

2017 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, 2017, 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

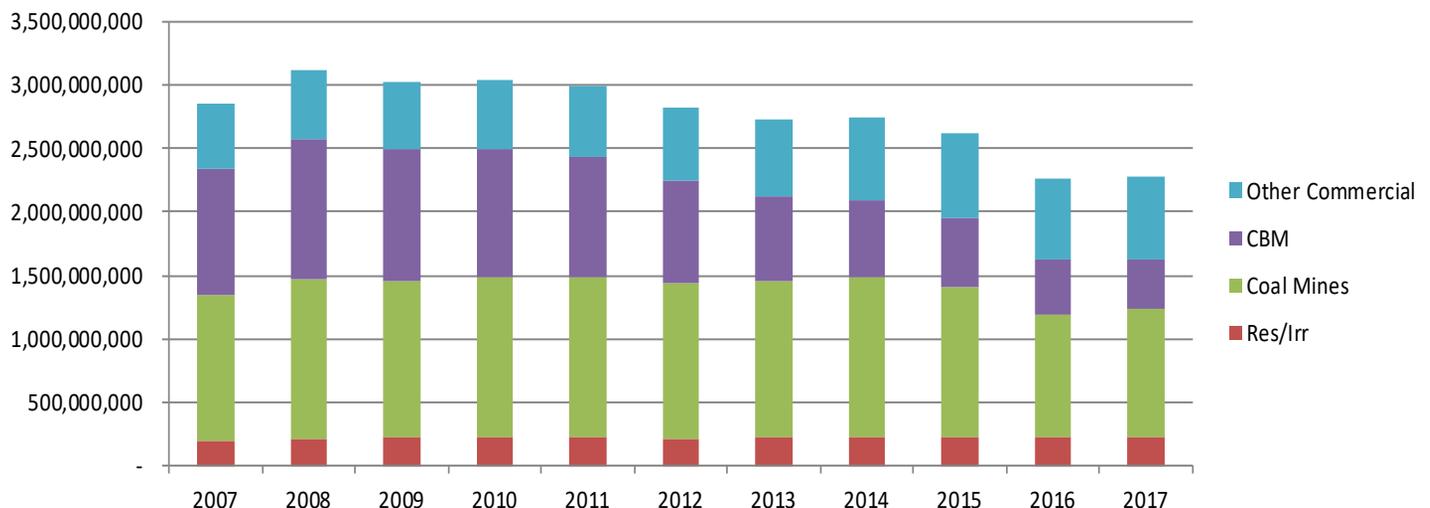


In 2017, PRECorp's total sales increased by .7% after a decline of 13.9% in 2016. Total sales were sufficient in providing a positive operating margin at current rates. In December, PRECorp deferred \$1.4 million in revenue to maintain positive operating margins and meet mortgage requirements in the future. As PRECorp looks forward through

2018 and 2019, a continued focus is being placed on mitigating bad debt risk with work on a credit policy, 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 2007



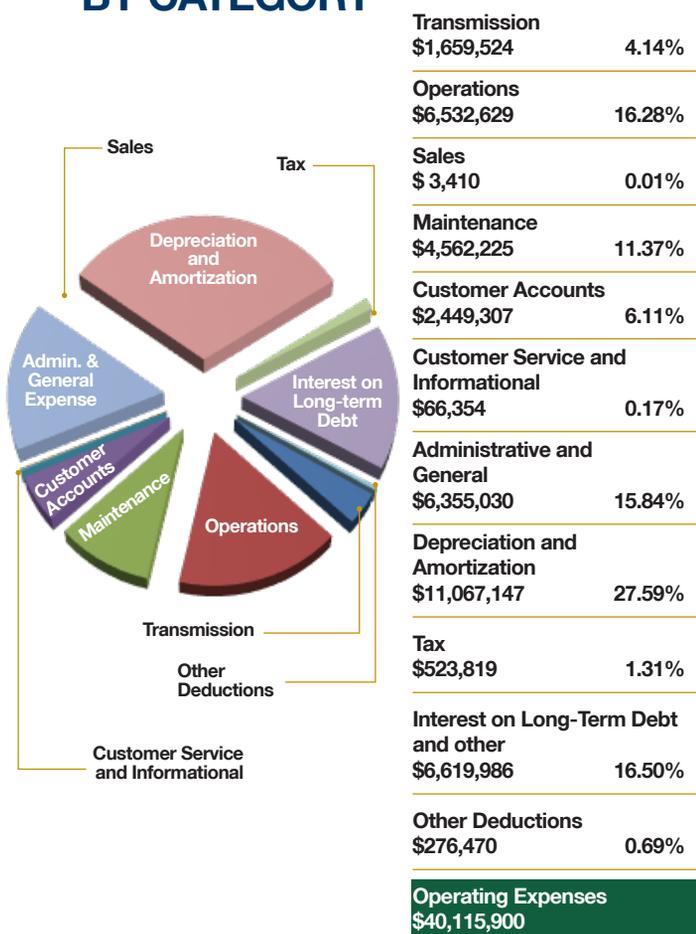
The chart above shows PRECorp's kilowatt sales over the past decade. The purple bar depicts CBM sales as a part of the whole. CBM sales peaked in 2008, and have been declining since that time, and are now below 2004 sales.

Comparative Statement of Operations

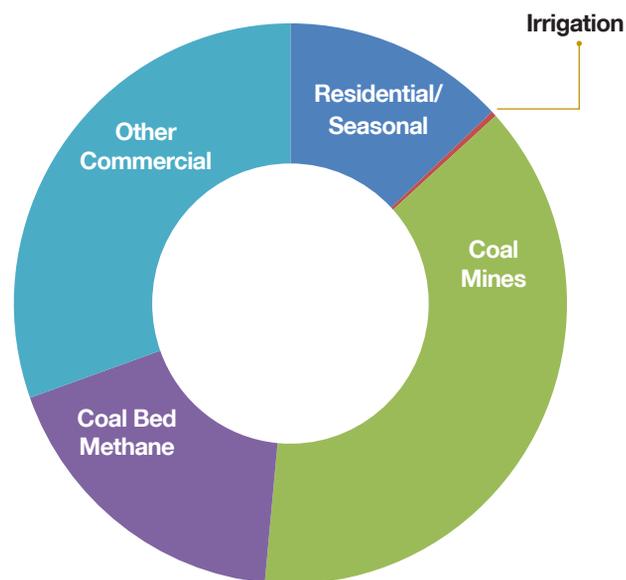
INCOME STATEMENT

| | 2016 | 2017 | % of Revenue |
|--|-----------------------|-----------------------|--------------|
| OPERATING REVENUE AND PATRONAGE CAPITAL | \$ 182,150,468 | \$ 191,161,757 | |
| Less: Cost of Purchased Power | \$139,898,695 | \$ 150,153,057 | 78.6% |
| Gross Margin | \$ 42,251,773 | \$ 41,008,700 | 21.4% |
| Less: Operating Expenses | \$ 41,792,876 | \$ 40,115,900 | 20.9% |
| Operating Margins | \$ 458,896 | \$ 892,800 | 00.5% |
| Plus: Interest and Other Income | \$ 2,041,748 | \$ 4,530,104 | |
| Plus: Capital Credit Allocations | \$ 13,968,554 | \$ 7,226,129 | |
| NET MARGINS | \$ 16,469,199 | \$ 12,649,033 | |

2017 OPERATING EXPENSE BY CATEGORY



REVENUE FROM SALES OF ELECTRICITY*



| | | |
|----------------------|--------------|--------|
| Residential/Seasonal | \$24,591,157 | 13.00% |
| Irrigation | \$ 596,223 | 0.32% |
| Coal Mines | \$72,211,447 | 38.17% |
| CBM | \$34,168,130 | 18.06% |
| Other Commercial | \$57,617,202 | 30.46% |

\$189,184,159 100.0%

* This breakout of PRECorp's revenue from sales of electricity does not include other non-sales revenue and is presented before the effect of revenue deferral.

2017 Balance Sheet

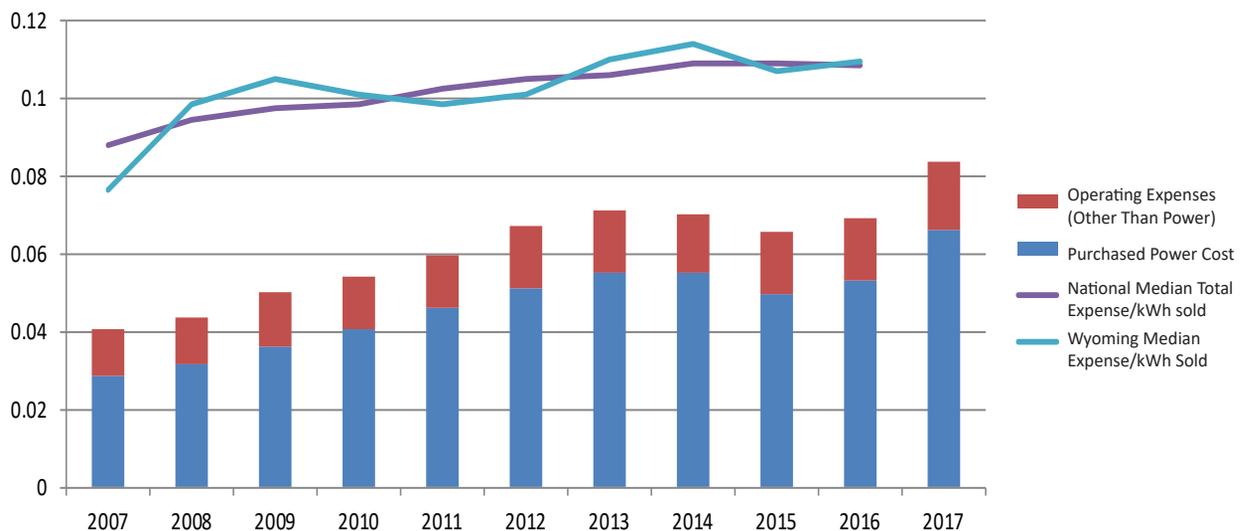
BALANCE SHEET

For the year ended December 31
2016 2017

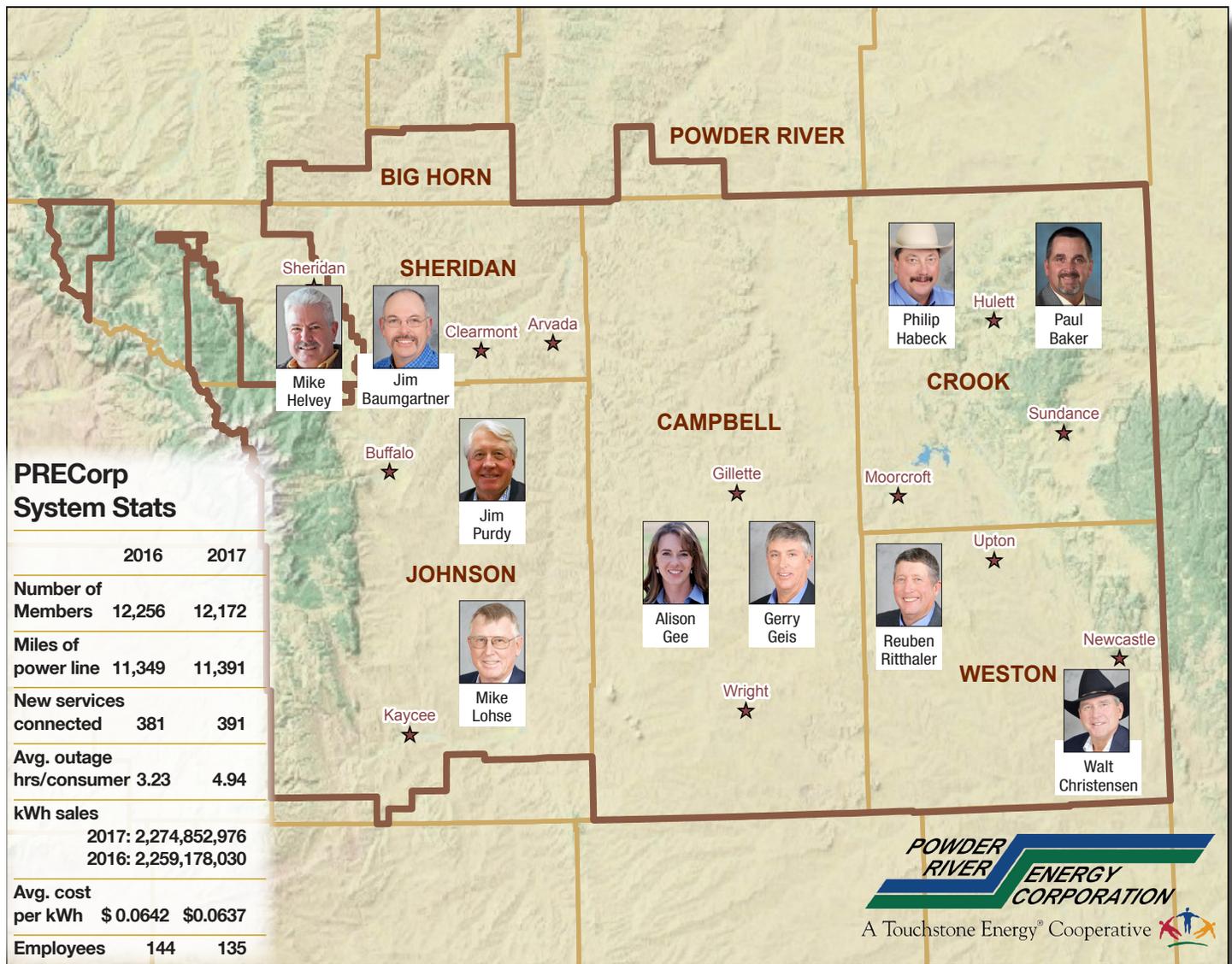
| | | | |
|---|---|-----------------------|-----------------------|
| Utility Plant (net) | | \$ 207,528,940 | \$ 209,420,802 |
| Other Property And Investments | Non-Utility Property (net) | \$ 133,202 | \$ 122,436 |
| | Investments in Associated Organizations | \$ 129,748,936 | \$ 131,945,600 |
| | Other Investments | \$ 30,438,745 | \$ 30,955,159 |
| | | \$ 160,320,883 | \$ 163,023,195 |
| Current Assets | Cash and Cash Equivalents | \$ 46,440,195 | \$ 48,164,060 |
| | Accounts Receivable (net) | \$ 15,890,444 | \$ 17,888,730 |
| | Other Accounts Receivable | \$ 375,787 | \$ 625,604 |
| | Materials and Supplies | \$ 6,626,794 | \$ 6,531,808 |
| | Other Current Assets | \$ 466,280 | \$ 459,030 |
| | | \$ 69,799,499 | \$ 73,669,232 |
| Regulatory Assets | | \$ 0 | \$ 0 |
| Deferred Debits | | \$ 763,129 | \$ 511,027 |
| TOTAL ASSETS | | \$ 438,412,452 | \$ 446,624,256 |
| Equity And Margins | | \$ 216,033,547 | \$ 218,025,553 |
| Long Term Debt (Net Of Current Maturities) | | \$ 148,860,060 | \$ 151,734,579 |
| Other Non-Current Liabilities | | \$ 4,637,035 | \$ 2,933,460 |
| Current Liabilities | Notes Payable | \$ - | \$ - |
| | Accounts Payable | \$ 14,587,357 | \$ 15,700,104 |
| | Other Current Liabilities | \$ 16,227,699 | \$ 17,940,488 |
| | Current Maturities of Long Term Debt | \$ 7,196,761 | \$ 7,478,243 |
| | | \$ 38,011,817 | \$ 41,118,835 |
| Regulatory Liabilities | | \$ 3,193,634 | \$ 5,078,790 |
| Deferred Credits | | \$ 27,676,359 | \$ 27,733,039 |
| TOTAL EQUITY AND LIABILITIES | | \$ 438,412,452 | \$ 446,624,256 |

PRECorp Operating Expenses Per kWh Sold

The cost of power has continued to increase since 2007, but PRECorp's other expenses have remained relatively stable the past decade. 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, Members 1st Board rep
Paul Baker, Members 1st Board rep and
Basin Electric Board member

Johnson County:

Jim Purdy
Mike Lohse, WREA Board member

Sheridan County:

Jim Baumgartner, Members 1st Board rep
Mike Helvey

Weston County:

Reuben Ritthaler, Board Vice-President
Walt Christensen, Board President

PRECorp Customer Mix

| | End of 2016 | End of 2017 | +/- |
|---------------------|---------------|---------------|-----------|
| Residential | 14,851 | 15,010 | +159 |
| Seasonal | 3,421 | 3,429 | +8 |
| Irrigation | 241 | 236 | -5 |
| General Service | 5,580 | 5,633 | +53 |
| General Service CBM | 626 | 585 | -41 |
| Large Power | 1,166 | 1,135 | -31 |
| Large Power CBM | 822 | 689 | -133 |
| LPT Coal Mines | 13 | 13 | 0 |
| LPT General | 1 | 1 | 0 |
| LPT CBM | 5 | 5 | 0 |
| LPC CBM | 0 | 0 | 0 |
| Street Lights | 29 | 27 | -2 |
| TOTAL | 26,755 | 26,763 | +8 |

PRECorp Accounts By County for 2017

| | Accounts |
|--------------|---------------|
| Campbell | 13,078 |
| Converse | 0 |
| Crook | 6,140 |
| Johnson | 2,929 |
| Niobrara | 3 |
| Sheridan | 1,363 |
| Weston | 3,065 |
| Montana | 185 |
| Total | 26,763 |