

Beartooth Electric Cooperative

Your Touchstone Energy® Partners
The power of human connections®

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

General Manager's Report — By Ron Roodell



HIGHWOOD GENERATING STATION (HGS) UPDATE

The Commercial Operation Date for Phase 1 of HGS has slipped a bit – it is now August 2011. Weather has contributed to this delay, however perhaps the more contributing reason is that Northwestern Energy is way



Gas turbine under construction.

behind in the construction of the substation that is needed to integrate HGS into the transmission grid. This delay has not only increased the time for project completion, but has added to the cost as well. Thus far, delays associated with construction of the Northwestern Energy Substation have caused

\$535,000 in added costs. Transmission integration has become a critical path for project operation. Cost overrun for the entire project thus far for the project is estimated to be \$4,369,469. The drivers behind this overrun are approximately \$1.8M for unanticipated noise mitigation requirements, \$1.6M for the paving of Salem Road (was contemplated in Phase 2), \$535,000 associated with Northwestern Energy delays, and \$2.76M associated with additional transmission and substation costs.

Work taking place during February and March includes; 1) completion of the underground electrical and mechanical installations, 2) setting of major pieces of equipment on foundations,

3) commence with equipment installation in control room, 4) complete erection of water treatment building, 5) commence with installation of HVAC systems in water treatment building, and 6) complete installation of the microwave communications system.

Phase 2

Southern continues to work through the due diligence process associated with making the decision on whether or not to move forward with the build-out

(Phase 2) of the entire 120 MW. As reported to you last month, Southern has identified an estimated bus bar cost of power generated from the full 120 MW HGS facility. A big question mark with one of the components used in making this calculation is that of the interest rate associated with the financing for this facility. Southern is working to identify what the available financing options are and what the approximate interest rate would be.



Recent construction activity at the HGS site—generator during mid-lift.

WHAT'S GOING ON @ BEARTOOTH ELECTRIC

By *Thad Moseman*
Engineering Manager

Educating our Youth

Over the past month, BEC Sub-Foreman, Lee Hauge, has traveled to area schools giving Electrical Safety Demonstrations to the elementary classes.

In these classes, students experience an introduction to the electrical field and learn basic electrical safety awareness.



Lee Hauge live at Mtn. View Elementary.

Lee's classroom atmosphere is fun and lively as children work through a power point presentation and interject their thoughts and ideas into the discussion.

Lee, an employee of Beartooth Electric Cooperative for thirty plus years, has been presenting these educational courses since 1987.

In the Field

The Cooperatives' crews continue to work on routine maintenance, line inspections, right of way clearing and the Wyoming conversion project. Pole change outs will begin in the Reed Point area and continue over the rest of 2011.

Fireline is assisting BEC with "tree right of way" work in the Shane Creek Road and Whitebird Creek areas.

Please contact the Cooperative with any questions or concerns you have with existing trees in the right of way or any trees that pose future threats to Cooperative power lines.

E-mail us at—
bec@beartoothelectric.com

In the News...

You have probably heard Beartooth Electric Cooperative's (BEC) name on the news or read it in the newspapers over the last several weeks. My hope in this article is to perhaps clarify what you may have heard or read about a couple of issues.

Eagle Mountain Fire

At the time it was aired on the news and printed in the newspaper, BEC had not yet been served with the Stillwater County Summons and Complaint and had not had an opportunity to review the claims set forth in the Complaint. BEC has since been served (March 1, 2011) with the complaint that was filed by Stillwater County on February 22, 2011. Leading up to the filing of this lawsuit, legal counsel for BEC's insurance company had been working with legal counsel representing those impacted by the Eagle Mountain fire to identify the extent of damages incurred. Those impacted by the fire are Stillwater County and several landowners. Both have now filed lawsuits. Stillwater County has yet to provide supporting documentation to BEC's insurance company for their claim. The filing of the lawsuit by the County was a complete surprise to BEC and its insurance company. Currently, no settlement has been reached on any of these claims.

There were also allegations that BEC "destroyed crucial evidence of its culpability". These allegations are completely false. At the time the fire occurred, a BEC crew was dispatched in response to a call from a Northwestern Energy crew who stated the fire appears to have started near an electric service to one of BEC's customers. Upon arrival, the crew found that electric service had been interrupted at this location due to a damaged overhead service conductor passing through a Russian olive tree. The crew trimmed the tree, replaced a section of the service conductor, restored electric service and reported their actions to BEC management. BEC management immediately called its insurance provider to inform it of the incident. BEC's insurance provider and the insurance company's defense counsel have been handling this case since then.

Southern Montana Electric G&T

Southern Montana Electric G&T Cooperative (Southern), our wholesale power provider, is involved with a couple of issues you may have been hearing or reading something about. Following are brief comments related to each issue:

Electric City Power: Electric City Power (ECP), the electric entity under the authority of the City of Great Falls, has been in the news in recent months. ECP has been losing money selling electricity to their customers and appears to have made the decision to get out of the electric business.



Energy Efficiency

Tip of the Month

Electronics account for 8.1 percent of your home's energy use. Cut costs by plugging items into a power strip, and turning the strip off when not in use. "Smart" power strips are another good option—when one master device like a TV is turned off, it cuts power to other selected items (DVD players, gaming consoles, stereos, etc.).

Source: U.S. Department of Energy

ECP currently has a long-term power supply contract with Southern. ECP recently sent a letter to Southern requesting to engage in discussions that they hope will lead to their getting out of the electric business. As of the writing of this article the Board of Trustees for Southern have not met since Southern received this letter.

Yellowstone Valley Electric Cooperative Lawsuit: There has been little activity with the lawsuit filed against Southern by Yellowstone Valley Electric Cooperative (YVEC). Although YVEC has a long-term power supply contract with Southern, they are attempting to separate from Southern. Mediation efforts have failed thus far and depositions are now underway. A trial date has been set for November 2011.

Transmission Line Outages

BEC members have been experiencing interruptions to their electric service as a result of disturbances and outages experienced by the cooperative's transmission provider, Northwestern Energy (NWE). Transmission lines are needed to move power from the power supplier (Southern Montana Electric G&T) to BEC's substations. This is the link provided by NWE.

When disturbances and outages occur on transmission facilities, it is up to the transmission provider to restore service. Following are the more significant recent transmission line outages experienced by BEC members:

February 13, 2011

Reed Point- 6 hrs
BEC Members Effected: 316
Northwestern Energy lost Reedpoint substation feed on both sides.

March 3, 2011

Northwestern Energy reported that the following three outages were caused by floaters. In addition, Northwestern Energy acknowledged that these lines have had several recent outages and noted that their Transmission Department is looking into the reliability of these lines.

1) Luther Substation-4 hrs
BEC Members Effected: 253
Luther Substation service area includes West of Red Lodge, Red Lodge Creek, the Town of Luther West to Roscoe Hill.

2) E Rosebud Sub- 1.7 hrs
BEC Members Effected: 93
East Rosebud substation serves the East Rosebud Subdivision

3) Belfry Substation-1hr
BEC Members Effected: 655
Belfry substation serves East Fromberg, Montana to Clark, Wyoming.



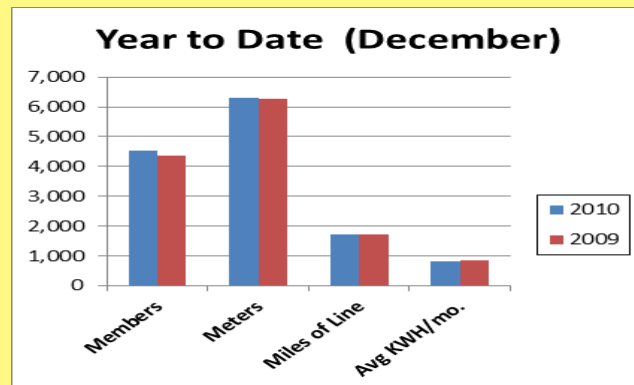
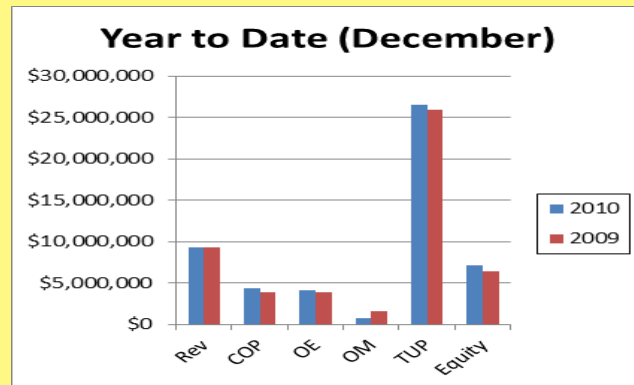
Transmission lines.

BOARD ROOM REPORT

The Board of Trustees held their regular board meeting on February 25, 2011. Action items included:

- Approved Financial Report (RUS Form 7) for December 2010
- Trustee Reports – Southern/SME, Bylaws Review Committee, Legislative Committee
- Selected candidate for MECA Memorial Scholarship – Charles “Jacob” Miller
- 4th Quarter Budget Review

Financial Summary: (Abbreviations) Rev – Revenue, COP – Cost of Power, OE – Operating Expenses, OM – Operating Margins, TUP – Total Utility Plant. Note – 2009 includes wholesale power surcharge.



TALK OF THE TOWN

Five Nights • Five Towns • Many Members

During the months of February and March, Beartooth Cooperative member's gathered in Clark, WY and Rapelje, Nye, Columbus and Joliet, MT to listen, learn and share concerns during the Board's Town Hall meetings.



Board President, John Prinkki presents in Rapelje.

The Town Hall meeting agenda included the following presentations and speakers:

- Bylaws Review Committee update regarding vote-by-mail and Articles 1-4 presented by Lance Million & Arleen Boyd
- Review of Financial Situation presented by Allen Nordahl
- Cooperative Items of

Interest presented by Ron Roodell, and

- Southern/Highwood Generation Station Project presented by John Prinkki and Joe Kern.

Each presentation session was followed with open discussion among Members and the Board.

It was stated many times that, "These meeting are great! In fact, I got more out of this than the Annual Meeting." The Board will plan another Town Hall Series during 2012 to be announced later this year.

The meeting's *Talking Points* document is posted on the BEC Website under the News tab.



BEC members attend the Board's Town Hall meetings.

Bylaw Review Committee Update

The Bylaws Review Committee has completed their review of Articles 1-4. Committee Chairman, Lance Million will present proposed Bylaws changes to the Board of Trustees at their next monthly board meeting. It is the Board's responsibility to decide whether or not to present the proposed changes to the Cooperative membership for approval at the Cooperative's Annual Membership Meeting.

Announcements

- April 14** Special Irrigator's Meeting
MSU-Extension Office
128 Main Street, Joliet
7:00 PM
- April 20** 4% kWh Retail Rate Increase
Effective Date
- April 29** BEC Board Meeting
BEC Office
12:00 PM

CONGRATULATIONS!

Charles "Jacob" Miller of Roberts High School is named the 2011 MECA Memorial Scholarship candidate from Beartooth Electric. Good luck Jacob!

Get all the latest news @
www.beartoothelectric.com

BOARD OF TRUSTEES

John Prinkki , President	Red Lodge, District 4 jep@tctwest.net 446-1231
Allen Nordahl , VP	Columbus, Rapelje, District 7 mrbuquerque@hotmail.com 669-3139
Lance Million , S/T	Roberts, District 3 millionlance@gmail.com 670-6962
Joe Kern , Asst. S/T	Fishtail, Nye, District 6 joeekern@gmail.com 328-4431
Arleen Boyd	Absarokee, District 5 arleenboyd@montana.net 328-6645
Roxie Melton	Boyd, Joliet, District 2 robertsystop@aol.com 425-2516
Vacant	Bridger, District 1
Ron Roodell	General Manager rroodell@beartoothelectric.com 446-2310

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