



Montana Renewable Resources adding sawmill

By Marita Tolentino-Combs

Montana Renewable Resources (MRR) rises up north of Eureka at the southern end of the Tobacco Plains with three 150-foot sawdust bins and a 52,000 square-foot manufacturing structure.

MRR takes delivery of rough-cut logs from a half-dozen loggers for 18 employees to plane into 15 to 20 different lumber products.

Three salesmen on commission in Texas, Alabama and Illinois sell the products to the lumber retail industry.

Rebuilding the deck or shed? The 2x8's or 1x8's you buy may just come from MRR.

MRR wastes nothing. All the sawdust that planing creates is swept into bins. Under the bins are funnels that fill 18-wheeler semi-trailer trucks. These trucks then haul the load just up the road to Eureka Pellet Mills which uses sawdust to make premium pellets for fireplace stoves.

The pellet mill and MRR are separate businesses owned by one company, Johnson Brothers Contracting of Missoula.

The recycling symbiotic relationship is working fine. So why add a sawmill to MRR? The last sawmill in the Tobacco Valley had to shut down in 2005.

In 2004, Owens & Hurst Lumber Co. cut and processed 45 million board feet. It sent its sawdust to



Worker inspects boards during the planing process at Montana Renewable Resources.

Eureka Pellet Mills and "hog" wood chips to Superior, for making biomass fuel. Its subsidiary operation was planing at Lonepine Plane Mill (now MRR).

Owens & Hurst was the largest employer in the valley, generating a gross payroll of \$3.6 million that year.

In January of the following year, O&H owner Jim Hurst announced that the mill would close, putting 90 people out of jobs. This closure affected not only their families but the entire economic health of the valley. Eureka and Lincoln County residents were stunned.

The writing on the wall was evident for several years as the timber supply became unpredictable despite the

mill's location within the 3,400 square-mile Kootenai National Forest, and less than 20 minutes from the 3,600 square-mile Flathead National Forest.

The mill sawed its last log on June 6, 2005, then auctioned off its equipment by August. MRR bought Lonepine.

Eureka, which had sustained one or more sawmills since 1905 now had none. Returning to the question, "Why add a sawmill?"

"For better prospects ahead," MRR General Manager Joshua Johnson responds.

With the sawmill, MRR will take delivery of whole logs instead of rough-cuts and there lies the

difference. Imagine cutting the spiny skin off a cylindrical pineapple to make it a four-sided fruit; that's a rough cut with lots of the good stuff still on the discarded skin.

MRR feels it will do a more precise job of stripping whole logs of skin or bark, keeping more of the good stuff. "We'll get more boards this way," says Joshua. In other words, more fruit and more assurance of sawdust material for the Eureka Pellet Mills.

Another benefit will be reduction in fuel cost to run MRR's dehumidifier. The drying kiln is in the shape of a double-tier file cabinet except it's 40 ft. by 60 ft. by

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New wholesale power contract puts pressure on retail rates

During the past 14 years Lincoln Electric Cooperative has enjoyed the benefits of a very advantageous wholesale power agreement with the Bonneville Power Administration. This pre-subscription contract kept LEC's wholesale power costs below many other utilities in the northwest region.

Unfortunately this contract ended on Sept. 30, and a new era of wholesale power agreements with BPA begins.



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Lincoln Electric's board of trustees meets monthly at the Eureka office. The regular meetings are scheduled for the third Monday of each month at 7 p.m. Members with items of interest are encouraged to contact the general manager in advance of the meeting.

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The Federal Columbia River Power System (FCRPS) has been the envy of the entire nation for its clean, inexpensive, renewable and abundant energy supply. Growth and environmental factors have now caused Bonneville to reassess and change the way it does business with northwest utilities.

The FCRPS base output will be divided up amongst BPA customers based on the traditional load of each utility. The price of this energy will be influenced by many factors;

Water Runoff — As you would expect, the system is very dependent on the snow pack and how it melts off over the course of the year.

Operational Costs — The aggregate cost of all kilowatt hours Bonneville sells has to meet its operational cost requirements. Payroll, system upgrades and maintenance and U.S. Treasury payments are just a few of the pricing pressures.

Environmental — There has been constant litigation for over a decade on

how the system should be operated so as not to harm salmon runs in the Northwest. Bonneville along with an unprecedented collaboration of states, tribes and agencies put together a biological opinion that is spending upwards of a billion dollars of rate payer money per year for fish mitigation purposes.

LEC's 2010 share of that bill was \$1.16 million dollars! Unfortunately the Judge that oversees the litigation of the Bi-op process remanded the Bi-op back to the agencies because it didn't do enough and basically told them they (us) would have to spend more.

As you can see, there are a lot of factors influencing the price of wholesale
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Manager's Notes
by Ray Ellis

Business and Boardroom Briefs

The regular meeting of the board of trustees was conducted August 15, 2011. A quorum of trustees was present and the board took the following action:

- Approved selecting an alternate firm to conduct the Co-op's year end audit.
- Increased the Lincoln County Fair livestock auction budget to \$3,500.
- Approved a \$500 donation to the Prostate Cancer Awareness Organization.
- Approved a \$100 donation to the We Care Unplanned Pregnancy Center.
- Approved signing the PNGC Member Reimbursement Agreement.

	Year to Date 7/31/2011	Year to Date 7/31/2010
YTD Kwh Sales	70,676,038	57,292,368
YTD Revenue	\$5,267,793	\$4,374,406
YTD Cost of Power	\$1,802,011	\$1,650,184
YTD Operating Exp	\$2,623,604	\$2,295,505
YTD Margins	\$861,697	\$449,134
# of Members	4,011	3,962
# of Meters	5,298	5,229
Miles of Line	927	920
Total Utility Plant	\$29,243,181	\$27,763,195
Member Equity	\$7,883,122	\$7,012,682
Avg Residential Usage (kWh)	1023	791
Avg Residential Billing	\$86.68	\$62.94

Contract

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power. At the time of this writing (mid-August), LEC has just received Bonneville's new rates for the upcoming two-year rate period. Our wholesale power costs will go up roughly 30 percent beginning Oct. 1. The wholesale cost of power makes up about 48 to 49 percent of LEC's entire operating costs and this will put tremendous pressure on our current rate structure.

I do not like being the harbinger of bad news but you need to know the magnitude and complexity of the problems LEC faces.

One thing I can assure you is we will do all we can to keep our rates as affordable as possible.

Thank you for your membership.

Sawmill

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20 ft.. Its oddity is the shell, made entirely of aluminum that shines and reflects brightly on a summer day in the middle of a large, flat, dirt field!

Inside, the temperature ranges from 185 degrees to

above 200 degrees for drying boards stacked on metal racks.

The dehumidifier will be fueled by hog wood chips from the sawmill. "From the propane which we use now to biomass fuel, the annual cost will drop from \$70,000 to \$20,000," Josh exclaims.

Jim Hurst chatting with

locals at the post office said the MRR sawmill makes perfectly good sense. "It's feasible when a planing mill can extract more timber value by sawing in-house and using its own wood waste." He added, "Local private landowners who are taking care of their land need somewhere local to take their harvest."



Planed boards at Montana Renewable Resources are stacked and ready for the dehumidifier that can reach over 200 degrees. The bins hold sawdust, the material used to make premium pellets at Eureka Pellet Mills.

A Matter of PRINCIPLES

You might be surprised by the number of co-ops around you. Co-ops have been formed to sell produce and electricity, offer financial and banking services, provide housing and health care, and much more.

So where did the bright idea for co-ops come from? It's a matter of principles (seven, to be exact). The modern movement traces its roots to a store started by weavers in the town of Rochdale (pronounced Rotch-dale) in northern England in 1844.

The group was guided by a set of principles drawn up by one of its members, Charles Howarth. When introduced into the U.S. by the National Grange in 1874, these "Rochdale Principles" fueled a cooperative explosion.

Although stated in many

ways, the Rochdale Principles require that a cooperative must be open for anyone to join. Every member retains one voice, one vote.

Electric co-ops hold member business meetings annually, allowing members to elect fellow consumers to guide the co-op and have a say in how their utility is run.

There also have to be real member benefits. For example, members of electric co-ops get money back (called capital credits) when the co-op's in good financial shape. More than \$550 million has been returned to members by electric co-ops over the past seven decades—nothing to sneeze at.

Education remains another big focus. Electric co-ops provide safety information in schools, share ideas on how to make your home



more energy efficient to keep electric bills affordable, and make sure elected officials and opinion leaders know about the co-op business model.

Because there is strength in numbers, co-ops tend to stick together when tackling regional and national issues.

Perhaps most important of all, co-ops are independent and community-focused, not tied to the purse strings of far-flung investors.

Co-ops help drive local economic development, fund scholarships, support local charities, and work to make life better in the areas they serve—the heart of the cooperative difference.

Learn more about cooperatives and the principles that define them at www.go.coop.

Top 10 reasons people DON'T call 811 two days before they dig

A little humor about an extremely serious safety topic

10. My phone's "8" key fell off.
9. Those spray painted lines on my grass really clash with my house paint.
8. I want to get on the news for causing a power outage or gas leak in my neighborhood.
7. I think I know where the lines are . . .
6. My life and the safety of my family isn't a top priority at the moment.
5. "Two working days!" But I only do stuff at the last minute!
4. I'll just find them thar lines when I start diggin'.
3. The dog has been digging holes all over my yard for years and has never hit anything.
2. I'm not good at "numbers."
1. I just can't handle free stuff. If it's free, it's just not worth it.

Calling 811 two days before you dig isn't only smart, it's the law.

I SAW THE FAIR FROM 65 FEET IN THE AIR!



We had a great turnout for Co-op Day at the Lincoln County Fair. Young and old alike enjoyed the bucket truck rides, along with face painting, souvenir photos, t-shirts and hard hats for the kids. Come join us next year!



Above: These girls are checking to see if they are tall enough to go for a ride.
 Middle right: Face painting was a big hit.
 Top right: Mom and daughter prepare for a ride.

