Central Montana Electric Power Cooperative Update

March 29, 2017

Bob Harris
Senior VP & UGP Regional Manager
New administration, new world

- Formal transfer of government
- Transition teams
- Political appointee turnover
- Informal transition strategy
- WLO activity
Strategic Roadmap 2024

- Applies mission to dynamic, evolving industry
  - New regulations
  - Growing presence of interruptible generation resources
  - Constraints on our hydropower resources
  - Markets development in the West
  - Changing customer needs

- Ties together strategy, initiatives, budgets & targets
Why refresh?

- Review every 2-3 years
- Important to take stock
  - ✔ Progress made
  - ✔ Where we need to go
- Narrow focus
  - ✔ Most important
  - ✔ Most strategic
- More inclusive

Roadmap Refresh
Outcome: Key points

• Mission, vision, pathways unchanged
• Allows employees to see themselves
• Identified cross-cutting strategic enablers
How it comes together

Mission-Critical Customer Services
Asset Management 2.0
Technology Performance
Physical and Cyber Security
People and Organization

Evolution of Services
Mutually Beneficial Partnerships
Business, Technology and Organizational Excellence

Powering the Energy Frontier

Roadmap Refresh
Southwest Power Pool
Mountain West update

- Formed 2013
- 10 participants
- Evaluating options
- Jan. 6 announced decision to pursue talks with SPP
- Expects decision mid-2017
- If applicable, market implementation 2019
P-SMBP
2016 Final Status of Repayment (SOR) PRS

- 2016 Deficit Payment is $110 M
  - Pays off the 2017 unpaid deficit balance
  - Balance applied towards 2018 remaining deficit balance
- $113 M unpaid on the Drought after 2016
- 2016 $54 M Required Payments
  - Mostly in 2.5% to repay Corps investments
- 2020 is the PRS pinch point
- SOR Study solves at current rate of 28.54 mills/kwh
- Drought debt paid off in 2018

2016 Rate Setting Study for CY 2018 rate not finalized yet.
2016 Deficit Repayment

- Total Accumulated Deficit $843 M
- $113.4 M remaining unpaid

Cumulative Deficit
Deficit Repayment Projected in Current Rate

Payments Applied
- 2016 Pmt
- 2016 Final SOR Study
Required Payments-2016 SOR PRS

- 2016 $110M Deficit Pmt
- Deficit Paid Ahead
- Pinch Point
- $45M Aid

UGP Update
Missouri River Basin – Mountain Snowpack Water Content
March 26, 2017

The Missouri River Basin mountain snowpack normally peaks near April 15. On March 26, 2017 the mountain Snow Water Equivalent (SWE) in the “Total above Fort Peck” reach was 14.4”, 94% of average. The mountain SWE in the “Total Fort Peck to Garrison” reach was 16.7”, 129% of average. Normally by April 1, about 97% of the peak mountain SWE has occurred in both reaches.

*Generally considered the high and low year of the last 20-year period, respectively.
Missouri River Mainstem System
Annual Runoff above Sioux City, IA

Historic Drought Periods


Million Acre-Feet

34.5 MAF
30.6
24.6
19.3
16.1
0 10 20 30 40 50 60 70

Chart provided by US Army Corps of Engineers
Mainstem System Generation

Million Megawatt Hours

Mar 1, 2017 Forecast

Upper Basic: 13.6
Lower Basic: 9.4

Chart provided by US Army Corps of Engineers
### Draft Schedule for 2018 Rate Adjustment

<table>
<thead>
<tr>
<th>Jan 2017</th>
<th>Apr 2017</th>
<th>Jul 2017</th>
<th>Oct 2017</th>
<th>Jan 2018</th>
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<tbody>
<tr>
<td><strong>Public Process</strong></td>
<td><strong>Federal Register Notice</strong></td>
<td><strong>Federal Register Notice</strong></td>
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<tr>
<td>Informal Meetings</td>
<td>Information Forums</td>
<td>Comment Forums</td>
<td>Final FRN Rate</td>
<td>Final Rate 30 Day Notice</td>
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### Firm Power Customer Notification Schedule

- **Feb-Mar**: Finalize annual PRS. Determine if Base/Adder needs adjustment via formal rate adj
- **Early Summer**: Preliminary review of Drought Adder-Notify Customer of estimated change
- **Sept-2nd Review of Drought Adder**: Notify Cust of Drought Adder Change eff Jan
- **October**: Notify Cust of Drought Adder Change eff Jan
- **New Rate Effective Jan 1**
Save the Date Information Webinar

- Sent out a March 9th letter announcing Webinar
  - Plan for Public Rate Process
  - Webinar is April 18, 2017, 1:00 – 3:00 PM MDT
  - Discuss the Pick-Sloan—ED and LAP Base and Drought Adder true up and the plan for the upcoming public process to adjust the overall Pick-Sloan composite rate
    - Drought Adder component going to zero and increase to the Base Component

https://www.wapa.gov/regions/UGP/rates/Pages/2018-firm-rate-adjustment.aspx

- Webinar will be recorded and posted to the website.
Commitment to transparency

**PRESENTATIONS & SPEECHES**
Discussions between our CEO, Senior Executive team, and customers.

**BY THE NUMBERS**
Searchable index created to increase transparency about WAPA's power systems. Content updated yearly.

**CUSTOMER NEWS**
Get updates, alerts, and news on topics of interest to customers.

**RATES BY REGION**
One stop to all regional Rates information.

**ANNUAL REPORTS**
Find annual reports, statistical appendices and ROOs for the current and past few years.

**BUDGET ALLOCATION**
Find WAPA and regional fact sheets and 10-year planning information. Content will be updated yearly.

**COMMENT ON THE SOURCE**
What enhancements would you like to see?

**KEY TOPICS**
Access key topics affecting WAPA's mission or service.

Send feedback to [TheSource@wapa.gov](mailto:TheSource@wapa.gov)
Questions

www.wapa.gov

The Source