Board Report – Risk Management September 2019
Risk Management Meeting, Tuesday September 10, BEC Red Lodge Office, 2:00
Committee Attendees: Frank Willett, David Peterson, Bill Pascoe, Arleen Boyd.
Board and Guests Attending: Roxie Melton, Kevin Owens, Russ Schneider via telephone, Jim Movius.

AGENDA
- Rate Design Analysis — Bill Pascoe, Russ Schneider, EES
- BEC Financial Forecast Demonstration and Next Steps — Brad Prophet and Frank Willett
- Update, Shares du Soleil and NWE OATT Filing — Kevin Owens
- Strategic Planning CoBank Webinar

Rate Design -- The committee examined rate design issues and discussed how to define and examine potential alternative rate designs. Bill Pascoe led discussion of next steps and a detailed schedule for the committee’s analysis of rate design alternatives and examination of alternatives with the board. The committee’s proposed schedule is attached.

The list of questions raised by BEC members and trustees was discussed at the last committee meeting and has been resent to the board and committee members. We continue to add to the list and it will be organized for wider distribution before the next committee meeting.

EES Senior Analyst Russ Schneider joined the meeting and discussion by phone. Preparing for the October 24 committee meeting, Russ will work on pros and cons of potential rate design alternatives including: implementation of a 3-part rate that includes demand charges across rate classes, billing for energy costs accurately with all other expenses reflected in the base rate, minimum bill structure, block rates, keeping the current rate structure, and others. The October meeting may include phone discussions with some Montana co-ops that have implemented demand charges across member classes.

The rate design analysis process will look at all alternatives as revenue-neutral, based on current BEC forecasts that show no need for rate changes to increase revenue.

Recommendations -- Timing for reaching a decision about possible rate design recommendations to the board includes a recommendation to aggressively inform members of the ongoing discussions of rate design at the committee and board meetings and to encourage their input and participation. The committee recommends the attached schedule showing review of the impacts and pros and cons of potential alternatives starting in October, full discussion of alternatives by the committee in November, and recommendations of alternatives to the board for discussion and further analysis by the committee and board in December and
January to prepare for a board decision in February. If a rate design change is recommended, an implementation plan could launch in April of 2020.

**Financial Forecast** -- Frank Willett and Brad Prophet outlined the status of the financial forecast and how it can now be used to test scenarios in real time. Using the just revised budget Brad showed the financial impacts of the two hypothetical scenarios: occurrence of a $300,000 storm within two years and a reduction in capital credit payments from 5% to 4%. The resulting impacts on our financial reports were calculated and shown in the reports within minutes.

**Shares di Soleil** – Kevin Owens reported on the very positive developments for the Shares du Soleil project, which are featured in this month’s manager’s report to the board. The project is ahead of schedule and under projected cost. The project capacity is greater than anticipated and members who invested in will see their investment returned sooner than expected. Construction will start soon.

**Pre-Payment** - The October 24 Risk Management Committee meeting will include a presentation by General Manager Kevin Owens taking a close look at a proposal to introduce a prepayment billing option for BEC members. A report on prepayment provisions prepared by EES is attached. Other co-ops’ experiences with prepayment and a discussion of benefits and challenges are briefly outlined in the attached EES report.

**Strategic Planning** - The Committee viewed an outstanding webinar presentation on strategic planning by Karl Hiesterman, Vice President, Process Change Management at CoBank. With the board scheduled to conduct a strategic planning session in early October the presentation was timely. Hiesterman outlines effective strategic planning as a best business practice that starts with defining the organization’s mission (what you do now) and vision (what you want to do) and then sets a process in place that works in two complementary directions -- from planning forward to set direction and from budget back through the plans and objectives with metrics to test effectiveness. The process steps are: setting the vision, defining strategies, developing a strategic plan, documenting an operational plan and forming a budget.

Arleen Boyd Co-chair