

Beartooth Electric Cooperative, Inc.

www.beartoothelectric.com

Members Newsletter • Beartooth Electric Cooperative, Inc. • PO Box 1110, Red Lodge, MT 59068 • 406-446-2310

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BOARD OF TRUSTEES

John Prinkki, President
Red Lodge, District 4
jep@tctwest.net
406-446-1231

Allen Nordahl, VP
Columbus, Rapelje, District 7
mrbuquerque@hotmail.com
406-669-3139

Lance Million, S/T
Roberts, District 3
millionlance@gmail.com
406-670-6962

Joe Kern, Asst. S/T
Fishtail, Nye, District 6
joeekern@gmail.com
406-328-4431

Arleen Boyd
Absarokee, District 5
arleenboyd@montana.net
406-328-6645

Roxie Melton
Boyd, Joliet, District 2
robertsystop@aol.com
406-425-2516

Martin Kimmel
Bridger, Park Co., WY, District 1
martinkimmel@yahoo.com
307-645-3160

Ron Roodell
General Manager
rroodell@beartoothelectric.com
406-446-2310



General Manager's Report — By Ron Roodell

SOUTHERN RAISES RATES AGAIN

You may recall my making mention several times this past year about the potential for a stranded cost issue for Southern Montana Electric G&T (Southern) due to actions taken by the City of Great Falls' electric division, Electric City Power (ECP). ECP is working to get out of the electric business for which they have already contracted with Southern to provide power supply. ECP has/had contracts with numerous large load customers which are expiring, some as early as June 30, 2011. This group of customers served by ECP, as a result of the deregulation legislation in 1997, has the ability to choose their power supplier. Early this spring, It became clear to Southern that ECP was not pursuing power supply contract renewal with these customers. Southern could see a stranded cost issue developing whereupon action was taken to create an "electricity supplier" entity, otherwise known as Independent Electric Supply Service (IESS). The initial task of IESS was to propose the providing of retail power supply and ancillary services to those customers of ECP whose power supply contracts are expiring.

Of the ECP customers whose contracts expire on June 30, IESS was able to secure power supply contracts with a number of them. However, there were two large load customers who chose PPL as their electricity supplier. Southern already had power supply contracts in place to provide electricity to ECP to serve these customers. Southern needs to pay for this contracted power, which is the reason given by Southern for increasing wholesale rates by 4.2 %, effective June 1, 2011. This increase comes just two months after Southern announced a 4.5% increase, effective April 1, 2011. The net effect of these two increases on BEC's power bill is approximately 8.9%. Had IESS been unable to secure contracts with some of the ECP customers, this last increase would have been well into the double digits.

BEC management staff is evaluating the impact this increase will have on the cooperative. Staff will have a recommendation in front of the Board of Trustees at the July board meeting. Some of the items considered by BEC when making this recommendation will be;



1) potential for wholesale increases in the next 8-10 months, 2) cash flow, 3) financial ratios, 4) amount of increase, and 5) time of year to institute any increase.

We are working hard to keep rates as low as we can, yet keep BEC in a strong financial position. We have worked hard to get where we are the last couple of years. It is important that we not compromise the financial integrity of BEC by keeping rates artificially low.

**SAVE
THE DATE:**

Saturday,
September 24, 2011

BEC Annual
Member Meeting
Roberts High School

**Get Involved.
Attend.
Vote.**

High wood Generating Station (HGS) UPDATE

On June 28, 2011, the Southern Board of Trustees voted to raise the debt limit for the HGS project from \$150M (approved by resolution in June 2009) to \$300M, as their efforts to build Phase 2 of the 120 MW HGS facility move forward. Quotes on major equipment for Phase 2 of the project have been received and are better than expected. Southern will continue with their due diligence efforts while pursuing and evaluating financing options.

Work on Phase 1 of the project continues with commercial operation still set for September 2011.

Bylaw Committee Report

Work continues on the development of an explanation summary of the proposed changes to the cooperative Bylaws which will be presented to the membership at the Annual Meeting on September 24. The summary is intended to provide reasons for the proposed changes. Keep a watchful eye on our website (www.beartoothelectric.com) as this will be the first place you will see this information. You will also see this information in the September issue of the Rural Montana magazine.

Do You Know

BEC offers both LOW INCOME SENIOR CITIZEN (LISC) and LOW INCOME DISABLED (LID) DISCOUNT programs.

If you are 65 years of age or older OR are disabled as defined by the Social Security Administration and have a total household income less than \$21,660 for one person or \$29,140 for two people from all sources, including others living in your home—you may be eligible to receive a 10% discount on your electric power usage each month. Please obtain the LISC & LID form located on our website under the Resources tab, Forms section or call the BEC office for assistance. Sign up today!

The current program is effective December 20, 2010 through December 19, 2011.

10% Discount Program

BEC ACCOUNTANT BRAD PROPHET

Beartooth Electric Cooperative is pleased to introduce to you our new Accountant, Brad Prophet.

Brad is a graduate of Sylmar High located in Sylmar, California. He played college golf while attending the College of the Canyons in Valencia, CA and was named the Los Angeles City Chess Champion. Brad received his Accounting degree from Los Angeles Valley College.

Brad's primary responsibilities at BEC include recording, analyzing and interpreting financial information, the preparation of financial statements and financial reporting. Over time, Brad's responsibilities will develop to incorporate more financial activities including assisting with accounts payable, payroll, fleet management, miscellaneous receivables and capital credits.

His family, wife Penny of 27 years and three daughters Tessa, Tamara & Tori moved from California to

Red Lodge in 1999. Since then, all three of his girls have graduated from Red Lodge High School.

Brad is both a local and professional sports enthusiast. In Red Lodge, he managed and coached his three girls in fast pitch softball, including travel and all-star teams. In the fall and winter you'll find him behind the scoreboard clock for Red Lodge High School sports (football, boys and girls basketball, and volleyball) and in the spring and summer you'll find him umpiring

adult co-ed softball as he has done for the past 11 years. In the professional sports arena, his favorites are Los Angeles teams including the Dodgers, Lakers and Kings

In his spare time, Brad enjoys relaxing with his family, yard work, downtown Red Lodge and playing a little golf.

If you stop by the office or see Brad in town—give him a big welcome to the Beartooth Electric team.



Brad Prophet, BEC Accountant



Energy Efficiency

Tip of the Month

One of the easiest ways to make your home more energy efficient is to add insulation in the attic. To see if you need insulation, look across an uncovered attic floor. If the insulation is level with or below the floor joists, you probably need to add more.

Source: Energy Star

CONGRATULATIONS! STEVE NOVAKOVICH



Steve's winning entry— secondary power line deflected and stressed by tree

Steve Novakovich was selected as the first winner in the “Look Up On Your Lines & Report Trouble Signs” member contest.

Steve submitted photos and a description of a secondary power line deflected and stressed by a tree growing into the line.

Thank you Steve!

We urge all members to be aware of trouble signs on our lines. The “Look Up On Your Lines & Report Trouble Signs” contest runs through August 31, 2011.

Each month a winner will be drawn from the

entries received during that month. Each monthly winner will receive a one month's free residential base charge in the form of a \$33.00 credit to their account.

All entries received during the contest period of June 1, 2011–August 31, 2011 will be eligible for the Grand Prize random drawing award of three months residential base rate credit to their account.

The Grand Prize Drawing will take place at the BEC Annual Member Meeting, September 24, 2011 at the Roberts High School.

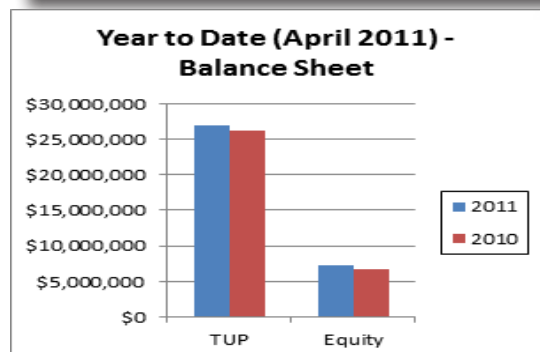
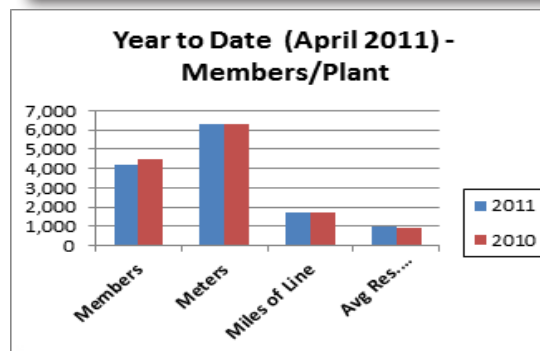
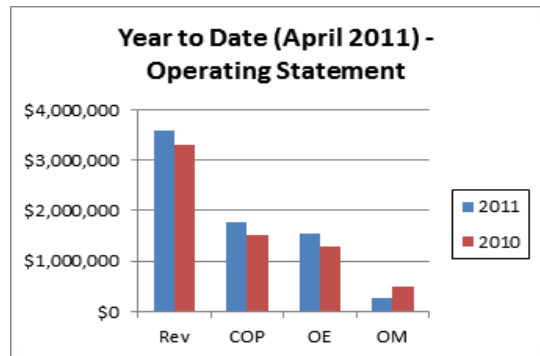
Get Involved. Attend. Vote.

BOARD ROOM REPORT

The Board of Trustees held their regular board meeting on June 24, 2011. Action items included:

- Approved Financial Report (RUS Form 7) for April 2011
- Approved Small Generator Interconnect Agreement (50 KW to 10 MW) & Policy VIII-E-4
- Approved Trustee Joe Kern as the NRECA voting delegate & Ron Roodell as the alternate
- Approved the raising of the debt limit by Southern Montana Electric G&T for the HGS Project from \$150M to \$300M and authorized/directed Trustee Prinkki to vote as such as BEC representative on the Southern Board
- Policies: Reviewed “Work Performed on Member’s Premise” (VII-C-4) and Amended “Unauthorized Tampering of Cooperative Equipment” (VII-C-6) policies

Financial Summary: (Abbreviations) Rev – Revenue, COP – Cost of Power, OE – Operating Expenses, OM – Operating Margins, TUP – Total Utility Plant.



What's Happening @ Beartooth Electric

by Thad Moseman, Engineering Manager

The Cooperative's crews have been working hard to maintain system integrity by rerouting BEC's existing power distribution infrastructure during the flooding in our area.

During the week of May 23rd, the Cooperative's crews worked on rebuilding several distribution power lines to both restore power to members and avoid future outages.

Specific projects during the flooding include: in the Joliet area, crews rebuilt a new power line crossing Hwy 212 to feed the existing services in that area. The existing power line that paralleled Rock Creek had been washed out and was literally hanging over the water. To avoid the impending outage, a new line was constructed and the old power line isolated before the water took out the power line.

In Bridger Creek near Reed Point, flooding knocked out the existing power line that fed the entire canyon, including

the county road. In just one afternoon, crews rebuilt several spans of overhead power line, including two long spans that crossed the creek and valley in just one afternoon.

Line Superintendent, Marvin Dukart, completed an existing river crossing change east of Columbus, where the Yellowstone River was washing out a four pole structure. This three phase crossing was a 600 foot span that was extended to 1,000 feet during the rebuild process. This line is the main line that continues down the Yellowstone Valley feeding the Pinecrest Subdivision, Hensley Creek area and the old Frontage Road heading to Park City.

As of June 24th, additional flooding occurred along Rock Creek north of Red Lodge which threatened to washout existing underground power lines in the Fox area. Red Lodge crews worked next to County crews to repair the damages.

BEC service area flooding results in new overhead power line construction



Yellowstone River bank 3 phase crossing moved 400 feet inland.



BEC Linemen Jason McDonald, Eric Elton and Gus Behrent rebuild washed out line in the Bridger Creek/Reed Point area.

Announcements

- BEC continues the move of meter reading dates to the 1st of each month. This month meters will be read on August 26. The continued schedule is as follows:
 - SEPTEMBER 28 (33 days)
 - NOVEMBER 1 (34 days)
 - The 1st of every month going forward.
 (Special note: Irrigation accounts will move to the 1st of the month read dates beginning April 1, 2012)
- E-Bill Now Available! View & Pay your bill on-line at www.beartoothelectric.com
- WIN one free month of residential rate base charge. Send a photo, call or e-mail BEC with information regarding anything that might interfere with power lines or pose a serious threat.
 - E-mail: bec@beartoothelectric.com
 - Phone: 406-446-2310 or 800-472-9821
- BEC New billing statement, e-Bill and on-line payment options arrive this month!
- **Save the date:** Saturday, September 24, 2011 BEC's Annual Member Meeting. Roberts High School.

Get Involved. Attend. Vote.

Get all the latest news @
www.beartoothelectric.com

In case of power failure please call 406-446-2310 or 800-472-9821 Anytime day or night

RURAL MONTANA