REGIONAL UPDATE
FOR
RUSHMORE ELECTRIC POWER COOPERATIVE

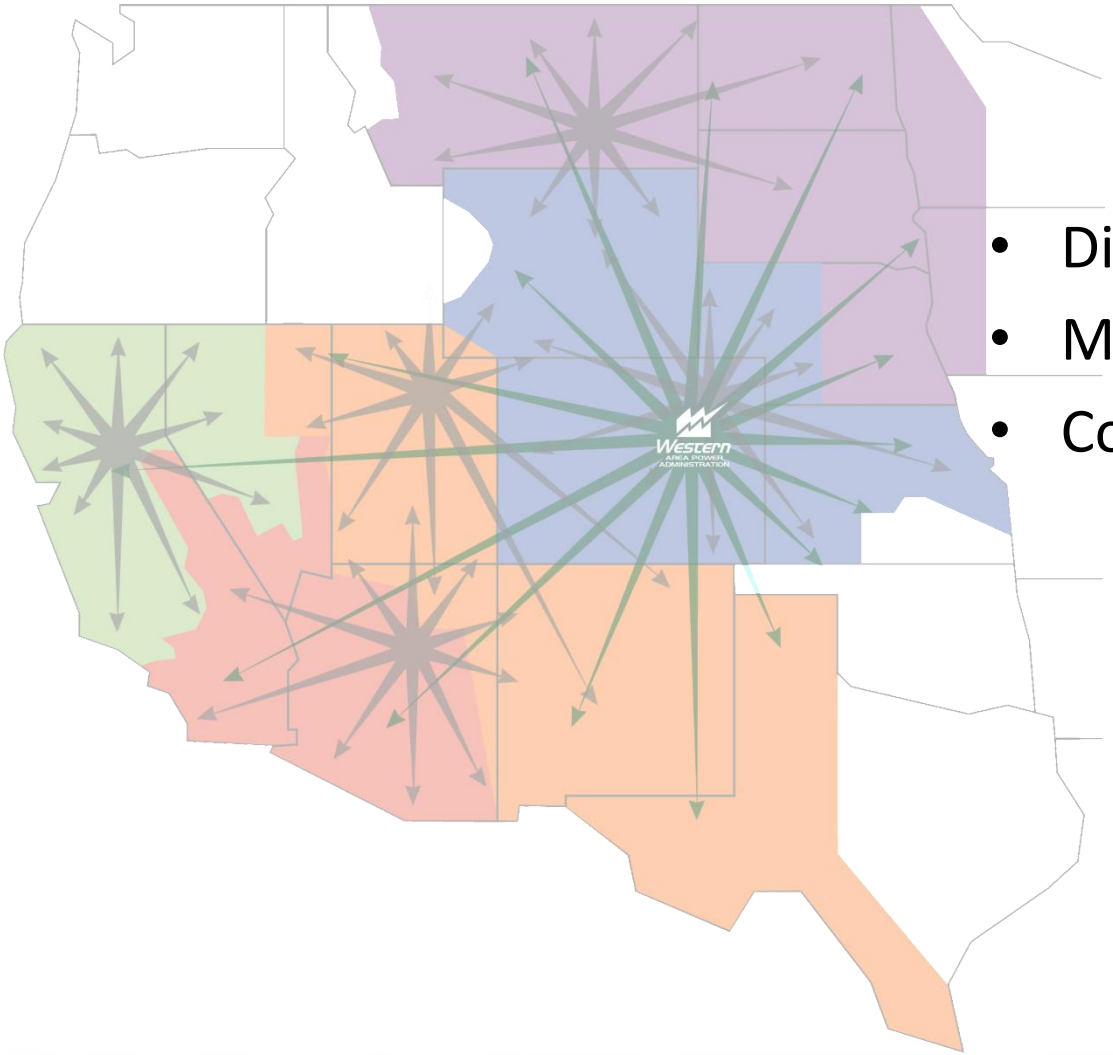
Bob Harris

SVP &UGP Regional Manager

March 30, 2016

Western AREA POWER ADMINISTRATION

Balancing Broad System



- Distributed organization
- Multiple systems
- Competing demands

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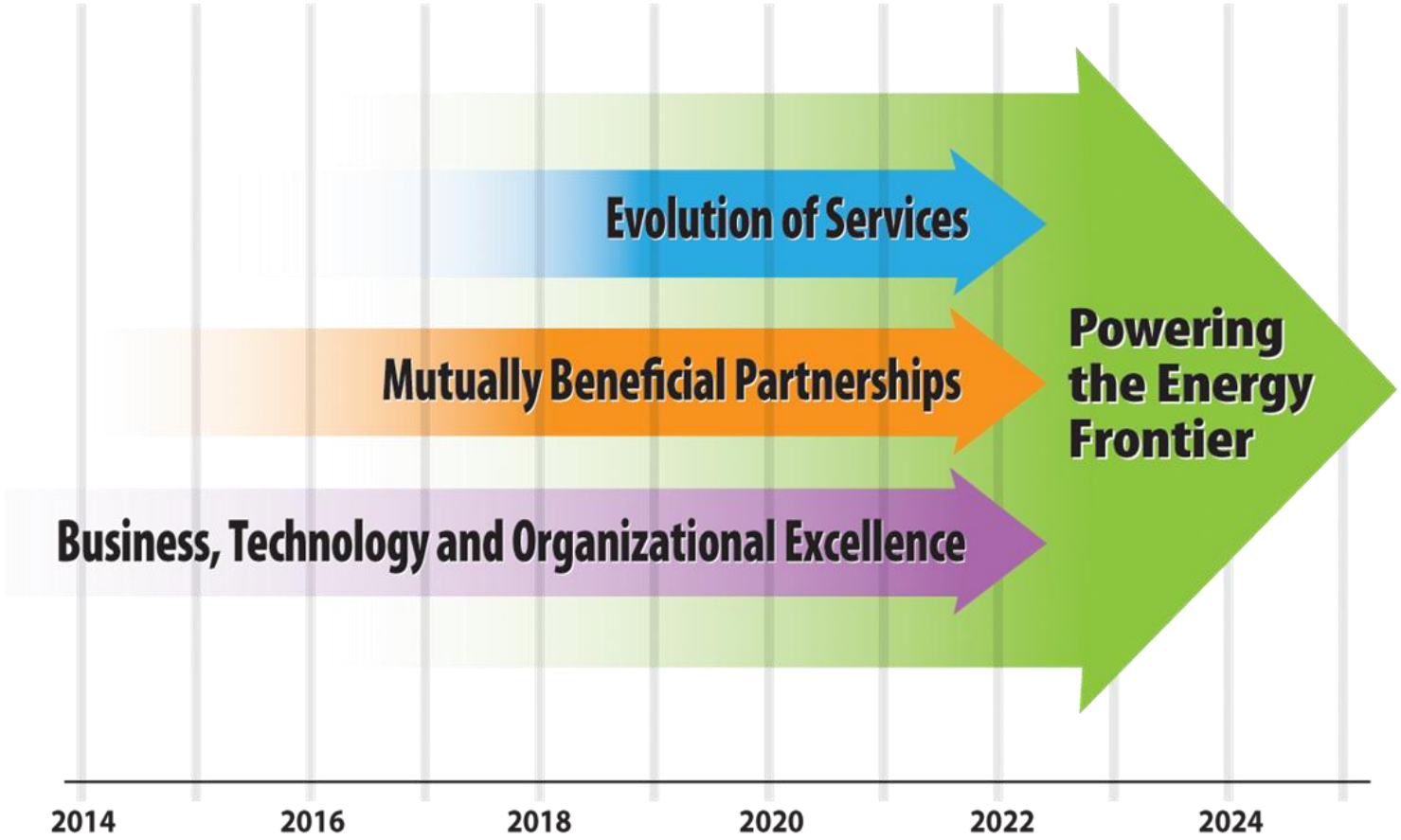
Western's Focus – Roadmap 2024



Mission

Market and deliver clean, renewable, reliable, cost-based Federal hydroelectric power and related services

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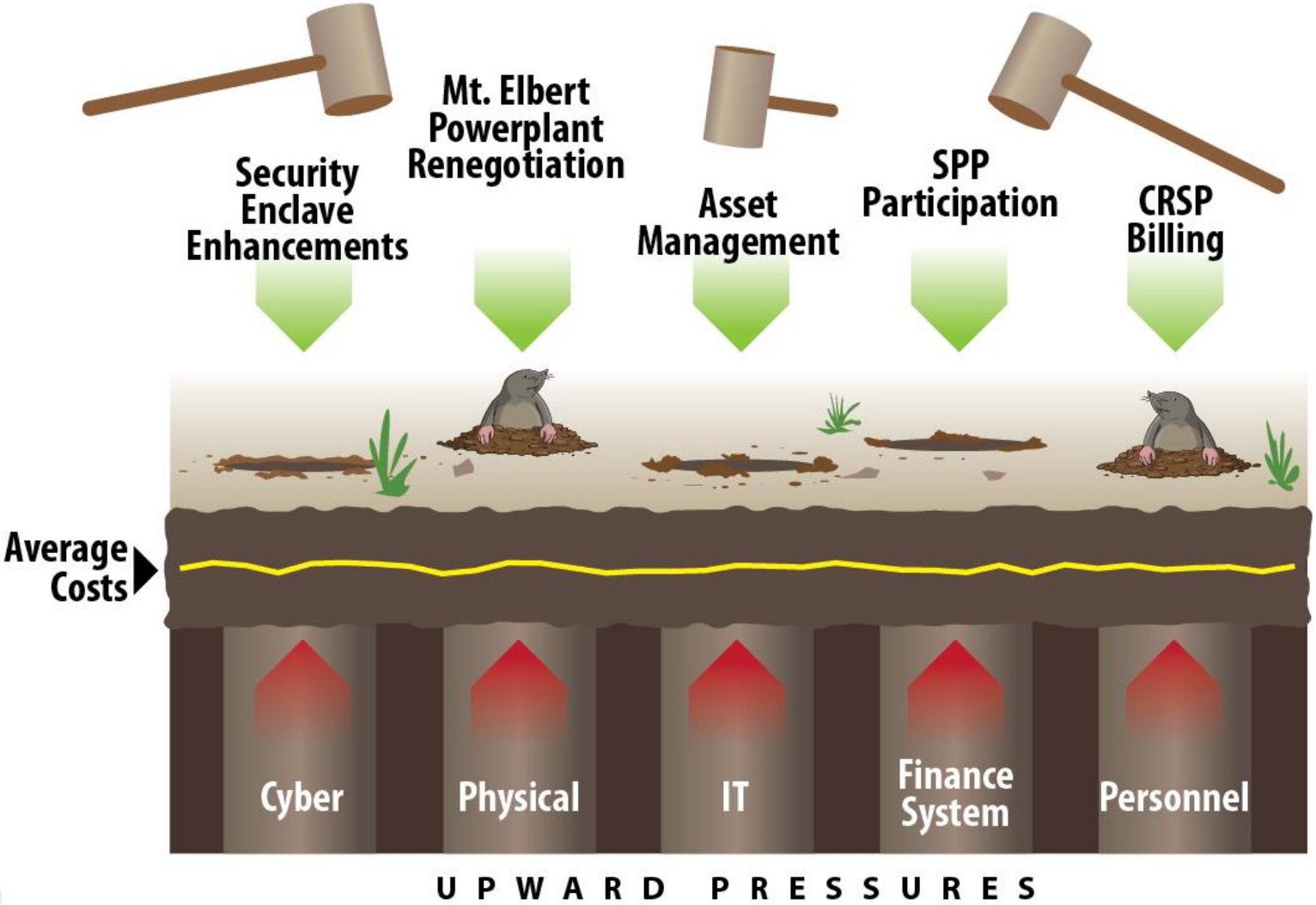
Rate Pressures Outside Western



Business Excellence

- Compelled to do more
  - Cost Controls
  - Evolving industry = increasing demands
- Rethinking processes for efficacy
- Broad base to support $4B assets
- *GAO Audit:* Committed to Congress to finalize and implement unobligated balances strategy
- Customer partnership critical piece

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Committed to Transparency

- Lowest possible rates consistent with sound business principles
- Critical to focus on the big issues we are all facing
- Need customer support to meet your changing needs
- Participation in meetings is critical—as is your engagement in the customer survey process

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Westernwide Accomplishments

- Joined SPP RTO
- Wind PEIS
- Fall Protection
- TIP: ED5-PVH and Southline
- Boulder Canyon Remarketing
- 133 Structure Replacements

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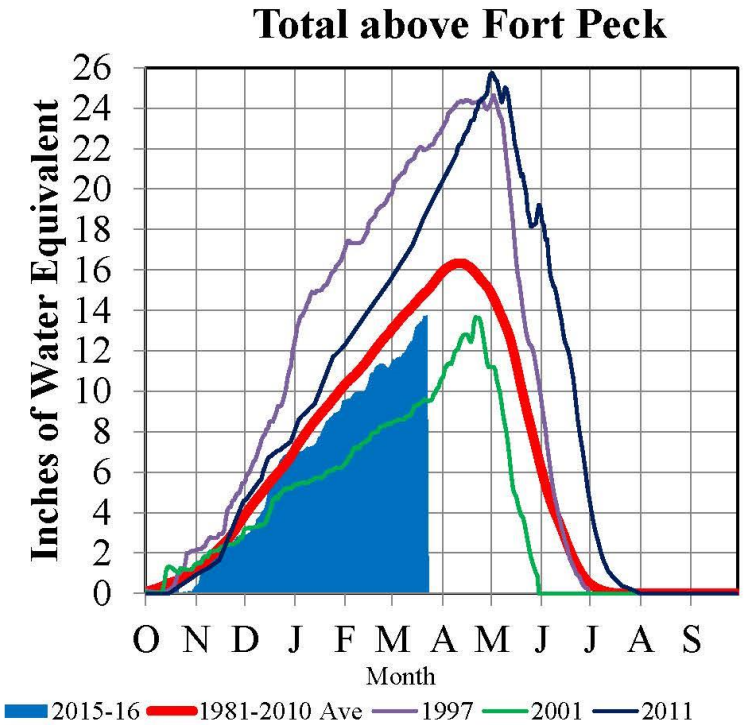
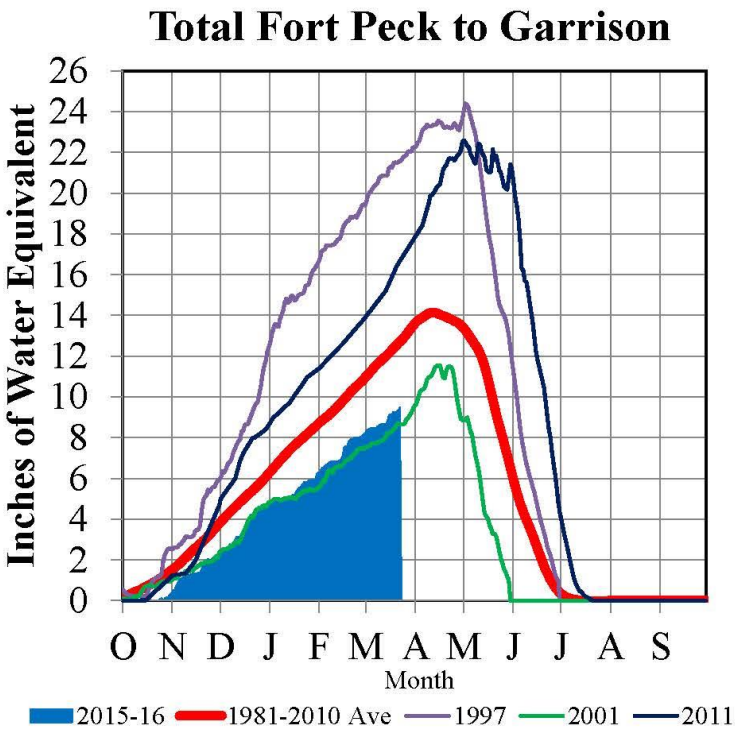
Missouri River Basin – Mountain Snowpack Water Content 2015-2016 with comparison plots from 1997*, 2001*, and 2011

March 22, 2016





The Missouri River Basin mountain snowpack normally peaks near April 15. By March 15, normally 87% of the peak has accumulated. On March 22, 2016 the mountain Snow Water Equivalent (SWE) in the "Total above Fort Peck" reach is currently 13.8", 92% of average. The mountain SWE in the "Total Fort Peck to Garrison" reach is currently 9.5", 75% of average.

*Generally considered the high and low year of the last 20-year period.

Provisional data. Subject to revision.

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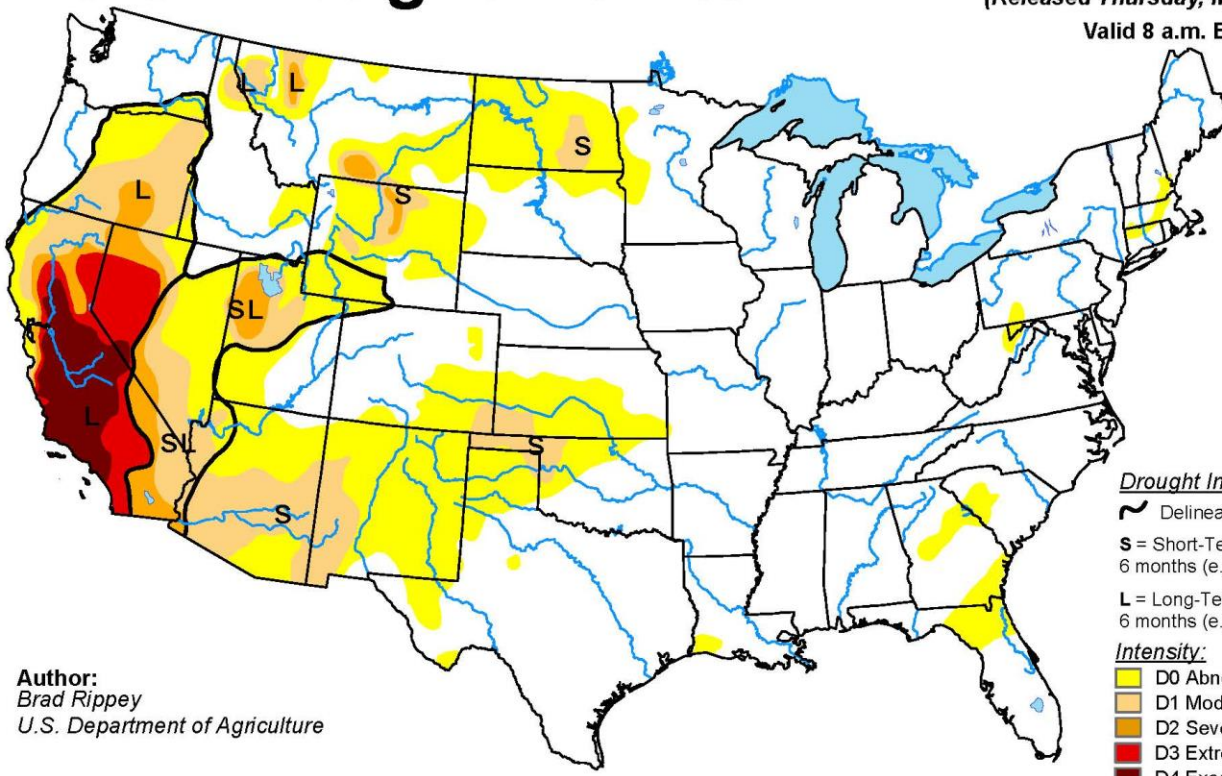
U.S. Drought Monitor

March 22, 2016

(Released Thursday, Mar. 24, 2016)

Valid 8 a.m. EDT



Author:
Brad Rippey
U.S. Department of Agriculture

Drought Impact Types:

~ Delineates dominant impacts

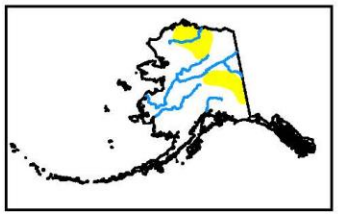
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)

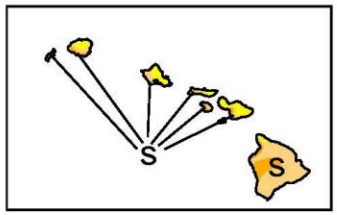
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

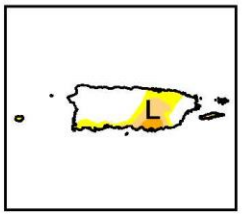
Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.







USDA National Drought Mitigation Center

http://droughtmonitor.unl.edu/

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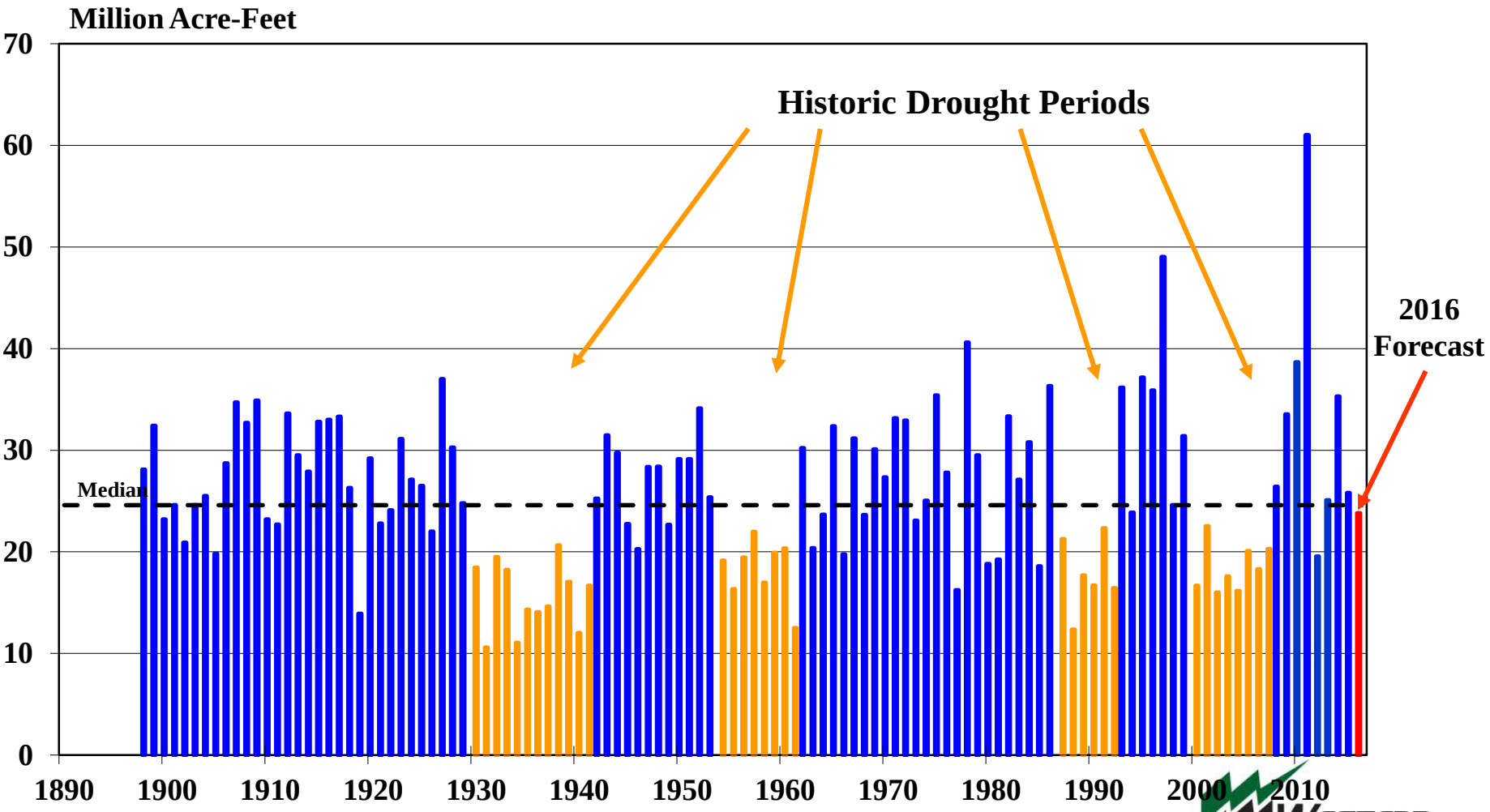
Missouri River Mainstem System
Annual Runoff above Sioux City, IA



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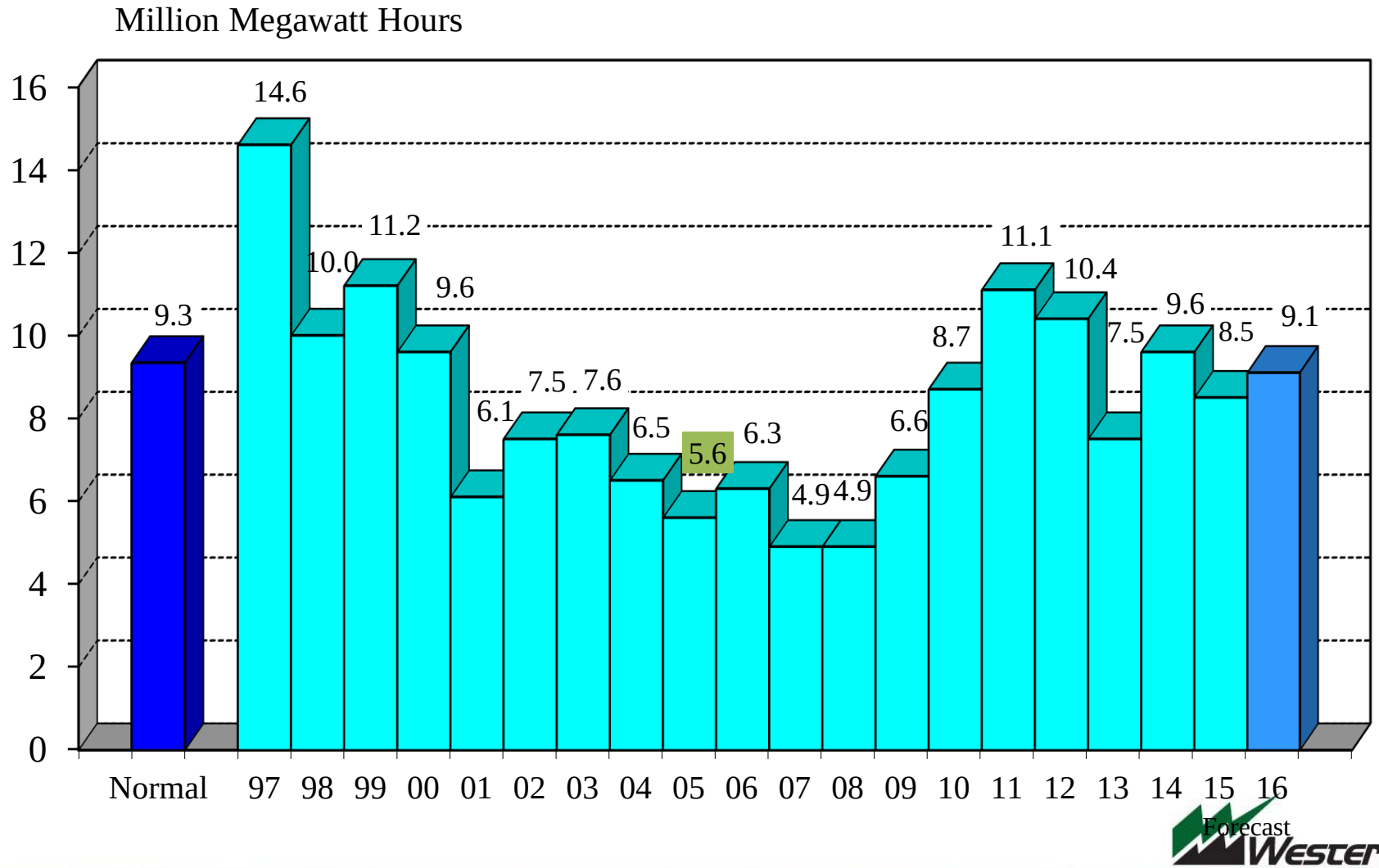
Mainstem System Generation



Mar 1, 2016 Forecast Upper Basic: 10.5 Lower Basic: 9.2

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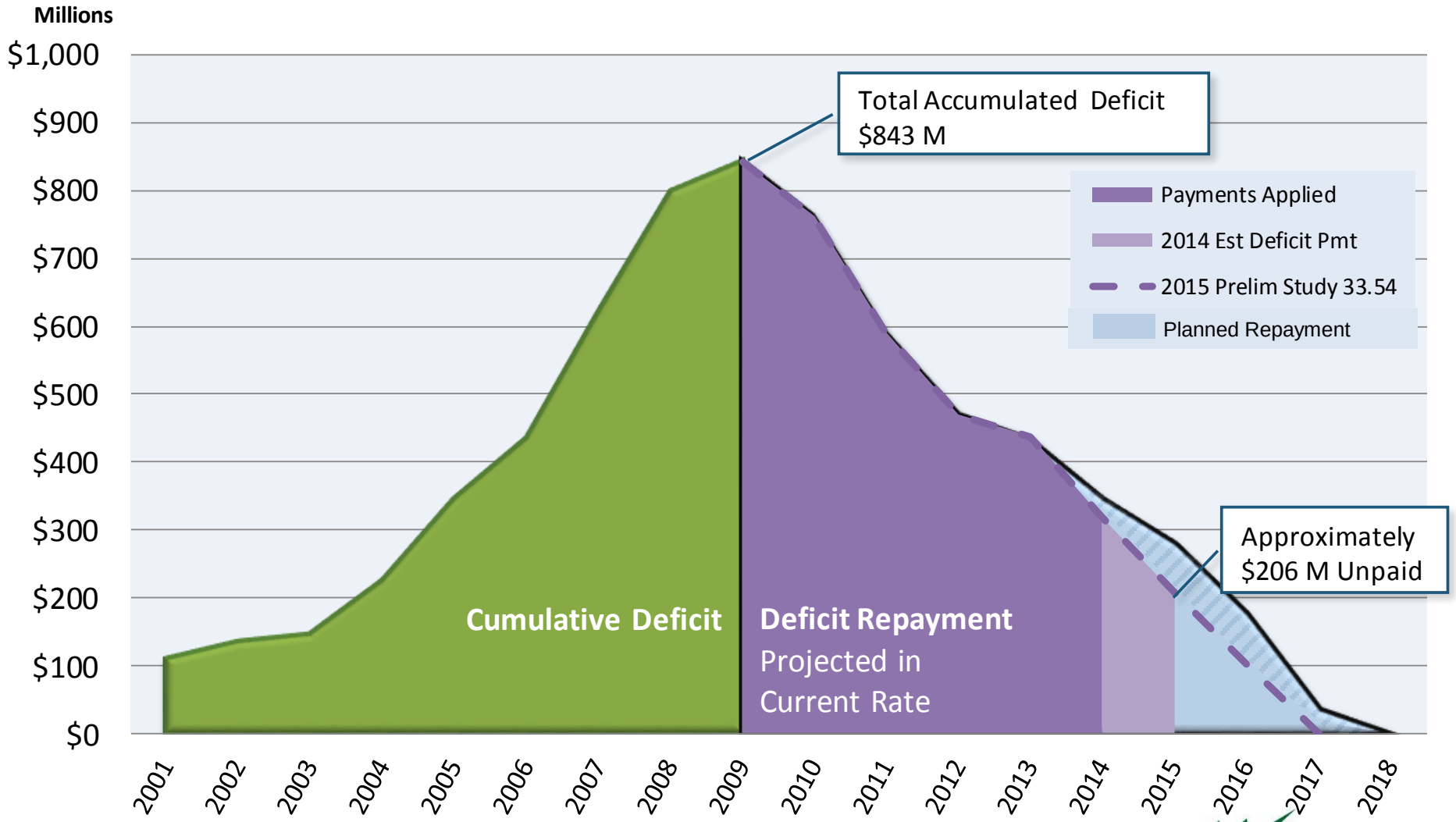
Planned Deficit Repayment FY 2015



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P-SMBP 2015 Prelim PRS Required Payments

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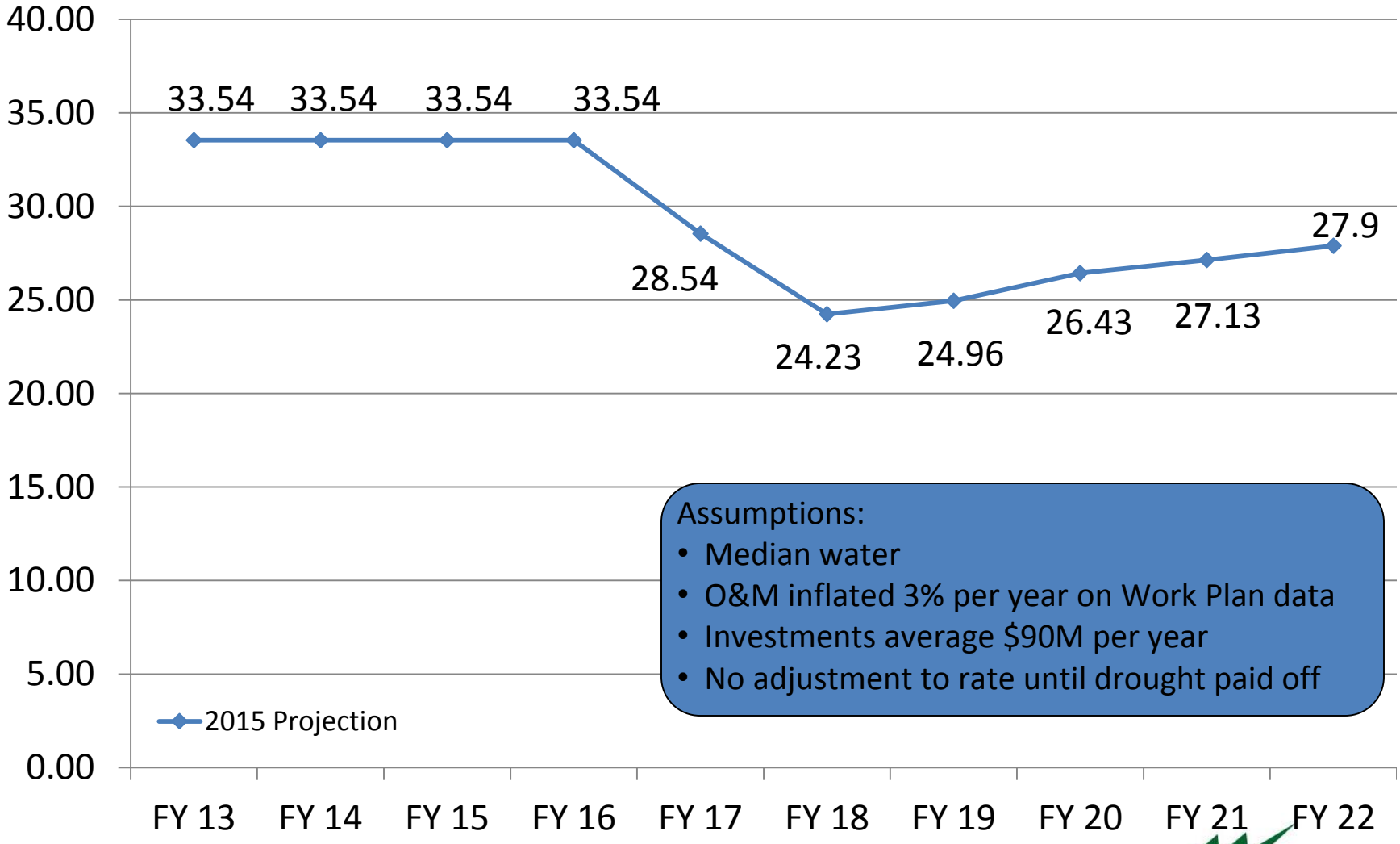
Projection on Composite Rate



Assumptions:

- Median water
- O&M inflated 3% per year on Work Plan data
- Investments average $90M per year
- No adjustment to rate until drought paid off

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Drought Adder Schedule for 2016

(as detailed in the FRN)

- Finalize annual Power Repayment Study (Feb-March)
  - Determine if Base Rate and/or Drought Adder needs adjustment via formal rate adjustment
- Corp snowpack is final—new generation projections May 15th
- Perform preliminary review of Drought Adder early summer – notify customers of and estimated change to the rate
- Perform second review of Drought Adder in September
- Notify customers in October of Drought Adder change to be implemented January 2017

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2021 Power Marketing Initiative

- Customer Updates:
  - Tribes: all 25 Tribal FES contracts have been offered – six executed
    - 19 Tribal contracts offered > one year ago
    - No bill crediting contracts offered to date
  - 15 Great River Energy cooperative members' contracts
  - Remaining customer contracts: ten under development
  - Near term focus is on addressing Western and Customer membership in SPP
  - Interconnection Agreements now coordinated with/through SPP
  - IAs signed by customers, but not executed by Western before 10/1/2015, will be re-offered to customers to include a new required SPP signature block and acknowledgement language. Those IAs include:
    - City of Lakota, ND, City of Flandreau, SD, City of Pierre, SD

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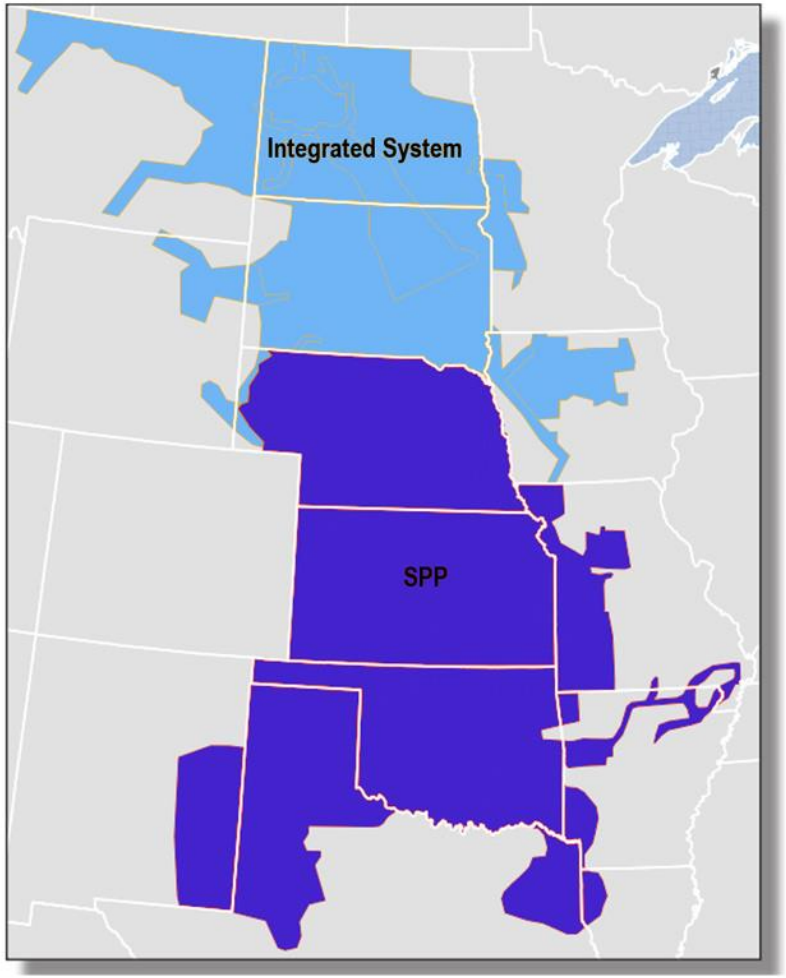
Move to SPP

- Moved Integrated System into SPP
  - Co-own IS with Basin Electric Power Cooperative and Heartland Consumers Power District
  - Adds 2500 MW of hydro from Western
- First PMA to move into RTO
- SPP provides greater flexibility
  - Creates more options for buying and selling
  - Reduces constraints in delivering power
  - Helps keep costs low for customers



Source: SPP

Move to SPP

- 5 Months of Operation
  - 20 market invoices
  - 4 transmission invoices
- Alternate Operations Study
  - $11.5 M net benefits predicted initial year savings/cost avoidance
- Thoughts based on 1st 3 months
  - Savings estimated to be greater than the AOS

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Questions

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