

PRECorp Telephone Town Hall Meeting

March 15, 2017

[Annotated Transcript]

Alison:

Hello. Hello and welcome. Welcome, everyone to our live telephone town hall meeting we have for you tonight with the Powder River Energy Co-Op. Please stay on the line as we dial out some more and more members. We can get everybody on the line before we start.

We have updates and a lot of information for you tonight, so please stay on the line. If you have a question now or at any time, please do not hesitate to press zero. That is zero on the keypad on your phone to get in line with a question.

I'll go through this a few more times as we continue our dial out and get more and more members on the line. If you are just joining us, welcome. Welcome to our live telephone town hall meeting we have for you tonight. You are on live with the Powder River Energy Co-Op. We have updates and information tonight for you, so definitely stay on the line for that.

Please press zero on the keypad on your phone to get in line with a question. Again, that is zero. Don't be shy. Any questions you have, get in line with those questions. Also, if you hear some information throughout the call and you have a question at that time, please feel free to press zero at that time.

Again, if you are just joining us, welcome everyone to our live telephone town hall meeting we have for you tonight. You are live on the line with Powder River Energy Co-Op. We have updates for you tonight so if you have any questions about that, please press zero on the keypad on your phone to get in line with those questions. See some people taking us up on that. Thank you so much. We really want to hear from you tonight, as well.

Bear with us one more minute here as we get more and more members on the line. Again, you are on a live telephone town hall meeting tonight with the Powder River Energy Co-Op. Definitely stay on the line. We have updates, information that you don't want to miss. If you have any questions now or at any time about anything you hear or anything that's going on, please press zero on the keypad on your phone to get in line with a question.

Again, last time that is zero to get in line with a question. We are well through our dial progress, so I will go ahead and pass this over to our CEO, Mike Easley. Go ahead, Sir.

Mike Easley:

Thanks, Alison, and good evening everybody. Thanks for joining us for our telephone town hall. I want to give everybody a real quick update and then as soon as we can, jump to any questions that you might have.

First thing I wanted just to mention a topic on our previous town halls has been a lot of the activity we've had at the Wyoming Public Service Commission. We did have our rate come into effect the first of the year. That was actually something that was approved toward the end of the summer. That has been in effect. We've certainly had lots of calls from our members asking questions about the power bill and certainly that's something that we're here to help you with and talk about it and expect to maybe get some questions on that this evening. Be looking forward to answering any questions you might have on that.

Our activity at the Public Service Commission is down to just two things before the Commission. One is a rules and regulations filing, which is a compliance filing to bring our rules in compliance with the newly revised Commission rules. The other one that we're working on is a new deposit policy to help us reduce the risk of power bill payment. We're changing the way we look at our deposits. The primary impact on that is for customers, members that are large industrial, large commercial customers are really the ones that that deposit policy is really going to be impacting.

You know we're seeing some better signs as far as the economics go. Clearly, we are out of the nosedive that we were into last year. We're really, we're not out of the woods. We're still cautiously watching how our systems sales go. We have a fairly tight margin for the year and we are still very much on a cost control and efficiency increasing and reducing expenses where we can.

We had a really good performance towards the end of the year last year. Our maintenance plan and our outage statistics were really great numbers. We probably are experiencing some of the best reliability and power quality that we've had, at least since I've been here. If anybody out there is experiencing any problems with power quality or reliability, whether you get an opportunity to talk to me about that tonight, make sure and call in and talk to our member services folks to help you with that.

The other thing I wanted to mention is as we're reducing costs, our number one priority is continue to work safely. We've been able to continue to do that. Employees have done a fantastic job. We have about 20 less employees than we had at this time last year. The primary reason for that has been mostly attrition and some retirements. Some folks have left the organization to seek other opportunities. We haven't had any sort of a massive layoff or anything like that. It's really been normal attrition with retirements and then some folks moving on to some other opportunities. That has certainly created lots of opportunities for efficiency.

We're very cautious about filling any positions, and we essentially just don't for as long as we can until it starts to impact our quality of service or safety, or our ability to get critical things done. We're just not filling those positions. I'm spending a lot of time with my staff and also with the board, trying to maintain that balance.

We are seeing some good news coming in on the coal sector. I know there's been some recent announcements of some contracts for coal out of some of the mines in our service territory. That's very good news for us. We're also seeing natural gas prices coming up just a little bit, and that's helping our coal and methane industry. Coming up here in the next month or so, we'll be traveling back to Washington, D.C. with the co-ops nationally to lobby on behalf of the co-op issues.

One of the things that we're very keen on is we know that we still need investments in advanced technology as it relates to a carbon capture and utilization and to continue to build on some of the things that we've been able to do in Wyoming with the integrated test center. Taking that message back to Washington, D.C., is very important.

Last but not least in the way of updates, the board did appoint a board member in at first of the year. His name is Bob Vergnani. Bob filled the vacant Campbell County seat that was vacated by Tom Davis. We do have elections coming up for four director positions at the Annual Meeting in August. Those positions will be from Campbell County, Crook County, Sheridan County, and Weston County. I just would encourage you to keep an eye on the Powder River insert in the WREN magazine for information on if you're interested in being a director or know somebody that might be, how to approach the nominating committee in order to get on the ballot, or how to get on the ballot through nomination by petition.

Those are just a quick update of the things that I wanted to bring to everybody's attention. Certainly would like to get to the part of answering any questions that you folks may have.

Alison:

Absolutely, and thank you so much. Thanks everyone for joining. Just a little housekeeping, here. Thank you so much for those updates, there. That was the CEO, Mike Easley of Powder River Energy Co-Op. If you have any questions about the updates you just heard, or any questions that you come up with about anything, please press zero on the keypad on your phone. Have a couple of people who did that. We will get to them in just a moment here.

First I want to ask a poll question of our audience. You respond on this on the keypad on your phone. The question goes like this, I'll read it a few times. Do you feel the outlook for the Wyoming economy is getting better or getting worse? If you feel the outlook is getting better, please press one, if you feel the outlook is getting worse, press two. I'll read that question again. If you feel the

outlook for the Wyoming economy is getting better or getting worse, please press one if you think it's getting better, or press two if you think it's getting worse.

While you are voting in on that, thank you all for doing that. We're going to go to Russell, live here. If you want to ask a question like Russell's about to, please don't hesitate to press zero on the keypad on your phone. Don't be shy, come on in.

Go ahead, Russell, we've got you live. Go ahead with where you're from and what your question is, Sir.

Russell: I'm from Rozet, Wyoming. My question was why my electric bill was significantly higher than last year.

Mike Easley: Yeah Russell, thanks for calling and teeing up that question. The biggest driver that we've seen in power bills that, questions that people have called and their power bills just seems extremely high compared to where we were last year, really has to do with weather. Any time the temperature is colder, obviously there's more kilowatt hour usage. A lot of our calls that have come in, we are able to look at the history for you, compare usage on a kilowatt hour basis from where you were this year to last year.

The rate case that we've gone through plus the cost of power adjustment, if you look back at a bill, back even in December of 2015, if you used 1,200 kilowatt hours, which is the average amount of electricity and obviously any individual can use more than that, depending on what they use, you bill would've been about \$108. This year, that same bill if you use 1,200 kilowatt hours would have been \$130. Roughly, \$23, \$24 difference. Probably 20% higher.

If you're seeing bills that are more than that, there could be a usage issue. It's important to call in and talk about that because if you have something in your house, an appliance or a pump that is malfunctioning somehow, it could also raise the usage. We want to make sure that it's if we are having high usage, that our member services folks or our engineering folks [through a scheduled energy audit] could help identify what may be driving that usage.

Would encourage you if you're seeing bills that are well over that 20% threshold that I mentioned, it'd be worth calling in and talking to one of our team to help chase that down.

Alison: Excellent, perfect. Thank you so much. We're going to go to our next question here in a minute, but I want to remind you, if you have any questions, please press zero on the keypad on your phone to get in line with that.

Next we're going to go to Tyson. He dialed in with a question but just did not want to go live, which is live. Tyson's question goes like this. Is PRECorp or Basin Electric anticipating any additional rate increases in 2017 or 2018?

Mike Easley:

We are not anticipating any rate increases. I know the Basin rate, that increase hit us in August of 2016 and all of Basin's financial forecasts that we've seen and even the current one they're working on does not show an increase at the Basin rate for several years. That doesn't mean that something horrible couldn't happen.

From PRECorp's perspective, we just implemented a rate increase in January. WE are hoping that we can make it through 2018, depending upon how our sales go. If our sales remain at the levels they are, we should be good through 2018. If our sales were to take a big decline, of which is possible, if we lost any significant load out of any of our customer segments, could put some pressure on rates.

We were able to carry into this year a little bit from our revenue deferral plan. We do have a little bit of a cushion that can carry forward into 2018. My guess is by 2019, we'll probably have a rate case filed at the Commission and don't really know what the effective date of that might be. Our hope is that when we do rate cases, we get two or three years out of a rate case before we have to go back.

If we got a little bit of growth on our system, that would sure help things a lot. We'll just have to wait and see. Right now, we're not anticipating anything for 2017 and hopefully 2018, as well.

Alison:

All right, excellent. Another reminder here to get in line with your own question, like Tyson did. Please press zero on the keypad on your phone. Next, we're going to go to a question from Susan. Came in earlier today via email. She wants to know how much specifically industrial sales revenue has PRECorp lost since 2015?

Mike Easley:

That's a great question. We lost about 18% of our revenue from our industrial classes and from a kilowatt hour sales perspective, we lost 15%. There were some classes that picked up a little bit. I know the coal mine sector itself was very much in decline last year. That has been a very, a pretty big struggle for us. One of the reasons that early last year we recognized these issues coming along at us. We really went to the PRECorp team looking at how we could trim expenses, sort of offset it to the best of our ability, you know the decline in sales, and the increase of expenses. That's why we were able to, with the help of the PRECorp team, reduce \$3 million out of our normal operating budget last year.

Had we not done that, we would have actually failed our financial ratios last year, which would have ... While that is not a disaster in itself, if we're not able

to correct that, it could certainly be a problem for us. We have both of our cases that we've had with the Public Service Commission, we came out of those with very clear decisions that the Commission supports us meeting our financial metrics and being financial healthy is a priority for us and also we're supported by the Public Service Commission on that.

Alison: Excellent. Thank you. Okay, audience. We are going to go to you next. We have another polling question for you. Just vote on this on the keypad on your phone, please, just like you did before.

The question goes like this. Are you participating in any of PRECorp efficiency programs such as heat rate, time of day rate, or efficiency loans. Please press one if you are, or two if you still need more information. Again, question goes like this. Are you participating in any of the PRECorp efficiency programs such as heart rate, time of day rate, or efficiency loans. Press one for yes, press two if you'd like more information.

Next, while you take a minute to vote on that, we're going to go to Cindy live on the line. If you want to ask a question like Cindy is just about to, please press zero on the keypad on your phone and we'll get you in line, too. Cindy, go ahead with your location and what your questions is.

Cindy: Hi Mike. How are your current employees handling the reduction in staffing, and the reassignment of duties?

Mike Easley: Thanks, Cindy. That's a great question. I think they are handling it exceptionally well but I would want to color that up just a little bit. First of all, last year we were in such a decline with our sales. I mean everybody jumped very hard to help us do these cost reductions and the \$3 million that I talked about were cost reductions that the employees helped generate. Also, last year, the employees, we did not do any base wage increases last year, and we also shifted medical benefits and other benefit costs so the employees were picking up a greater share.

As we were going through doing that, everybody was and continues to be all in in trying to serve our membership. Everybody takes I think a spirit of service as they go through this. One of my concerns as we move into this year, is when we've reduced our work force even through the normal attrition process to about 20 employees, people are getting a little, they're getting a little stressed out when we take a look at the work that we're shifting duties. As people leave, we have been in this sort of a constant process of who can cover what duties need to be done. That's beginning to probably play a little bit of a toll on everybody. Just hope that we can continue to keep a positive outlook for the employee team.

Things that we're really product of, we're focused on. Our outage statistics and some of the performance metrics that we've done are really great areas of

success in the team and we're highlighting those. We hope that our sales will level out and maybe continue to grow this year. That will certainly relieve some of the pressure that we're under. I can tell you how proud I am of the PRECorp team for how they've stepped up to serve our membership. I hope that the membership is also equally as proud.

Alison: Absolutely. We're going to go directly to our next live caller, Arlene. If you want to ask a question like Arlene is going to, please press zero on the keypad on your phone. Go ahead, Arlene. Tell us where you're from and what your question is. Arlene, can you hear me? Okay, looks like maybe she ... Oh, are you there? Go ahead.

Arlene: Yes, sorry. I was wondering how much does it cost to produce the monthly newsletter that we get in the mail, and how important is it to even have that? Is that an expense that you guys can cut off to maybe save members? I know for me personally, I don't even read it 95% of the time. It seems like you could find all the information that's in there, online on your website. I'm just wondering, what's it cost to produce that and is it really necessary?

Mike Easley: Arlene, besides having my feelings hurt. No, just kidding. If you're not going to read the whole magazine that's good, but make sure and read the CEO's Straight Talk because that is like the gem of the entire newsletter. Actually, the cost of that is about a dollar per member per month. It's a very cost efficient ... Because we actually align ourselves with all the other cooperatives in the state to produce most of that content, it's all very, it's fairly economical.

We've identified that newsletter as one of our main way we communicate with our employees. When we do notices and things like that, were we not using our newsletter, which we think is fairly inexpensive, we would be running articles and advertisements and we'd have a lot of other dollars that we'd spend just in communicating the changes that we have that we're required to communicate, but because of the Public Service Commission rules and rights. We do get some efficiencies in communicating.

We also know, because of our demographics, we do have members that are really astute and have internet access and are able to utilize a channel of the internet for communications. We also know we have lots of members that don't have the ability to have the access or are not good at it and rely quite heavily on the written articles and the magazine itself.

Alison: We're going to go to our next question that comes from Ben. He wants to know, is there anything the members can do to speed up an economic recovery for Wyoming?

Mike Easley: That is a great question, Ben. I would just want to say there's probably two things that I would ask the membership to be aware of and maybe to consider

doing. One is to advocate and support projects that are going on in Wyoming like the integrated test center.

The integrated test center is, it's a public private partnership between the state of Wyoming, based in electric who is our power supplier, Tri-State, who is a cooperative GNT that provides power to all the other Wyoming co-ops besides PRECorp plus Colorado, New Mexico, Nebraska. They are building a facility at the Dry Fork Station in Gillette where companies can come and test carbon capture and carbon utilization.

One of the first tenants of that facility is going to be the world renowned XPRIZE Foundation is having a Carbon XPRIZE where they'll be actually running a contest with a \$10 million prize to the successful team that can capture and utilize the most CO2 for the highest value. That contest will begin later this fall and will run for a couple years. Projects like that, supporting that, being aware of it are very important.

Then most recently, Governor Mead and the legislature was able to pass a bill for economic development. It's called the Endow Initiative, and that stands for the Economical Needed Diversity Options for Wyoming, which is essentially a 20-year plan for how we can diversify the state's economy and try to reduce our risk by diversifying our revenue streams. There is a big part of that ENDOW Initiative is getting public participation and public comment and input. I would request all the listeners on the phone to go to the Governor's website at governor.wyo.gov and you'll notice on there, there's a link to take the ENDOW survey. It's very important as a state, as the Governor and the folks that are working on that ENDOW Initiative move that forward, that they do hear from the residents of Wyoming.

I would say those two things, I think would be very simple and easy things that everybody out there could do to help support and speed up our economic recovery, and also make our state a little more resilient in the future so we won't potentially be in the same situation the next time the boom and bust cycle cycles around to the bust.

Alison: Sounds great. That is about all the time we have for questions tonight as we have reached the end of our allotted time. Mike, I will pass this back over to you. Please take us to the finish line.

Mike Easley: Everybody, thanks so much for spending some time with me this evening. It's always a pleasure to speak with you and answer your question. I just want to remind you that you are the owners of the company, and our job is to serve you. If you ever feel like that's not happening, please call and let us know. You can reach me or any member service person if you have any questions on your power bill, you can reach us at our toll free number, which is 800-442-3630.

I know there's going to continue to be lots of questions on folk's power bills as they finish up our winter months. We do have [2 or 3] programs that help with that through our efficiency. You can go to online bill payment. We do have a great program for zero interest loans if you need to replace an appliance... All those things are services that we provide and we'll certainly look forward to helping you sign up for those if those will be of any value to you.

Our next telephone town hall is going to be 6:30 p.m. on Wednesday, May 24th, and I look forward to our opportunity to dialogue again. Until then, have a good wrap to winter and maybe spring will be coming at us the next time that we talk. With that, I would also just remind everybody to be safe out there. Thanks a lot.