



PRECORP CUSTOMER MEETING  
**AGENDA**

Friday, August 5, 2016

9:30 – 11 a.m.

PRECorp Offices - Gillette Boardroom

TOPIC / DISCUSSION	PRESENTER
1) Call to Order	Mike Easley
2) Review / Approve Agenda	Mike Easley
3) Review Board Highlights	All
4) Review / Approve June 22, 2016 Minutes	All
5) Old Business	All
6) New Business	
a. Basin Financial Forecast	Sue Sorenson – Basin Electric (telephonically)
b. PRECorp Cost of Power Adjustment (COPA)	Joanne Kolb
7) Roundtable	All
8) Adjournment	

The next Customer Meeting will be held on **Wednesday, August 24, 2016, 9:30 – 11:30 a.m.** in the **PRECorp Gillette Boardroom.**

NOTES:

Empty space for notes.

The Regular Meeting of the Board of Directors of Powder River Energy Corporation was called to order at 9:30 a.m. on Tuesday, July 19, 2016, in Sundance by President Walt Christensen. All members were present except Tom Davis and Mike Vlastelic.

### Financials

System sales for May 2016 are down 18.4% compared to May 2015. Chief Finance and Administration Officer Joanne Kolb gave an update on sales, revenues, expenses, and cost of purchased power.

Kolb gave an update on the rate case filings with the Wyoming Public Service Commission.

### Legal report

Corporate attorney Mark Hughes reviewed legal matters with the board. Discussion was held on formation of a G&T organization with PRECorp, Tongue River and Fergus electric cooperatives.

### Safety

The safety minutes for the June 2016 safety meetings were accepted.

### CEO Report

CEO Mike Easley provided updates on risk management efforts.

PRECorp officials met with state officials in Cheyenne regarding risk management work and challenges associated with it.

### Executive Staff Reports

CIO Wilson gave a brief review of the Balanced Scorecard.

Deputy GM/COO Les Penning reviewed bylaw changes for the PRECorp Foundation.

Joe Roth reviewed the new easement process.

### General Information

PRECorp Annual Meeting is Saturday, August 27, at Buffalo High School.

CAFA department staff are putting on a food drive beginning this summer. CAFA Cares will gather non-perishable food donations in the five-county service territory. Donations will be gathered at the Annual Meeting.

The WREA 75th Annual Meeting will be held September 19-21 in Jackson, Wyo.

### Approved Items

- Designate Annual Meeting election judges
- Easement/right of way agreement

### Guests to the meeting

PRECorp employees Josh Gray, Abby Olson, Tim Velder; Safety CI Team members Danae Crowder, Darla Mouat, Rod Malo, and Todd Seeley; and; Andy Glover of CoBank, Scott Sweeney of Fergus Electric, and Dee Dee Isaacs and Tary Hanson of Tongue River Electric.

The next meeting will be held at 9:30 a.m. Tuesday, August 16, in Gillette.





PRECORP CUSTOMER MEETING  
**MINUTES**

Wednesday, June 22, 2016

9:30 – 11:30 a.m.

PRECorp Offices - Gillette Boardroom

Attendees –

PRECorp: Les Penning, Mike Pommarane, Quentin Rogers, Jeff Bumgarner, Tim Velder, Betty Finn

Customers: Steve St. Clair, Phil Granger– Cloud Peak Energy; Jim Daniels-Vanguard

Guest: Karri Blasi-PRECorp Manager of Accounting (telephonically)

TOPIC	PRESENTER	DISCUSSION/ACTION
1) Call to Order	Les Penning	Call to order at 9:35 a.m.
2) Review / Approve Agenda	Les Penning	The agenda was reviewed and approved with no additions.
3) Review Board Highlights	All	The May 2016 Board Highlights were reviewed with no further discussion.
4) Review / Approve April 2016 Minutes	All	The minutes of the April 27, 2016 Customer Meeting were approved with no additions or corrections.
5) Old Business		None
6) New Business	Les Penning	
a. Basin COPA Adjustment		<p>Basin has signaled a mid-year rate increase in their COPA in the amount of \$70M. The increase breakdown would be approximately \$2.28/kW and \$3.76 Mills/kWh. The actual costs will be reflected in the 2016 Class A Member Rate Books.</p> <p>PRECorp is working through a re-budgeting process that will include the estimated COPA. At the June 21 Board meeting, the Board approved a COPA filing by July 1, with an effective date of September 1. The increase will be reflected in the August billing.</p> <p>Steve St. Clair inquired about the percentage increase that Cloud Peak could expect on their September bills. Steve also asked for the date of PRECorp's PSC hearing on PRECorp's COPA, and whether the Basin increase affects the proposals currently in front of PSC.</p>

		Per Karri Blasi, PRECorp Corporate Accounting is working to compile the best estimate on final numbers, and member-specific data will be distributed. Quentin Rogers and Libby Opstedahl will be communicating with members as well.
b. State of the Business Climate		<p>How did this increase happen so quickly when PRECorp has been so ardently preparing? There is understandable concern whether there will be another rate increase on the heels of this one. At this time, Basin has only seen a reduction in usage in the Bakken but there has been no stranded investment.</p> <p>Mike Pommarane shared that vacated positions in Operations are not being filled, but the level of service remains a priority.</p> <p>Jeff Bumgarner asked for feedback on what customers are experiencing. Steve stated that coal is at a 35-year low. It had a slight rebound recently but prices are soft.</p> <p>Jim Daniels stated there is no planned drilling due to the fluctuation in oil prices. His company is hoping for an increase in natural gas to sustain business.</p> <p>Les Penning stated that PRECorp is monitoring every market sector, and communication on understanding the market is crucial.</p>
<b>7) Roundtable</b>	All	
<b>8) Adjournment</b>		The meeting adjourned at 10:24 a.m.
<b>9) Next Meeting:</b> A special meeting will be scheduled in July to provide further updates and to provide information to those members not in attendance at the June 22 meeting.		



**BASIN ELECTRIC  
POWER COOPERATIVE**

A Touchstone Energy® Cooperative 

# Financial Forecast

Sue Sorensen

# AGENDA

- Common Assumptions
- DCC Draft Forecast
- DGC Draft Forecast
- Basin Electric Forecast
- Consolidated Forecast and Metrics

# Miscellaneous Assumptions

<b>General Inflation</b>	<b>2.5%</b>
<b>Capital Credit Ret.</b>	<b>None</b>
<b>Revenue Deferral</b>	<b>Held on Balance Sheet (\$0- end 2016)</b>
<b>Dividends</b>	<b>None between entities</b>
<b>Hedges</b>	<b>Mirrors Accounting Treatment</b>
<b>Minnkota &amp; CPP</b>	<b>None assumed in Base Case</b>

# Miscellaneous Assumptions

**Future Debt**

**Utilize Private and/or Public Markets**

**Depreciable Lives**

**Maintain Extended Schedule**

**50 yrs NG Units**

**60 yrs Coal Units**

**DCC NIBT Target**

**~ \$1.5MM**

**PWND & PWSD**

**Remain as separate entities**

**Major Env (LRS)**

**Unit 1**

**SCR**

**May 2019**

**Unit 2 & 3**

**SNCR**

**Dec 2018**

**Total ~ \$395MM at 100%**



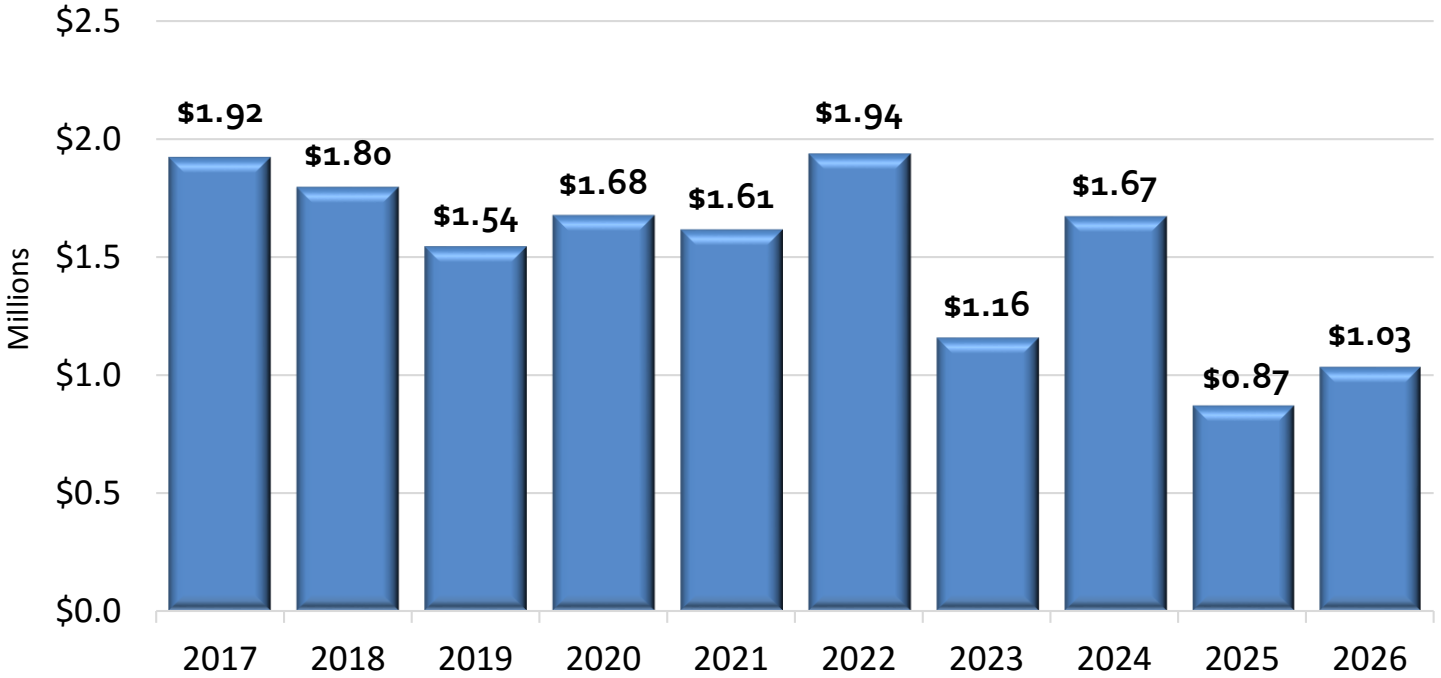
# Common Assumptions

## Commodity Price Assumptions

	<u>2017 - 2018</u>	<u>2019 - 2026</u>
Ventura Natural Gas	Market	IHS - Feb 2016
WTI Oil	Market	IHS - March 2016
Urea	<sup>6/3/16</sup> B Johnson / IHS	IHS - June 2016
NH3	<sup>6/3/16</sup> B Johnson / IHS	IHS - June 2016
Bakken Diesel Fuel	<sup>3/1/16</sup> DCC Market	IHS - March 2016

# Dakota Coal Company Net Income After Tax

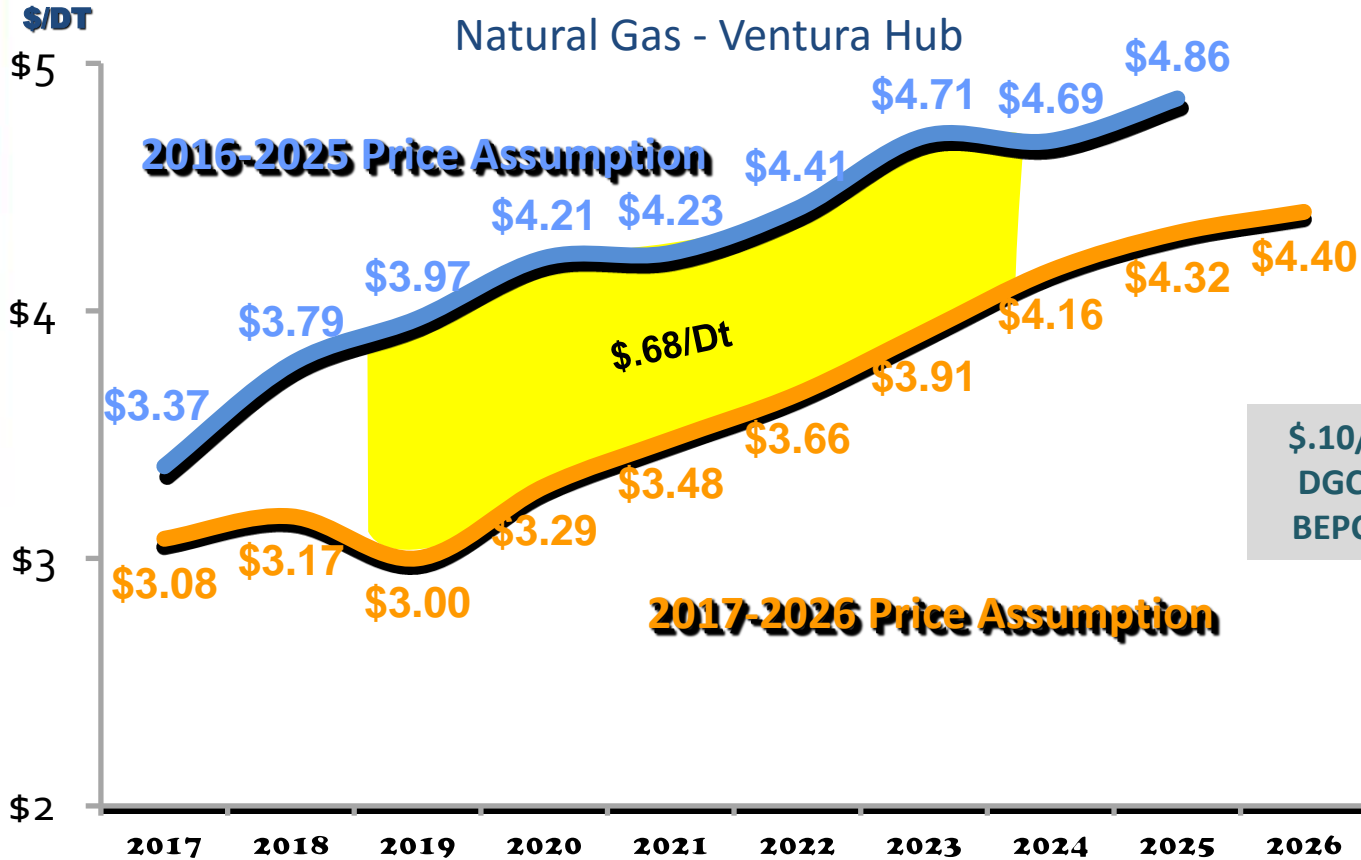
Financial Forecast  
DCC



DCC is mostly a pass through for coal costs. Typically project a modest margin

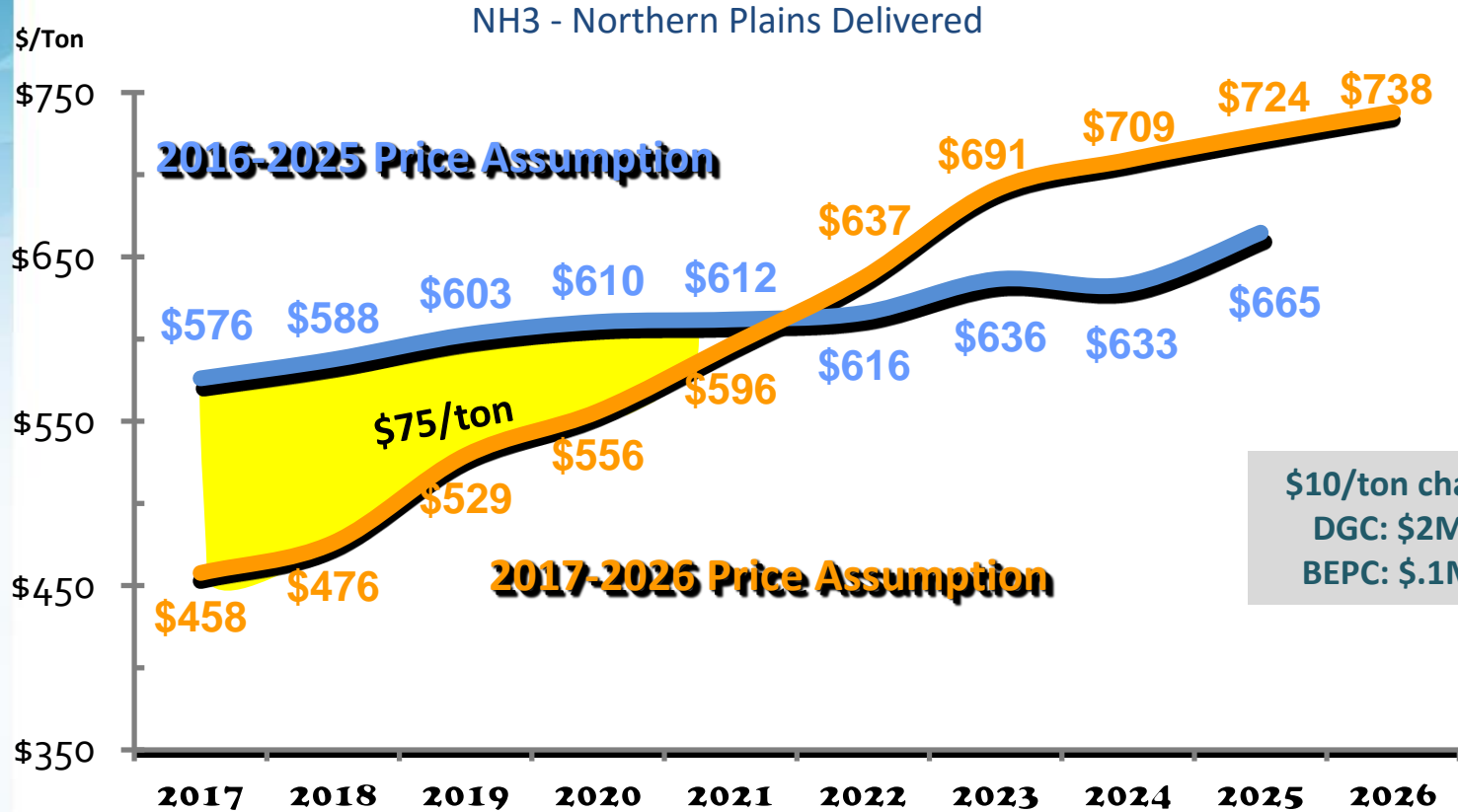
# Commodity Price

Financial Forecast  
DGC



# Commodity Price

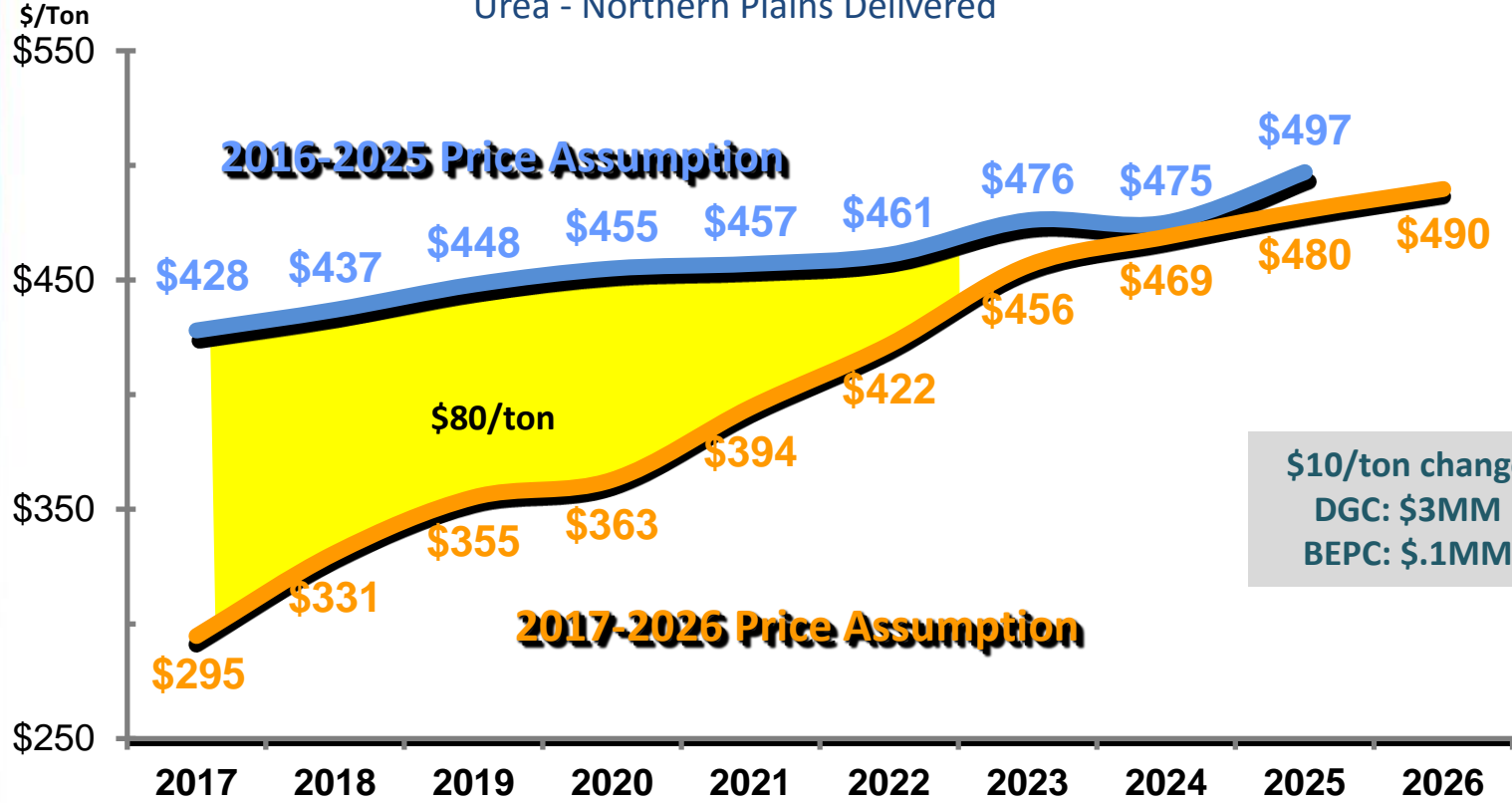
Financial Forecast  
DGC



\$10/ton change  
DGC: \$2MM  
BEPC: \$.1MM

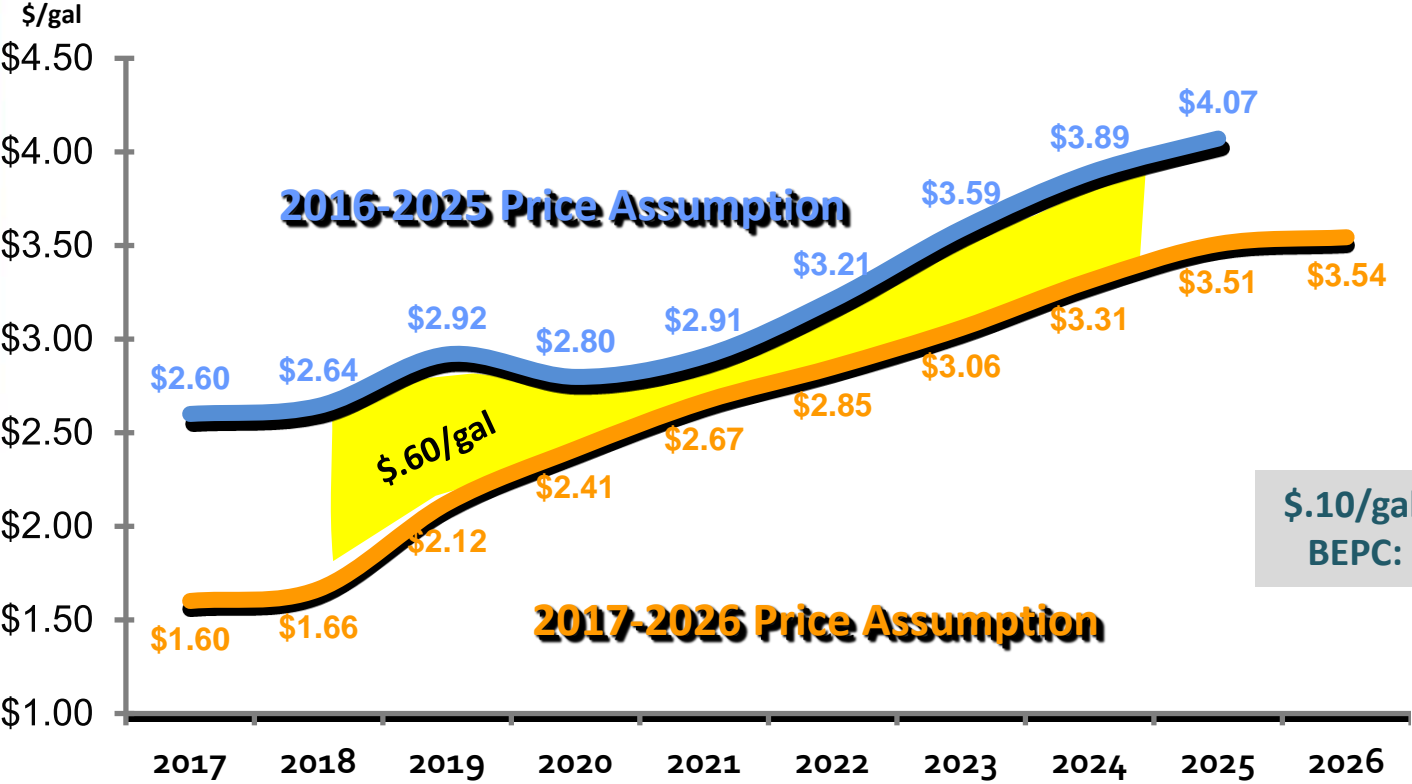
# Commodity Price

Urea - Northern Plains Delivered



# Commodity Price

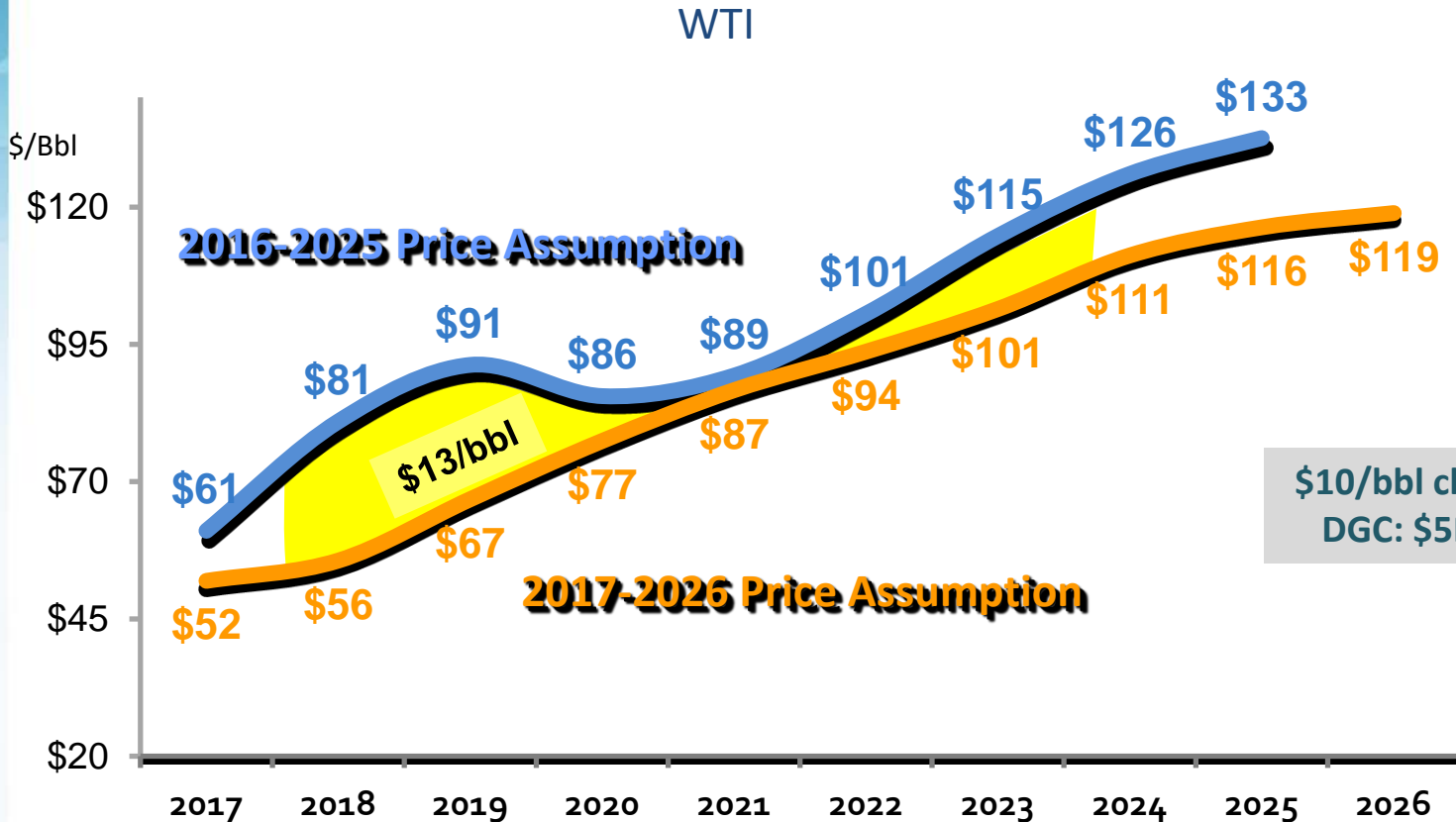
#2 Diesel - Bakken



**\$.10/gal change  
BEPC: \$1MM**

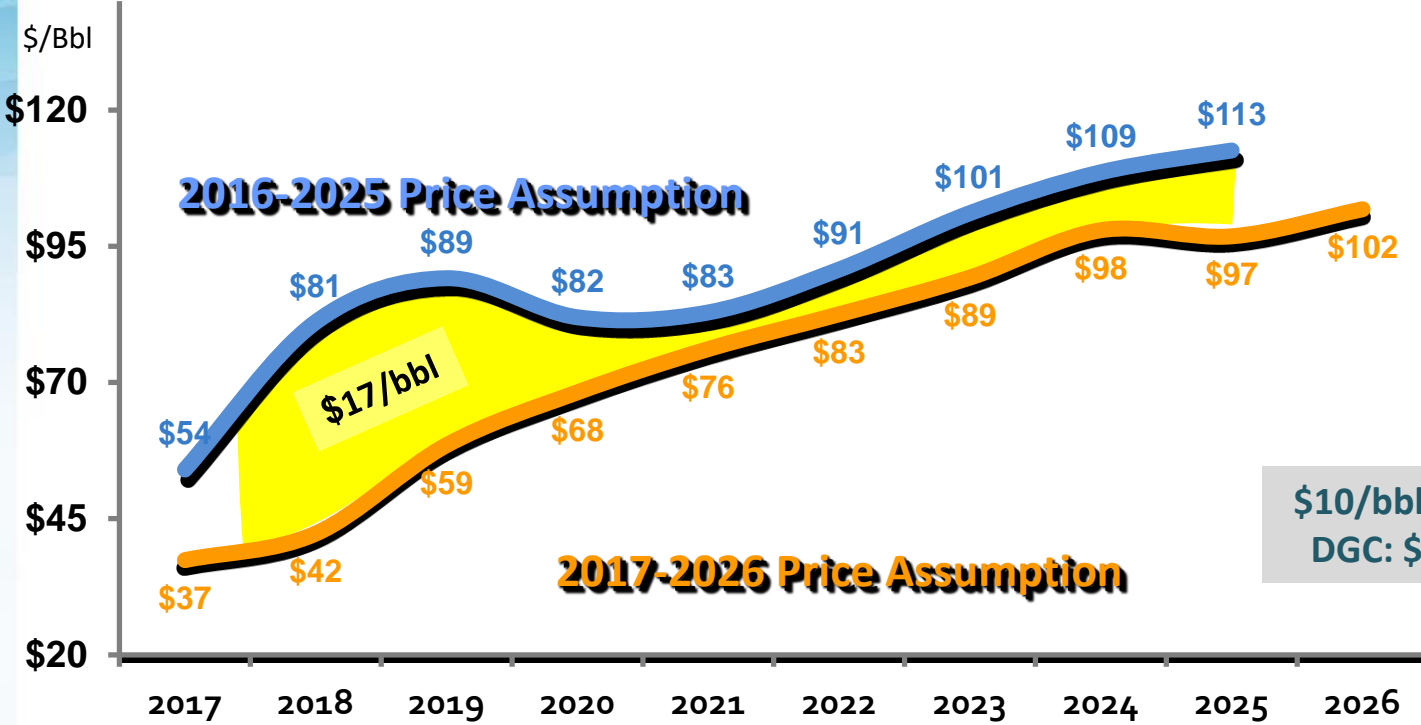
# Commodity Price

Financial Forecast  
DGC



# Commodity Price

Gulf Coast 3%

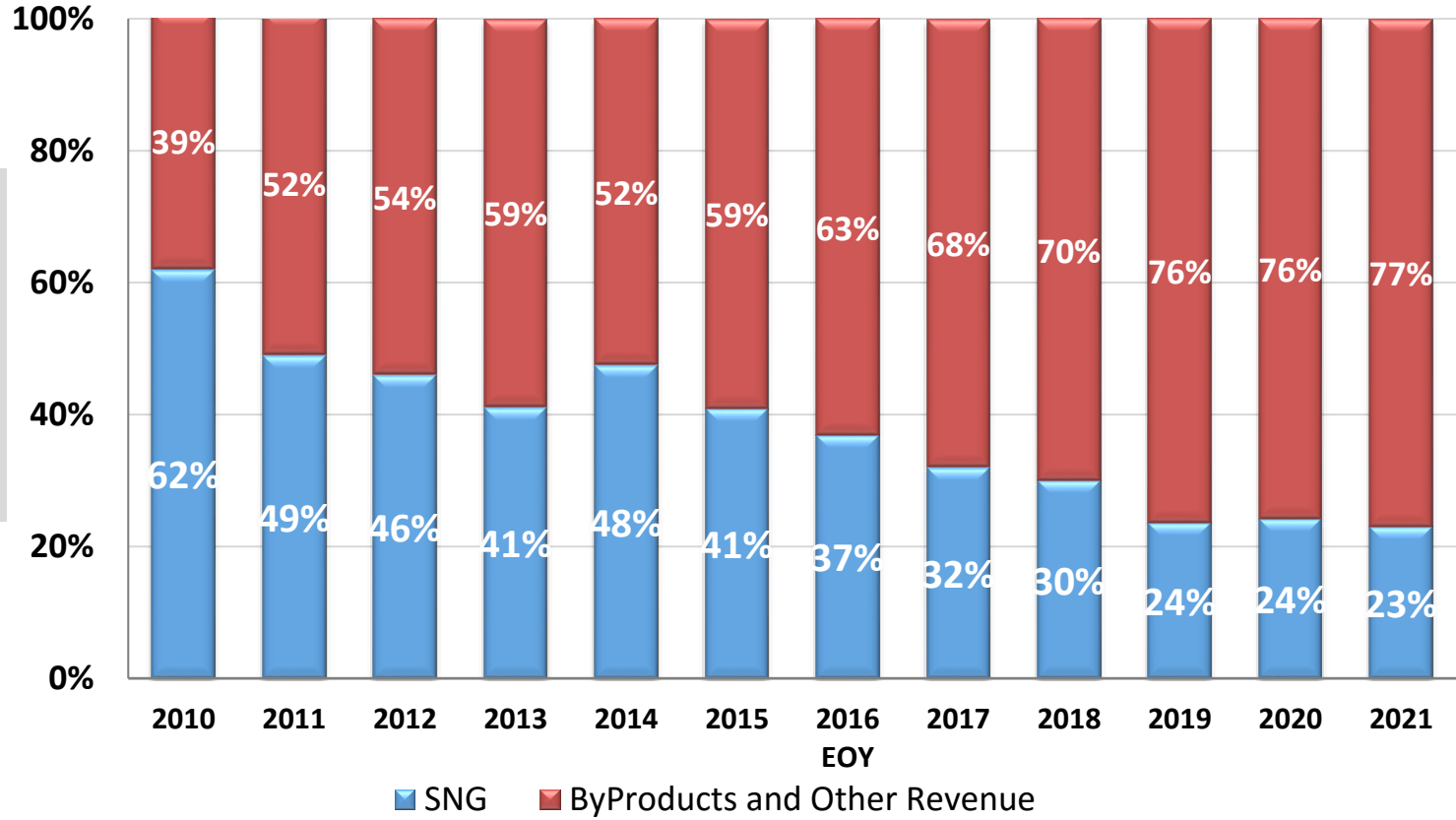


\$10/bbl change  
DGC: \$10MM



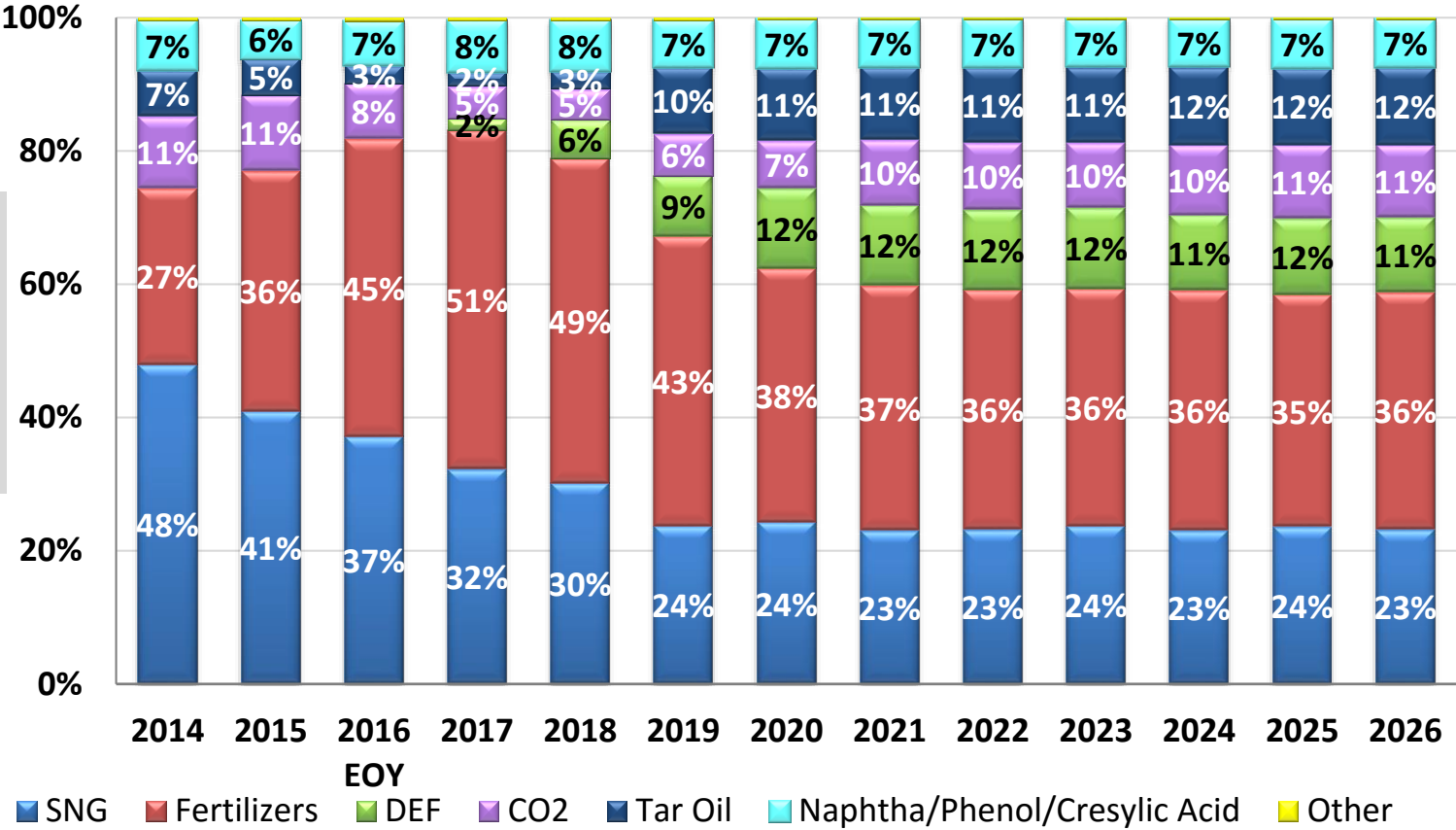
# Revenue

The percentage of revenue from SNG continues to decrease as we diversify the product mix at DGC.



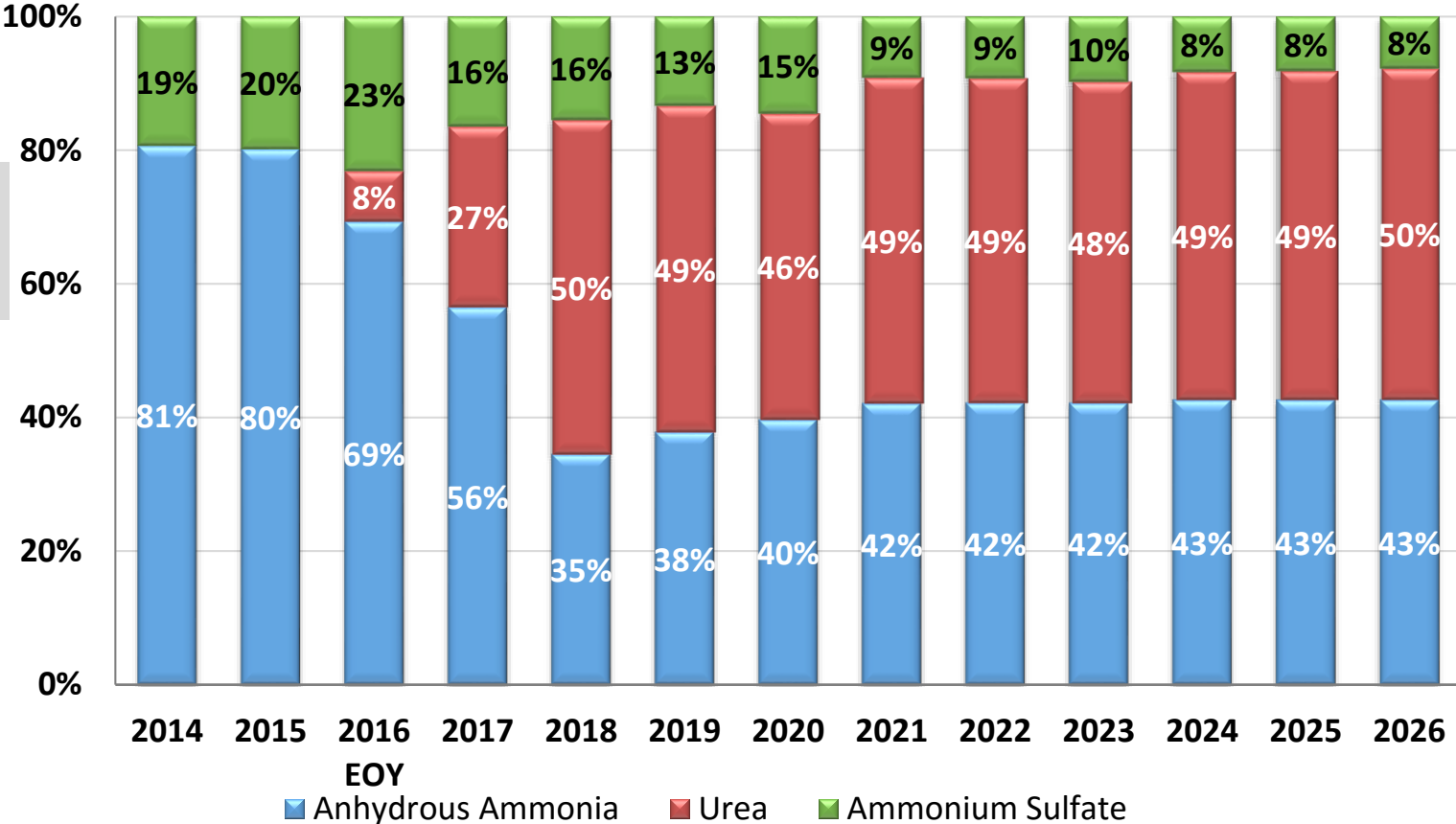
# Revenue Diversification

Fertilizers are becoming a larger percentage of DGC's revenue base.

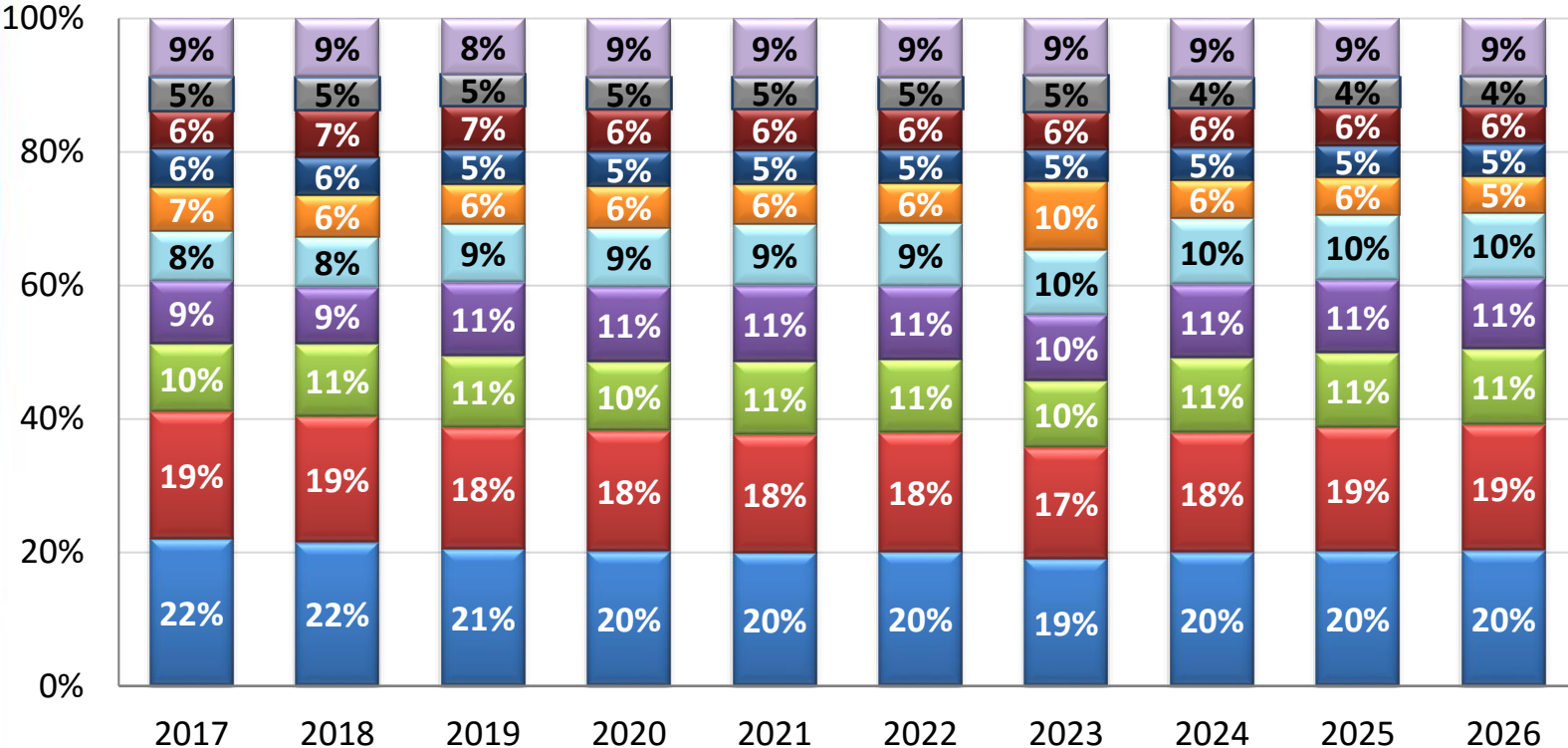


# Fertilizer Revenue

Within fertilizers, we are further diversifying.

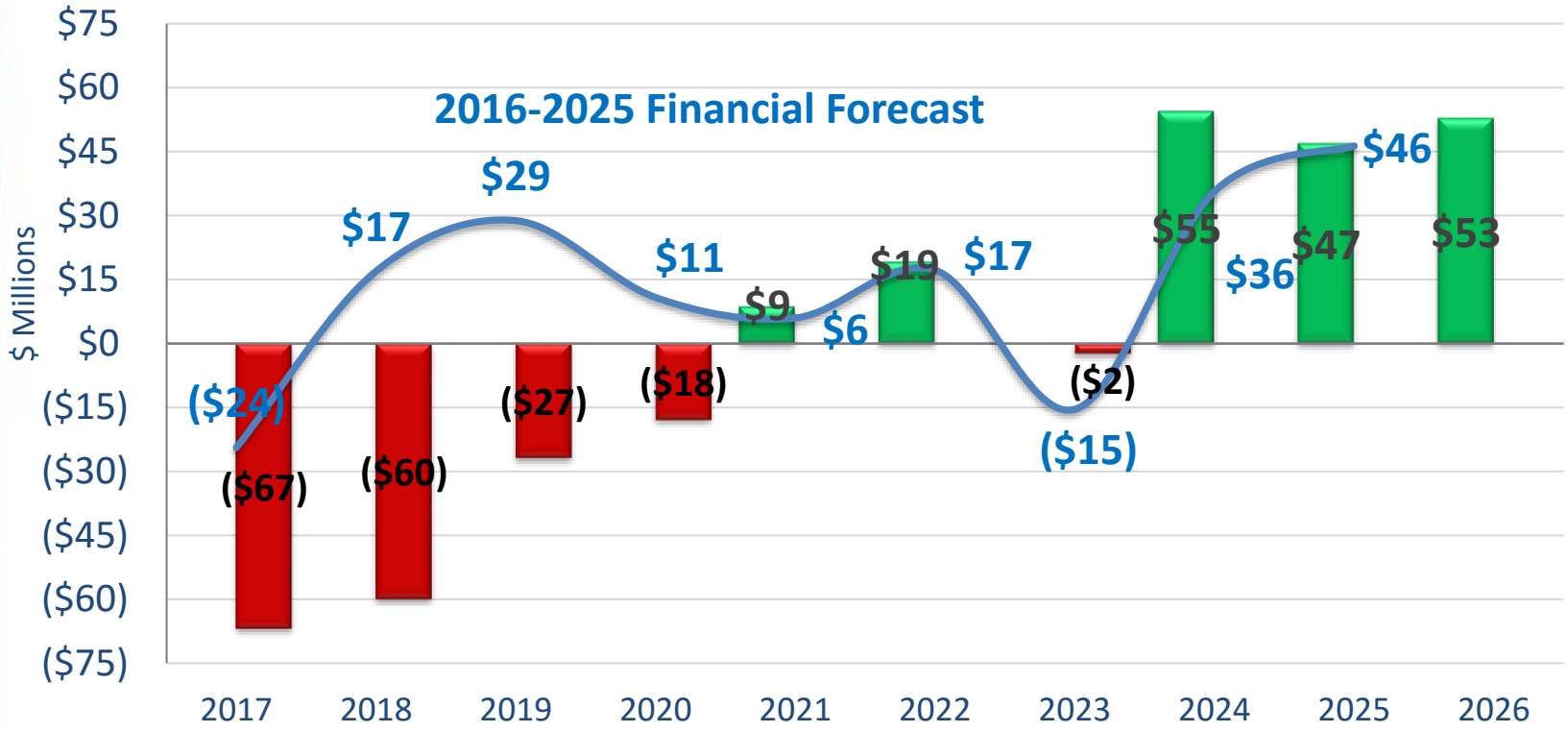


# Operating Expenses



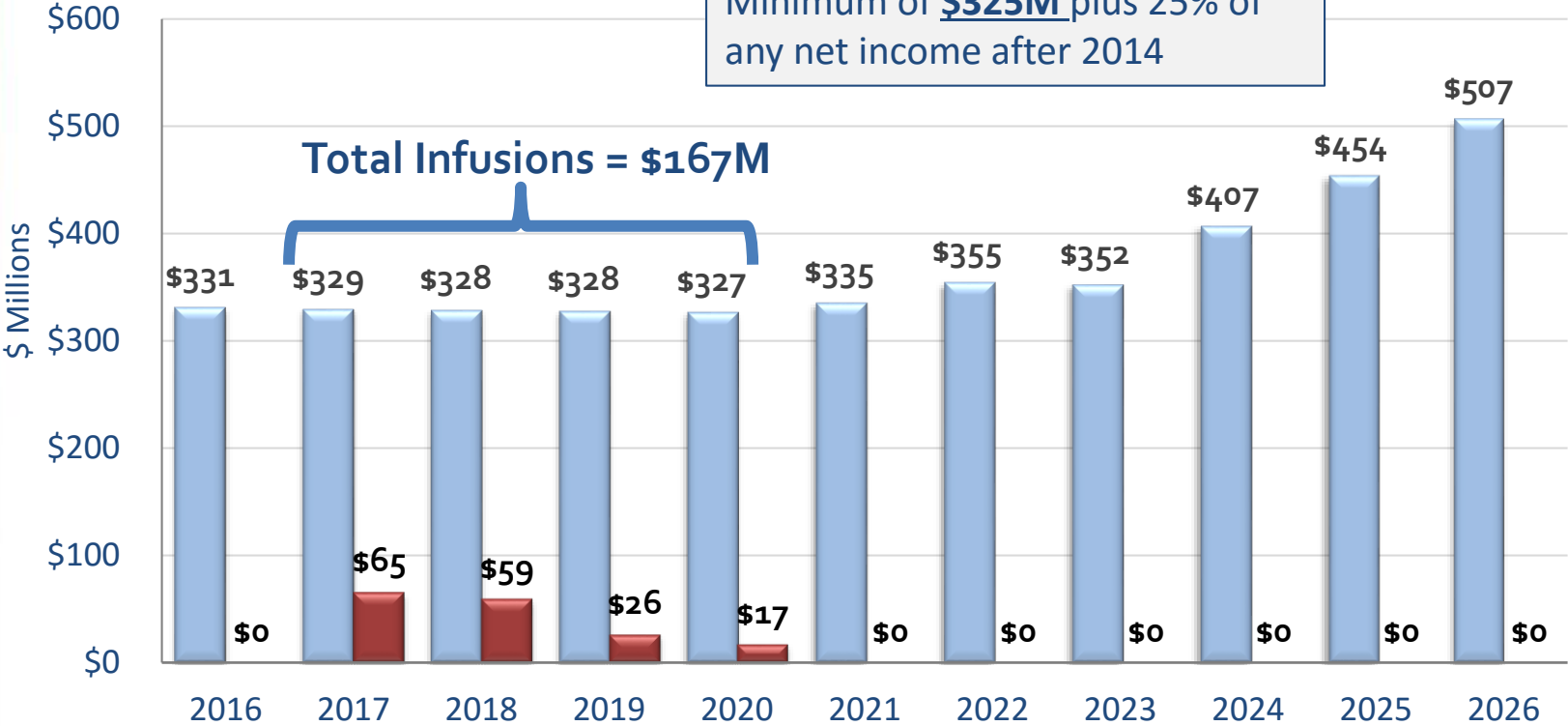
- Labor
- Coal
- Electricity
- Freight
- Purchased for Resale
- Contracted Services
- Allocations
- Depreciation

# Net Income/(Loss) After Tax

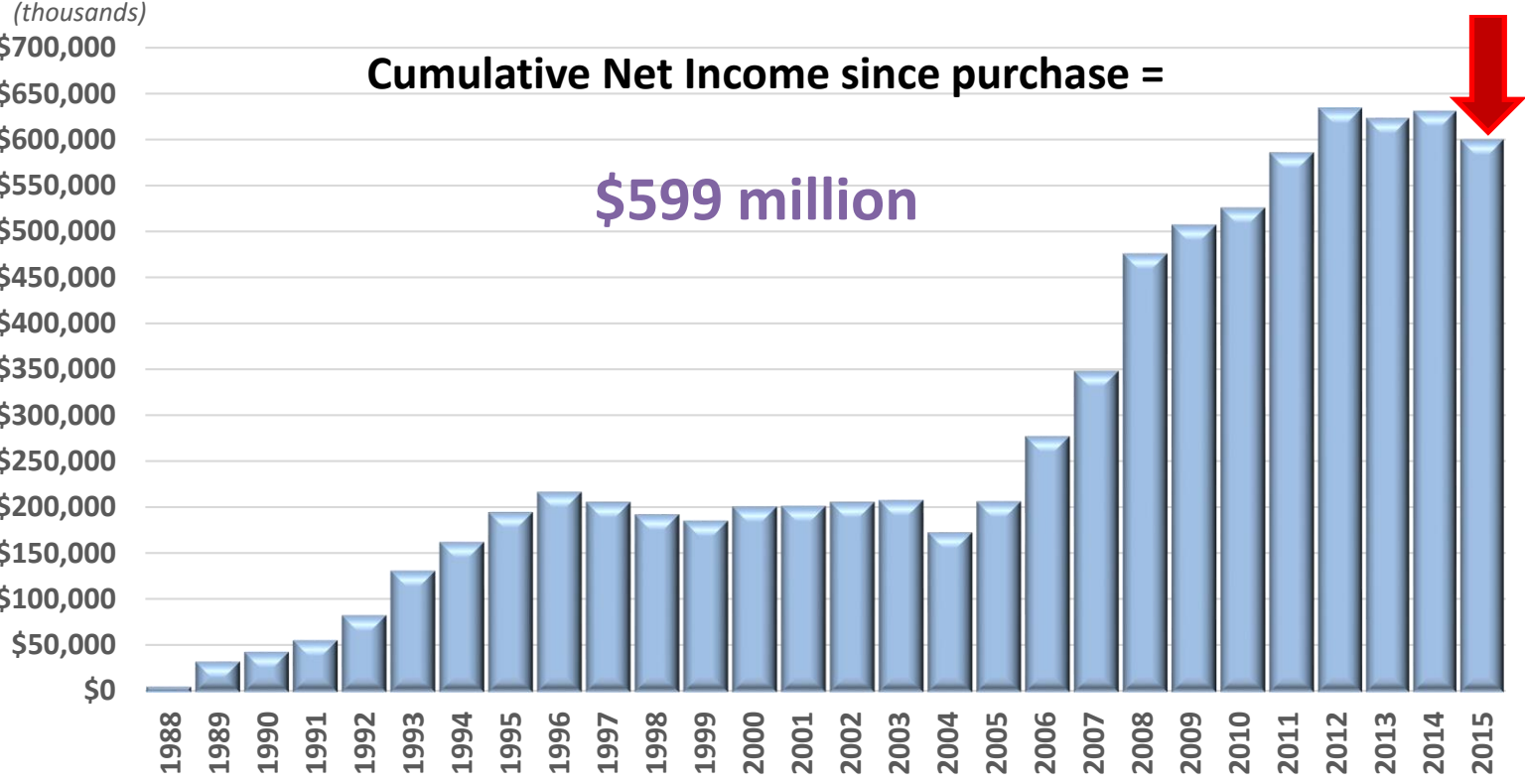


# DGC Equity

**Equity requirement:**  
Minimum of **\$325M** plus 25% of any net income after 2014



# DGC History



■ Cumulative Net Income

# DGC History

Financial Forecast  
DGC

(thousands)

\$150,000

\$125,000

\$100,000

\$75,000

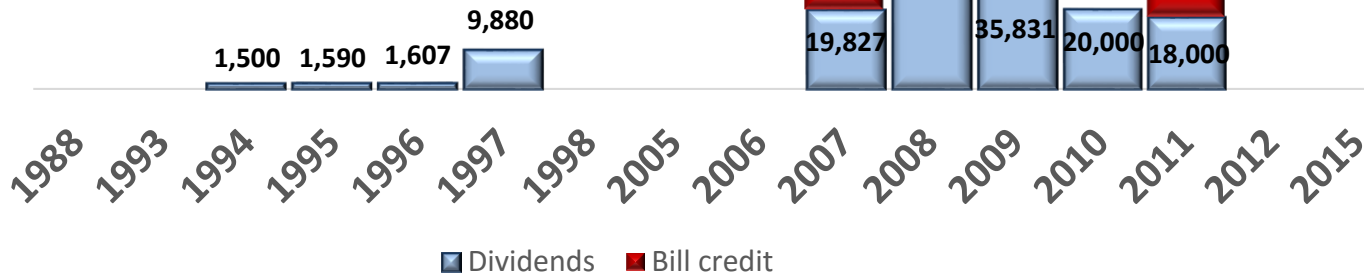
\$50,000

\$25,000

\$0

Total Dividends since purchase =  
**\$213 million**

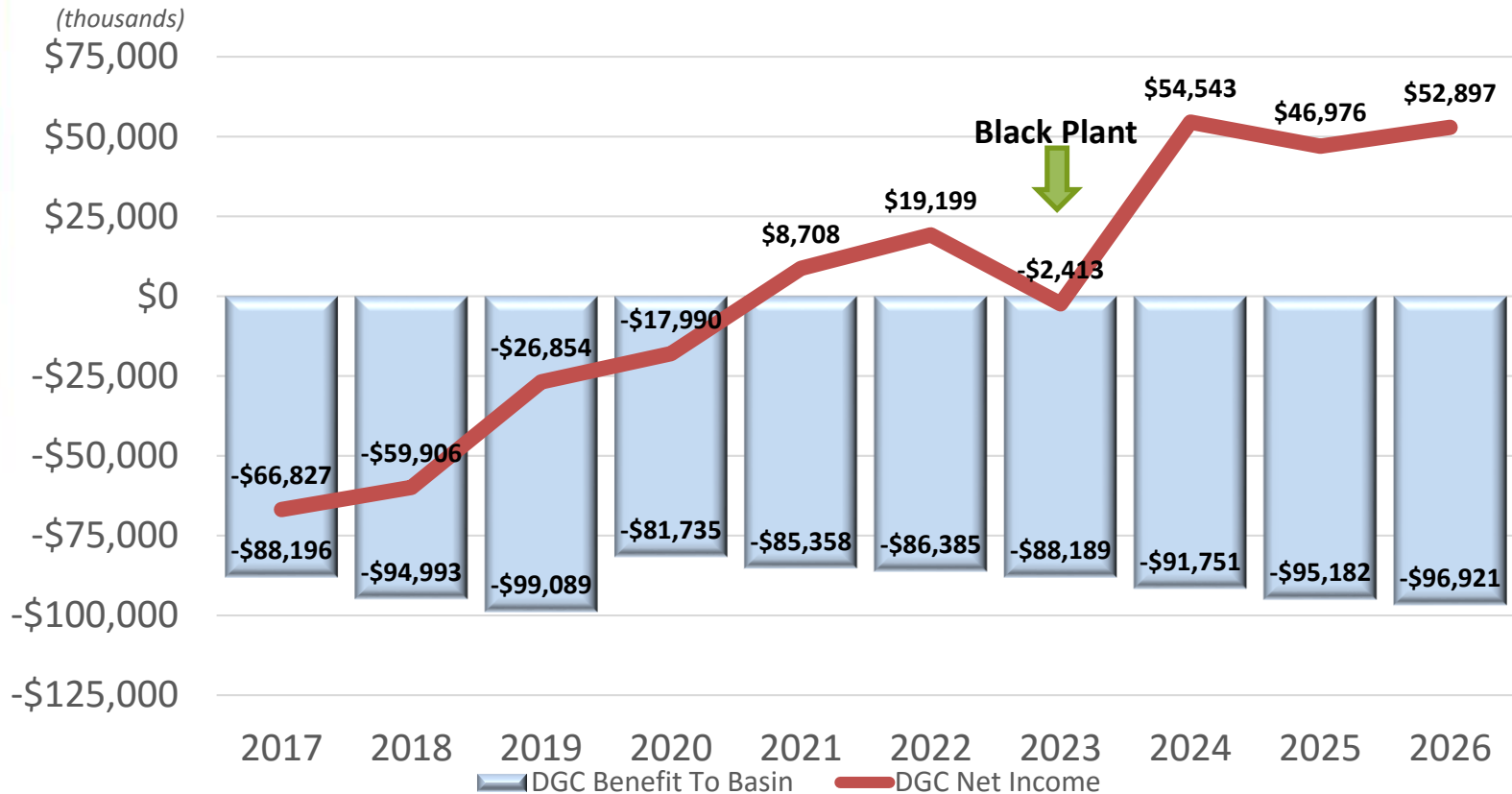
Total Bill Credits since purchase =  
**\$94 million**



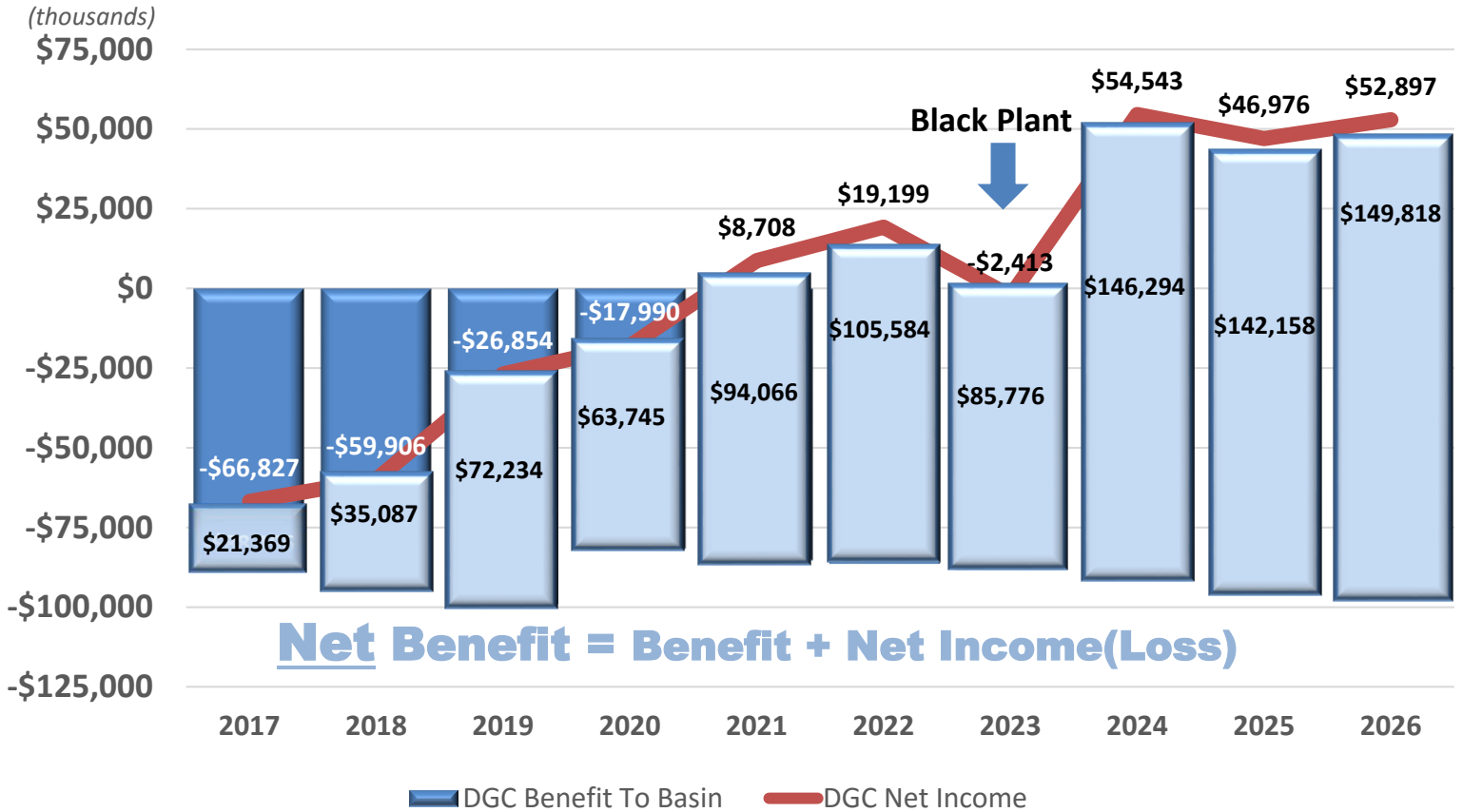


# DGC Benefits

Financial Forecast  
DGC

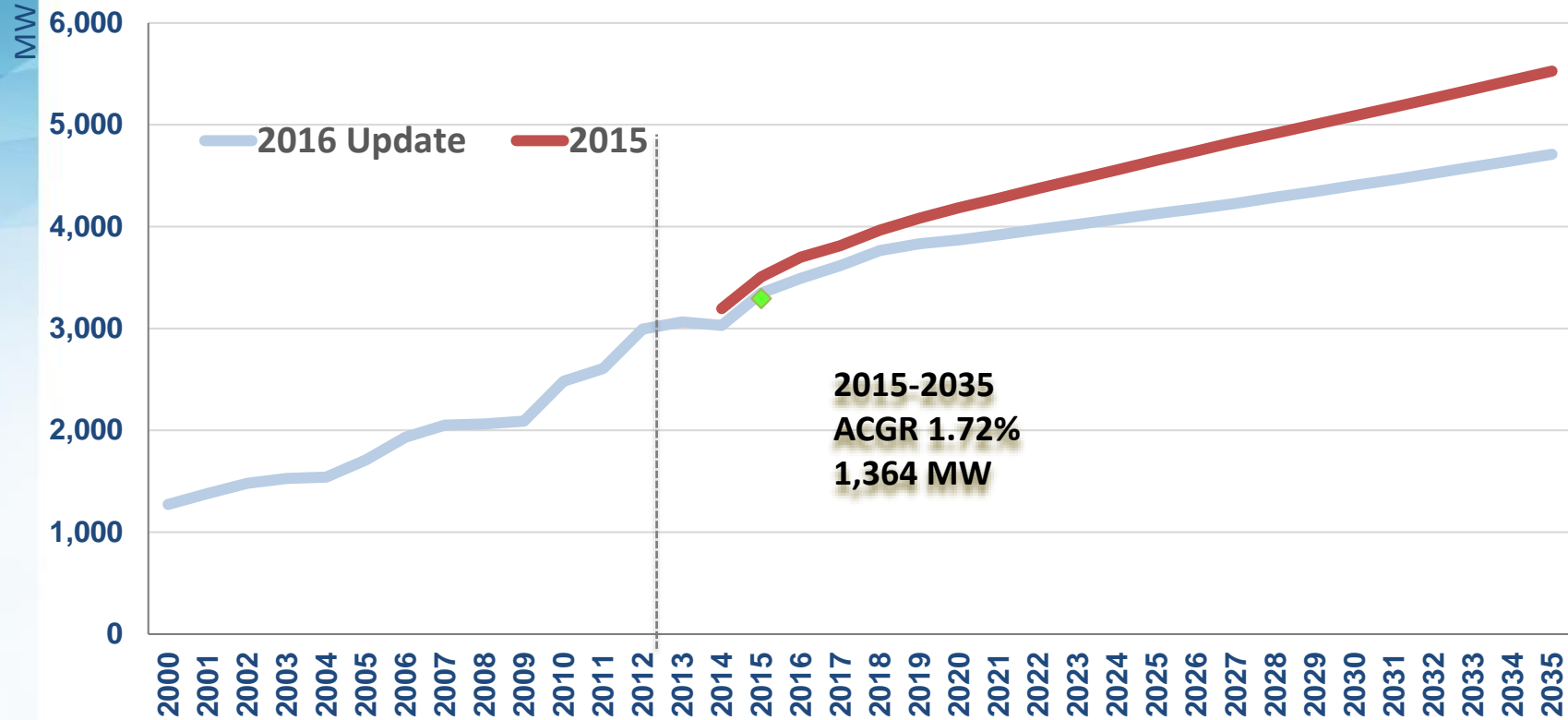


# DGC Benefits



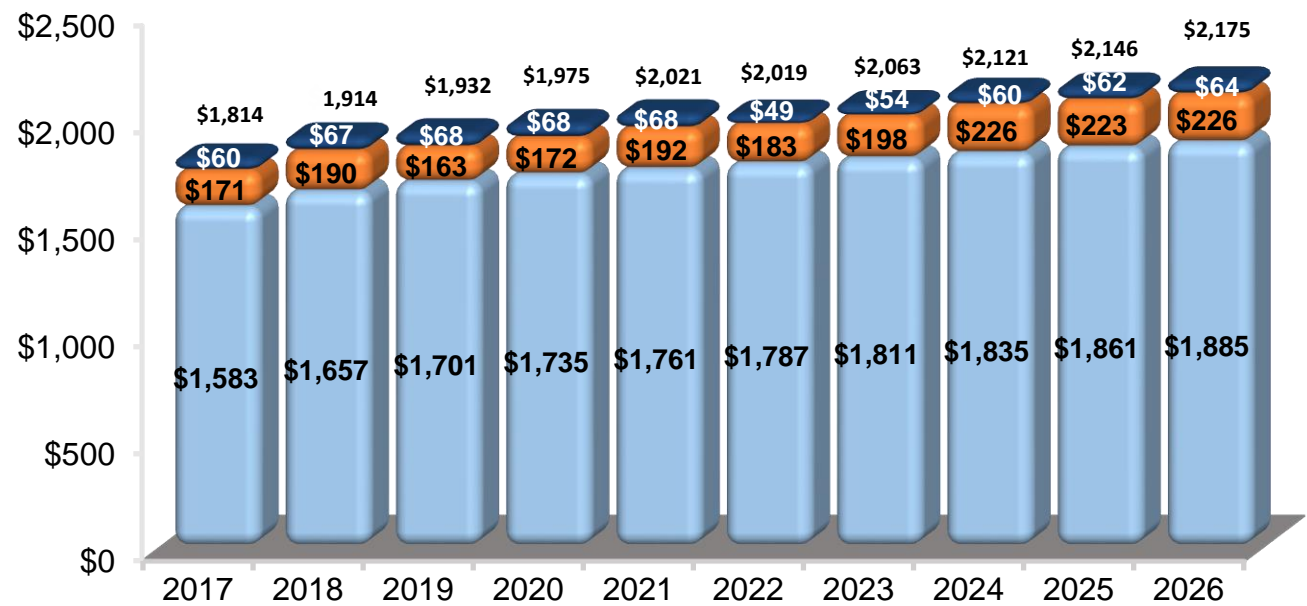
# BEPC Summer Load Forecast

Financial Forecast  
BEPC



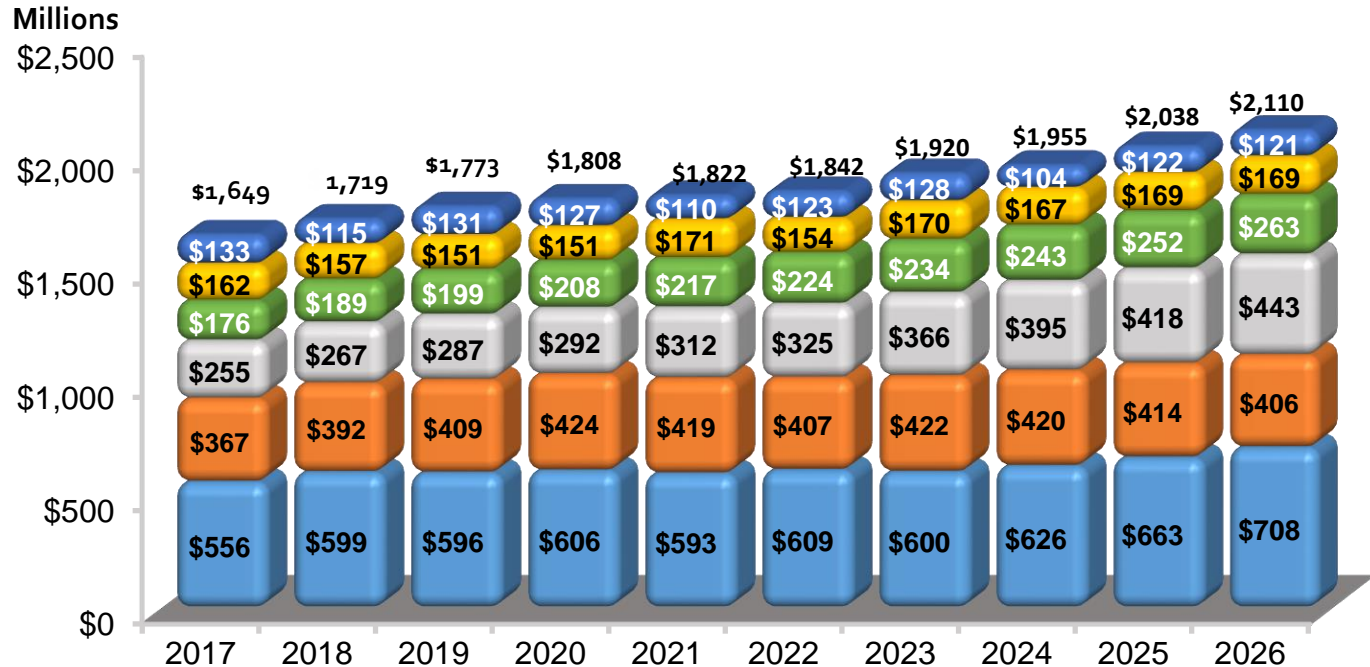
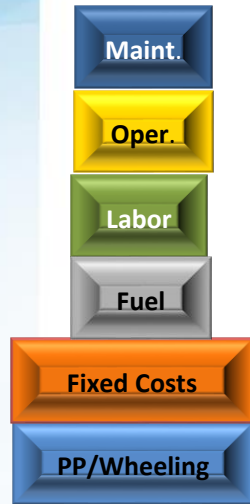
# Total Revenue

Although load forecasts were dropped from last year, we are still seeing growth in almost all of our member districts. Member revenue is also reflective of the higher member rate. Surplus sales remain fairly constant.

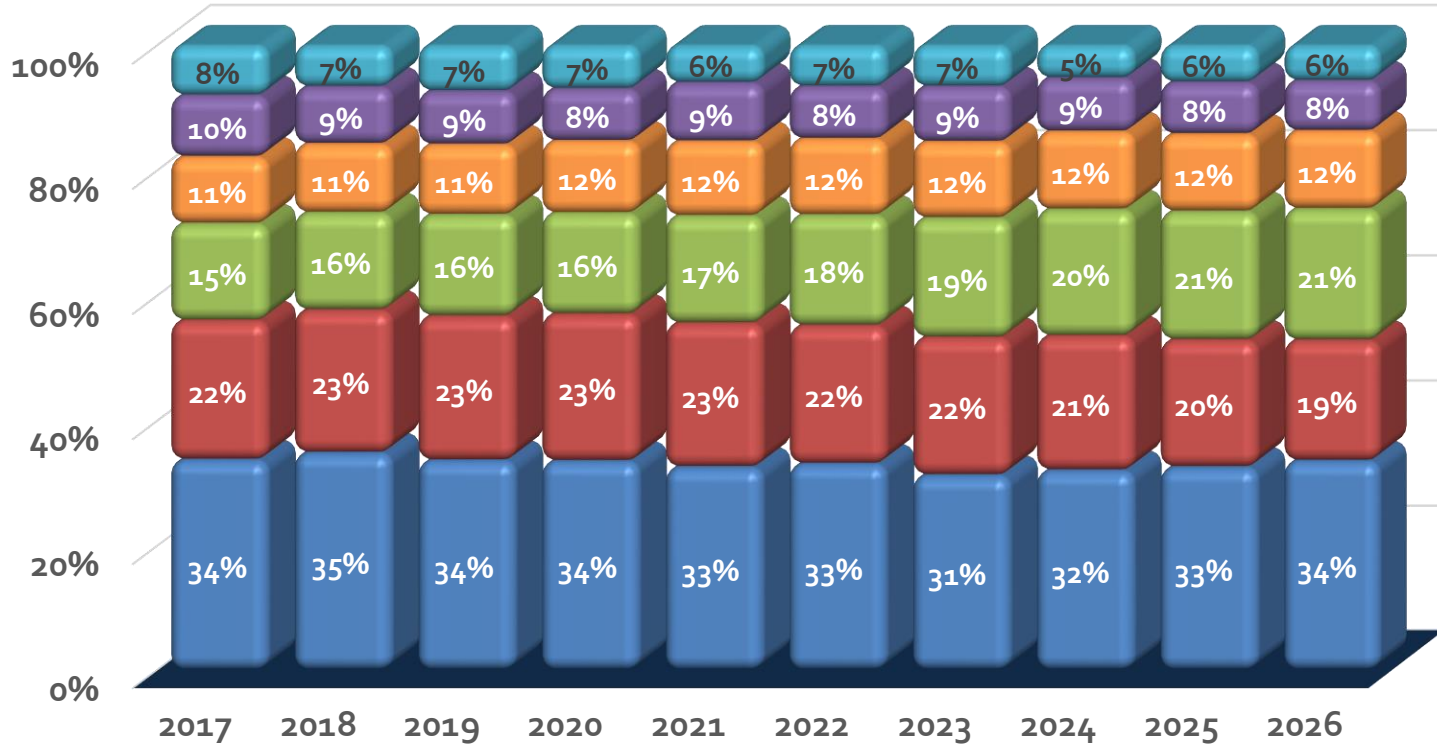
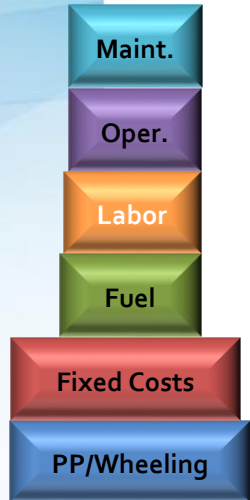


# Cost of Service

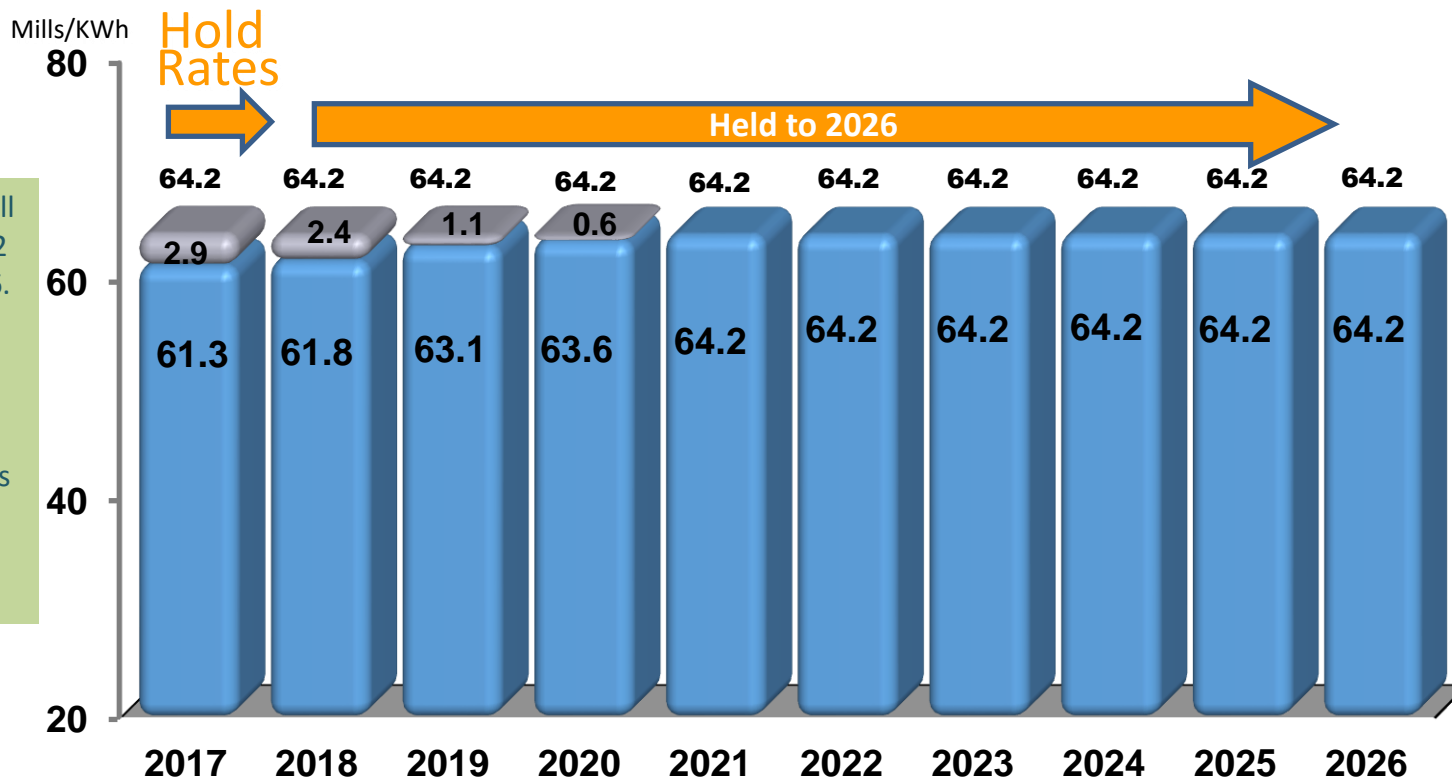
Heading into the Financial Forecast, the 2016 Budget was the starting point for expenses going forward. In essence, incorporating the austerity measures in forward looking estimates.



# Cost of Service



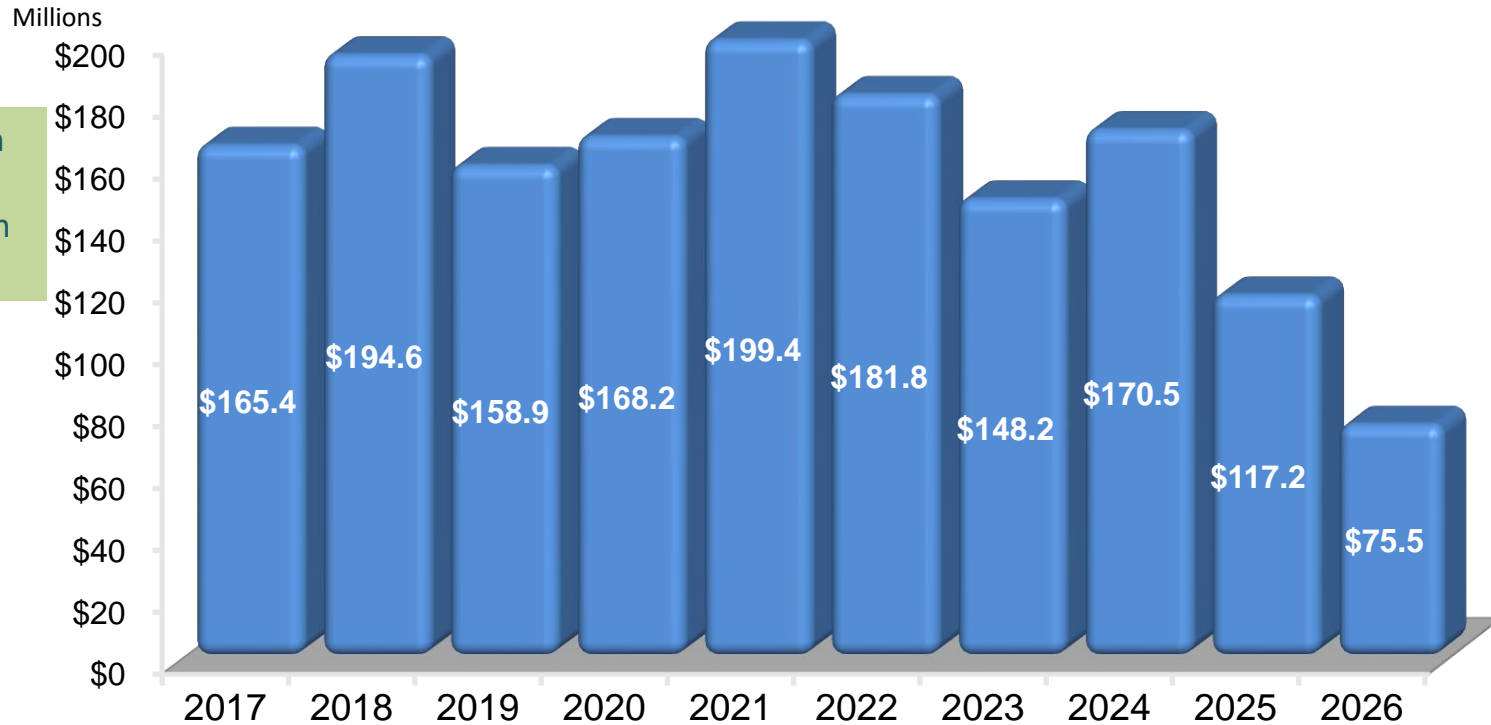
# Average Member Rate



The member rate will be increased to 64.2 mills August 1, 2016. This rate was held through the end of the forecast, which generates robust margins and bolsters financial stability throughout the 10 years.

# Basin Margin (After Tax)

Margins at Basin are building financial strength and stability.



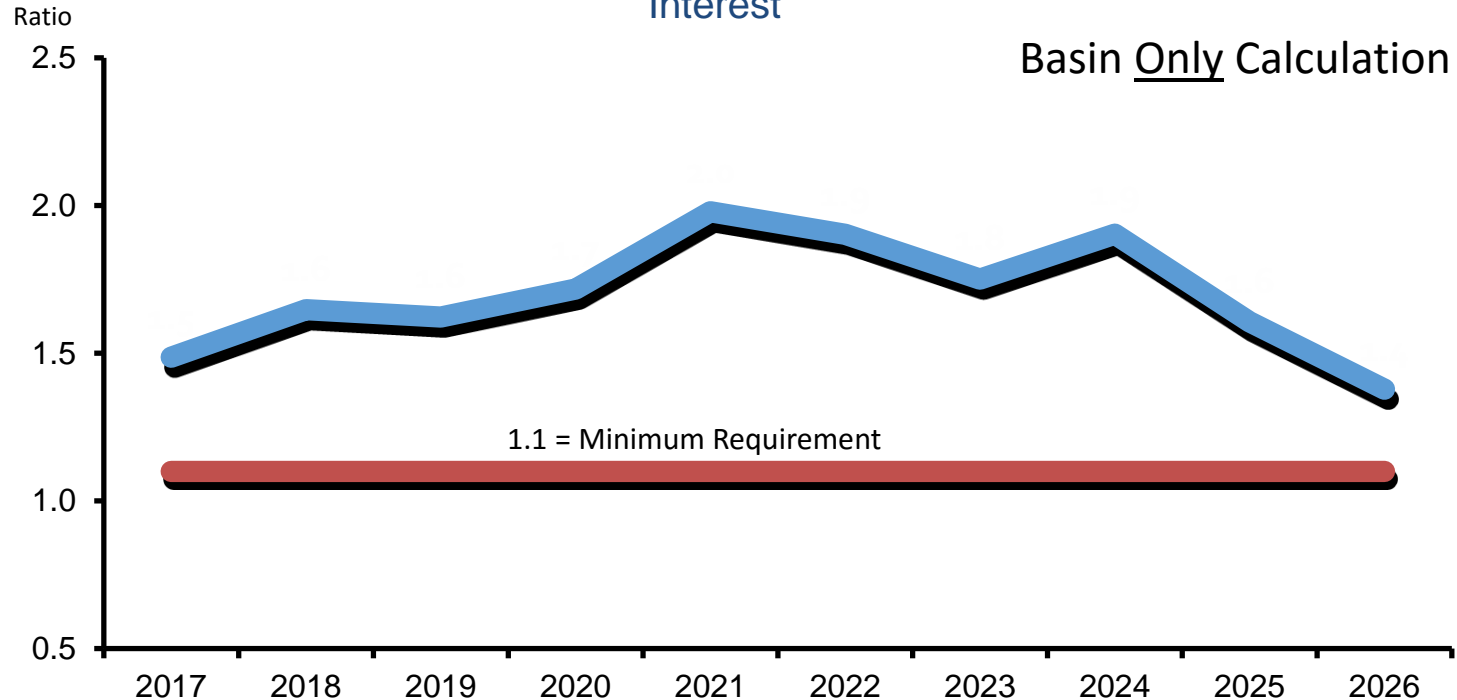


# MFI Requirement

## MFI Indenture Calculation

$$\frac{\text{Margin} + \text{Interest}}{\text{Interest}}$$

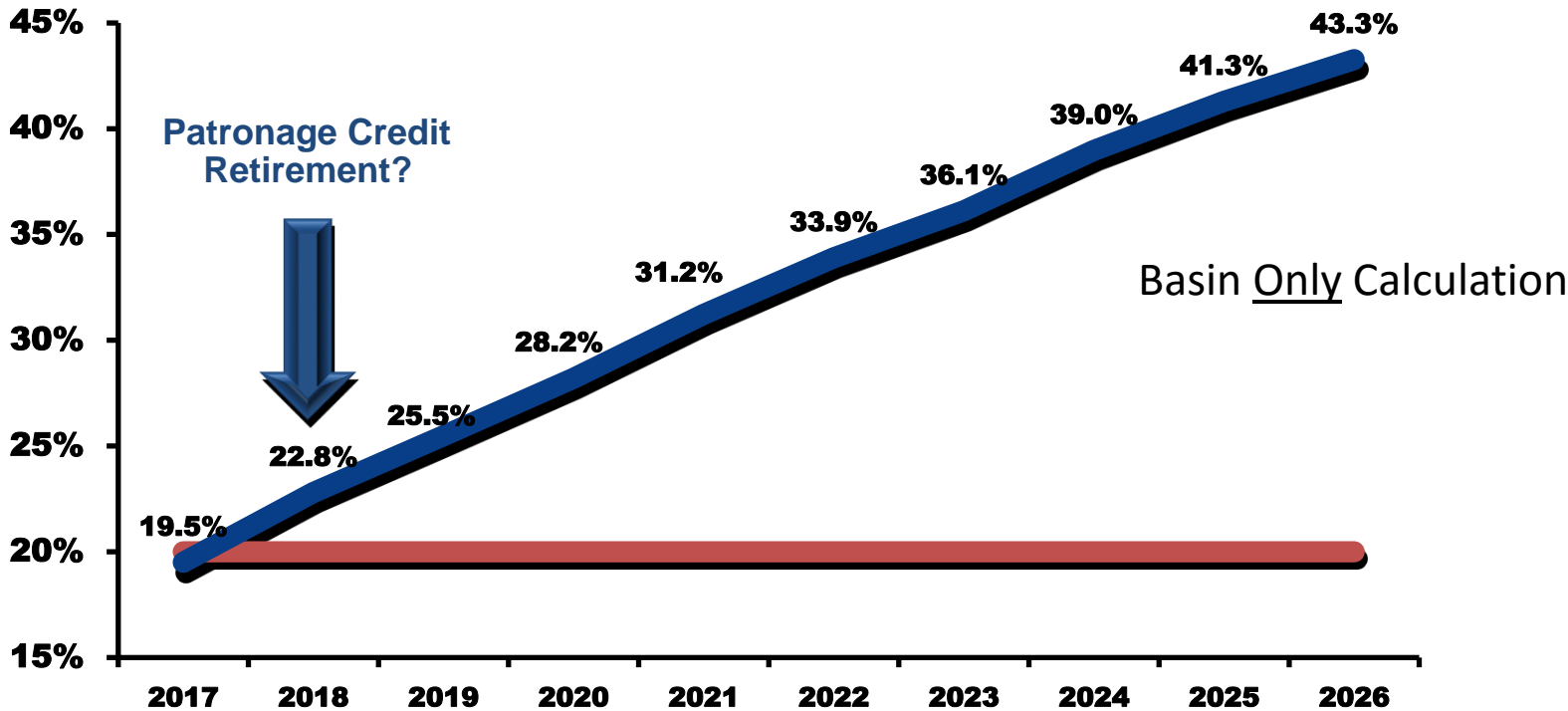
## Basin Only Calculation



MFI is well above our required 1.1 minimum due to the higher projected margins.

2017-2026 Draft Financial Forecast

# Indenture Equity



# Consolidated Net Income After Tax

(Amounts in millions)

	2017	2018	2019	2020	2021
BEPC	\$165.4	\$194.6	\$158.9	\$168.2	\$199.4
DGC	(66.8)	(59.9)	(26.8)	(18.0)	8.7
DCC	1.9	1.8	1.5	1.7	1.6
PWND	(4.1)	(3.2)	(3.8)	(3.4)	(1.8)
PWSD	<u>(3.6)</u>	<u>(2.1)</u>	<u>(2.1)</u>	<u>(1.7)</u>	<u>(0.7)</u>
<b>Total</b>	<b>\$92.8</b>	<b>\$131.2</b>	<b>\$127.7</b>	<b>\$146.8</b>	<b>\$207.2</b>

The increase in member rate intentionally increases consolidated net income.

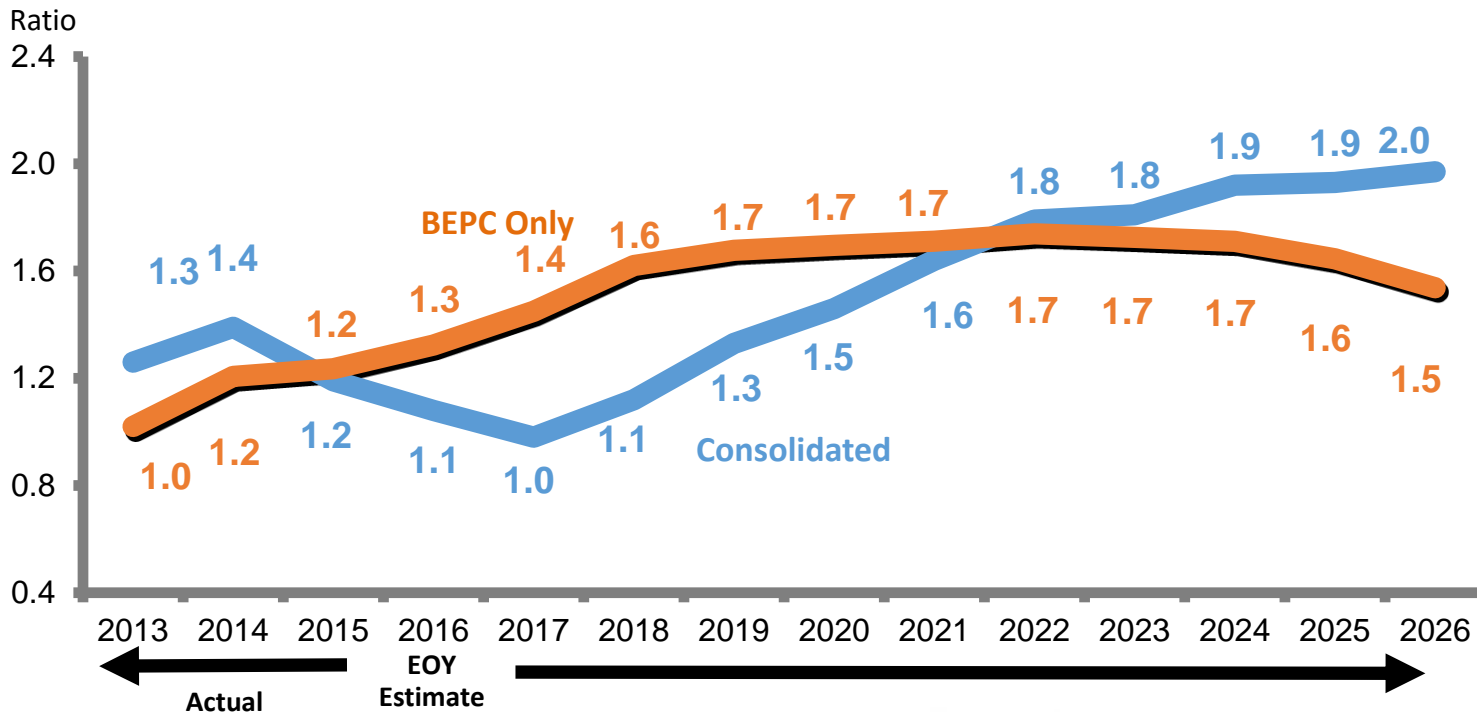
3-year rolling average

Financial Forecast  
Consolidated

Noteworthy is the help Basin has received in the past from DGC, then again at the end of the forecast.

# TIER

Margins & Earnings before Tax + Interest  
Interest

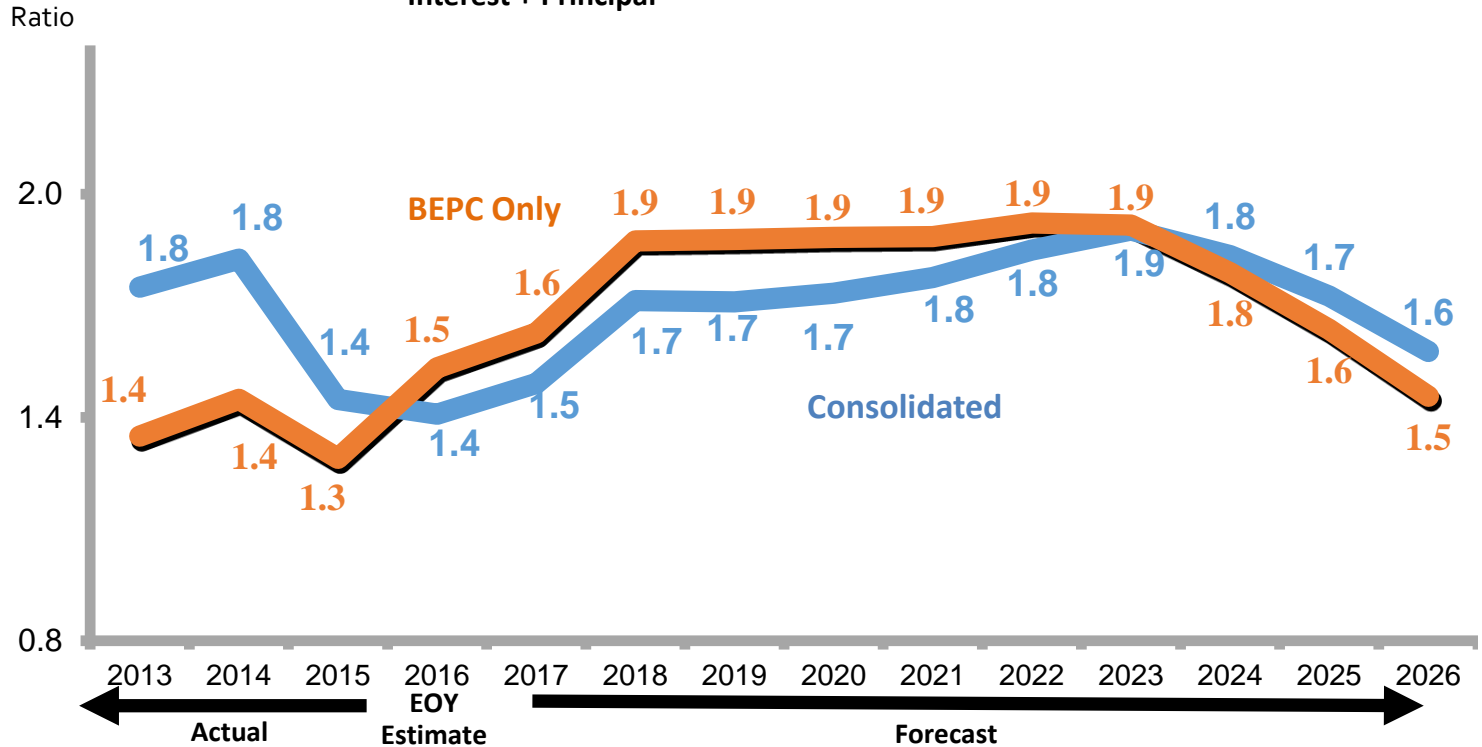


3-year rolling average

# DSC Ratio

Financial Forecast  
Consolidated

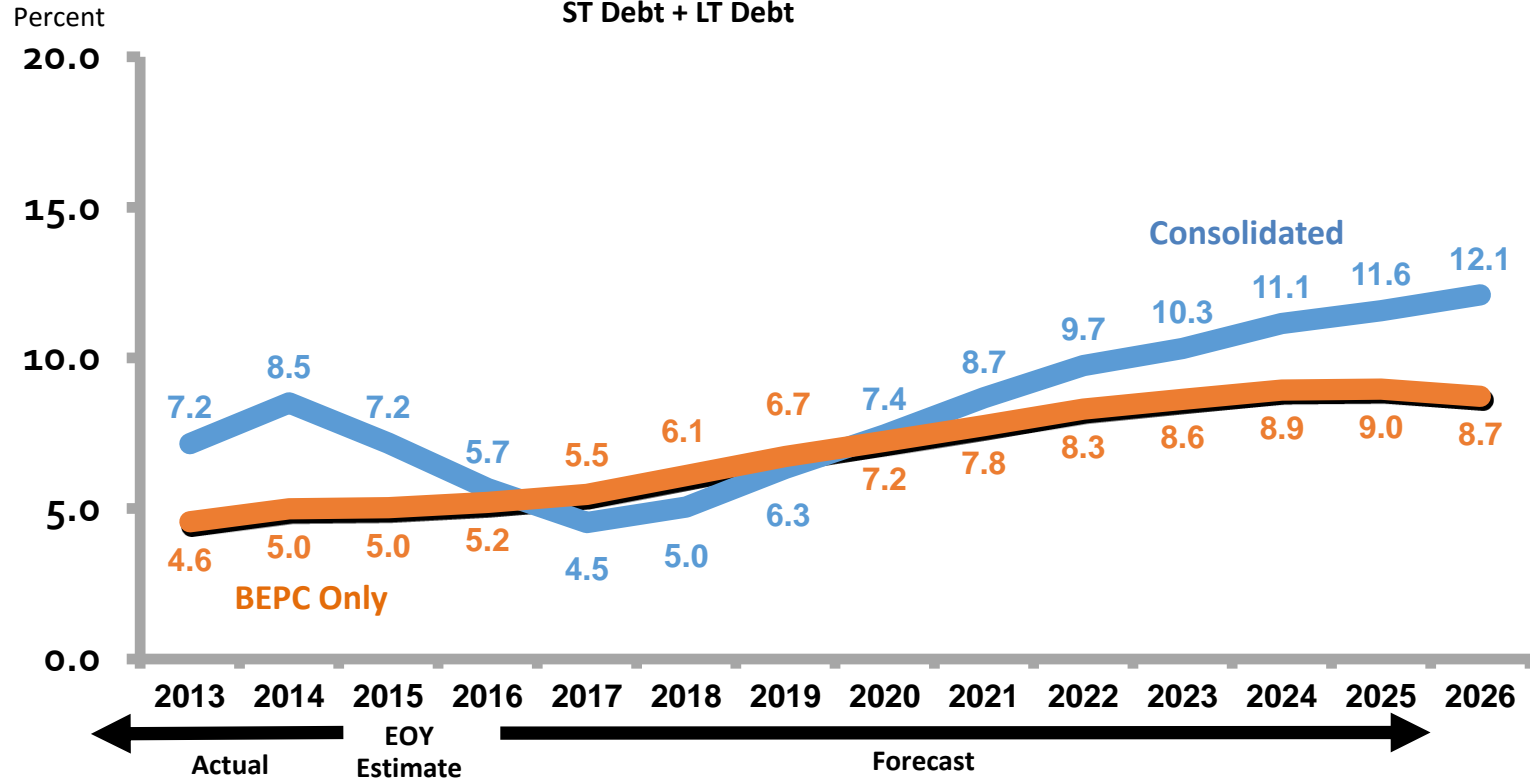
Margins & Earnings after Tax + Interest + Depreciation  
Interest + Principal



3-year rolling average

# FFO/Debt

Funds from Operations  
ST Debt + LT Debt

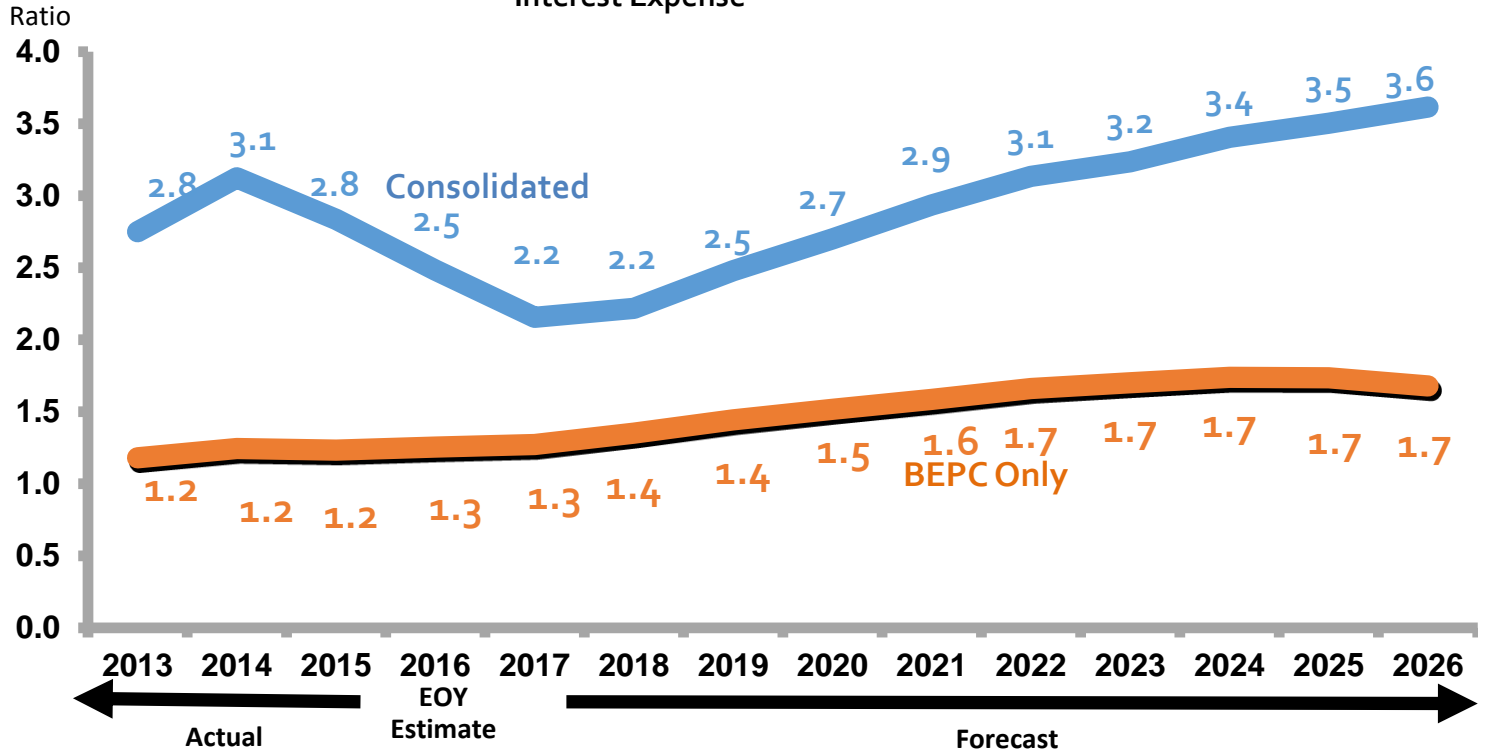


3-year rolling average

Financial Forecast  
Consolidated

# FFO/Interest

Funds from Operations  
Interest Expense

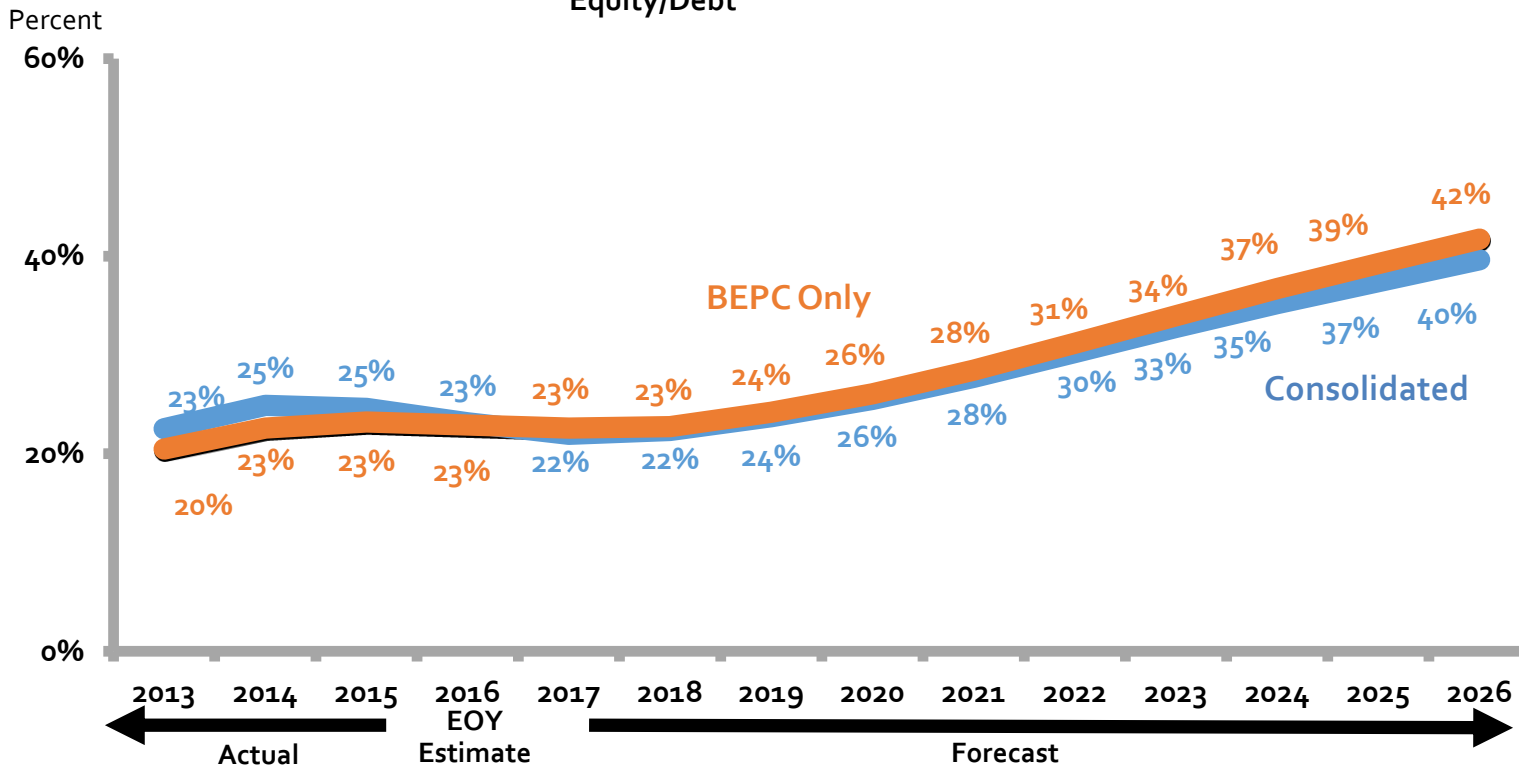


3-year rolling average

Financial Forecast  
Consolidated

# Equity/Capitalization

Equity  
Equity/Debt





# Uncertainties for BEPC Consolidated

## Newly Identified:

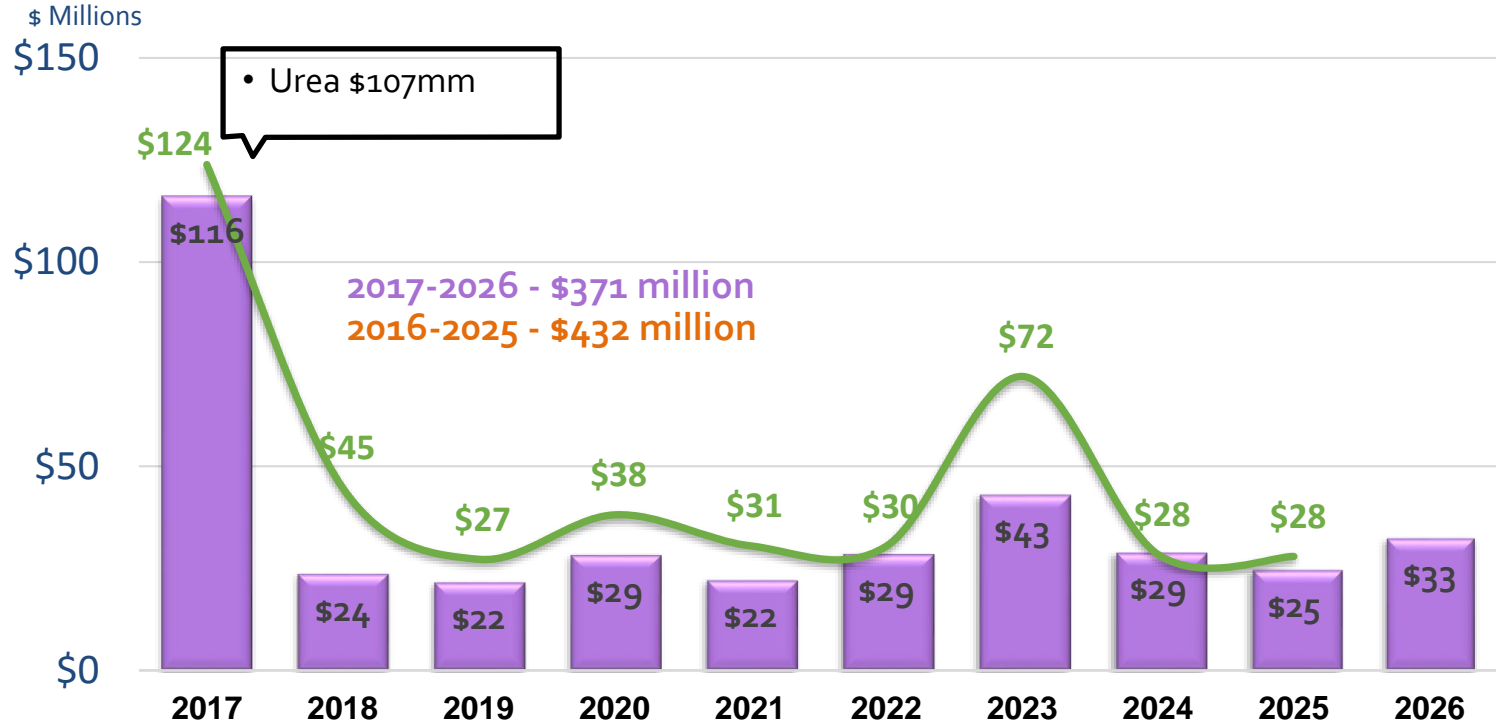
- RTO Generation / Market Revenue
- Transmission Wheeling
- RTO Ancillary Services
- Continued Transitional Uncertainties
- Clean Power Plan
- Future of Coal Generation

By generating greater margins, we have greater ability to absorb uncertainties in the forecast.

## Historically Identified:

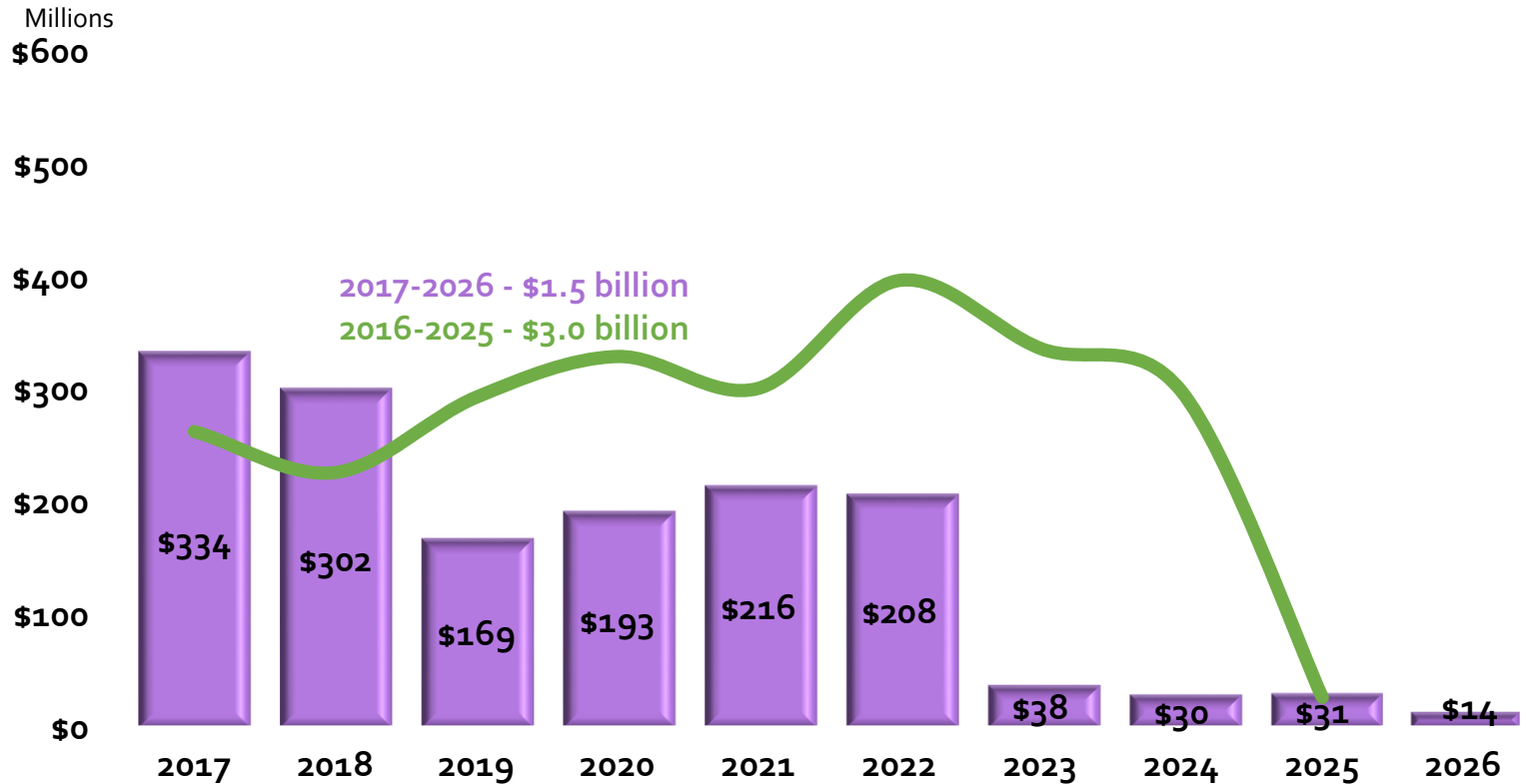
- Nat Gas / Power / Coal / Diesel Prices
- Environmental
- Weather
- Projected Load Growth

# Capital Expenditures - DGC



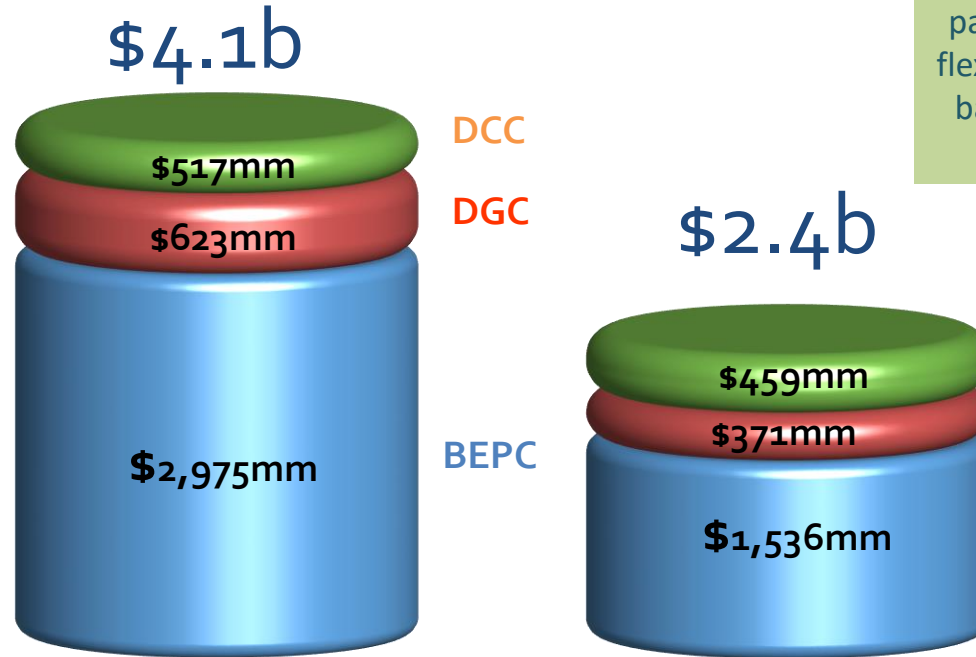
# Capital Expenditures Cash Flow

Financial Forecast  
BEPC



# Capital Requirements

Financial Forecast  
Consolidated



As we've attested to in the past, our cap ex program is flexible and can be managed based on load growth and market prices.

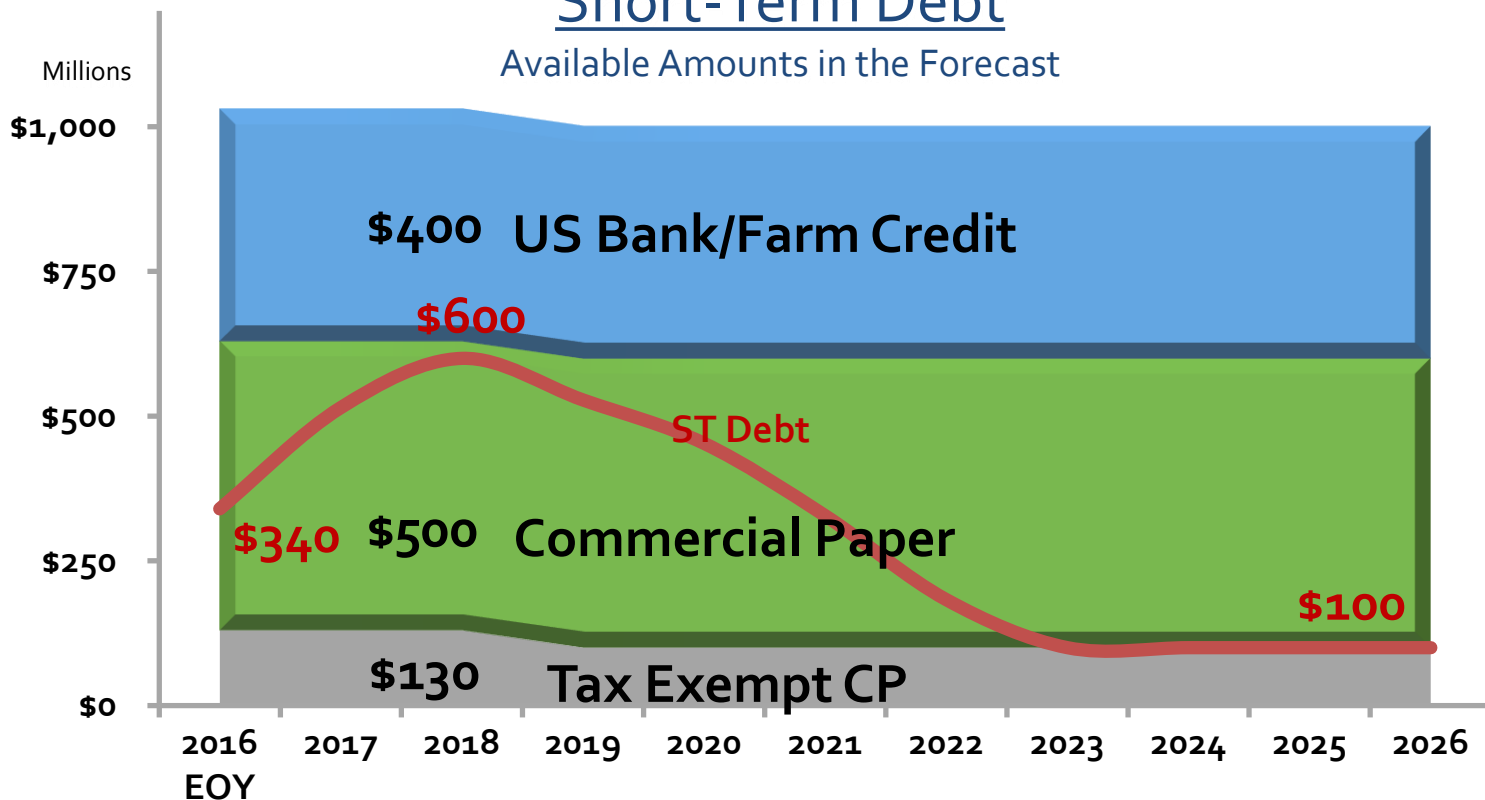
2016-2025 Financial Forecast

# BEPC Liquidity

Financial Forecast  
Consolidated

## Short-Term Debt

Available Amounts in the Forecast



Liquidity remains strong even with the assumption we do not add additional LT debt during the 2017-2016 forecast.

Toward the end of the forecast, we have generated enough cash to pay down ST debt.

# Discussion



# Member Meeting

August 5, 2016

## COST OF POWER ADJUSTMENT (COPA)

---

Joanne Kolb, CFAO

# PURPOSE OF MEETING

- Share information with our members on the Cost of Power Adjustment (COPA) filing
- Compare Mid Year 2016 COPA filing to previous filings
- Discuss impact of COPA on individual members



# COST OF POWER ADJUSTMENT (COPA)

- A rate mechanism through which PRECorp recovers changes in actual wholesale power costs not recovered in base retail rates.
- Provides an adjustment for the over or under-recovery in power costs in rates during the look back period.
- Typically filed annually with the Wyoming Public Service Commission.

- The 2014 COPA factor was calculated normally.
- It did not incorporate our rate filing as an assumption.
- When the effective date of the new rates was established, the current base cost of power was rebased in the new rates.
- In conjunction with the effective date and new rates, we did file to continue to adjust rates to return the \$1.5 million over-recovery from Oct 2012 to Sept 2013.

- COPA factor calculated based on a 12 month period
- No projected increase in wholesale power costs.
- Projected net under-recovery of power costs in 2015 due to actual costs above recovery in rates of \$1,082,714.
- Net under-recovery of power costs in the true up period of Oct. 2013 – Sept. 2014 of \$186,633.
- Interest on any monthly over-recovery in the true-up period.

- COPA factor calculated based on a 12 month period
- Projected increase in wholesale power costs of \$11,308,466.
- Recoverable power cost of \$11,298,866
- Net under-recovery of power costs in the true up period of Oct. 2014 – Sept. 2015 of \$9,599
  - Interest on any monthly over-recovery in the true-up period.

# 2016 COPA COMPARISON

- COPA factor calculated based on a 12 month period
- Projected increase in wholesale power costs of \$11,308,466
- Recoverable power cost of \$4,725,149
- Net under-recovery of power costs collected from the true up period of Oct. 2014 – Sept. 2015 of \$108,227
  - Interest on any monthly over-recovery in the true-up period

# 2016 MID YEAR COPA

- COPA factor calculated based on a 17 month period
- COPA effective with September 2016 billing and anticipated to remain in effect through 2017
- Projected increase in wholesale power costs of \$30,769,313 over the 17 month period
- Recoverable power cost of \$31,732,887
- Net over-recovery of power costs in the true up period of Oct. 2015 – May 2016 of \$963,574
  - Interest on any monthly over-recovery in the true-up period.



# CALCULATION OF INCREASED COPA REVENUE

	Existing 2016 <u>COPA</u>	Proposed 2016 Mid Year <u>COPA</u>	Change in <u>COPA</u>	Projected <u>kWh</u>	<u>Change \$</u>
<b><u>Total COPA</u></b>					
Remainder of System	0.003338	0.009131	0.005793	1,594,879,438	9,239,798
Large Power Transmission	0.005675	0.012685	0.007010	1,149,682,815	8,059,004
Large Power Transmission CBM	0.003961	0.012181	0.008220	133,190,232	1,094,788
Total				2,877,752,485	18,393,590
<b><u>Power Cost Component</u></b>					
Remainder of System	0.003213	0.009457	0.006244	1,594,879,438	9,958,820
Large Power Transmission	0.005785	0.013135	0.007350	1,149,682,815	8,449,717
Large Power Transmission CBM	0.004221	0.011631	0.007410	133,190,232	986,893
Total					19,395,430
<b><u>(Over)/Under Recovery Component</u></b>					
Remainder of System	0.000125	(0.000326)	(0.000451)	1,594,879,438	(719,021)
Large Power Transmission	(0.000110)	(0.000450)	(0.000340)	1,149,682,815	(390,713)
Large Power Transmission CBM	(0.000260)	0.000550	0.000810	133,190,232	107,895
Total					(1,001,839)

# RESIDENTIAL

kWh Usage	Existing COPA	Proposed COPA	Change
	\$ 0.003338	\$ 0.009131	\$ 0.005793
50	\$ 0.17	\$ 0.46	\$ 0.29
100	\$ 0.33	\$ 0.91	\$ 0.58
300	\$ 1.00	\$ 2.74	\$ 1.74
500	\$ 1.67	\$ 4.57	\$ 2.90
800	\$ 2.67	\$ 7.30	\$ 4.63
1000	\$ 3.34	\$ 9.13	\$ 5.79
2000	\$ 6.68	\$ 18.26	\$ 11.59
3000	\$ 10.01	\$ 27.39	\$ 17.38
4000	\$ 13.35	\$ 36.52	\$ 23.17
5000	\$ 16.69	\$ 45.66	\$ 28.97
<b>1206 Average</b>	<b>\$ 4.03</b>	<b>\$ 11.01</b>	<b>\$ 6.99</b>





# GENERAL SERVICE

kWh Usage	Existing COPA \$ 0.003338	Proposed COPA \$ 0.009131	Change \$ 0.005793
<b>Single Phase</b>			
50	\$ 0.17	\$ 0.46	\$ 0.29
100	\$ 0.33	\$ 0.91	\$ 0.58
300	\$ 1.00	\$ 2.74	\$ 1.74
500	\$ 1.67	\$ 4.57	\$ 2.90
800	\$ 2.67	\$ 7.30	\$ 4.63
1000	\$ 3.34	\$ 9.13	\$ 5.79
2000	\$ 6.68	\$ 18.26	\$ 11.59
3000	\$ 10.01	\$ 27.39	\$ 17.38
4000	\$ 13.35	\$ 36.52	\$ 23.17
5000	\$ 16.69	\$ 45.66	\$ 28.97
1094	Average \$ 3.65	\$ 9.99	\$ 6.34
<b>Three Phase</b>			
50	\$ 0.17	\$ 0.46	\$ 0.29
100	\$ 0.33	\$ 0.91	\$ 0.58
300	\$ 1.00	\$ 2.74	\$ 1.74
500	\$ 1.67	\$ 4.57	\$ 2.90
800	\$ 2.67	\$ 7.30	\$ 4.63
1000	\$ 3.34	\$ 9.13	\$ 5.79
2000	\$ 6.68	\$ 18.26	\$ 11.59
4000	\$ 13.35	\$ 36.52	\$ 23.17
6000	\$ 20.03	\$ 54.79	\$ 34.76
8000	\$ 26.70	\$ 73.05	\$ 46.34
2870	Average \$ 9.58	\$ 26.21	\$ 16.63



# LARGE POWER TRANSMISSION

kWh Usage	Existing COPA	Proposed COPA	Change
	\$ 0.005675	\$ 0.012685	\$ 0.007010
1,000,000	\$ 3,338.00	\$ 9,131.00	\$ 5,793.00
2,000,000	\$ 6,676.00	\$ 18,262.00	\$ 11,586.00
3,000,000	\$ 10,014.00	\$ 27,393.00	\$ 17,379.00
4,000,000	\$ 13,352.00	\$ 36,524.00	\$ 23,172.00
5,000,000	\$ 16,690.00	\$ 45,655.00	\$ 28,965.00
6,000,000	\$ 20,028.00	\$ 54,786.00	\$ 34,758.00
7,000,000	\$ 23,366.00	\$ 63,917.00	\$ 40,551.00
8,000,000	\$ 26,704.00	\$ 73,048.00	\$ 46,344.00
9,000,000	\$ 30,042.00	\$ 82,179.00	\$ 52,137.00
10,000,000	\$ 33,380.00	\$ 91,310.00	\$ 57,930.00
15,000,000	\$ 50,070.00	\$ 136,965.00	\$ 86,895.00
22,000,000	\$ 73,436.00	\$ 200,882.00	\$ 127,446.00

# LARGE POWER TRANSMISSION - CBM

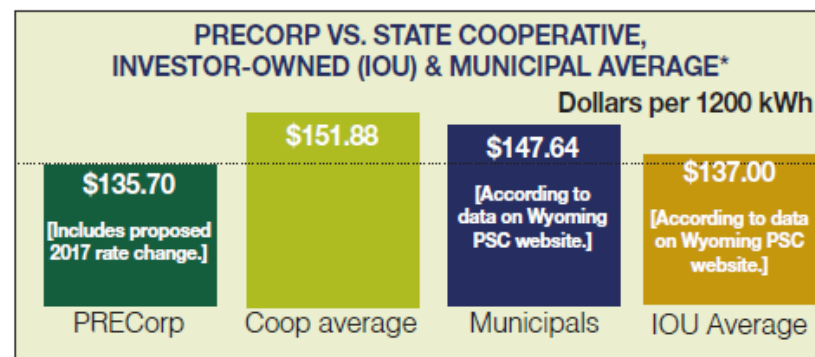
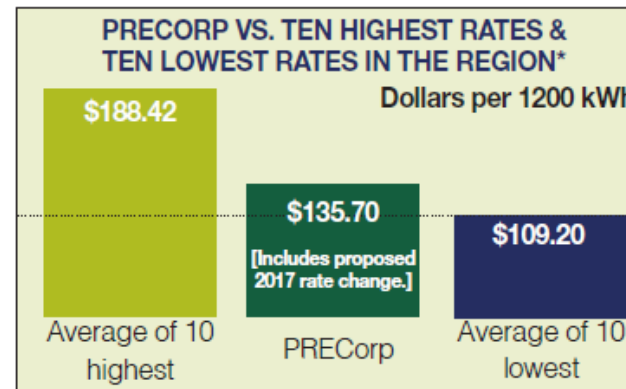
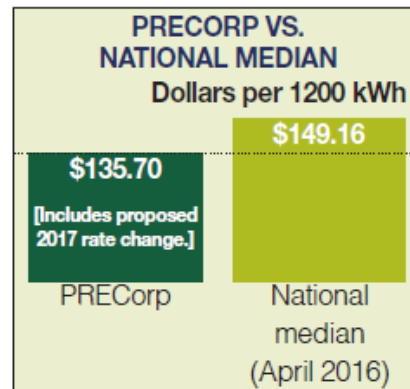
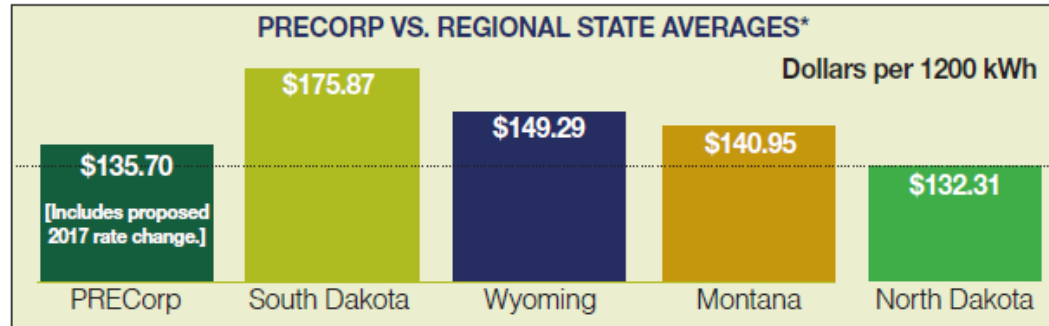
kWh Usage	Existing COPA	Proposed COPA	Change
	\$ 0.003961	\$ 0.012181	\$ 0.008220
100000	\$ 333.80	\$ 913.10	\$ 579.30
200000	\$ 667.60	\$ 1,826.20	\$ 1,158.60
300000	\$ 1,001.40	\$ 2,739.30	\$ 1,737.90
400000	\$ 1,335.20	\$ 3,652.40	\$ 2,317.20
500000	\$ 1,669.00	\$ 4,565.50	\$ 2,896.50
600000	\$ 2,002.80	\$ 5,478.60	\$ 3,475.80
700000	\$ 2,336.60	\$ 6,391.70	\$ 4,055.10
800000	\$ 2,670.40	\$ 7,304.80	\$ 4,634.40
900000	\$ 3,004.20	\$ 8,217.90	\$ 5,213.70
1000000	\$ 3,338.00	\$ 9,131.00	\$ 5,793.00



# 2017 ESTIMATED COST OF POWER ADJUSTMENT

- Approval of pending rates at the PSC will establish a new base cost of power in the COPA tariff
- The calculation of the COPA factor to be applied in 2017 will be revised accordingly
- Estimated as follows:
  - Remainder of System \$\$.006706
  - Large Power Transmission \$\$.006658
  - Large Power Transmission – CBM \$\$.009095

# RESIDENTIAL RATE COMPARISONS



\* - Data compiled in PRECorp survey of residential rates that are publicly available through power suppliers in the region on the Wyoming PSC website and EIA.gov. This is not inclusive of all power suppliers in the region.

## ■ PRECORP.COOP

- All 2016 COPA materials located on homepage under 2016 Rate Case
  - Website will continue be updated with related news as it becomes available
  - Rate calculators with current 2016 rates, 2016 rate with Mid-Year COPA and proposed 2017 rates now available
- Please contact PRECorp at **(800) 442-3630** with additional questions

- August 27, 2016 – Buffalo High School
  - 11 a.m. - Registration and Lunch
  - 1 p.m. - Business Meeting
  - Giveaways
  - Entertainment by bluegrass trio Prairie Wildfire



# QUESTIONS

Thank you!!