
Basin Bill Credit

POWDER RIVER ENERGY CORPORATION
CUSTOMER MEETING
GILLETTE, WY
JANUARY 27, 2016



The presentation slides were given at the January 27 Customer Meeting. Notes have been added to clarify discussion points on certain slides

Strategy

- Allocate entire \$7.4 million credit to the rate classes based on power cost in rates.
- CBM rate classes allocation = \$1,627,359
- LPT-Coal rate class allocation = \$3,392,683
- All other classes = \$2,372,770

The allocations of the credit to the rate classes were made based on the relative power cost incurred for the sales to each rate class in 2014.

Strategy

- Reduce by class allocation for known defaults and create sub-provision for bad debt.

Alpha Coal West Inc	503,342
Alpha Wyoming Land Company LLC	11,636
Samson Resources Co	23,420
<u>Storm Cat Energy USA Corp</u>	<u>1,111,989</u>
Total	1,650,387

The total bad debt related to the Alpha entities listed here was reduced by the value of retired capital credits that were retained by PRECorp to offset the amounts owed. The total default by Alpha before the recovery of those capital credits was \$560,000.

Strategy

- LPT-Coal
 - Allocation = \$3,392,683
 - Alpha = (\$514,978)
 - Remaining = \$2,877,705
- CBM
 - Allocation = \$1,627,359
 - Stormcat = (\$1,111,989)
 - Remaining = \$515,369

Strategy

- All others
 - Allocation = \$2,372,770
 - Samson = (\$23,420)
 - Remaining = \$2,349,350
- Create a CBM RMF Fund with remaining \$515,369 and create an LPT-Coal RMF Fund for remaining \$2,877,705.
- Issue bill credit of \$2,349,350 to all other rate classes.

RMF Funds will only be used to pay the power expense due Basin which relates to the unpaid power bills.

Strategy

- Plan to retain for at least three years in an interest bearing account.
 - Assess and depending on economic outlook:
 - Revisit in year 2 of three year period and either schedule a refund through an adjusted COPA factor; or extend retention period by an additional year
 - Conduct subsequent reviews one-year prior to scheduled end of retention period.

Eide Bailly Response

- Not a true GAAP liability, because ultimate refunds are not assured under the strategy.
- Therefore a regulatory accounting entry will be required.
- RUS approval likely will be dependent on approval by the Wyoming Public Service Commission as our rate regulators, similar to our revenue deferral entries.

Questions
