**Transcript from April 15, 2015**

**PRECorp Telephone Town Hall**

Tim: Welcome to tonight's telephone town hall meeting with Powder River Energy CEO Mike Easley. Before we bring Mike on the line, we want you to share any questions that you might have with our staff. To do that, please press 0 at any time during this call and you will be directed to one of our operators who will put you in line to ask your question live. The sooner you press 0 the sooner we can get you up to ask your question.

We'll take as many questions as we can in the time that we have. If Powder River Energy does not have your most current email address, press 7 on your phone to give us your email address so that we can keep you updated on outages, upgrades to the system, public safety and more. Again, press 0 to ask a question and 7 to give us your email address so that we can send you email updates. This introduction will be repeated a couple of times as we are dialing out to thousands of your fellow Powder River Energy members tonight, so thank you for your patience and please stay on the line as we will continue here in just a couple minutes.

We will take as many questions as we can in the time that we have, and if Powder River Energy does not have your most current email address please press 7 on your phone, give us your email address. That way we can keep you updated on outages, upgrades to the system, public safety and a lot more. Again, press 0 to ask a question and 7 to give us your email address so that we can give you email updates. Thank you very much for your patience tonight, without further ado I would like to introduce our speaker tonight. Let's welcome to the CEO of Powder River Energy, Mike Easley. Take it away Mike.

Mike: Thank you Tim, good evening everybody and thank you so much for allowing me to speak with you tonight and to invite me into your home for the conversation about things that are happening here at Powder River Energy. I am extremely excited and just thrilled that this is our fourth town hall meeting that we've had. I think you'll probably pretty excited about that too because I've had 3 meetings to practice before this. One of the things that I am going to do tonight is I'm going to try to keep my answers and my dialogue as short as I can so that I can give you guys more of an opportunity to ask questions. Things are going really great at Powder River Energy, feeling really positive. So far, over the past several months, our maintenance plan has been really helping us keep the lights on in a really reliable fashion. Our safety program is going really well with our employees. Overall our system is really performing well. Just excited about so many things here at Powder River Energy these days that I just thought it would be good to at least give you some high points of those.

One of the things I think is one of the neatest things that we do is we have this program called Operation Roundup. Our Operation Roundup program is a way that we can help improve the quality of life in our communities. It's real simple, not going to talk very long about it because it's really easy to talk about. If you want to sign up for Operation Roundup, your bill gets rounded up to the even dollar every month, and that way when you do write the check it helps you balance your checkbook a lot easier. Every penny of that goes to the foundation along with fundraising that they d. We do some really good things in our communities to helpfully make things better, from contributing to the food banks to helping some youth programs to working with some veterans programs, the YES House. The Wyoming woman's foundation committee, a lot of things like that. I'm really excited about the good things that are going on at PRECorp. Operation Roundup has about 1000 or so members just like you that are contributing to that.

In our next WREN magazine we have another article coming out on Operation Roundup, and in my CEO straight talk I talk a little bit more about that. The foundation has been really great in helping the vital charities in our communities, but obviously every bit that we can do to help them out helps make Northeast Wyoming a stronger place and really helps us contribute to the quality of life which is part of our mission here at Powder River Energy.

Tim: Thank you very much for all of that Mike. We would like to take one second to ask all of our callers tonight a very important question. Operation Roundup, as he was just talking about, it sounds like an extremely good program. We're going to run a poll real quickly to see how many people would like to sign up for Operation Roundup. We going to go ahead and start our polling now. If you would like to sign up for Operation Roundup, press 1 on your phone. If you would like more information on Operation Roundup, press 2 on your phone. This is a voluntary program, the only way you can get enrolled is if you choose to join. Please join today, it's a very very good program.

We're going to give a few minutes here, let everybody answer this polling question. Remember, once again, if you would like to sign up for Operation Roundup press 1 on your phone. If you would like more information press 2 on your phone. Once again, this is a fully voluntary program. The only way that you can get enrolled in this type of program is if you actually choose to join this program yourself. I would like to thank everybody who has been answering our polling questions tonight and I would just like to remind everybody that if you do have a question you would like to ask either Mike or the staff, we would love to put you on live tonight. All you have to do is press 0 on your phone. Press 0 on your phone and we have operators standing by to take your question and get you in line to put you live on the phone. We definitely want to hear back from you guys. Now we're going to go back and we're going to give the phone back to you Mike, thank you.

Mike: Okay, thanks a lot and thanks everybody for helping us out with the Operation Roundup of getting that information to you. As I mentioned in my opening remarks, this is our fourth town hall meeting. I've tried very hard over the previous 3 to be very measured in giving you guys good information and facts. I've tried very hard not to rely to scare tactics to move people to action. In spite of the many challenges that are out there, I think being informed is very important. Just to update you on a few things that we've talked about before, I mentioned how optimistic I was feeling about a lot of the positive things that are going on at Powder River Energy. We continue to work with some co-ops in Montana about being able to provide them power supply through our contract with Basin Electric.

Those discussions are going quite well, we are probably just a few months away hopefully from having contracts signed. When we are able to do that, it's going to help Powder River Energy maintain its level of purchases from Basin as well as giving us some other great opportunities for cost sharing and ways to work together just outside of our normal business that we do. We spent a lot of time last time as well talking about EPA questions. Keep in mind as I'm talking, that if you press 0 to ask a question, they'll go to an operator and they'll put you in the queue. In the event we can't get to your question, we will follow-up after the tele-town hall tonight over the next couple days. Folks from my staff will take a look at those questions and we will get you answers to your questions. Don't be shy about asking questions, and be happy to take those on. Again, even if you don't get live airtime to talk about those questions we will get back to you.

One of the things that's on our minds right now is the EPA regulations. You guys did a fantastic job of last year helping us prepare comments. Cooperatives nationally put in almost 2 million competence to the EPA. We've certainly got their attention and we are expecting rules to come out this summer and we are hoping that a lot of our concerns that we've expressed as cooperatives and also concerns that the states have expressed will come out and we'll see a program that is a lot better than what they showed us last time. There's a good likelihood there will be some challenges and some legal challenges coming through the court system, and also some strategies by even our local senators back in DC are working hard on this issue. More to come on that, but your voice and your concerns coupled with the other folks from the cooperative network nationwide have really made a difference on that.

Another thing that's out there you may or may not have heard about is there is a transmission line that is getting built through Weston County into Campbell County along the southern part of our system. That transmission line is going from Rapid City to Teckla, and that project is actually getting built by Black Hills Corporation. Overall, the project is designed to provide a better transmission system for overall surface for Northeast Wyoming. It's designed to help deliver power from the Dry Fork Station into the eastern part of, east of us, eastern part of the Basin system and to hopefully help us run that dry fork plan a little more efficiently. If you have any questions on that, I sure would be happy to take any questions that you have on the topics that I've talked about or anything else that you might have a question on. I'm anxious to do that, and as I said earlier I'm going to talk less and answer questions more, I'll turn it over to the first question.

Tim: Thank you very much Mike, once again. Now we do have a question here for Mike, from Michael as well, so we're going to put him here on the line. Mike, you're live.

Michael: Yes. Hi, how are you tonight?

Mike: Hi, this is Mike, who's this?

Michael: Yeah, this is Mike.

Mike: Hey Mike.

Michael: Yeah, I was just watching some of the news reports of the new line coming in in southern Campbell County. That line is going to be going through, directly from one of the mine sites and headed towards Rapid City through the Black Hills, is that correct?

Mike: It ties into a substation, actually, it's more than a substation. It's sort of a transmission or mini transition line comes in. That's called Teckla, which is south of Gillette. There is a segment that goes from Teckla over to Osage, and then from Osage then there is another segment that goes into Rapid City. That's a 230 KV high-voltage transmission line.

Michael: Okay, are they building a power plant down there in, where would it be, Rochelle or North Antelope? Antelope mines? Are they building some type of power plant down there?

Mike: No, actually, this is just a transmission line. If you've driven around much of our countryside, these high-voltage 230 lines are built on what's called H-frame, so they look like a big H. 2 poles with the cross arm between them and then 3 wires hanging off the cross arm. It's not a very technical description but it's probably something that's visually descriptive. That line is going to tie into an existing transmission system on each end. It doesn't really come with any additional power plants, but the Basin Electric who is our power supplier has their new plant in Campbell County called the Dry Fork Station. That power plant was built, when that power plant was put in one of the things that we thought is if our load ever decreases then this power plant could be used to take power to other parts of the basin system.

One of the uses of this line besides providing some additional reliability will be to help Basin run that Dry Fork Station which is a 385 MW plant, cost about $1.2 billion, was brought online about 5 years ago I think. We'll help that plant be able to export all the power that it can produce. In the long run, that ends up helping co-op members of PRECorp as well as the other Basin customers that may be getting the power that's generated in Wyoming using Wyoming coal.

Michael: Are we ever going to see line going south to supply any energy to the lower states like Denver and Colorado and that area?

Mike: PRECorp has one piece of transmission line that goes south, and it ties into a system owned by Rocky Mountain Power. From our particular area, that's the only transmission line that we have, although Rocky Mountain Power has some other transmission line that come out of our area. They go to Denver area, they also go westward, they pick up Utah and the transmission system basically just goes into the West. There already is some transmission connections into Denver. Likely will there be future transmission lines coming out of Wyoming? Probably, I'd say the chances of that are pretty good, especially if Wyoming is able to develop some of the wind resources that it has. There are some projects that are on the drawing board and have been for quite some time that could potentially export Wyoming wind into markets that would have an appetite for that wind power.

Michael: Okay.

Mike: Most of those wind farms, Mike, are PRECorp's area. We say it's pretty windy but there are places as you well know that are even, much windier than what we have in our area. Most of all, the top-tier wind farms in Wyoming that have been looked at are not in PRECorp's service territory.

Tim: Thank you very very much for your question Mike and thank you very much for answering his question, Mike. We did have a question actually on the same similar lines come in in a little earlier today for you, and the question was, how does the Black Hills Power transmission line benefit the members of Powder River Energy?

Mike: Yeah. That transmission line, PRECorp as I mentioned, that line does benefit us because it allows Basin to export power from their Dry Fork Station to Basin members like PRECorp east of us. Running that plant efficiently helps us with a cheaper, obviously if that plant couldn't export all its power it would cost more. There is a benefit that we see for rates that's sort of a direct benefit to us. Also there's just an overall benefit to the transmission system. The line itself, we look at the project and say this is probably a good project for us and for our members, but one of the things that I have to be really clear on is we are not, PRECorp is not advocating or supporting any particular route that the line may take. I know, especially around the Newcastle area, there were some folks that were adversely impacted by the Oil Creek fire in 2012 I think is when that fire was. This proposed routing runs right over some of those landowners who were adversely impacted by that fire.

I know that the routing issues of a new transmission line are really really tough, and couple that with some unresolved issues as it relates to the outcome of that fire, I think the routing of that transmission line is going to be more significantly harder than it would were there not 2 issues that were trying to be worked out between Black Hills and the people that were affected by the route and/or the fire. As I mentioned, we support the concept of the line and what it can do for keeping our power costs down, but we share our members' concerns out there and we hope that the most appropriate route can be selected for that section of line that goes from Osage into Rapid City.

Tim: Thank you.

Mike: If you have any questions, yeah, I was just going to say please, again, don't hesitate to press 0 to ask a question and we'll get you on the air or we'll get a follow-up staff person to contact you.

Tim: Exactly, exactly. We are definitely looking for questions from everybody, so like you just said, please press 0 for any question, we'll get you up here live, we'll get you to ask question from the person that you should be asking questions from. Also, if you would like to give us your email address so we can keep you up to date with everything as it evolves, as it changes, please press 7. Press 7 to give us your email address and that way we can get you on file and we can send you all the email updates about everything that's happening and all the new things that are coming on. We do have one more, we have another question coming up here from Clara Lee. We're going to go ahead and put Clara Lee on the phone to ask her question. Clara Lee, take it away.

Clara Lee: I wanted to ...

Mike: Hi Clara Lee. How you doing?

Clara Lee: I wanted to make a, I'm doing fine, we've got lovely showers. I wanted to make a comment question mix. I wanted to comment that when you're talking about lines like going south and so on so forth. I don't think a lot of people realize how really all interconnected an awful lot of the United States is right now. Because of that, that's why we have to be concerned about anything going down and causing a ripple effect. My second comment is that when we had power lines go across our pastures, the lightning used to strike around here awfully badly, and now because there's those grounded power poles every so often, we don't get near the lightning strikes in our pastures that we once did. That's just a comment from me.

Mike: That's really interesting Clara Lee, and I would just add to that, if take a look at Wyoming, the eastern edge of Wyoming is a north-south line between what's called the Western grid and the Eastern grid. Those two grids are actually, they don't operate in a synchronized way. You can't connect those two grids without some very expensive and specialized equipment. The systems were designed that way for, just in the event that there was a major disturbance that caused a cascading outage on the west, you could get power from the east to help bring the grid back up and vice versa. Those are some of the things that have been done on the power system at the high-voltage level to try to keep the backbone grid energized across the country.

As far as the lightning, I can't really respond to that because I don't know but one of the things that we do is just recently as part of our outage management and our outage response, we are now getting lightning data all across our system. This lightning data has helped us, we know within a very highly accurate area where lightning strikes are. This helps us make sure that, number one, our lines have the proper grounding as you mentioned, as well as lighting equipment to help dissipate that energy when it gets put onto our lines which helps us keep our power more reliable. At the same time, if we do have an outage and we see some hot spots from lightning that have come through that have hit near our line, it helps our crews respond better and faster to outages.

We are trying very hard, we realize how important reliability is to everybody for their power. It seems like every year that becomes more and more important for people. You get a plasma TV going on and things like that, or you have computers in your house or your clock needs to get reset, whatever you may have. Having those bumps on your power can be really annoying and we're trying very hard to make sure that we can provide not only high-quality power, but when it does happen to go out, we're there to fix it as quickly as we can.

Tim: Thank you once again for answering that one as well. We do have one more poll that we're going to do tonight. We would like to ask the question, the PRECorp annual meeting will be held Saturday, August 22 at Newcastle high school. We would like to see anybody who is attending and see who is and who's not, who's going to be coming to this event. We're going to go ahead and start a polling question right now. If you are planning on attending the PRECorp annual meeting, please press 1 to say yes, that I do plan to attend to that meeting and press 2 if no I do not plan to attend to that meeting. I'll repeat that one more time, the PRECorp annual meeting will be held Saturday, August 22 at Newcastle high school. If you plan to attend please press 1 on your phone, if you do not plan to attend please press 2.

We would also like to open an invitation once again to press 0 to ask any questions. We do have a few minutes left in this call, if you have a question that you would like to ask Mike right now, please press 0 on your phone and he will definitely love to take that question. Once again, if you would like to give us your email address, keep you updated on everything that's going on, just press 7 on your phone, we have operators standing by for that as well. We did have another question that came in a little earlier that we'd like to ask while the poll is happening, and the question was, and this is for you Mike. What is PRECorp's timeline regarding the power sales agreements with the Montana cooperatives?

Mike: That's a great question. We have been negotiating for several months now with those potential co-ops to come on our system. With a little bit of luck we should have those contracts wrapped up by June. They would actually start taking power from us probably within a year and a half. It's not going to be immediate. That growth of getting those new customers on on our system is really important. As I mentioned earlier in the conversation, these EPA power plant regulations could have a chilling effect on the coal industry.

As a matter of fact, if you see articles in the paper, Wyoming did a study on the impacts on our coal industry. If the EPA regulations hit full force, we could see up to a 40% decline in state revenues, a 32% decline in our coal production ,and roughly 7000 jobs lost in Wyoming and for us in the Powder River basin. That's about a one in 10 job loss ratio for us because of the impacts on our industry. It's a pretty serious deal, and that's why PRECorp's strategy of looking towards our co-ops in Montana to increase our load and keep our economies of scope and scale high to help keep our rates low, that's an important part of strategy and why we are working so hard to get those contracts in and signed up by June.

Tim: Wow. We have one time for one more question and we do have a question from Steve here. We're going to go ahead and put Steve on the line.

Mike: Hey Steve.

Tim: We might have lost him.

Steve: Yeah, Mike?

Tim: No, Steve's there, there we go.

Steve: Yeah, I'm here.

Mike: Hey Steve, how are you?

Steve: Okay. Two questions, one, the worst effect that would be on our bills if the EPA gets its way, and the other one why doesn't the House and Senate strip the power from the EPA to mandate and just give recommendations?

Mike: I can tell you I wish that I had Senator Barrasso on the line to answer the second question. I'm sure he could. I know that Senator Barrasso and Senator Enzi and representative Lummis are working hard trying to do everything that they can do to thwart the EPA's efforts to kill the coal industry. That actually will be something I can touch base on at our next tele-town hall. I'm going back to Washington DC the first part of May with co-op leaders from across the country. Every co-op will be sending a handful of people and we will be working together to look at these issues and try to do what we can do to bring the voice of rural America and the co-ops back to DC. I know they're working on ways to do that.

From our perspective, what could happen to our rates, currently PRECorp's rates are really competitive. If you take a look at just the rates across the state, we are ranked seventh in a study that we do, we're definitely within the top 10. Our average residential usage, Steve, is about 1000 kilowatt hours. On Powder River Energy, that means your bill is going to be about $92.50 a month, so we're fairly competitive. One of the things that we do know that is if the EPA regulations were to kick in, everybody's rates would go up, not just PRECorp's from the perspective of costs. I think we would still be competitive compared to a lot of the other utilities around the state.

From the perspective of what is it going to do to us, what is our cost impact, if you take a look at a customer who uses 1000 kilowatt hours, that's basically equal to about, if you take a look at the carbon intensity of that, the carbon intensity is about 1 ton. That's the equivalent CO2. If you were to look at it from how much does it cost per ton of CO2, could we be impacted, the numbers range anywhere from $20 a ton to $70 a ton, a cost of CO2. Theoretically if you took a look at that and what it could do to our bills, you could definitely see our bills taking quite a big jump under some worst-case scenario of having to deal with CO2 within the context of either a CO2 tax or some other vehicle that would monetize that.

If you're using 1000 kilowatt hours, and an impact of a ton of CO2 is about $25, roughly you could think your bill could be going out 20 to 30% very easily and more under what I would have to call frightening scenarios. I can tell you what we do is we have worked hard being progressive and strategies. Co-op has me working hand-in-hand with the state of Wyoming trying to advanced technologies, advance carbon capture and to do what we can to mitigate those risks not only for us but for the state of Wyoming. I am an eternal optimist, but you also have to be aware of what downside is out there. Under a worst-case scenario it's going to be pretty tough but I think under the leadership of our DC delegation as well as the approach that Governor Mead has taken, I think we have a fairly good chance of being able to mitigate some of those risks.

Tim: I know I did say that it was the last question Mike, but we do have one more, we have Marco on the line. He does have a question for you so we'll put him on real quick. Marco?

Marco: Yes sir.

Mike: Hi Marco.

Marco: Yeah, I do have a, how are you Mike?

Mike: I'm doing great sir, how about yourself?

Marco: Can't get any better.

Mike: Thanks for being on the call and having a question.

Marco: Yes, I just got a quick question, you know you're talking earlier about that Roundup program. I was just wondering what has been decided if anything has been decided what they're going to do with that extra money. I know I'm out here in rural Wyoming. I was just wondering if any of that portion of that fund, I'm sure it's going to be quite a lot of money if everybody pays around it. I was just wondering if I could go to any of the fire departments to help them out. They're always looking for, every year they've asked for donations. We've sent money every year. They could always use a shot in the arm.

Mike: I agree, and you know what, our local fire departments, they come to our rescue time and time again with helping us out. Every now and then when a fuse blows on our system or you have a really high wind in the hot days, we'll get fires that have been related to our electrical system. Fortunately, our maintenance program that we put in has really done a good job to turn that around but we really need those fire departments, we need them to be healthy. Can't say enough about the volunteers. Actually we've got a lot of our folks who do double duty, they feel a calling to be involved as linemen and operations folks and they also help in the fire departments too.

On the Operation Roundup, we currently have a fairly small enrollment in the roundup. We make about, with Operation Roundup over the course of the year maybe $10,000, and then the foundation, which is an independent board, also does fundraising on their own. From time to time PRECorp will kick some other money over to the foundations from our unclaimed capital credit. When we try to give capital credits back to our members and we can't find them anymore, those monies come back to PRECorp and we have to use those in a way that benefits the general membership. We put that in the foundation, and the foundation makes donations. We can follow up with you and get you the information on just how you can get an application sent in. You can actually call any one of our offices and they can hook you up with how to properly put in the application, or you can also go to our website. I think historically we've supported a lot of those needs that we have in our community and fire departments are definitely on our list of things to be supporting. It's a great idea. [crosstalk] Would certainly encourage your help in getting the word out on Roundup for us Steve. Or Marco, sorry.

Tim: Yeah, exactly. That was an amazing way of saying it there. After hearing all of this I do want to go ahead and run the poll one more time, the one we ran previously. Would you like to sign up for Operation Roundup? I'm going to go ahead and run our poll as Mike gives his closing statements tonight. If you would like to sign up for Operation Roundup, press 1. If you would like more information on Operation Roundup, press 2. This is a program that looks amazing, so definitely, once again, if you would like to sign up for Operation Roundup press 1 on your phone. If you would like more information press 2 on your phone. To remind everybody, this is a fully voluntary program. The only way you can get enrolled is if you sign up yourself and you choose to join, although I think everybody should. Once again press 1 on your phone if you would like to sign up for Operation Roundup, press 2 if you would like more information on Operation Roundup. Mike, I'll give it back to you for your closing statements.

Mike: Okay, thanks Tim. As I mentioned earlier everybody, thank you so much. I feel very grateful for being invited into your home. We had several thousand people that answered the call. Our numbers stayed up really well throughout the duration of the call, which is extremely important to us to know that we're connecting with our members and trying to let you know through a report of what we're doing and just a conversation that we have that we are really looking out for your best interests. We are trying very hard to do that. I look forward to visiting with you folks on July 15 for our next town hall meeting. Again, if you did not get your question answered on live here, my staff will follow up and will get answers to your questions. Again, thank you for your time and interest and have a great evening, thank you.

Tim: Thank you very much Mike once again. Thank you very everybody for listening, good night everyone, everybody have a good night.