Leland Olds Station Units 1 and 2

Leland Olds Station employees:

You received an email from your Plant Manager yesterday that provided inaccurate information about the future of the Leland Olds Station. Unfortunately, the note didn't include all the necessary details. We'd like to share with you the facts so you have a clear picture for plans for the Leland Olds Station going forward.

Basin Electric understands the importance and need for reliable base-load generation to serve our members and believes in an all-of-the-above energy solution even as external pressure continues against fossil fuel generation.

Each year for planning purposes, Basin Electric completes a 10-year financial forecast with numerous assumptions that change from year-to-year. Some of these assumptions include unit availability based on expected member load demand, commodity prices, inflation rates, and governmental regulation changes. The plan also includes using margins to improve the balance sheet through additional acceleration of depreciation of coal assets.

In January, Basin Electric's board of directors authorized the adoption of an accelerated capital recovery plan for Leland Old Station Unit 1. However, the Basin Electric board of directors did not authorize or approve a shutdown of the Leland Olds Station Units 1 or Unit 2. The financial forecast simply accelerates the recognition of depreciation expense scheduled to be recorded from 2026-2030 totaling about $50.1 million. Basin Electric will record this accelerated depreciation over a five-year period beginning in January 2021 through December 2025. This accelerated capital recovery plan will be built into the financial forecast, but does not solely determine the useful operational life of Leland Olds Station Unit 1. While the board did not adopt a similar plan for Unit 2, we will also include, for planning purposes only, an end-of-life scenario of Unit 2 for 2030.

Please note that while we evaluate various scenarios, the Basin Electric board of directors has not made any final decisions on the shutdown of Leland Olds Station Units 1 or 2.

Basin Electric's 10-year financial forecasts for generation have always included using baseload coal as a means of providing reliability. As member loads continue to grow within the membership, we know it is important to maintain our baseload generation to compliment other resources, including renewable energy, going forward.

Questions and Answers

Q: Why is it noted in the financial forecast that Leland Olds Units 1 and 2 will end operations in 2025 and 2030?

A: While the Leland Olds units will be listed in the financial forecast to be at end-of-life by 2025 and 2030, this is only for planning purposes, and can change at any time depending on many factors like member load in the Bakken, government regulations, etc.

Q: What will the course of action be at Leland Olds going forward?

A: Regular major outages will continue to be conducted. Plans are to maintain the reliability and safety of the plant until it is no longer operating, including maintaining minimum staffing levels to safely operate and maintain the plant.

Q: What are the key assumptions when establishing the 10-year financial forecast?

A: Many assumptions are considered but these are some of the key issues in the most recent forecast:

- Expected member load growth for the next 10 years
- Estimates on natural gas, fertilizers, chemicals, coal, and power prices to name a few
- Consolidated net margin and earnings targeted at $90 million to achieve a solid “A” category rating
- Revenue deferral to stabilize member rates
- Early depreciation on Leland Olds Station units
- Leland Olds Station, Antelope Valley Station, and Laramie River Station 1, which are dispatched within Southwest Power Pool, are set for economic dispatch
- Major plant outage schedules

Q: If the decision is made to add a primary reformer at Dakota Gas, how will this affect coal prices at Leland Olds Station and Antelope Valley Station?

A: Soon, a Front-End Engineering and Design (FEED) study will be underway to determine if a primary reformer is economical to be added at Dakota Gas. If the project moves forward, the primary reformer at Dakota Gas can be operated with or without the continuation of coal. If the decision is made to discontinue coal use at Dakota Gas, coal costs would be impacted at Leland Olds and Antelope Valley and put additional pressure on operating costs.

Q: What is the time schedule for adding a primary reformer at Dakota Gas?

A: The project just finished the pre-FEED study. The team is going through findings, and preparing the work to go out for bid to conduct a FEED study. The FEED study will take about one year, and will help determine project cost, economics and timeline. If the decision is made to add a primary reformer, the current plan shows it being operational in 2026.

Q: What is Basin Electric doing to minimize the impact of possible future job loss?

A: For several years, Basin Electric has monitored processes, minimized the use of contractors, and reduced staffing levels by not filling jobs whenever possible to keep costs low and maximize our ability to operate. We recognize employees have had a big part in this success, and continue to ask you to operate the facility as efficiently as possible.

Q: Has a decision been made to shut down Leland Olds Station Units 1 or 2?

A: No, all future decisions will depend on future load forecast, markets, government regulations, etc. Any shutdown plans will be approved by the Basin Electric board of directors and communicated by Basin Electric's Chief Executive Officer.

Q: Will additional information be communicated?

A: Yes, Basin Electric is committed to our employees and appreciates your diligence, dedication, and hard work in keeping Leland Olds Station operating. We value you and are committed to communicate with you as additional information is available. Please stay safe and we appreciate all that you do. If you have further questions, please contact Troy Tweeten at ttweeten@bepc.com or Diane Paul at dpaul@bepc.com.