenue + Eq + Budget
- Add'l Rev.
Effective Rate Design

- COS Study: Done, EES
- Rate Design Study: EES
- Committee in place
- Member managing process
- Will change for some...
- Process vs speed
- Energy in state through 2027
- 1/3 Cost, 1/3 Demand, 1/3 Energy
- Large vs. small
- Don't prejudge
- Get into nuts & bolts of rate: beyond philosophy
- Z part rate...? or other
- Z dozen questions
  - Working the list for rate:
    - for member
  - Consultant addressing
    - Direct questions
    - Billing analysis
- D&R energy rates by class vs
- Disparity between classes
- Irrigation impact
Pay Fair Share given meter #65

Beyond Equity in rate:
- less wealthy, service
- more financially able
- open to DE/ER

Weather Variability

1/2 Energy charge covers fixed charges

Every few points to needing to move beyond rate
on energy sales

4/5 DGA Members

Need to have base charge cover running cost

Seasonal usage contribute very little...

Cost of running cost exceeds energy sales

3 part rate doesn't fix seasonal

Forecast model shows needs un/accuracy

Month/ Demand vs.
- doesn't cover seasonal

Social Reused Rate/Charge in
- 3 yrs, or adjust for expirience & data

Demand charge
- user vs.
- non-user

AMI not fully installed.
Full data not easily available.
- time - 2 yrs
- Full info w/3 avg. to 5x
Direction

- Decision on new role
  Design in Q4 2020
- Incorporate phased approach
- Provides opportunities for feedback + experience
- Develop program to eventually address feedback from role change
- Read data in year 2 w/ addl. data for phase 2
- For execution in year 3
- Write short reports on various profiles of members
- Bd + Staff
  Communications plans continue
  Community feedback tools at town hall?
  Think about it
**Equity + Debt Mgmt**

**Goal**
Policy Guidance

**Firm Policies?**
Loan Covenants
DSC + E/A.

- Provide Mgmt guidelines to work with lenders.
- DSC / Equity: Integrated into financial info...
- Assumption in forecast model: 40-50% Equity

- Minimum: No less than $12.00
  - 3x1.2
  - 1.44 x $10

- Unclaimed 6% held for 5 yrs.
  - 20% of Retiree funds

- Retirement cycle: 5% or 20 yrs.
  - @ 25 yrs...

- F. Co: 100% - 20-25 yrs

- Other Disbursement
  - Bla.
  - 60% Transfer of..."网通":
  - Special Issues

- Make out of territory...
  - Discounting?

- Estates
  - Discounted with avg loan rates...
  - Gap of 2008-2009: Large $s
  - How to address
Equity + DM #2

- Depreciation schedules...
  - Review & update quarterly
- Life vs. F.I.S.
  - Dividends
- Sensitivity Point
  - Cash...

- Capital credit value
  - New members

- Long Time Members
- Competitive Value
  - Propane Company

- For-Profit vs. NFP
  - Tax Exempt

- Guidance
  - Finance/Policy Committee
    - Guidance
  - Goal to realize each match
    - Rate by 2024
  - L.C.O./F.C.O.
    - Discussion
  - Address new members & education
  - Put soft policies into formal policy
Tech Change 2 - External Risks

- Killer Tech enabling independence
- Top risks:
  - Grid independence is a low probability
  - Batteries
- Risk of EE: Revenue impact, meters want
- Peer solar panels
- Do you need EE consulting?
- Incent needs to pay for their own EE upgrades
- Finance some of EE improvements
- How to provide EE while nearing cost revenue neutral...
- Community DG Aggregation
- Micro grid policies
- Staff limitations
- Just be lazy, use lines, etc. Long-time future
Tech Change #3

Internal Opportunity

- Leverage tech to manage quality costs
- Use new tech to be more efficient/operating
- Cyber - keeping up w/tech to manage risk
- MISC tools to analyse Internal & Mentor (w/tech)
- Grow how to be EE plan smart hub
- Use reclaimed Cap cred for EE efforts

Plan for DG/DER
- Rate design is solution

NEXT
- Monitor
- Strategic
- Developments

2021 when not systems rhp in place - see how different ops can be
- LVR Tech Change to revenue
  - Mind, Load Growth
  - Implement MISC tools
  - Model equipment

- Prioritize internal all
  - EE as #1
  - EE at a protected rate as #2

- Position as Task
  - Energy Advisor for future
Day 1 Review

- Stars align: rates, legislative funding, word of mouth, etc.
- Tech change to improve solar design
- In addition to EE, Water heater, heat pumps, etc.
- Rev / Power line community: solar, please for more
- 2MW hydro: seasonal, ditch, amenable
- Local gen: consideration sooner than later.
- Is it top of list: other priorities, not immediate, but easy?
- Survey: 1st phase, 2nd phase: lower priority, quick, to keep focus.
- MIEP research, survey interest w/members.
- Major NRECA survey every 3 yrs... fall 2020 next.
- Consider battery in project
- 2027 contract: solar cost curve, RPS subs?
- Scalability: 10+ subs, 5-7 MWh solar, ticketing surge, 20-30@ $40 each.
- Option property?: 7-10% of load for solar.
Add Rev Opps #2

- Benefits to pursue w/ bc
  - Customer list
  - Valley known business
- Electric Taxis
  - Charging stations are good customers
- Every Idea is Hard...
- Where is the Corp? That BTE can all
- Prepare/Pairing... would it work?
- How to compete?
  - Local Groups
  - Buy @ Utilities
  - Big Comp. Calculate
- Focus on Energy svc's business
  - 2021-2022 Objectives
  - Commit to look @ current opps for killer opportunity
  - Keep eyes & ears open...
  - Keep eyes on opps that would contribute to future generation
  - Commit resources to development - Kevin/Board
- Entrepreneurial Enterprise don't put a lot of mass in... Find Partners - limit up - limit down
- Opportunity Business Development Plan chart - 2
  - Lead preference
    - 1) Houses
    - 2) Big Buy/loads Depends...
Key Deliverables

1. Finish Rate Design 2020 / Rate Phase II
   2021-22
2. Address Energy Abstract issues/Policies (with #5)
   through 2020
3. Energy SVCs/Alleviate Rev / Start load Growth
   2021-23
   Rev Allocated
   New SVCs
   EE
   Addresses Fears RE Rev + Tech Changes

Continue w/ Normal Econ. Rev.
Theme Thoughts for Annual Mtg.
- for New Bd mtg+ (11/22)

- Fairness & Stability
- Taking charge of your future...
- More than just a utility
- Sharing the load for a powerful future
- Plate Design tag line message - workshop ideas

- Roll out new Smart Hub Billing System
- mag.
  - more tools to say energy
  - take charge of money

- Stumble. Nickel. Corp. needs monopart
- Members - so what attitude

- Enable Members to unlock decision
- Powerful Results - plan is taking effect
- Technology is power...
Board Comp + Bene's

3.1.1 Bent 1 on its own

- Comp if on phone...? Full participation
- Occasionally + May - Appoint by chair

- Paid for travel expenses - Not travel time
- In district mgs - mileage/uncompensated time
- All indistrict mgs (all 5) are a "representative" of corp
- Phone - Full paid. Approved by Bd.

Bd mgs - $250

In region mgs: $125
Out of region mgs: $250, Full day
Partial day: $125
Non-standard work for participation

Does help attract BD members

Members' money

Eliminate grey areas.

Attendance # is at other mgs' "MECA"

Tnely (90 days) submission of reimbursable expenses.