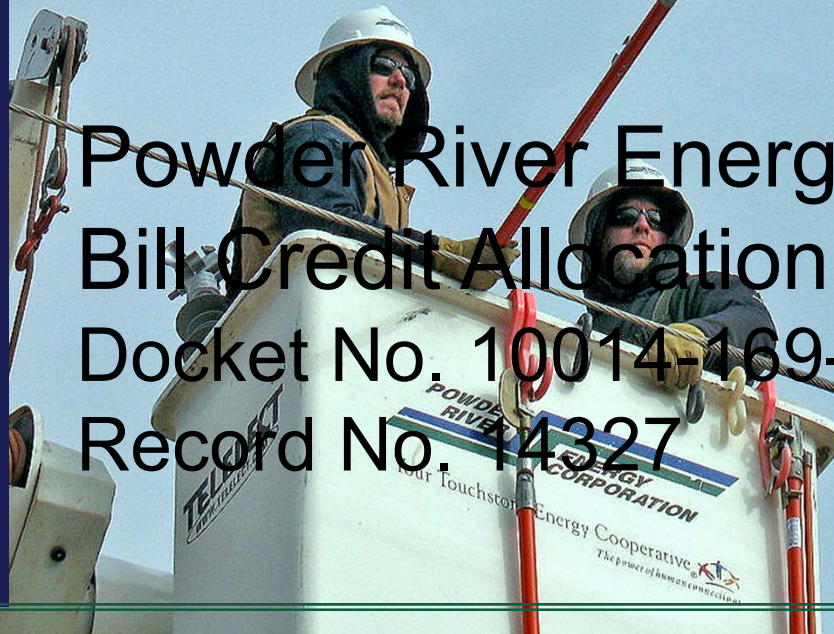


Bill Credit Allocation

February 25, 2016

Wyoming Public Service Commission
Open Meeting
Thursday, February 25, 2016

Powder River Energy Corporation
Bill Credit Allocation
Docket No. 10014-169-CP-16
Record No. 14327

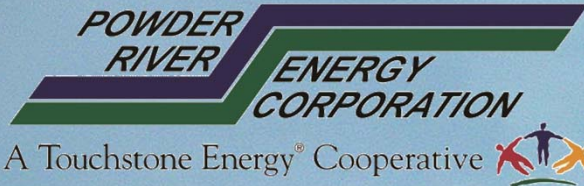


Proposed Treatment of Basin Bill Credit through 2016 Financials

PRECorp received a bill credit from Basin Electric Power Cooperative.

PRECorp plans to:

1. Use the Bill Credit to create a special Provision for Bad Debt for known defaults.
2. Add the remainder of margins created by the bill credit to the Revenue Deferral Plan.
3. Retire G&T Capital Credits to PRECorp Members in the amount of the bill credit less the provision for bad debt.



Form 7 – Statement of Operations Before Bill Credit

	2015 Financials	Budget 2015	Variance	Variance %
1. Operating Revenue and Patronage Capital	\$ 182,941,982	\$ 192,006,068	\$ (9,064,086)	-5%
2. Power Production Expense				
3. Cost of Purchased Power	\$ 144,204,515	\$ 151,377,829	\$ (7,173,314)	-5%
4. Transmission Expense	\$ 1,586,600	\$ 2,009,784	\$ (423,184)	-21%
5. Regional Markets Expense				
6. Distribution Expense - Operation	\$ 8,025,211	\$ 9,119,029	\$ (1,093,818)	-12%
7. Distribution Expense - Maintenance	\$ 4,968,385	\$ 4,404,736	\$ 563,649	13%
8. Consumer Accounts Expense	\$ 2,584,056	\$ 3,131,765	\$ (547,709)	-17%
9. Customer Service and Informational Expense	\$ 58,775	\$ 93,017	\$ (34,242)	-37%
10. Sales Expense	\$ 30,825		\$ 30,825	
11. Administrative and General Expense	\$ 6,998,971	\$ 6,648,448	\$ 350,523	5%
12. Total Operation & Maint. Expense (2 thru 11)	\$ 168,457,338	\$ 176,784,608	\$ (8,327,270)	-5%
13. Depreciation and Amortization Expense	\$ 10,870,923	\$ 9,534,037	\$ 1,336,886	14%
14. Tax Expense - Property & Gross Receipts	\$ 450,312	\$ 565,157	\$ (114,845)	-20%
15. Tax Expense - Other	\$ 61,401	\$ 60,048	\$ 1,353	2%
16. Interest on Long Term Debt	\$ 6,221,198	\$ 6,535,933	\$ (314,735)	-5%
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	\$ 43,245	\$ 59,042	\$ (15,797)	-27%
19. Other Deductions	\$ 215,712	\$ 160,072	\$ 55,640	35%
20. Total Cost of Electric Service (12 thru 19)	\$ 186,320,128.89	\$ 193,698,897	\$ (7,378,768)	-4%
21. Patronage Capital & Operating Margins (1-20)	\$ (3,378,147)	\$ (1,692,829)	\$ (1,685,318)	-100%

Form 7 – Statement of Operations After Bill Credit

	2015 Financials	Budget 2015	Variance	Variance %
1. Operating Revenue and Patronage Capital	\$ 182,941,982	\$ 192,006,068	\$ (9,064,086)	-5%
2. Power Production Expense				
3. Cost of Purchased Power	\$ 136,811,703	\$ 151,377,829	\$ (14,566,126)	-10%
4. Transmission Expense	\$ 1,586,600	\$ 2,009,784	\$ (423,184)	-21%
5. Regional Markets Expense				
6. Distribution Expense - Operation	\$ 8,025,211	\$ 9,119,029	\$ (1,093,818)	-12%
7. Distribution Expense - Maintenance	\$ 4,968,385	\$ 4,404,736	\$ 563,649	13%
8. Consumer Accounts Expense	\$ 2,584,056	\$ 3,131,765	\$ (547,709)	-17%
9. Customer Service and Informational Expense	\$ 58,775	\$ 93,017	\$ (34,242)	-37%
10. Sales Expense	\$ 30,825		\$ 30,825	
11. Administrative and General Expense	\$ 6,998,971	\$ 6,648,448	\$ 350,523	5%
12. Total Operation & Maint. Expense (2 thru 11)	\$ 161,064,526	\$ 176,784,608	\$ (15,720,082)	-9%
13. Depreciation and Amortization Expense	\$ 10,870,923	\$ 9,534,037	\$ 1,336,886	14%
14. Tax Expense - Property & Gross Receipts	\$ 450,312	\$ 565,157	\$ (114,845)	-20%
15. Tax Expense - Other	\$ 61,401	\$ 60,048	\$ 1,353	2%
16. Interest on Long Term Debt	\$ 6,221,198	\$ 6,535,933	\$ (314,735)	-5%
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	\$ 43,245	\$ 59,042	\$ (15,797)	-27%
19. Other Deductions	\$ 215,712	\$ 160,072	\$ 55,640	35%
20. Total Cost of Electric Service (12 thru 19)	\$ 178,927,317.36	\$ 193,698,897	\$ (14,771,580)	-8%
21. Patronage Capital & Operating Margins (1-20)	\$ 4,014,665	\$ (1,692,829)	\$ 5,707,494	337%

Add: Bad Debt Provision

	2015 Financials	Add to Bad Debt Provision	Total Before Deferral
1. Operating Revenue and Patronage Capital	\$ 182,941,982		\$ 182,941,982
2. Power Production Expense	\$ -		\$ -
3. Cost of Purchased Power	\$ 136,811,703		\$ 136,811,703
4. Transmission Expense	\$ 1,586,600		\$ 1,586,600
5. Regional Markets Expense	\$ -		\$ -
6. Distribution Expense - Operation	\$ 8,025,211		\$ 8,025,211
7. Distribution Expense - Maintenance	\$ 4,968,385		\$ 4,968,385
8. Consumer Accounts Expense	\$ 2,584,056	\$ 1,650,387	\$ 4,234,443
9. Customer Service and Informational Expense	\$ 58,775		\$ 58,775
10. Sales Expense	\$ 30,825		\$ 30,825
11. Administrative and General Expense	\$ 6,998,971		\$ 6,998,971
12. Total Operation & Maint. Expense (2 thru 11)	\$ 161,064,526	\$ 1,650,387	\$ 162,714,913
13. Depreciation and Amortization Expense	\$ 10,870,923		\$ 10,870,923
14. Tax Expense - Property & Gross Receipts	\$ 450,312		\$ 450,312
15. Tax Expense - Other	\$ 61,401		\$ 61,401
16. Interest on Long Term Debt	\$ 6,221,198		\$ 6,221,198
17. Interest Charged to Construction - Credit	\$ -		\$ -
18. Interest Expense - Other	\$ 43,245		\$ 43,245
19. Other Deductions	\$ 215,712		\$ 215,712
20. Total Cost of Electric Service (12 thru 19)	\$ 178,927,317.36	\$ 1,650,387	\$ 180,577,704
21. Patronage Capital & Operating Margins (1-20)	\$ 4,014,665	\$ (1,650,387)	\$ 2,364,278

Form 7 – Statement of Operations After Revenue Deferral

	Total Before Deferral	Defer 2015 Revenues	Final Form 7
1. Operating Revenue and Patronage Capital	\$ 182,941,982	\$ (2,050,000)	\$ 180,891,982
2. Power Production Expense	\$ -		\$ -
3. Cost of Purchased Power	\$ 136,811,703		\$ 136,811,703
4. Transmission Expense	\$ 1,586,600		\$ 1,586,600
5. Regional Markets Expense	\$ -		\$ -
6. Distribution Expense - Operation	\$ 8,025,211		\$ 8,025,211
7. Distribution Expense - Maintenance	\$ 4,968,385		\$ 4,968,385
8. Consumer Accounts Expense	\$ 4,234,443		\$ 4,234,443
9. Customer Service and Informational Expense	\$ 58,775		\$ 58,775
10. Sales Expense	\$ 30,825		\$ 30,825
11. Administrative and General Expense	\$ 6,998,971		\$ 6,998,971
12. Total Operation & Maint. Expense (2 thru 11)	\$ 162,714,913		\$ 162,714,913
13. Depreciation and Amortization Expense	\$ 10,870,923		\$ 10,870,923
14. Tax Expense - Property & Gross Receipts	\$ 450,312		\$ 450,312
15. Tax Expense - Other	\$ 61,401		\$ 61,401
16. Interest on Long Term Debt	\$ 6,221,198		\$ 6,221,198
17. Interest Charged to Construction - Credit	\$ -		\$ -
18. Interest Expense - Other	\$ 43,245		\$ 43,245
19. Other Deductions	\$ 215,712		\$ 215,712
20. Total Cost of Electric Service (12 thru 19)	\$ 180,577,704.44		\$ 180,577,704
21. Patronage Capital & Operating Margins (1-20)	\$ 2,364,278	\$ (2,050,000)	\$ 314,278
OTIER	1.430		1.101

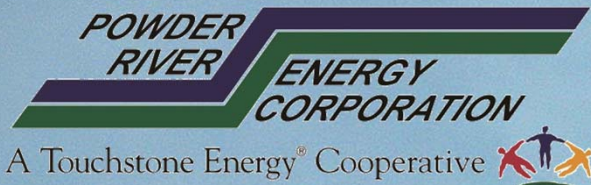
Balance of Revenue Deferral Plan = \$9,270,000

Revenue Deferral

- 2016 Budget operating margin deficit is \$7,864,228, and would require additional revenues or expense reductions of \$8,525,000.
- Increasing deferred revenue in the plan from the current \$7,220,000 to \$9,270,000 gives the opportunity to return 2016 to positive margins and an adequate RUS OTIER.

Proposed Treatment of Bill Credit

- In 2017, PRECorp will retire G&T capital credits, pro rata, in the years for which the credit was based, which was the period between October 2004 and October 2009.
- This retirement returns the settlement to the members who contributed to the overpayments.
- The proposed retirement amount is equal to the bill credit less the amount used to establish the sub-provision for bad debt = \$5,742,425.
- Board Resolution passed February 16, 2016.



Board Resolution 2016-04 Bill Credit Allocation

WHEREAS, Powder River Energy Corporation has received a bill credit from its wholesale power supplier, Basin Electric Power Cooperative, in December 2015; and

WHEREAS, the bill credit is related to Powder River Energy Corporation's wholesale power costs during the period from October 2004 to October 2009; and

WHEREAS, Powder River Energy Corporation has experienced an unanticipated decline in sales and revenues and significant losses in 2015 due to uncollected accounts receivable for the sale of electricity of \$1,650,387; and

WHEREAS, the Board of Directors of Powder River Energy Corporation believes that it is in the best interest of the membership to create a sub-provision for bad debt of \$1,650,387 to offset known losses in 2015 due to uncollected accounts receivable for the sale of electricity; and

WHEREAS, the Board of Directors of Powder River Energy Corporation believes it beneficial to flow the benefit of the bill credit to the 2015 margin; and

WHEREAS, the Board of Directors of Powder River Energy Corporation believes that it is equitable to return the bill credit received to members purchasing electricity from October 2004 to October 2009 since that is the time frame used by Basin as a basis for the bill credit; and

NOW THEREFORE BE IT RESOLVED, a sub-provision for bad debt to offset known losses due to uncollected accounts receivable for the sale of electricity in 2015 in the amount of \$1,650,387 will be created; and

BE IT FURTHER RESOLVED, that Powder River Energy Corporation will retire, pro rata, a portion of the G&T capital credits allocated to its members based upon power cost purchases from Basin Electric Power Cooperative during the period from October 2004 to October 2009 as a Special Retirement of capital credits; and

BE IT FURTHER RESOLVED, that, absent PSC direction to return the bill credit through the Cost of Power Adjustment (COPA), Powder River Energy Corporation will complete a Special Retirement of capital credits in 2017 in the amount of \$5,742,425.

Positive Results of These Actions

- PRECorp maintains a positive OTIER in 2015 without using revenue deferral funds, and can likely utilize revenue deferral funds in 2016 to meet the OTIER obligation.
- The provision for bad debt is increased for known defaults, which gives stability to the income statement in future years when those defaults would have impacted margins.
- Members who effectively over-paid due to Basin's higher rates in 2004-2009 receive G&T capital credit retirements.
- Any amount a member owed PRECorp at the time of retirement would be deducted from the retirement.

Discussion

