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January 6, 2020

Mr. Chris Petrie
Wyoming Public Service Commission
Hansen Building, Suite 300
2515 Warren Avenue
Cheyenne, WY 82002

Re: Docket No. 10014-206-CK-20
Contract Filing

Dear Mr. Petrie,

Enclosed please find one (1) original and four (4) copies of a Memorandum of Understanding between Cloud Peak Energy Resources, LLC (CPE) and Powder River Energy Corporation (PRECorp). The purpose of this filing is to memorialize this agreement regarding piloting a non-residential heat rate program at Spring Creek Mine. The initial pilot was conducted October 1, 2018 through April 30, 2019, prior to the Non-Residential Heat Rate filing which went into effect on July 1, 2019 (Docket No. 10014-199-CT-19 Record No. 15252).

These documents have also been filed electronically on the Commission's Document Management System.

Thank you for your consideration.

Sincerely,

Michael E. Easley
Chief Executive Officer

MEE/sjp

Enclosures

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MOU) made by and between Powder River Energy Corporation, a Wyoming cooperative utility, whose address is P.O. Box 930, Sundance, WY 82729 (PRECorp) and Cloud Peak Energy Resources LLC, a Delaware limited liability company, whose address is P.O. Box 3001, Gillette, WY 82717 (Cloud Peak). The above-described entities are sometimes collectively referred to herein as the Parties and individually as a Party.

RECITALS

WHEREAS the Parties desire to jointly participate in a non-residential heat rate pilot program; and

WHEREAS the Parties desire to outline the terms and conditions which will govern the non-residential heat rate pilot program; and

WHEREAS the Parties desire to implement the pilot program prior to or during the heating usage months of October-April, subject to Article 6; and

WHEREAS PRECorp desires to identify metering costs as well as determine the meter/communication logistics in order to add non-residential loads to PRECorp's heat rate credit program; and

WHEREAS PRECorp desires to assist Cloud Peak in validating Cloud Peak's load estimating methodology used to determine which additional electric resistance heating loads are best suited for participation in a heat rate program following the potential approval of a new tariff by the Wyoming Public Service Commission; and

WHEREAS Cloud Peak desires to potentially save money on two electric resistance heat loads under a financial structure that ensures investment neutrality for both PRECorp and Cloud Peak,

IT IS THEREFORE AGREED AS FOLLOWS:

1. Cloud Peak will select two pilot loads in collaboration with PRECorp representatives to ensure necessary communications are in place to support a non-residential heat rate pilot program.
2. Cloud Peak shall pay for installation of PRECorp approved equipment necessary to meter the electric heat installation loads identified in paragraph 1 separately from other Cloud Peak loads.
3. Any additional metering equipment required to support the non-residential heat rate pilot program will be installed in a manner that meets all standards set by PRECorp.
4. Cloud Peak will provide PRECorp with estimates for installation of the necessary approved equipment to meter the electric heat installation loads identified by Cloud Peak pursuant to this

MOU. The installation costs agreed to between Cloud Peak and PRECorp will be the "Break Even Amount".

5. PRECorp guarantees payment of heat rate credits on the two pilot loads consistent with Basin Electric Power Cooperative's Schedule A - Non-Controlled Electric/Dual Space Heat Rate as adjusted and provided under PRECorp's approved Residential Heat Rate tariff. The heat rate credit is subject to change annually effective each January 1. At the time of the execution of this MOU the heat rate credit is \$0.03981 per kWh.

6. The Parties agree heat rate credits will be available only for metered electric resistant heat usage at the two sites identified within the pilot program during the months of October 1 through April 30 as currently defined in PRECorp's Residential Heat Rate tariff. As long as Cloud Peak remains in the pilot program, PRECorp will pay a heat rate credit at a rate consistent with the credit amount and terms in effect in PRECorp's Residential Heat Rate tariff until the full Break Even Amount is recouped.

7. In the event a non-residential Heat Rate Credit Tariff for which Cloud Peak's piloted loads qualify, is approved by the Wyoming Public Service Commission before the Break Even Amount is recouped, the accounts and associated loads within the pilot program will be switched to the new tariff rate and subject to terms which have been approved by the Wyoming Public Service Commission.

8. Parties recognize that the Basin Electric Power Cooperative's Schedule A - Non-Controlled Electric/Dual Space Heat Rate may be discontinued at any time following the 2018-19 heat load season. Parties also recognize that Basin's most recent published rates suggest an intention to continue the rate through at least 2023. With this understanding, should Basin discontinue the heat rate credit program before Cloud Peak reaches its Break Even Amount invested both parties agree to evenly split the remaining unrecovered Break Even Amount. See Exhibit 1 – Basin Electric Power Cooperative Schedule A – non-Controlled Electric/Dual Space Heat Rate.

9. Cloud Peak may choose to discontinue participation in the pilot program at any time with thirty days advance notice. However, should Cloud Peak terminate or discontinue participation prior to reaching the Break Even Amount for their meter installation costs PRECorp shall be under no obligation to pay Cloud Peak for unrecovered expenses associated with the pilot program other than as set forth in paragraph 8.

10. The Parties agree to work together in a cooperative manner to complete the non-residential heat rate program pilot.

11. To reduce meter reading and communication costs of the pilot, Cloud Peak agrees to manually read the heat rate meters on the last day of each month during the months of October-April throughout the pilot program and provide the readings to PRECorp (for billing) by the second of each month. As a billing control, PRECorp will manually read and verify the heat-rate meter readings provided by Cloud Peak at least once per quarter.

DATED this 16 day of October, 2018.

Powder River Energy Corporation

Cloud Peak Energy Resources LLC

Joanne Kolb
Michael E. Easley, Chief Executive Officer
Powder River Energy Corporation
*Joanne L. Kolb
Chief Financial + Admin. Officer
(CFAO)*

Dave Schwend
Dave Schwend
General Manager, Spring Creek Coal
Cloud Peak Energy Resources, LLC

STATE OF WYOMING)
: ss
COUNTY OF CROOK)

On the 18th day of October, 2018, Joanne L. Kolb ~~Michael E. Easley~~ appeared before me, was personally known to me and after being duly sworn upon his oath stated that he was the ~~Chief Executive Officer~~ *CFAO* of Powder River Energy Corporation, the seal affixed to the instrument was the corporate seal of the corporation, the instrument was signed and sealed on behalf of the corporation and by authority of its board of directors Michael E. Easley executed the instrument on behalf of the corporation and acknowledged it to be the free act and deed of the corporation.

Witness my hand and official seal.



Stephanie Pribilske
Notary Public

My Commission Expires:

Montana
STATE OF ~~WYOMING~~)
Big Horn : ss
COUNTY OF ~~CAMPBELL~~)

On the 16th day of October, 2018, Dave Schwend appeared before me, was personally known to me and after being duly sworn upon his oath stated he was the General Manager of Spring Creek Coal, Cloud Peak Energy Resources LLC, the seal affixed to the instrument was the corporate seal of the corporation, the instrument was signed and sealed on behalf of the corporation and by authority of its Board of Directors Dave Schwend executed the instrument on behalf of the corporation and acknowledged it to be the free act and deed of the corporation.

Witness my hand and official seal.

My Commission Expires:



Jennifer Dahmer
Notary Public