

2018 Financial Reports

REPORT OF THE PRECORP BOARD SECRETARY/TREASURER

It is my pleasure to present to you the Treasurer's Report. As you will see in this report, the financial statements reflect the sound financial status of Powder River Energy Corporation (PRECorp).

The PRECorp Board of Directors has examined the balance sheet and income statement for the year ended December 31, 2018, and review the Cooperative's financials on a monthly basis. The

accounting procedures and principles used by the cooperative are kept in accordance with the Rural Utilities Service's (RUS) standards, and are examined annually by independent audit.

Complete versions of our annual audit, including the income statement and balance sheet, are on file at the Cooperative's office.

- *Gerry Geis, Secretary/Treasurer*



REPORT FROM THE CHIEF FINANCIAL AND ADMINISTRATION OFFICER

In 2018, PRECorp's total sales declined by 4.1% after an increase of .7% in 2017. Total sales were sufficient in providing a positive operating margin at current rates.

As PRECorp looks forward through 2019 and 2020, a continued focus is being placed on mitigating bad debt, a 2019 rate case filing with rates effective in 2020, planning for continuing sales declines, and at

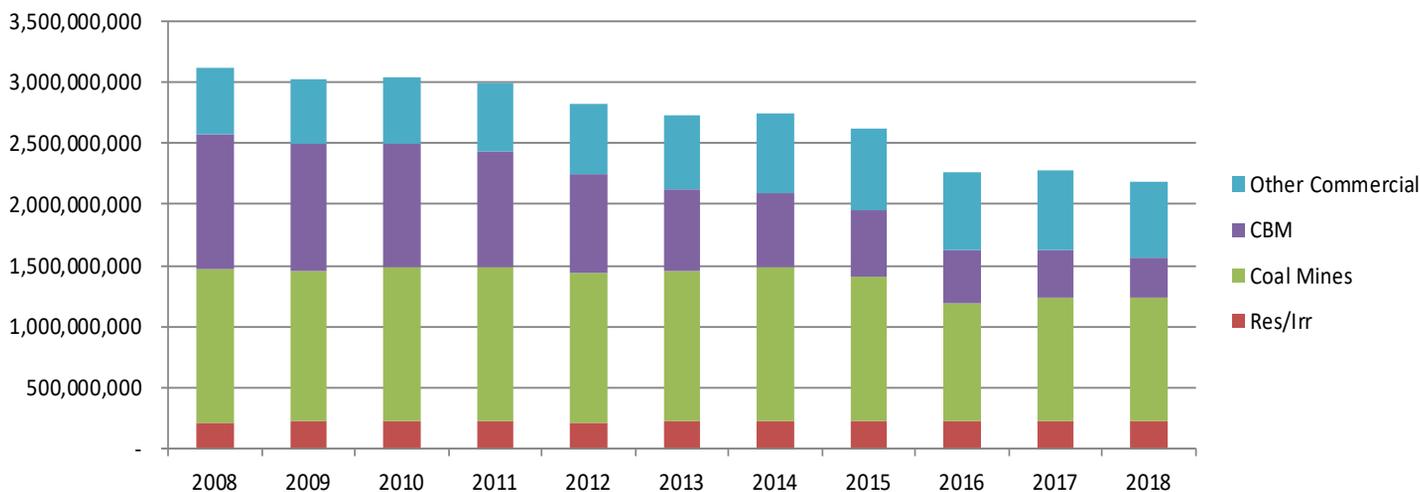
the same time focusing on operational efficiencies and strategies that have a positive impact on the Cooperative's financials.

PRECorp strives to keep your rates predictable and stable, while maintaining a reliable distribution system and financially strong cooperative.

- *Joanne Kolb/ PRECorp Chief Financial and Administration Officer*



PRECorp history of kWh sales since 2008



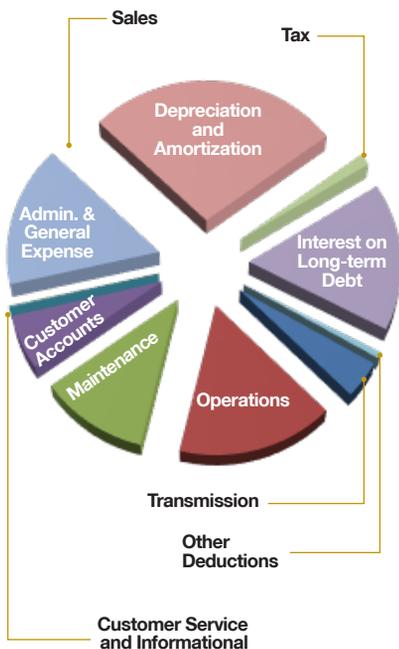
The chart above shows PRECorp's kilowatt sales over the past decade. The purple bar depicts CBM sales as a part of the whole. CBM sales peaked in 2008, and have been declining since that time, and are now below 2005 sales.

Comparative Statement of Operations

INCOME STATEMENT

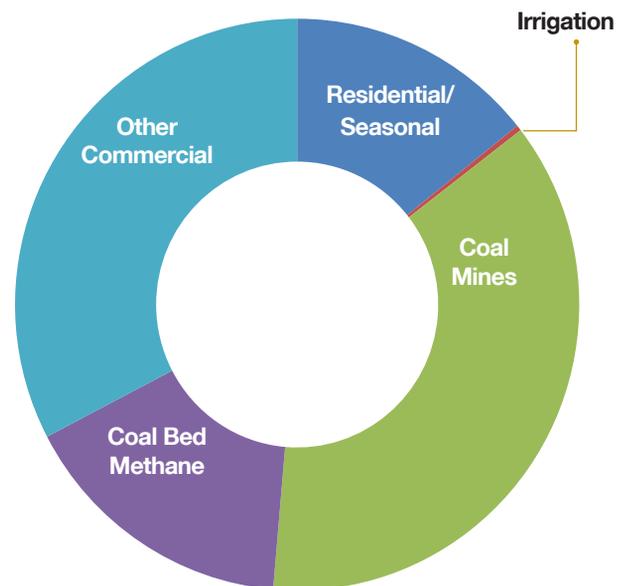
	2017	2018	% of Revenue
OPERATING REVENUE AND PATRONAGE CAPITAL	\$ 191,161,757	\$ 180,051,356	
Less: Cost of Purchased Power	\$ 150,153,057	\$ 139,808,705	77.6%
Gross Margin	\$ 41,008,700	\$ 40,242,651	22.4%
Less: Operating Expenses	\$ 40,115,900	\$ 39,315,763	21.8%
Operating Margins	\$ 892,800	\$ 926,888	00.6%
Plus: Interest and Other Income	\$ 4,530,104	\$ 2,248,444	
Plus: Capital Credit Allocations	\$ 7,226,129	\$ 20,037,416	
NET MARGINS	\$ 12,649,033	\$ 23,212,749	

2018 OPERATING EXPENSE BY CATEGORY



Transmission	\$1,528,401	3.89%
Operations	\$6,656,962	16.93%
Sales	\$4,955	0.01%
Maintenance	\$4,195,620	10.67%
Customer Accounts	\$2,456,009	6.25%
Customer Service and Informational	\$53,020	0.13%
Administrative and General	\$6,170,748	15.70%
Depreciation and Amortization	\$10,745,460	27.33%
Tax	\$562,712	1.43%
Interest on Long-Term Debt and Other	\$6,676,868	16.98%
Other Deductions	\$265,008	0.67%
Operating Expenses	\$39,315,763	

REVENUE FROM SALES OF ELECTRICITY*



Residential/Seasonal	\$25,163,009	14.25%
Irrigation	\$551,292	0.31%
Coal Mines	\$65,005,528	36.80%
CBM	\$28,252,791	15.99%
Other Commercial	\$57,667,546	32.65%
Total	\$176,640,166	100.0%

* This breakout of PRECorp's revenue from sales of electricity does not include other non-sales revenue.

Comparative Balance Sheet

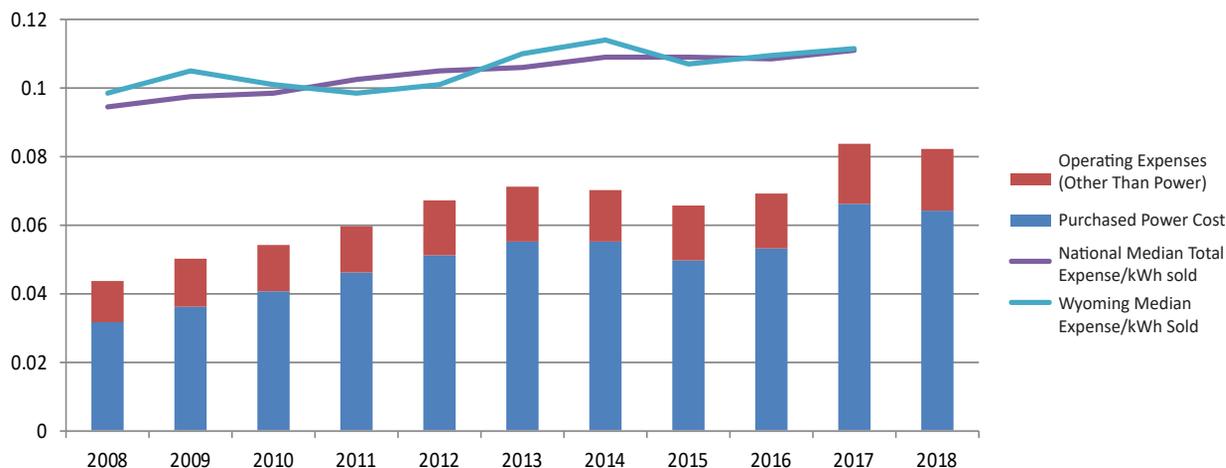
BALANCE SHEET

For the year ended December 31
2017 2018

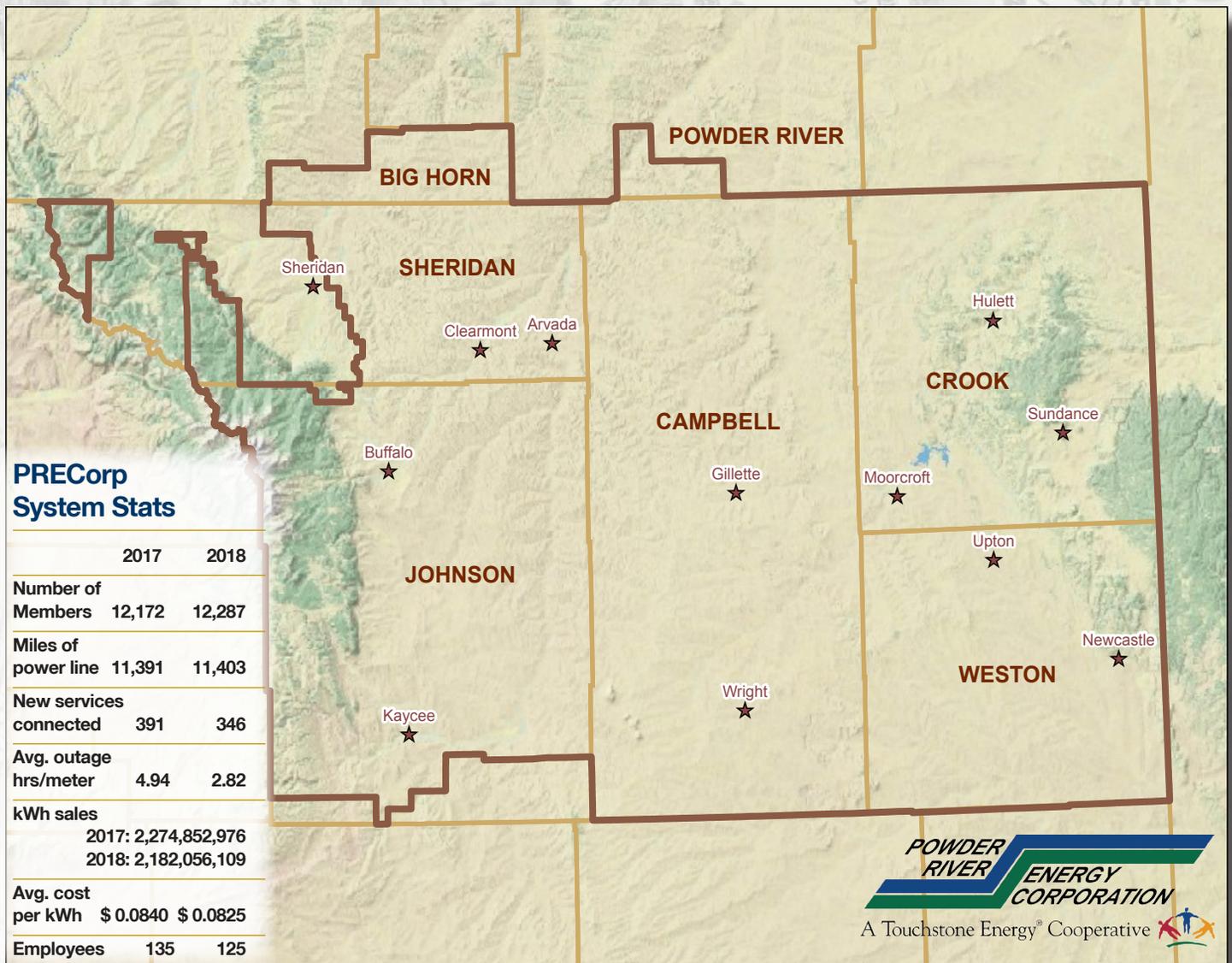
Utility Plant (net)		\$ 209,420,802	\$ 209,526,594
Other Property And Investments	Non-Utility Property (net)	\$ 122,436	\$ 111,669
	Investments in Associated Organizations	\$ 131,945,600	\$ 145,703,045
	Other Investments	\$ 30,955,159	\$ 31,434,976
		\$ 163,023,195	\$ 177,249,690
Current Assets	Cash and Cash Equivalents	\$ 48,164,060	\$ 58,878,545
	Accounts Receivable (net)	\$ 17,888,730	\$ 15,637,992
	Other Accounts Receivable	\$ 625,604	\$ 761,845
	Materials and Supplies	\$ 6,531,808	\$ 6,319,586
	Other Current Assets	\$ 459,030	\$ 496,479
		\$ 73,669,232	\$ 82,094,447
Regulatory Assets		\$ 0	\$ 0
Deferred Debits		\$ 511,027	\$ 255,135
TOTAL ASSETS		\$ 446,624,256	\$ 469,125,865
Equity And Margins		\$ 218,025,553	\$ 234,066,960
Long Term Debt (Net Of Current Maturities)		\$ 151,734,579	\$ 155,902,264
Other Non-Current Liabilities		\$ 2,933,460	\$ 2,509,684
Current Liabilities	Notes Payable	\$ -	\$ -
	Accounts Payable	\$ 15,700,104	\$ 15,008,392
	Other Current Liabilities	\$ 17,940,488	\$ 20,639,159
	Current Maturities of Long Term Debt	\$ 7,478,243	\$ 6,778,296
		\$ 41,118,835	\$ 42,425,847
Regulatory Liabilities		\$ 5,078,790	\$ 5,502,810
Deferred Credits		\$ 27,733,039	\$ 28,718,300
TOTAL EQUITY AND LIABILITIES		\$ 446,624,256	\$ 469,125,865

PRECorp Operating Expenses Per kWh Sold

The cost of power has an increasing trend until 2018, but PRECorp's other expenses decreased in 2018. Additionally, PRECorp's total expenses per kilowatt hour (kWh) sold, remain below national and state medians.



PRECorp Service Territory



PRECorp Board of Directors

Campbell County:

Gerry Geis, Board Secretary-Treasurer
Alison Gee

Crook County:

Philip Habeck, Board Vice-President;
Members 1st Board President
Paul Baker, Basin Electric Board member;
Members 1st Board member

Johnson County:

Jim Purdy
Mike Lohse, WREA Board member

Sheridan County:

Jim Baumgartner, Members 1st Board member
Mike Helvey

Weston County:

Reuben Ritthaler, Wyoming Rep to NRECA
Walt Christensen, Board President

PRECorp Customer Mix

	End of 2017	End of 2018	+/-
Residential	15,010	15,174	+164
Seasonal	3,429	3,350	-79
Irrigation	236	241	+5
General Service	5,633	5,730	+97
General Service CBM	585	599	+14
Large Power	1,135	1,175	+40
Large Power CBM	689	627	-62
LPT Coal Mines	13	13	0
LPT General	1	1	0
LPT CBM	5	5	0
LPC CBM	0	0	0
Street Lights	27	28	+1
TOTAL	26,763	26,943	+180

PRECorp Accounts By County for 2018

	Accounts
Campbell	13,116
Converse	2
Crook	6,170
Johnson	2,927
Niobrara	3
Sheridan	1,371
Weston	3,172
Montana	183
Total	26,943