

PRECorp Telephone Town Hall Meeting

Wednesday, June 8, 2016

Annotated transcript

Curt
(moderator): Welcome to our telephone Town Hall meeting. We appreciate you joining us tonight. Members, we're going to be on for the next 30 minutes and these calls go really, really well if you ask questions. The best way to do that is to press 0. [Zero] on the keypad of your phone if you have a question. Mike will be on with us in just a minute. We want more members to get on this call if they can. Again, please get us some questions if you could. You get that done by pressing 0. What happens when you press 0 is you go to one of our operators, they type up the question, we take the question, you get to ask it live. Kind of like talk radio but it's on the phone.

Again, one more time, welcome everybody. Welcome to our telephone Town Hall meeting. We really appreciate you joining us tonight. We're going to be on for the next 30 minutes. Members, if you do have a question, especially for the people that just got on, please press 0. [Zero] on the keypad of your phone. I'm not going to hand this off until Mike, until I get somebody to press 0 on that key. Darn it! Let's go. Press 0. 0 on your keypad if you have a question. Again, we're going to be on for the next 30 minutes. We're going to hand this off to Mike in just about 30 seconds.

One more time. Welcome everybody. Welcome to our telephone Town Hall meeting. Please press 0. [Zero] on the keypad of your phone like somebody just did. Mike, it's your call. Go ahead.

Mike: Okay. Hey. Good evening everybody. Thanks for joining us for our Town Hall. I just wanted to make a few opening remarks to help maybe stimulate some discussion and some questions for later. First of all, I just wanted to let everybody know that a big topic for tonight's discussion and it is going to be what we've been really focused on for the past few months since our last Town Hall discussion, and we've been really engaged in managing the risks and some of the impacts over the financial downturn that we're in. I think everybody knows or may have heard that we have a rate case filed with the Public Service Commission. We have been working on developing that case. We make our filings and we respond to lots of discovery questions from the interveners and the interveners develop their response to our case and then we respond to their response. Ultimately, we get to a hearing, potentially at the Commission, on August 31st through September 2nd. That is ongoing.

We've also been really busy with looking at ways that we can save our members money because of the pressures that we're under. The team has been really engaged in cost reductions and ways to increase efficiencies. Part of that is we've looked at a program to streamline and reduce our benefits and compensation levels in response to the downturn. We're trying to come up with about \$3 million dollars or so in savings between our wages and our benefits and then some of our other activities going into 2017 so we can be a lot better financially when 2017 hits.

We have yet to see the bottom in the downturn. I'm hoping that this month we'll have been able to get a good view of where we are with our sales. It's continuing to decline. As of last month we were down about 17% in sales from where we were last year. We've been focusing on getting security deposits on some of our larger customers. You might not know this, but 50 customers represent about 80% of our total revenue. That's a pretty high concentration in some of our large commercial accounts. About 43% of our revenues right now are coming from companies that are in Chapter 11, which is not a statistic that I want to brag about but it's just the way it is right now with the conditions that we're facing.

Obviously trying to provide as much security as we can for power bills is something that is very important to reduce our cost. The power bills that we're seeing are really being driven by the reduction in sales. That is something that is part of our rate case. We also are seeing these ripple effects work their way through our entire co-op system.

I was just at a meeting at Basin Electric last week where we were talking about this. In July, we'll be getting back together with the Basin folks and all of the managers from the Basin member co-ops, looking at the forecast for next year. The pressure is definitely on everybody's rates with the overall decline in the economy and sales. Pretty much across all of the Basin co-op family.

I sure would like to get to taking questions, so if you have any questions press 0 to ask a question and they'll get you queued up. If we have any questions that are ready, I'd be happy to start taking those questions.

Curt: This is Curt. We've got a pretty peak audience right now so I'm going to go through a couple of survey questions. Do, please ... We see some people are taking us up on that, pressing 0 on the keypad on your phone for questions. The following question that I have for you is do you currently know anyone that has lost their job this year because of economic downturn in Wyoming? Press 1 for yes and 2 for no. The question again. Do you personally know anyone who has lost their job this year because of economic downturn in Wyoming? Press 1 for yes and 2 for no. We'll just let people vote in a second. It looks right now that people are voting. It's going to come in about 90% plus or thereabouts for people that they know that have lost their jobs. Mike, what do you think about that?

Mike: It's pretty disturbing. On one hand, intellectually, I think it's really bothersome, but the emotional toll that that has taken on people is something that really concerns me. I know we've got an initiative with our employees that we're working on right now, trying to do a food drive that we can do company-wide to help some of the food banks. I know they're getting really hard hit. It's a terrible perspective when you can see the amount of jobs that are coming out of industry right now in Wyoming. It's very disturbing. I think that over the next several months, as Wyoming continues to wrap its head around this issue, I think it will become a significant thing that are legislature and our state folks will be dealing with because all of these things that are occurring certainly don't happen in a vacuum.

Curt: Let's do the second survey question if we can right away. Just because, like I said, we have our peak audience right now. The question goes like this, do you understand why PRECorp is requesting a general rate increase for 2017? Press 1 for yes and 2 for no. We're just trying to gauge our audience on this. The question again, one more time is, do you understand why PRECorp is requesting a general rate increase for the fiscal of 2017? 1 is yes and 2 is no. We appreciate you voting on that. By the way, 0 for questions. Let's get some more questions in. [Zero], if you have a question. Just like Dave did. Dave, welcome to our telephone Town Hall meeting. Dave, where are you from? What's your question please?

Dave: Yeah. Am I on?

Curt: Yes. You are, sir.

Dave: Okay. My name's Dave. I got two questions. One is if you tie in with renewables to the system, to the grid right now, basically you buy power at retail and you sell it back wholesale. I guess my question is how come you guys aren't looking more closely at doing installations and so forth on that?

the second question has to do with ...

Curt: Hold on Dave. Let's get the first question answered. Go ahead Mike. Go ahead with the answer to the first question if you would.

Mike: Dave, that's a great question. As some of you folks out there know, Powder River buys its power supply from Basin Electric. Basin is a cooperative just like us, across 9 different states. Basin has about 1,000 megawatts of wind generation that they have been installing for at least the past decade with new installations of wind on the horizon. The overall percentage of renewable energy that we have is about 1,000 megawatts on about a 5,000 megawatt base that Basin has. There's a considerable amount of wind that's within our cooperative family.

From the perspective of, behind the meter generation and that's called Health Solar Systems or Home Wind Systems, that is typically done with this process called net metering. There's a state law right now that requires all utilities in the state to accept net metering at 25 KW, which is a little more than what a house would use typically. Houses are probably in the order of 10 KW I would say. You could get some that are larger, [which] get to that, but that 25 KW net metering is a state law, and how that energy is transacted and ultimately purchased is defined by state law.

PRECorp actually went for an exception on that. We actually allow 50 KW for net metering. We're actually a leader in the state on what we would allow for net metering. Although we're the same as everybody else. We wait until the end of the year, and we see how much generation has been generated in excess of what's being used and we pay the price that we pay for that is basically what we call our avoided cost. The reason that we do that is we don't feel that it's appropriate for the people

that don't want to have net metering to subsidize the cost for those that want to have it. By using our avoided cost, essentially what we're doing is the net metering doesn't really contribute to capacity and it offsets fuel costs so it's very closely aligned with the cost of fuel. That's how that transacts under PRECorp's rates.

Kurt: Let's take Dave's second question. Dave, are you ready? Dave go ahead with your second question.

Dave: We've watched rates go up slightly Mike. I know you guys invested in Dry Fork and that didn't turn out to be such a very good investment. Would you comment on that I guess?

Mike: Actually, I don't know where you heard that Dave, but that's not right. Dry Fork has been a fantastic investment. The plant itself is a state of the art plant. It's actually right now going to be the site of one of the world's few carbon capture test facilities. Wyoming is actually a leader in trying to figure out how to turn CO2 from a liability to an asset and that's happening at Dry Fork.

The reason that that is going on at Dry Fork is number 1, the new technology for admissions that Dry Fork has, other than CO2, provides a very suitable flue gas stream for them to do the testing. The overall cost of the Dry Fork station, for the 385 net megawatts of generation ends up with a variable cost that is actually very competitive on the market. Dry Fork runs at a pretty competitive rate in the market. It's got mine-mouth fuel so there's no rail cost with the fuel cost. It's probably one of the most efficient plants that Basin Electric runs right now, very cost-effective.

Curt: Let's try to get some more questions in ladies and gentlemen. Members, if you could press 0 to ask a question, that would be great. [Zero] on the keypad of your phone. This question came in earlier. Where are we on the safety issues, was the question that came in earlier from Erin.

Mike: Safety is and continues to be one of PRECorp's main priorities. It is our top priority. Safety really manifests itself in a couple of different ways. First of all is our employee and worker safety. The other side is public safety. PRECorp I think is a leader in the co-op industry on how we handle both of those aspects of safety. Our maintenance program has our operations' folks hands-on, inspecting 20% of our system each year. So problems that we have that could be safety related are found and fixed almost in real time.

Over the past 3 years, our system reliability and our outage levels, those things have been improving quite a bit with that. The PRECorp culture is one of continuous improvement. That is also manifesting itself in our safety programs. Our employees actually own and take great responsibility for our safety program. I think we have great statistics and are a leader with our safety record and the metrics that we have. I say that also hoping that I don't jinx anything that's out there. I'm very proud of what our team has done both internal for our workers' safety, employees' safety, as well as the public's safety.

Curt: We had another question that came in from Daryl. When is the PSC rate case going to be heard?

Mike: The rate case will be heard on August 31st through September 2nd. That rate case is really driven by a huge revenue short-fall. Our operating budget for this year showed about an \$8 million deficit so we've gone back to the Commission to get enough revenue so we can meet our minimum operating requirements that are required by our lenders so we don't find ourselves in default of our loan agreements with our lenders.

Curt: Again 0 for questions, if you have a question like Betty press 0. [Zero] on your keypad on your phone. Betty, welcome to our telephone Town Hall meeting. Betty, where are you from? And what's your question, please?

Betty: I'm from Newcastle. I am almost 80 years old. I can't run if there's an emergency. My question is what can you do to help handicapped people if there is an extended outage?

Mike: Yes, Betty. That's is a great question. I really am glad that you brought that up. This is something that we like to talk about. We actually maintain a list of services so if somebody like yourself or somebody that you know should call our office and let them know that your service ... Is it that there's oxygen or life support or other critical needs then we keep that into effect. When we have planned or routine outages we'll look at before we take out a circuit we'll look and see what kind of contact we need to make to people on that circuit. Obviously we pay special attention when we know that we have those things in play. Also during outages, if we see that we have extended outages and we know that we've got people that have critical needs, we will make extra effort to call people and keep those folks informed as to the potential time of an outage and help them have enough notice so they can get relocated or moved to some place that does have energy.

Betty, we'll make sure that we have somebody call and follow-up with you personally to make sure that we have your information and everything is correct. Everybody that is out there, I would just encourage you, if you know somebody that is on life support or oxygen or something like that, to remind them to contact the office so we can have a continual update to that information that we have in our system.

Curt: Diane asks, how do our rates compare with other co-operatives in towns in the region?

Mike: PRECorp is very competitive all across Wyoming. There are a couple co-ops that have rates that are less expensive than us. Those co-ops have access to some very cheap hydro power in the west, that doesn't come this far into the state. We continue to be really competitive among all the co-ops. If you take a look, I haven't done the calculations lately, but I've had folks around Newcastle and Upton that are on other power suppliers, other than us, tell me that they wish they could figure out how to

get connected in the PRECorp system because usually our rates, as well as our capital credit and retirement policy, is pretty favorable. The co-op model works pretty well for us.

Curt: Where are we? We're at what, about a dollar 3 per thousand kilowatts and what's the state average? About a \$1.20 - \$120 rather, compared to \$103.

Mike: On your average bill, PRECorp's average bill is about \$103 compared to the average across, the national medium is about \$119. If you take a look at it in the state, we're at \$103 roughly compared to \$125 across the state, on the co-ops. \$114 in the municipalities. \$110 for the IOUs.

Curt: Let's take a question from Darren.

By the way, last call. If you have a question press 0. [Zero] on the keypad of your phone.

Darren, welcome to our telephone Town Hall meeting. Darren, where are you from and what's your question please?

Darren: I'm in Pine Haven, Wyoming.

My question is how does the price of coal affect the rates of electricity?

Mike: Darren, I would say from 2 different ways. First of all, from the perspective of where PRECorp, through our affiliation with Basin Electric, to where coal becomes a source of our own electricity, if the coal prices go up then that could impact our prices. Fortunately for Basin, Basin owns its coal mines and it owns the coal. It has pretty much guarded itself, protected itself against the risk of price increases from our cost of power perspective. That has helped us maintain, for many, many years, long-term, stable prices.

You go into the other side of that equation. The way the coal market is currently, gas prices are so low that it is taking a lot of the generation nationally so what's happening is, the low gas prices as compared to the higher coal prices per unit of electricity that could be generated, what's happening is we're seeing a big decline in the amount of coal that's getting produced because of the natural gas. Because of that differential, our sales are going down and our rates are going up, as well as what we talked about earlier with 87, almost 90% of our folks are seeing job loss in the energy industry. That's a big part of that. That differential between very cheap gas and where the coal prices are.

Curt: We just lost Brock unfortunately, but he was talking about the maintenance on the pole and I know we want to take that question. We just lost him. Can you give us an update on maintenance? You said some poles were looking a little bit off.

Mike: First of all, if Brock has got some specific areas that he's concerned with to call in and let us know because we will take all the information, as many eyes that we can have on the system with things that look strange to people, let us know. Often times the pole might look ... Just because the pole looks good, it may not be good and just because the pole looks bad, it may not be bad. That's why we actually have, in addition to looking at 20% of our poles each year, 20% of our system each year, we also have a robust pole maintenance program where testers go out and they inspect the pole visually and they also do some testing of the poles to make sure that they are sound, to make sure that we don't have any issues with poles falling over or other things like that.

I would say that I think our maintenance program is pretty aggressive both with regular maintenance, plus our pole testing program. Testing is not enough, you also have to get out there and change out the poles that are bad. When we identify poles that are critical if it's an emergency critical they'll get changed almost real time and some poles may be classified as change within a month. After that we may schedule the pole change-out to get a large group of poles so we can be more cost effective and change them out.

Curt: The next question, this came in earlier and it's from Donna. How can we learn more about the rate case and other things happening with the co-operative?

Mike: There's several different ways to keep in touch. I'd like just highlight, we have our annual meeting which will August 27th in Buffalo, starting at 11 AM. That is a great place to come and get information on the co-op and learn more about what is going on. These Town Hall meetings. Our next Town Hall is scheduled for September 28th. Also our website is a great source of information for our members to learn about the co-op. Monthly we send out our, the WREN magazine which has the Powder River Energy insert in that. I have an article that I write where I try to keep everybody queued up on some of the more interesting and strategic things that we're facing. Then there's just a host of good articles on information from the foundation to our maintenance programs to public safety.

Keeping active in the annual meetings, and our town halls, looking at our website, and making sure that the WREN gets the quick perusal for items of interest would be really good ways to keep in touch with the co-op. Also if there's ever any questions that a person has, calling in and speaking to our customer service and member service folks with any questions. We'll get people connected to the right experts within the company to help you with any problems or questions that you may have.

Curt: Speaking of going to the website, a copy of this audio will be on there. You can just click on it and listen to it or have others listen to it if you want. It will be posted tomorrow. We're going to take Clara next. Clara, welcome to our telephone Town Hall meeting. Clara, where are you from and what's your question please?

Clara: I live southeast of Rozet, on a ranch, and get our power from you folks. I wonder how many people are really aware that there's a lot more involved in this job loss in the

energy field than just some coal workers or oil workers losing out on their jobs. I have a son-in-law who has lost his job due to the cutbacks. I have a grandson-in-law who was laid off, same reason. I have a daughter who was laid off, same reason, and I've got some other relation and close friends.

Mike: Clara that's one of the things that I've been preaching as I've been out talking around the state. I get out of the service territory and in Cheyenne and other parts of the state quite a bit. I think, from the state perspective, we all have a pretty good awareness of how it's impacting Wyoming, but I think the ripple effect of the punishment that has been dealt to the energy industry specifically the coal mining and some of the oil and the gas industry that we have in Wyoming, I don't think that that ripple effect has been felt yet. Whenever the most recent jobs report just came out, I think it was termed to be quite disappointing. Numbers in job growth for the United States, much less than what they had anticipated. Nobody was connecting those dots yet to the impacts in the energy industry, but I think it won't be long before they start to connect those dots. It seems like it takes, from the national perspective and even from the multi-state, regional perspective, it takes more time for these things to work their way through so people actually understand them.

It was interesting that several years ago, the university did a study on what the Clean Power Plan might do to the coal industry. That study said about 7,000 jobs across Wyoming that could be lost, with 1 in 10 in northeast Wyoming. Even though the Clean Power Plan has not been put into effect yet, the low gas prices plus the uncertainty created by the Clean Power Plan, we've already realized the devastation to our coal industry and those tragic losses of employment in Wyoming. It's a very well-paying and traditional, successful and sought after areas of work in our state. It's something I think that the ripple effect will take some time to be felt in other places outside of our state.

That's a great observation Clara. My heart goes out to you and your family, and all of those others that have been affected by this pretty significant downturn. I hope that folks know that PRECorp, one of the messages I've been telling the employees is, 'We are here to serve our members. We are not here to be served by our members.' The team has been working really diligently to reduce the costs where we can, and support our cost reductions in everything from wages to benefits to how we go about doing what we're doing. We're working very hard with all of those things in mind that have happened to our members and their families as a result of this downturn.

Curt: We have run out of time Mike. We're just at about our 30-minute mark. We've got about a minute until we get there. Anybody that had a question, whether they pressed 0 or not, you can still leave us a voice mail at the very end of this call. You've got to stay until the end of this call, but we have to have some contact information to get back to you. We need your name, at least, and of course your phone number, and/or your email address so we can get back to you even quicker. Stay until the end of the call and leave us that message. Tell us who you are and how to get to you. Mike, bring us to the finish line please.

Mike: Okay. Thanks a lot Curt! Everybody, again, I truly appreciate you spending time with me this evening to get an update on the co-op. I appreciate your interest in your co-operative. Remember it is your co-op. You're an owner of the co-op. That's an important thing for all of us to keep in mind. We appreciate the opportunity to answer questions and have a dialogue. Just remember, if you didn't get all of your questions answered, feel free to leave that at the end of the call or if you have some other questions that come up as you think about this, feel free to call the office and look for a recording of this on our website if you'd like to re-play it and share it with your neighbors. Hopefully our next call, on September 28th, you'll be back and maybe bring a friend.

Curt: Goodnight everyone.