

PRECorp Telephone Town Hall annotated transcript

September 28, 2016

Allison:

Hello. Welcome everyone. Welcome neighbors to our live telephone town hall meeting tonight. You are on the call live with Powder River Energy Corporation. We have lots of information for you tonight so please, definitely stay on the line while we dial out to thousands of your neighbors. Again, welcome you to our live telephone town hall meeting tonight. We have a lot of information for you tonight from the Powder River Energy Corp.

We're going to discuss things like rate case update, billing cycle changes and also changes to the rules and PSC regulations. Please stay on the line for all of that information. I'm going to go through this a few more times. If you have a question of Powder River Energy Corp please press zero on the keypad on your phones, that is zero on the keypad on your phone to ask a question. Also, we are collecting emails tonight. We can get you on our monthly newsletter update email list. So, press seven to get email updates monthly. Press zero if you have a question.

Again, I'll go through this just a few more times before I turn it over to our CEO. Welcome everybody to our live telephone town hall meeting. You are live on the line with Powder River Energy Corp. If you have a question tonight, please press zero on the keypad on your phone. Some questions that might be good tonight are rate case questions, any questions on your billing cycle changes, questions on changes to the rules and regulations for PSC. We're going to be discussing all of those topics tonight.

Again, in just a minute I'm going to turn this over to CEO Mike Easley. We're going to discuss rate change updates, billing cycle changes and changes to the rules in PSC regulations. Again, welcome everyone to our live telephone town hall meeting. To get in line with your questions press zero on the keypad on your phone. To sign up for our email update list we'll send you a monthly newsletter, please press seven on the keypad on your phone and we can get you those monthly updates about what's going on with the Powder River Energy Corp.

Again that's zero on the keypad on your phone to ask a question, seven to give us your email address so we can get you that monthly email update. And we are just about dialed out to all of our neighbors. So, I'm going to go ahead and turn this over to our CEO Mike Easley. Go ahead sir.

Mike Easley:

Okay. Thanks a lot Allison. Good evening everybody. Thanks for joining us this evening. I wanted to talk about or give you an update on really four topics as quickly as I can and then I want to open it up for your questions whether you have questions on the topics that I talked about or if you have other questions about PRE Corp. Please feel free to press zero and hopefully we'll be able to get to your question tonight.

The first thing I wanted to talk about is some good news. Just last week we have officially formed our members first power cooperative which will be a company that includes Powder River Energy, Fergus Electric in Montana and Tongue River in Montana to basically represent all three of us at the Basin Electric Power Cooperative Organization. This puts us in a position to maintain our board seat at Basin which is very important having a voice in our wholesale power costs. This is an exciting time for us. By the first of the year in 2017 we'll be actually providing power supply to Fergus and Tongue River through the Members First Power Cooperative.

I also wanted to just brief you a little bit on the billing cycle changes. Please listen closely on this particular point and it's very important that we communicate this message but we are changing our billing cycle in the next couple of months. What's going to happen is we are trying to consolidate our billing cycle so we can actually get all our bills read and out pretty much in the same month. What has happened historically is we have a billing cycle that crosses over from half of one month to half of another. And what that does is it slows down our ability to get our financials prepared and in front of the board so we can make very important financial decisions based upon how things are going for the coop but more importantly for your power bill because of the timing that we have you can actually have a problem with your meter that could go unnoticed for quite some time. So, this new method will actually help us streamline that and actually do a better job of managing our finances.

The challenge that we have is for your October bill it will be a very long billing cycle. So, we'll actually potentially, you would not get a bill until 40 to 60 days passes by. So, our Members Services and our accounting folks have gotten together and we're going to be sending all of you for your normal October billing time what we're calling an estimated interim bill. This will look just like a bill but you will need to ... you can send a check in, you can call and make a payment, you can go on Smart Hub and make the payment and if you would do that then everything should role along normally. If for some reason you don't do that when you get your bill in November it will be large. So, I just wanted to give everybody a heads up on that. Make sure and be looking in the mail. If you know other folks that are members that weren't on the call tonight, talk it up around the community and feel free to call into our Member Services group if you have any questions.

It's going to be a little painful for a couple of months as we work through this but ultimately it's going to be really good for the co-op and I think also really good for our membership. Also we're updating our PSC rules and regulations. This is in response to a project that PSC, the Public Service Commission, has been conducting for several years in consolidating and reducing and refining their overall rules for how we do business and that has resulted in the requirement that we actually go through and change our rules to more closely align with their new rules. We'll be making that filing at the end of this week. Additionally,

because of all of the difficulty we've continued to have with security deposits and the challenges of establishing credit worthiness for our more at risk customers part of that we'll be filling new rules and regulations for our security deposit which will primarily affect our largest industrial and large commercial customers. Not too much impact on our residential customers with that filing.

I want to just bring that to your attention. There'll be communications that come out over the next several months from the Public Service Commission and also from PRECorp. We've got this written up in our newsletters just giving you a heads up that it's coming down the pike. I wanted to also just quickly update you on our rate case.

So, we have completed the rate case at the end of August and we're waiting for a Public Service Commission decision on that. And I wanted to put this rate case in to perspective and give you some numbers. So, if you've got a pencil handy this will be very important for you to maybe just kind of jot these down so you can realize what has happened to us since the end of 2015 and going in and through 2017. For example, in December of 2015 if you would have used 1200 kilowatt hours which is representative of sort of our average residential use we would have given you a power bill for around \$107.00 - \$108.00. Then in the beginning of 2016 we had a wholesale power cost increase from Basin Electric that is sort of our normal, we see that every year. That increase resulted in that bill that was around \$108.00 going up to about \$112.00.

Then we also talked last time about a mid-year increase. Basin has been hit by many of the same things that we've been hit by as it relates to decreases of sales in the energy sector and increasing costs on the wholesale side. They have actually filed for or passed onto us a rate increase that was effective September 1st. So, that \$111.00 - \$112.00 power bill would now go up to \$118.00. Then the rate case that PRE Corp had put in for to raise our rates to provide additional revenue to cover the losses that we were experiencing this year that goes into effect, potentially goes into effect in January and that \$118.00 a month power bill will now be \$130.00. So, it goes up an extra \$12.00.

If you go back to where we were at the end of 2015 and you look at where we will be in 2017, basically it went from \$108.00 a month for 1200 kilowatt hours to \$130.00. I explained this at our annual meeting that we had in Buffalo and clearly this is a big increase over time. We are fairly confident that the Basin rate will hold steady through 2017 and beyond and we're trying very hard, doing everything that we can do to control our costs here at PRE Corp so our distribution costs do not go up in 2017 as well. But that's a very painful increase for all of us.

It's been something that we've been struggling with over this past year trying to reduce costs. We've reduced benefits. We're not refilling positions as they come open. We're cutting costs wherever we can to try mitigate the impact on everybody. Just wanted to let you know if you didn't get a chance to attend the

annual meeting and hear this from me in person, I wanted to put this into perspective so that you had information on it. Those are the four topics I wanted to just sort of give you an overall high level summary on. I certainly would like to take any questions that anybody has. If we could do that Allison, I'd be happy to turn it over to you to moderate any questions that may come up.

Allison: All right, absolutely. We're going to go to Chuck first here in a moment. I want to remind people if you have any questions please press zero on the keypad on your phone if you have any questions about what you just heard about or any other questions tonight. Also you can press seven on the keypad on your phone and we'll collect your email address and we'll send you a monthly newsletter to keep you up to date. Without further ado we're going to go to Chuck. Chuck go ahead, you are live on the line. Let us know where you're from and what your question is.

Chuck: My name is [Chuck B.] I live south of Buffalo. And our electricity goes off in the summertime on average about once a month. And it goes off in the wintertime probably on average twice a month. We always hear about the monetary value of what this corporation is going to make and what it's going to lose and all of that. But when we're out of power for 24 hours to two days at a time we never hear about that. And I'd like to hear the man talk about that, please.

Mike Easley: Well, Chuck I really apologize if you've had extensive and repetitive power outages. I can assure you that's not acceptable. But it's something that if ... I believe we did get your name and number and we'll have operations folks follow up with you on that. We have a maintenance program. We are on the fourth year of a five-year program and over the past five years our folks will have gone over and inspected every mile of line that we have on our system and fix problems. Even though our guys do that inspection sometimes things, you know, can happen out there.

We really do appreciate when you do have a power outage that you do call in. And if you do have annoying power outages where it seems like your lights go off and there doesn't seem to be any whether or other related events that you call in and let us know so we can send our guys out there and look at that circuit. There are problems that we find out there that are actually hard to pinpoint sometimes. We just look for the opportunity, Chuck, to come out and have our folks visit with you and make sure that we give your system and the PRE Corp system connecting to you a really good close look. Hopefully we can eliminate this problem for you.

Allison: Excellent. Thank you so much Chuck. We're going to go to Jose next. If you want to get in line with your question like Jose did, press zero on the keypad on your phone. Go ahead Jose you're live on the line. Tell us where you're from and what your question is.

Jose: Hello. This is Jose Amarie. I'm calling from Sundance, Wyoming. I just moved here. I'm calling you about the October bill. I was having some interference with my phone so can you repeat that? What's it going to be?

Mike Easley: Sure Jose. What we're doing is we're changing our billing cycles so that we can get all of our customers billed sort of within the same month. And in October the normal time that you receive your bill from PRE Corp you're going to receive what we're calling an estimated interim bill. It will look just like a power bill but slightly different. We are requesting and encouraging everybody to look at that bill and actually pay from that bill either through sending a check into the company if you do that normally or calling in or using our automated system to make that payment. Because if you don't do that when the bill comes in for November that bill could have 40 to 60 days of usage on it, which if you weren't prepared for that bill and weren't expecting it it could be one of those bills that you open up and have a minor heart attack when you take a look and see what happened to the bill.

We're asking everybody to pay attention to the estimated interim bill that will come out about the normal time of your October bill. Even though it will look different we'd still like you and we encourage you guys to pay that bill so that when your November bill comes out that actually reflects actual meter readings will not be nearly as high. And appreciate your question Jose, thanks.

Allison: Perfect. Next we're going to go to a question that came in earlier today from Megan. She wants to know has PRE Corp already applied the cost of power adjustment to the bill and what if the Wyoming PSC rules against the PRE Corp?

Mike Easley: That's a great question. We did seek authority to begin charging those increased power costs. That's important because we're actually getting billed for those power costs from our power supplier. So, it's important to our financial health that we collect for those revenues. We do have this particular issue before the commission. It will take several months for the regulatory process to work out. When the commission finally renders a decision on that this will probably be in early 2017. If the commission finds that the cost of power adjustment is not appropriate PRE Corp will be making refunds on the additional power costs that we've collected since November. So, it was approved subject to refund and we'll know how that plays out very early at the first part of the year.

Allison: [inaudible 00:17:24].

Mike Easley: All right. Well, in addition to those questions that we've been taking I just was kind of wondering ... are you there Allison?

Allison: There you go. Yep, you came back in. Your phone cut out a little bit so we went to the polling questions.

Mike Easley: Okay.

Allison: Well, I'm just letting people go ahead and dial in on that. So, everybody vote on the keypad on your phone please if you feel the outlook of Wyoming economy is getting better or is it getting worse. Press one if you feel it's getting better, two if you feel it's getting worse. So, go ahead and answer there for us. Thank you so much and I will turn it back over to you Mike. Sorry for the interruption.

Mike Easley: Actually I thought I was still on. I finished answering the question I thought on the last question. So, I'm ready for the next question Allison.

Allison: Okay, excellent. We will go right to that. This question also ... we get this question a lot. So, the question goes like this, what are you seeing in terms of the state and local coal and energy industry?

Mike Easley: Well at the beginning of the summer ... in mid-summer we were watching the bottom fall out of the coal industry from the perspective of all of the significant layoffs and things that have happened in our community. I'm just really sorry for the folks that have been impacted by that as well as watching our sales decline. We've had some increase in the sales to the coal industry over the last several months. We're not certain if that is going to be sustainable through the rest of the year or even into 2017. So, we're just watching this very closely. We are preparing our budget for 2017 right now. Based upon very conservative estimates we're not really projecting any growth over what we've experienced in 2016. Overall we'll probably finish the year about 18% decline and next year while we don't expect to see an additional 18% decline next year we know that all the energy industry will continue to be somewhat stressed as we move into 2017. We are continuing to do everything we can to control our costs in order to, you know, make it easier on our membership. At the same time not cut so deeply that we would go and impact our reliability. As I mentioned just earlier with Chuck, you know, reliability and quality of service is very important thing to our members and we're trying hard to keep that up.

Allison: Excellent, perfect. Thank you so much for that. We're going to go our next live caller Lori here next. But I'd like to remind you to get in line with a question like Lori did press zero on the keypad on your phone. I also want to do a last call for email updates. I see a few people taking us up on that. If you want to give us your email address so we can send you a monthly newsletter. We're not going to bombard your email list. Just a monthly newsletter, please press seven on the keypad on your phone. Again, zero for questions, seven to give us your email address. We're going to go live to Lori next. Lori go ahead. You're live on the line. Tell us where you're from and what your question is.

Lori: I'm from Campbell County. My question is that currently to pay a bill with PRECorp I've set up electronic transfer. My question is if that will remain the same for the October billing that's coming up or will I expect a bill for October that I need to make sure I pay attention to and get it paid for in October?

Mike Easley: Lori, thank you for that question. You and I are in the same boat on that one. My power bill comes out exactly like yours. It does an automatic withdrawal. And unfortunately because of the way our system works we will not be able to do the automatic or ACH withdrawals that month, however, it will automatically occur the next month. So, you will need to keep an eye out for that special bill that's going to be coming in October. Either make a payment by check or call it in or go to Smart Hub if you have that app to make the payment. Or put the money back so you can use it in November when the bill comes. For myself I think I'll write the check so I don't have the shock of a real high power bill. Lori, thank you so much for bringing up that question and helping us get the information out to all our members.

Allison: Perfect. And we're going to go to another polling question next. Again, just like before use the numbers on the keypad on your phone to vote on this. I'll go through it twice. The question goes like this, do you understand why PRE Corp is seeking to increase its rates in January of 2017? Press one if you understand why, press two if you would still like more information. Again, the question goes like this, do you understand why PRE Corp is seeking to increase its rates in January of 2017? So, while you answer that question ... again on the keypad on your phone just a reminder press zero to get in line with any question. And then I have another question that came in earlier today from Brady. He wants to know if the economic trends stay the way they are is PRE Corp anticipating any additional rate increases in 2017 or 2018?

Mike Easley: That's a really great question. As I mentioned earlier and kind of walked everybody through the increase that we've seen since the end of 2016, you know, we end up with a power bill that is around \$130.00 - \$135.00 a month from what was around \$108.00. The good thing is that if you compare PRE Corp to surrounding states we are still cheaper than the surrounding states for 1200 kilowatt hours of usage. So, we're still competitive but that doesn't help each of us individually as we try to pay that power bill. We know that's a big impact and we apologize for that. But it's what we have to do to keep our lights on and keep the business healthy.

The economic trends that we're seeing I don't anticipate a rate increase from Basin in 2017. Actually the Basin forecast show very nominal increases for the next several years assuming things will just kind of hold out as they are. From PRE Corp's perspective we are not planning to do a rate increase for 2017. With a little bit of luck in 2018, if we've got some growth coming into 2017 I'd be a little more optimistic about how things look for 2018. But we face the continuing costs that we really can't control. The big thing that we're worried about for 2018 is that we continue to see declines in our load. If we see any sharp or significant declines in how much energy we sell 2018 could be a difficult year. We're hoping that the rate increase that we're asking for in 2017, we hope that that would last us a few years before we have to go back for a rate increase. The ideal rate case would last you two to three years before we have to go back. But in the conditions that we're in it's hard to predict.

I'll certainly know more as we get into 2017. Early in 2017 we'll be able to look and see what our sales are doing and we'll be able to be communicating to all our members how 2017 is going and what we're looking like for 2018. So, keep reading the articles that I send out to everybody every month. That'll give you some good insight. Put on your calendar to also attend our annual meeting that we're going to have late in 2017. Also we're going to continue these town hall meetings quarterly. Our next one is going to be in December ... December 7th. We'll have another town hall meeting. I don't think we have the other one set but we try to do them quarterly if we can. This is a great way to keep in touch with you and even if you aren't able to get the question asked live, the fact that you can leave the question for our staff to follow up with you I think is very good. That will help you kind of maintain knowledge of what's happening here at PRECorp. We just look forward to having you continue to keep tabs on your co-op, participate as you can in our meetings and our town hall meetings. I just look forward to the next time that I get to get together with you guys and visit

Allison: Okay, excellent. Thank you so much. I just want to let everybody know at the of the call you may leave your question if you did not get it answered. If you stay on the line until the very end of the call you can leave your question that way. Be sure if you want us to get back to you leave your email address and a definite way to contact you. Thank you so much for your time. And lastly, Mike, I will just turn it right back to you.

Mike Easley: Okay. Again, just wanted to thank everybody for joining us. You know, as we've gone through this difficult year where we've been tightening our belts and everything from benefits to the positions and everything, I've told our employees that we are here to serve the membership. We're not here to be served by the membership. We take all of that very seriously. We just appreciate your support. If you have any other items or issues or any questions for me that you think of even after the call you can call our toll free member service number at 800-442-3630 and leave a question or ask to speak to somebody that can help you with any issues or concerns that you have.

We know that the rate increase that we've experienced is going to be difficult. I would also like to remind everybody that we have some efficiency programs, we have zero interest loans that we can provide for requesting old appliances or increasing energy efficiency items in your home. We also have the bill payment where you can average your monthly payments over the course of a year which can help you have a known power bill every month. We're also encouraging folks to utilize the technology in the smart phone and to interact with the company and pay your power bill and get notices of outages.

If anybody has any concerns about high usage you can call in the office and we can put a team together and get you with the experts that can help you look and see where your energy use is going to make sure that by doing an energy audit on your facility or your house ... we all have to pay for electricity but we don't

want you to have to pay for any more than you actually need. Sometimes those energy audits can help identify ways to save money and we hope that is another service that you'll appreciate that we can provide for you.

Allison: All right.

Mike Easley: With that I will just tell everybody good night and remind you about our next town hall on December 7th. I look forward to talking more about our future. Once the elections roll around it will be interesting times that we're in and I look forward to our time together in December.