



Risk Management Update

April 12, 2016

Wyoming Public Service Commission
Open Meeting
Tuesday, April 12, 2016

Powder River Energy Corporation
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Update Topics

- Changes to PRECorp door noting and disconnect procedure
- Member bankruptcy activity
- Accounts receivable insurance
- Objective credit screen process
- Availability of financial information from privately held companies
- Reduction of time required to render bills for commercial accounts
- Efforts to seek “mutually agreeable resolution” to situations involving perceived payment risk

Door Note and Disconnect Process

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- PRECorp currently takes steps above and beyond approved rules and regulations to allow a member to pay
 - The disconnect process can extend out weeks to almost a month depending on many variables
- To reduce exposure, separating collection process for commercial and residential members to apply the seven and three day notification rule
- Follow rules and regulations for door note procedures
 - Winter months – first attempt contact by phone
 - Save the membership the cost of hanging door notes
~ \$32,000
 - Reduce the amount of time from delinquency to disconnect



Member Bankruptcies

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- Alpha Coal West Inc. (Alpha Natural Resources) - \$503,342
- Alpha Wyoming Land Company (Alpha Natural Resources) - \$11,363
- Thunder Basin Coal Company (Arch Coal Inc.) - \$0 (special payment agreement was in place before Arch Coal filed for bankruptcy, used deposit money and they replenished deposit to the appropriate balance)
- Argent Energy Trust - \$101,568
- Edwards Exploration LLC - \$5,737
- Samson Resources Corporation - \$23,420
- Storm Cat Energy USA Operating Corp - \$1,111,989 (did not file for bankruptcy)

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- Accounts receivable insurance provides some level of protection for membership
- Insurance company can drop coverage on high risk members upon review of financial statements
- 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

Billing Cycle Changes

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- Exploring options within billing to accommodate member agreements
 - Estimated billings
 - Pre-billing
 - Bi-monthly billing
- Restructure billing 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 member agreement

Objective Credit Screen

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- Rules and Regulations call for an objective credit screen to determine credit worthiness
- Currently lack access to a credit model customized and robust enough to capture creditworthiness for PRECorp members
- Engaged RMG Financial to build a model to measure objective and comprehensive creditworthiness for all members



Publicly & Privately Held Member Financials

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- Gauge the financial agility of all members in order to build an objective credit model
- Establish the benchmark of key measurements
- Request sent to PRECorp top 50 members for most recent three year audited financial statements with accompanying notes
- In lieu of providing financial statements, requesting 60 day deposit
- If unwilling to provide either, PRECorp will consider making a confidential filing with the PSC



Risk Management Strategy

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- From PRECorp's perspective the economic situation impacting northeastern Wyoming is deteriorating at an alarming rate
- PRECorp is taking steps from almost every angle to manage the financial exposure and minimize the negative impacts on the remaining membership

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Discussion