

August 2016

Powder River Energy Corporation
Update Prepared for

Rural Utilities Service

Presented August 22, 2016 by

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- Contract approvals from March 30, 2016 request
- PRECorp Update
 - Energy Downturn
 - Member Bankruptcies
 - Efforts to Manage Risk/Impacts related to downturn
 - Cooperative Outreach
 - PRECorp LRP, WP and related loan application



Contract Approvals

August 2016

- Powder River Energy Corporation
- Fergus Electric Cooperative, Inc.
- Tongue River Electric Cooperative, Inc.
- Basin Electric Power Cooperative



Energy Downturn

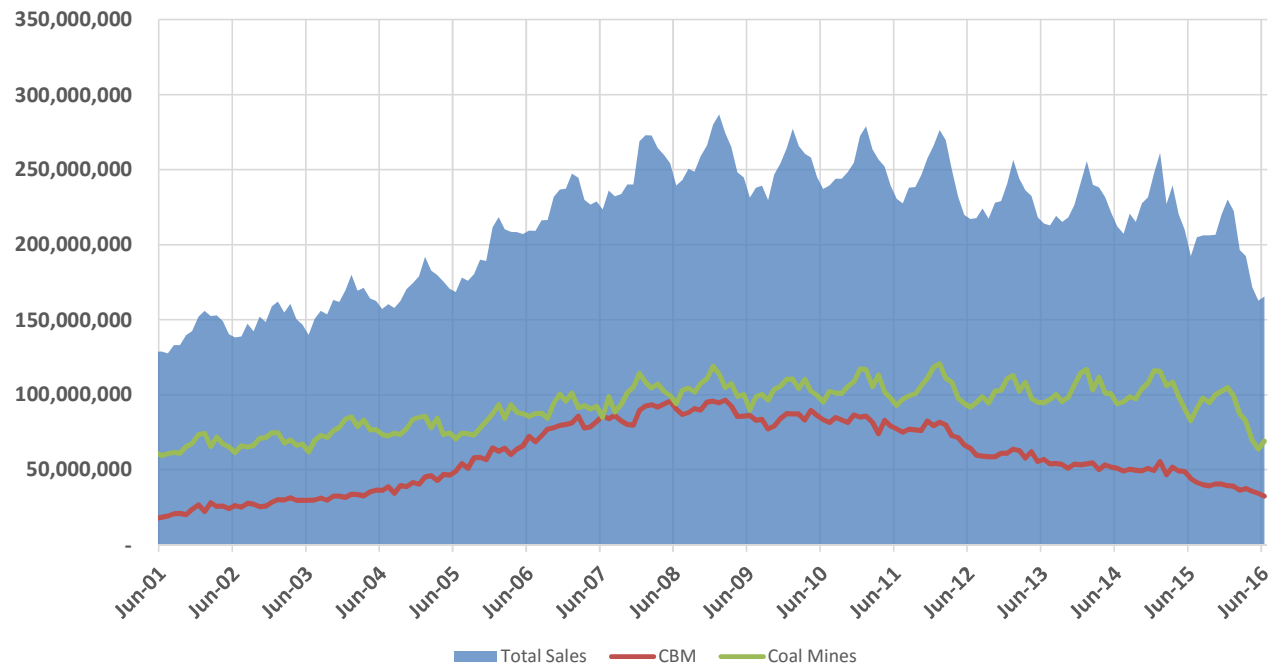
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From PRECorp's perspective the economic situation impacting northeastern Wyoming is deteriorating at an alarming rate.



Energy Downturn

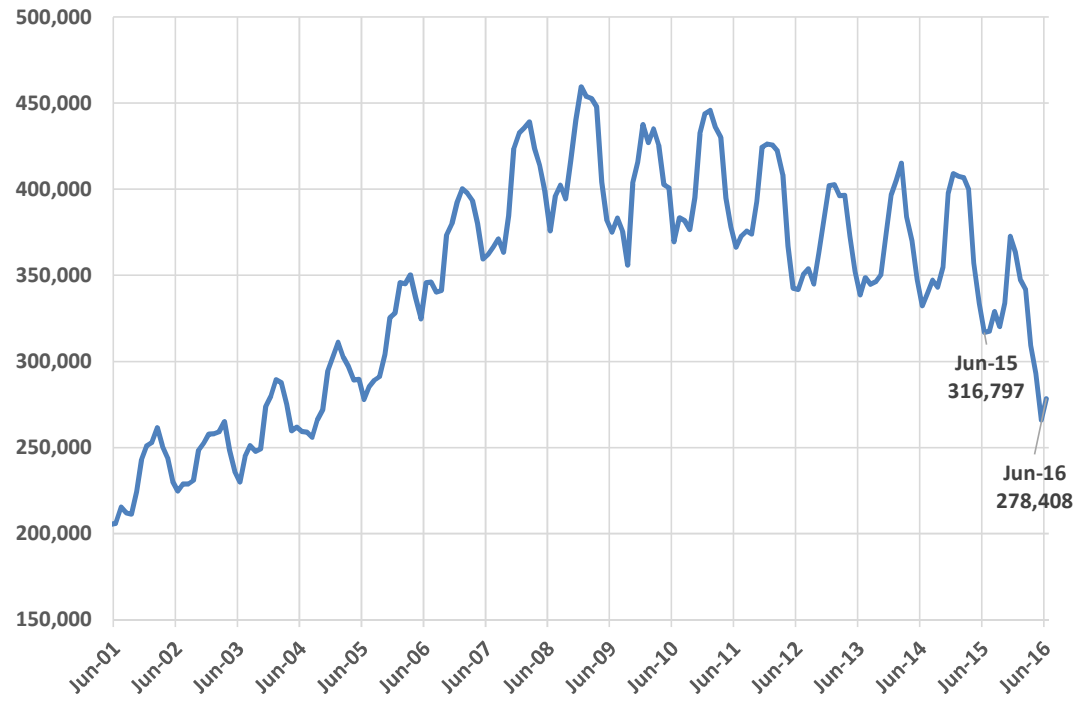
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Energy Downturn

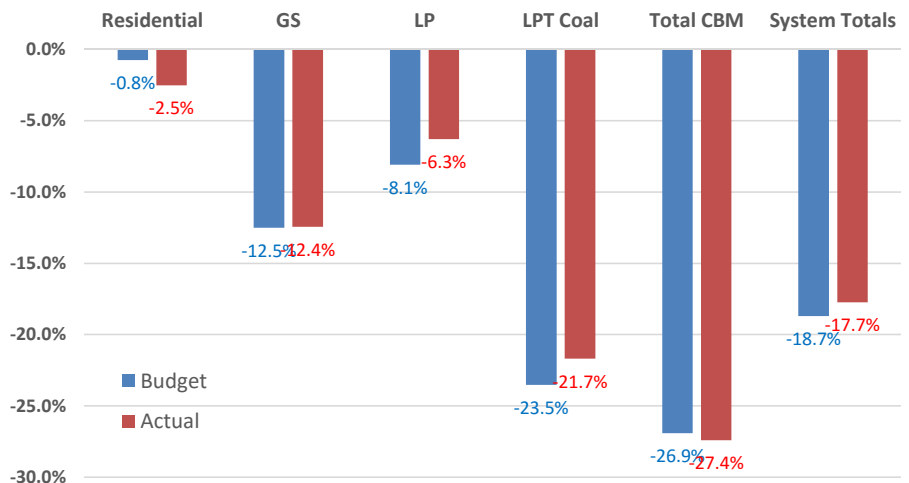
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Energy Downturn

August 2016



Year	kWh	Growth / (Decline)
2016	402,114,229	-22.5%
2015	518,953,670	-2.7%
2014	533,153,050	3.4%
2013	515,653,833	-3.0%
2012	531,661,644	-0.6%

Year	kWh	Growth / (Decline)
2016	182,346,425	-27.5%
2015	251,500,480	-4.4%
2014	263,150,561	-12.7%
2013	301,564,139	-18.9%
2012	371,718,678	-7.8%

- 12 Members have filed for bankruptcy since July 2015
 - Six (6) members total losses \$1,757,692
 - Six (6) members \$0 losses because special payment arrangements were in place for these members prior to filing for bankruptcy, minimizing the impact



Risk Management Strategy

August 2016

PRECorp is taking steps from almost every angle to manage the financial exposure and minimize the negative impacts on the remaining membership.



A Touchstone Energy® Cooperative

Risk Management Strategy Door Note and Disconnect Process

August 2016

- PRECorp took steps above and beyond WPSC approved Rules and Regulations to allow a member to pay, increasing exposure from the member perspective
- To reduce exposure, billing has separated commercial and residential members to apply different written notification periods prior to disconnection
- Modified procedures for door note delivery to reduce the amount of time from delinquency to disconnect



Risk Management Strategy Trade Insurance

August 2016

- Accounts receivable insurance provides some level of protection for membership
- Insurance company can drop coverage on high risk members upon review of financial statements at will
- Coverage is limited on some of the companies insured
- High risk products are also available for an increased premium cost, however that coverage has limited availability
- After review determined not a viable option



Risk Management Strategy Objective Credit Screen

August 2016

- PRECorp approved WPSC Rules and Regulations were modified for the ability to perform an objective credit screen to determine credit worthiness of current and new members
- Currently lack access to a credit model customized and robust enough to capture creditworthiness for the wide range of PRECorp members
- Engaged financial consulting firm to perform objective credit screens on Top 50 members by revenue and build a model to measure objective and comprehensive creditworthiness for all members



Risk Management Strategy Billing Cycle Changes

August 2016

- Exploring options within billing software provider to accommodate member agreements
 - Estimated billings
 - Pre-billing
 - Bi-monthly billing
- Restructure billing cycles to accelerate billing upon completion of the consumption period
- Payment terms will remain the same (20 days) and a 60 day deposit will cover most, if not all, exposure
- Offer shorter payment terms with a reduced deposit through a special member agreement



Risk Management Strategy Regulatory Actions

August 2016

- General Rate Case
 - \$11.5 million increase, OTIER request 1.5
 - Significant pushback from Intervenor on OTIER level
- Cost of Power Adjustment
 - Basin imposed mid-year rate increase effective August 1
 - PRECorp filed for adjust effective September 1
 - Three (3) Intervenors



Cooperative Outreach

August 2016

- IT Support
- GIS Support
- G&T



Cooperative Outreach G&T Formation

August 2016

Dorsey and Whitney

- Structural Model White Paper
 - Completed October 12, 2012
 - Federated G&T Model
 - Wholesale Power Contract Model



Cooperative Outreach G&T Formation

August 2016

Federated G&T Model

- PRECorp, Fergus and Tongue River decided to pursue Federated G&T Model after completing contracts and agreements for the Wholesale Power Model
- Work has continued with Dave Swanson and team of Dorsey and Whitney in preparing entity formation documents and requisite Board actions and related contract documents



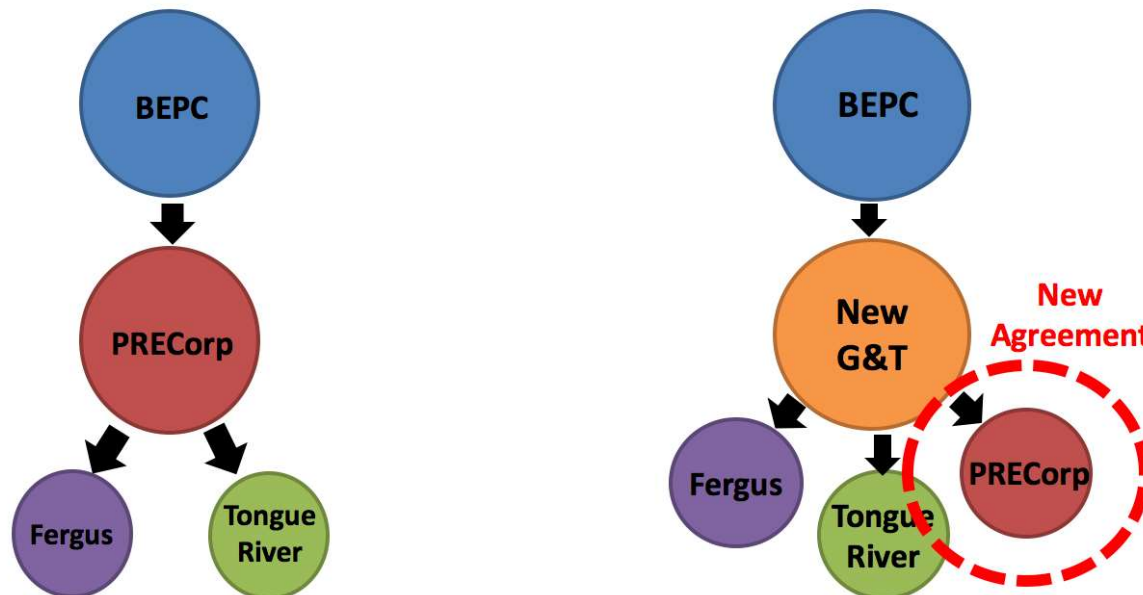
Cooperative Outreach G&T Formation

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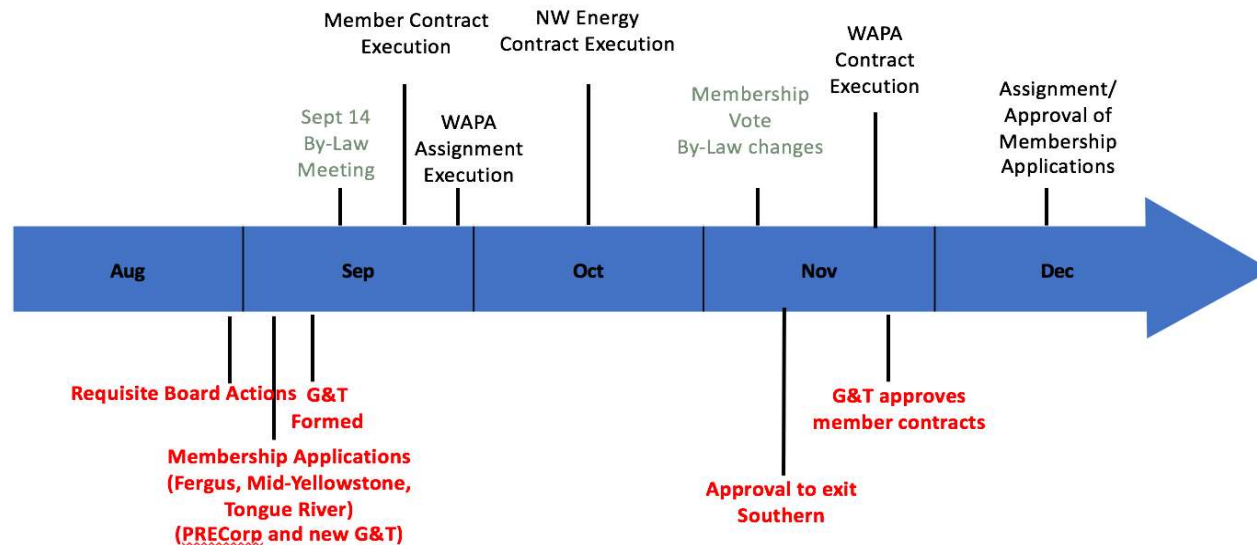
What has changed?

- Growing concerns about PRECorp's ability to maintain Class A Board seat
- Formation of G&T simplified by not transferring assets into G&T
- Opportunity for increased presence/visibility in preparation for growing movement and interest towards a west wide RTO
- Opportunities for other members increases due to more traditional structure
- The "PRECorp centric" nature of the provision of services may be limiting the full potential of the Cooperative Outreach strategy

Contract Assignment



Membership Application and By-Law Amendment Timeline



Long Range Plan

- Completed Objectives
 - Design Criteria
 - Load Forecast
 - Required Projects (regulatory, contractual, etc.)
- Created tools and methods to analyze and manage PRECorp system
 - Project Prioritization
 - Investment Driver Reasons
 - Preliminary Project Sheet
- Identified several recommendations to optimize PRECorp's system

LRP – Work Plan

- Created processes for Capital Budget governance
- Comprehensive Long Range Plan complete
- Long Range Plan used to develop Work Plan
- Focus on:
 - Managing Capital Budget
 - Project Order – Ranking/Cost
- Four (4) Year Plan Developed – Ready for GFR review
- Timeline 8/25 for GFR meeting
- On Track for Loan Application in May 2017

Discussion