

July 1, 2021 GRE Member Briefing

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Agenda

Great River Energy Member briefing

July 1, 2021

WebEx

8:00 a.m.	Welcome	Bob Bruckbauer Board Chair
8:05 a.m.	Project Phoenix — the vision	David Saggau President & CEO
8:30 a.m.	Sale of Coal Creek Station and the HVDC system — the overview <ul style="list-style-type: none">▪ Power Purchase Agreement	Jon Brekke VP & Chief Power Supply Officer
9:00 a.m.	HVDC system options assessment, sale process, and O&M agreement <ul style="list-style-type: none">▪ Charles River Associates	Priti Patel VP & Chief Transmission Officer
9:30 a.m.	Agreements and approvals <ul style="list-style-type: none">▪ Asset Purchase Agreement▪ Member and regulatory approvals	Eric Olsen VP & General Counsel
10:15 a.m.	Break	
10:30 a.m.	Financial analysis and budget	Michelle Strobel VP & Chief Financial Officer
11:00 a.m.	Communication resources	Mark Fagan VP & Corporate Services Officer
11:20 a.m.	<ul style="list-style-type: none">▪ Transaction summary and timeline▪ Q&A / wrap-up	David Saggau
12:00 p.m.	Adjourn	

Rainbow transaction and power supply portfolio



Jon Brekke



Overview

- ▶ The transaction
 - Selling CCS for \$---
 - Selling DC line for \$---
 - Buying out of all coal mining obligations
 - \$--- to Rainbow for mine closure and reclamation
 - \$25M to NACCO for Coal Sales Agreement termination
 - Reducing BFE repowering costs by \$19M
 - Adding short-term PPA to enable the transaction and long-term PPA to provide energy and capacity
- ▶ Benefits
 - Provides better energy and capacity portfolio
 - Reduces coal exit costs and risks
 - Preserves jobs

Why complete this transaction?

- ▶ Provides better energy and capacity portfolio
 - 300 MW energy hedge at favorable price
 - Less congestion in portfolio
 - Portfolio diversity (not as wind-reliant)
 - Keeps low-cost power flowing to the metro area, where we buy most of our energy
 - Preserves optionality for 2030 and beyond, while securing 300 MW for the next 10 years

Why complete this transaction?

- ▶ Reduces coal exit costs and risks
 - \$--- one-time payment, plus settlement with North American Coal Corporation (NACCO), avoids:
 - NACCO lawsuit cost and risk
 - Reclamation costs of up to \$225M
 - Falkirk employee severance costs
 - Derives value from DC line
 - Delays and avoids decommissioning expenses
 - Value \$8M to \$58M
 - Reduces some expense categories such as payment to counties and employee severance

Why complete this transaction?

- ▶ Preserves jobs

- Retains jobs and gives the employees of Coal Creek a chance at the future, with no cost to GRE
- Governor Burgum goal: carbon neutrality by 2030, leveraging geological advantages
- Preserves path to carbon capture at Coal Creek Station

Transaction benefits

- ▶ Market economics driving large changes to power supplies nationwide
- ▶ Utilities are doing more to ensure the well-being of employees after divestiture of fossil assets
 - Ensuring that coal plant transitions can happen while softening economic impacts to the community



Provides better energy and capacity portfolio

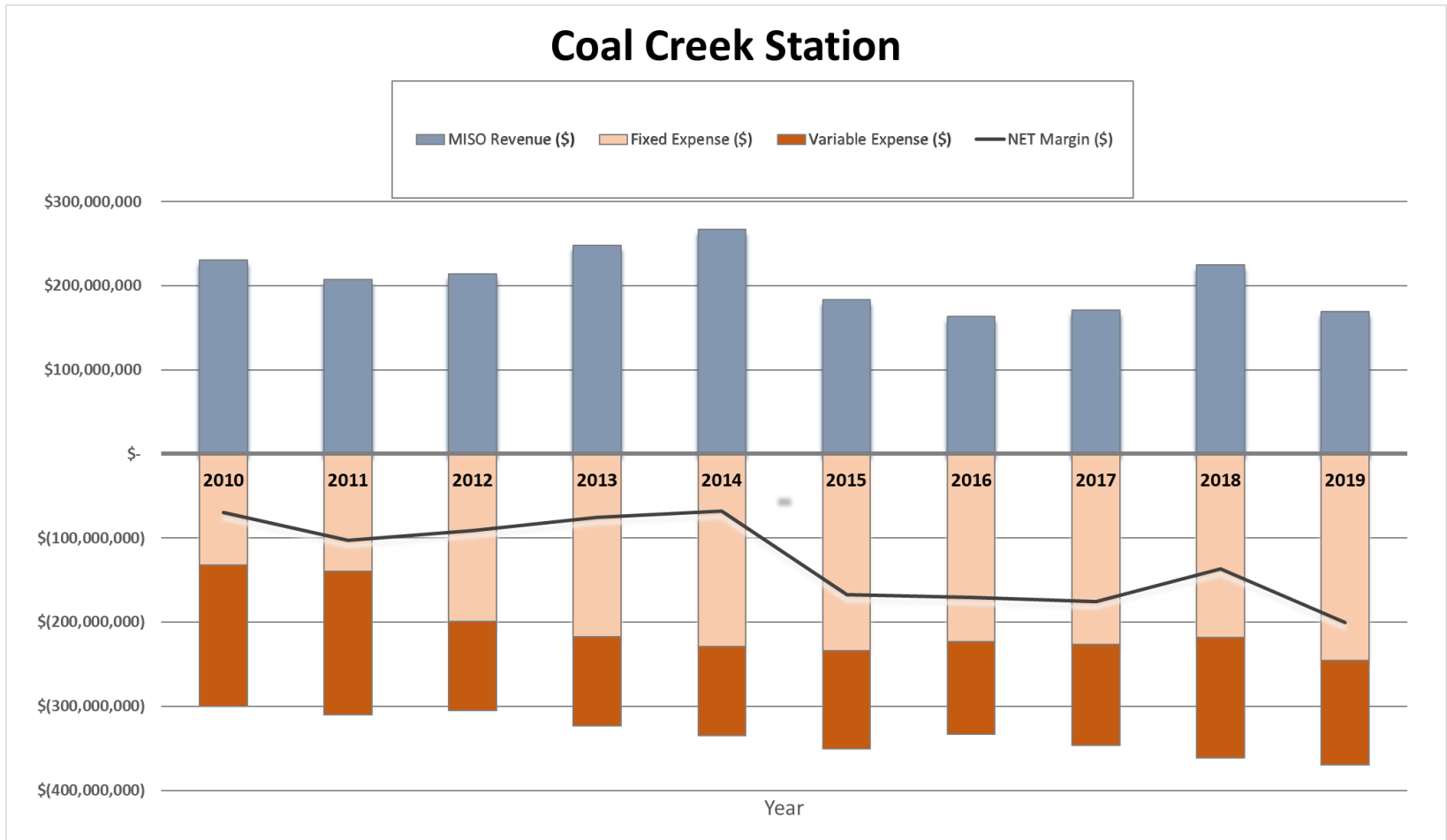


Reduces coal exit costs and risks

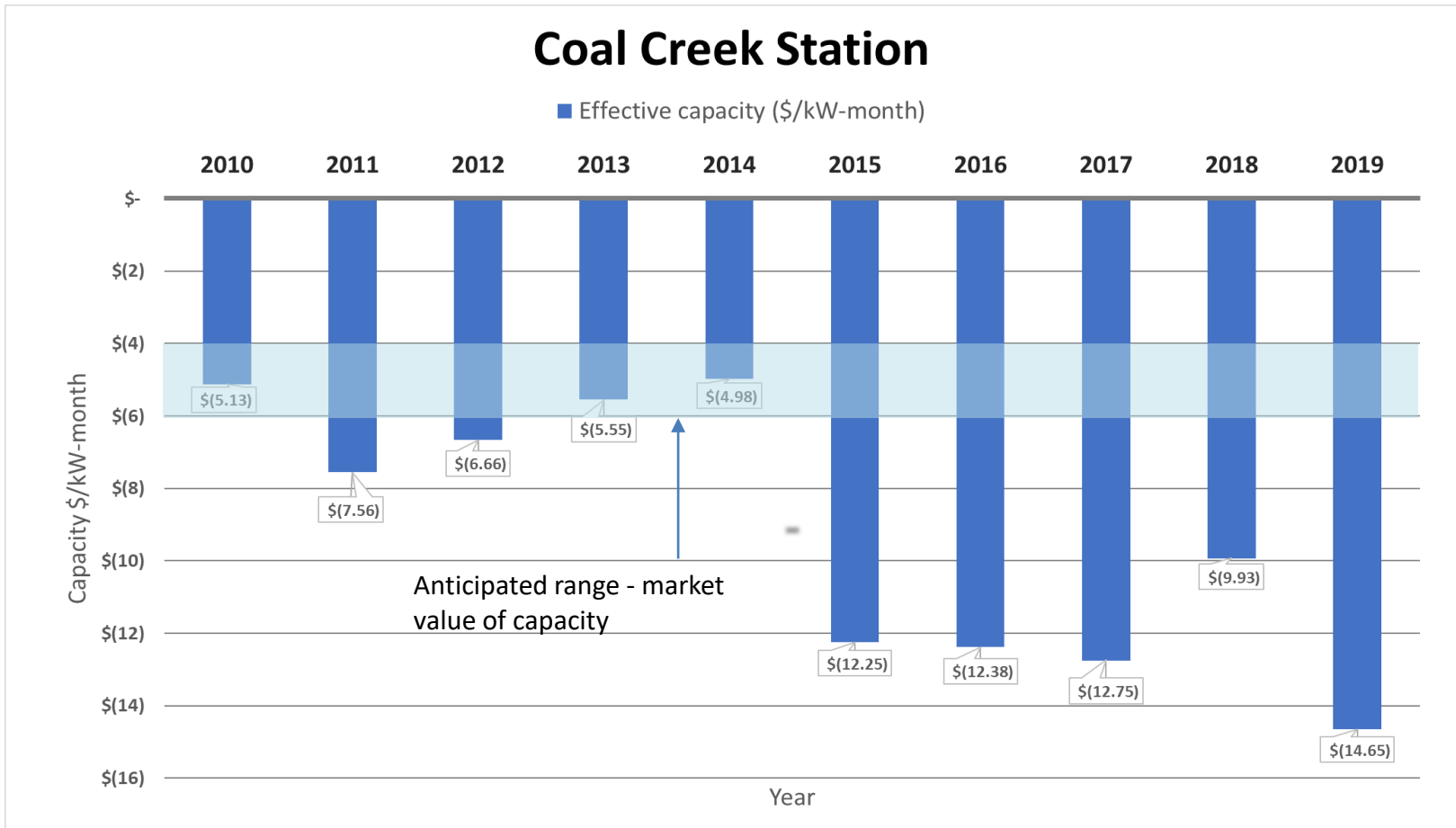


Preserves jobs

Power plant economic trends

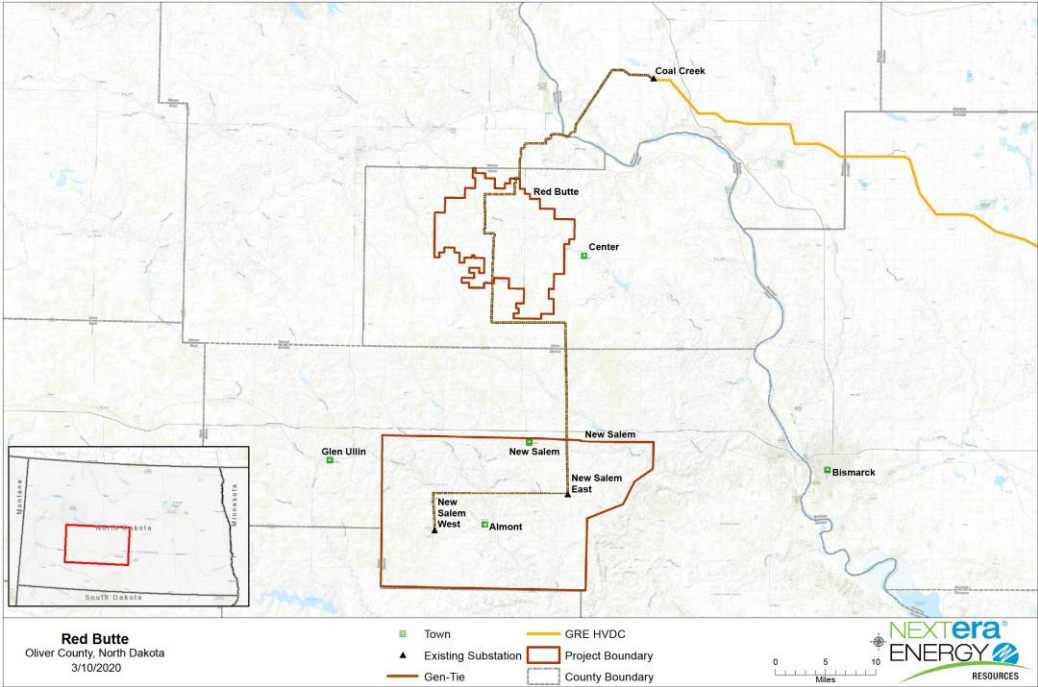


Power plant economic trends



Where it started

- ▶ Phased unit retirement plan at Coal Creek Station
 - Unit 2 – October 1, 2021
586 MW
 - Unit 1 – October 1, 2022
586 MW
- ▶ Falkirk mine closure – post 2022
- ▶ Continue operation of HVDC line with new renewable generation



Replace energy source at end of DC line

1,100 MW of new wind (800 MW in ND)

\$150M transmission investment

\$65M to repower Blue Flint

Remain open to CCS sale

What happened

Local anti-wind ordinance

- ▶ Ended ND wind plans
- ▶ Tempered market for HVDC system

2021 polar vortex

- ▶ Elevated importance of dispatchability, resource adequacy, fuel supply
- ▶ Shined spotlight on market volatility, cost, safety



Where we are today

- ▶ 900 MW of wind secured (shifted to MN)
- ▶ 1-year process to engage with potential buyers of DC line
- ▶ Exclusive sale negotiations in progress with Rainbow
 - No contingencies for ND approvals
 - No open-ended mining obligations
 - Jobs preserved
 - Full value for DC line investment

Rainbow Energy Marketing Corporation



- ▶ Rainbow Energy Marketing Corporation (REMC) is a subsidiary of United Energy Corporation (UEC)
 - Primary business is power marketing, natural gas marketing, and asset management
 - Began operations in 1994
- ▶ REMC contributed an estimated 45% of total UEC revenues in 2020
 - In 2020, REMC contributed \$21.6M of gross profit to UEC
- ▶ REMC delivered 4.89M MWhs in FY 2020 (per 2020 UEC annual report)





PPA transaction – overview

- ▶ General terms – 10-year PPA beginning Sept. 1, 2021
 - 1.5-year PPA for 1,050 MW
 - Energy term 9/1/2021 → 2/28/2023
 - 1,050 MW 7x24 hedge at \$---/MWh
 - Capacity term 9/1/2021 → 5/31/2023
 - 1,050 MW / month at \$---/kW-mo
 - 8.5-year PPA for 300MW
 - Energy term 3/1/2023 → 2/28/31
 - 300 MW 7x24 hedge at \$---/MWh
 - Capacity term 6/1/2023 → 5/31/2031
 - 300 MW / month at \$---/kW-mo

PPA transaction – fixed members



- ▶ CCS retirement triggers immediate need for fixed members to add member directed resources (MDR)
 - MV and WH requested proposal from REC through GRE
- ▶ REC willing to sell up to 90 MW of additional capacity and energy during second term (above 300 MW)
 - Same prices and structure
 - Requires GRE member approval and approval of each fixed member for respective MDR amounts
 - Election of 22 MW expected

Benefits – Power purchase agreement



- ▶ Strong complement to high renewables energy portfolio
 - 300 MW baseload energy hedge at favorable price
 - Less congestion with Dickinson pricing node
 - Increases portfolio diversity
 - Option for GRE to terminate with 1-year notice if REC hasn't started carbon capture construction by Jan-2026
- ▶ Fills summer capacity need to 2030

Risk #1

- ▶ Rainbow closes the plant soon

- ▶ Mitigation:
 - No mine closure obligation to GRE
 - Avoided severance and county tax costs
 - Decommissioning expenses capped at \$50M
 - Already cashed-out on DC line
 - Two-year notice to exit PPA
 - No NACCO lawsuit

Risk #2

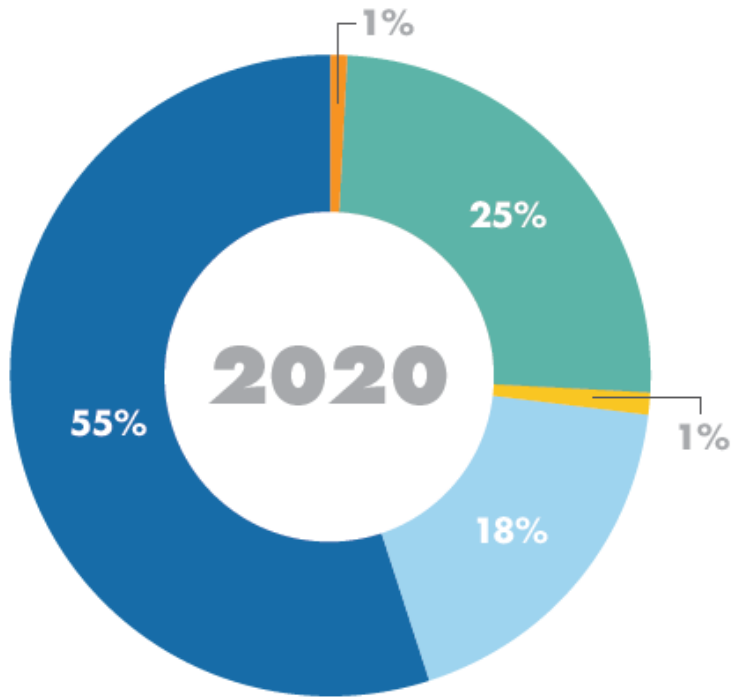
- ▶ Rainbow fails at carbon capture

- ▶ Mitigation:
 - No direct impact on PPA
 - GRE still achieves 95% carbon reduction by 2031, faster than any neighboring utility
 - No cost impact to GRE
 - If they shutter the plant, same mitigation measures as Risk #1

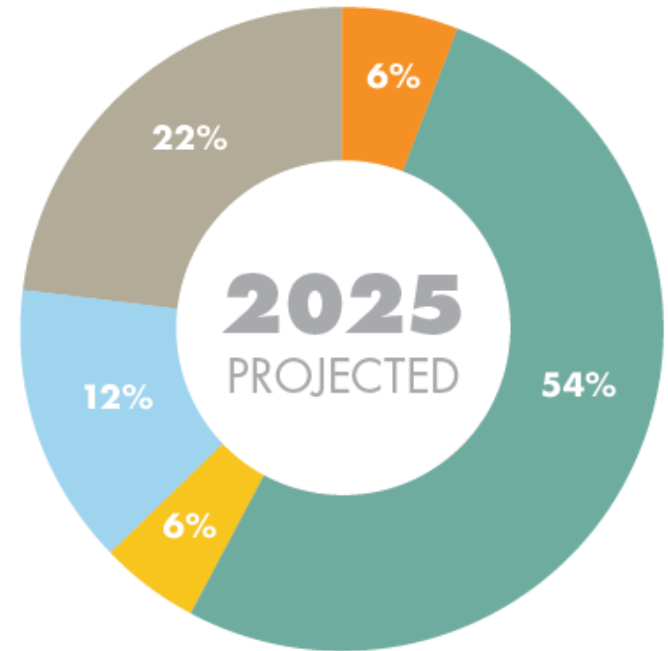
Risk #3

- ▶ Rainbow exits PPA due to carbon tax of more than \$2 per ton
- ▶ Mitigation:
 - Two-year notice to exit PPA

Energy



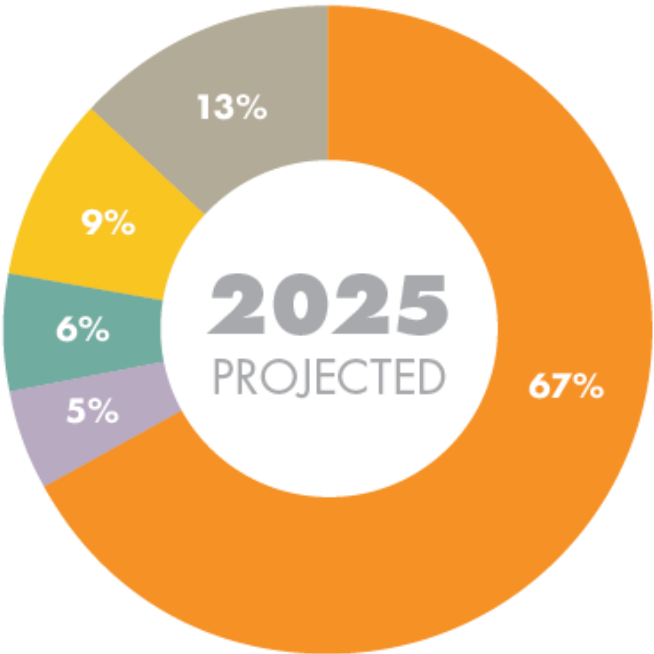
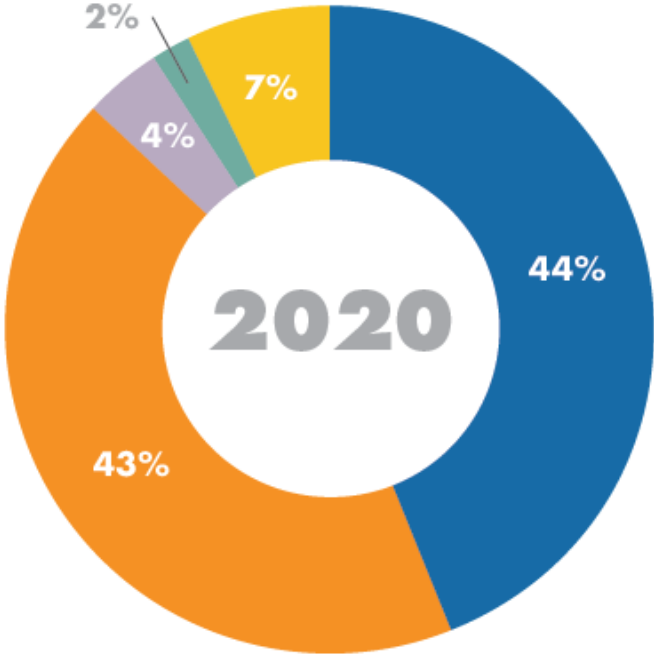
All requirements energy



Energy served

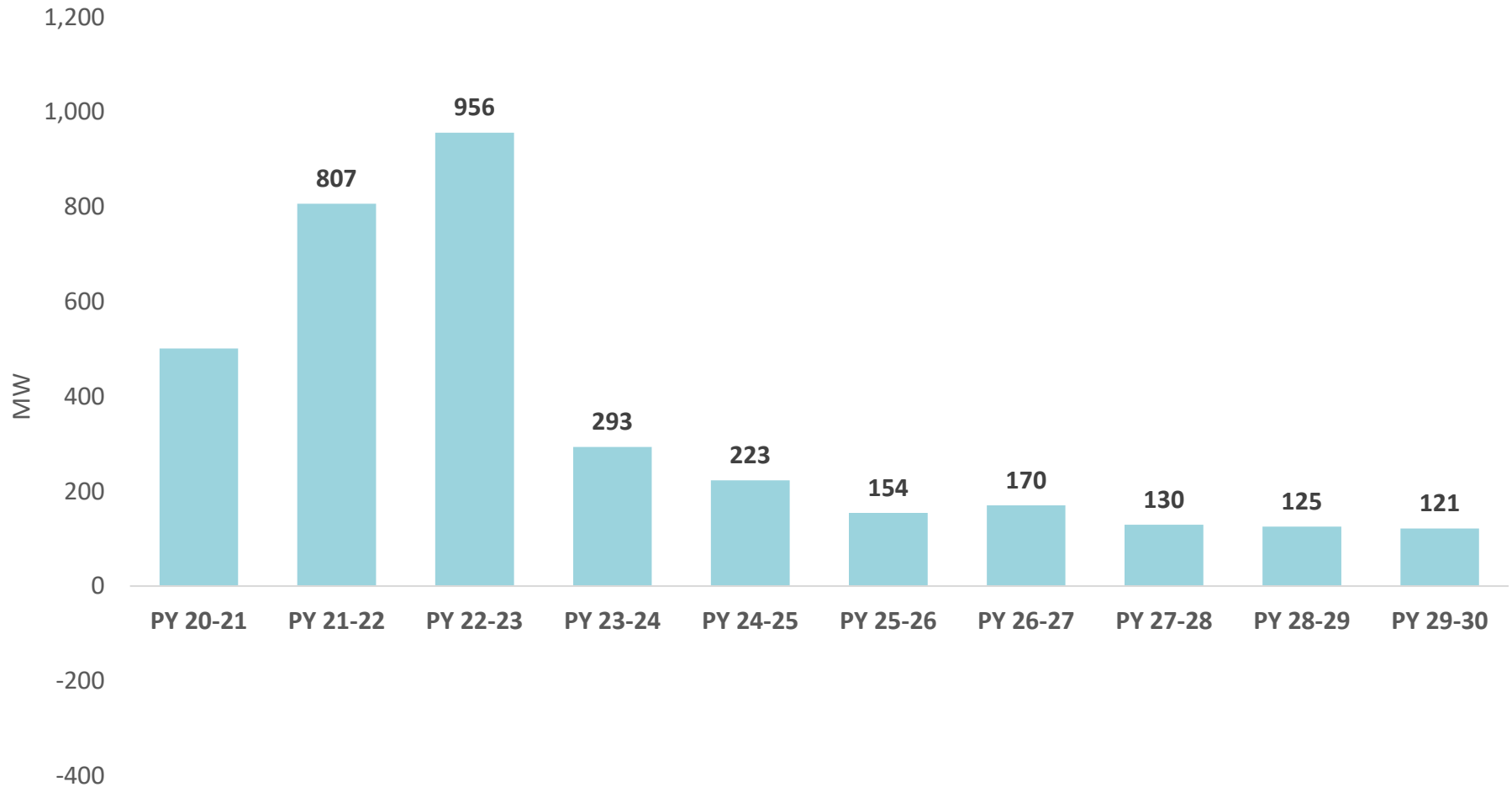


Capacity



- FUEL OIL
- COAL
- NATURAL GAS
- RENEWABLE
- HYDRO
- MARKET
- RAINBOW PURCHASE

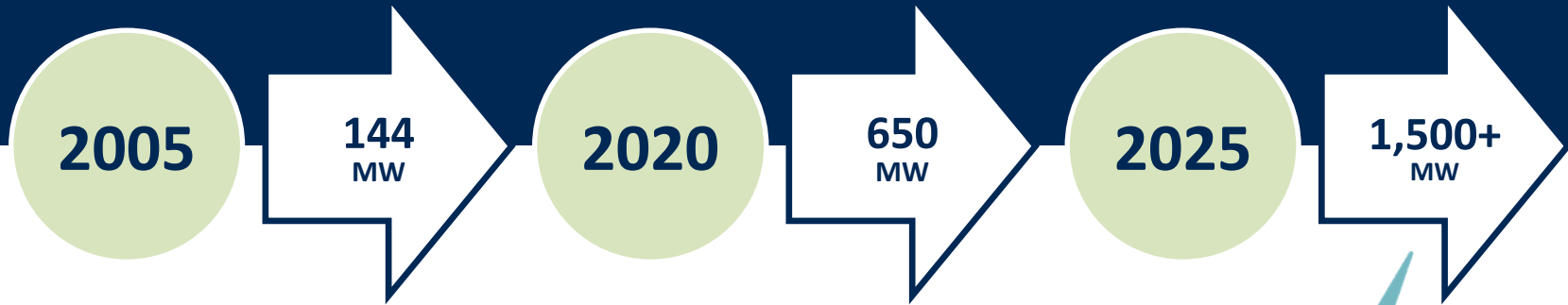
Shared pool position – Rainbow PPA



Growing renewable portfolio



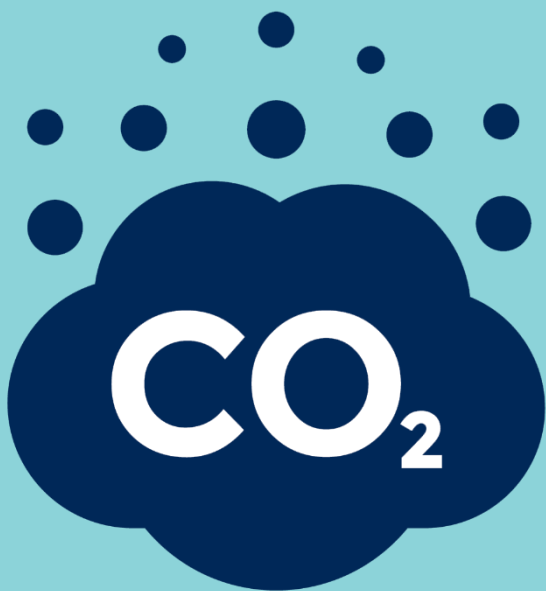
GRE renewable development





Minnesota carbon goals

Minnesota already has a carbon goal in state statute



15%

reduction from 2005 levels by **2015**

30%

reduction from 2005 levels by **2030**

80%

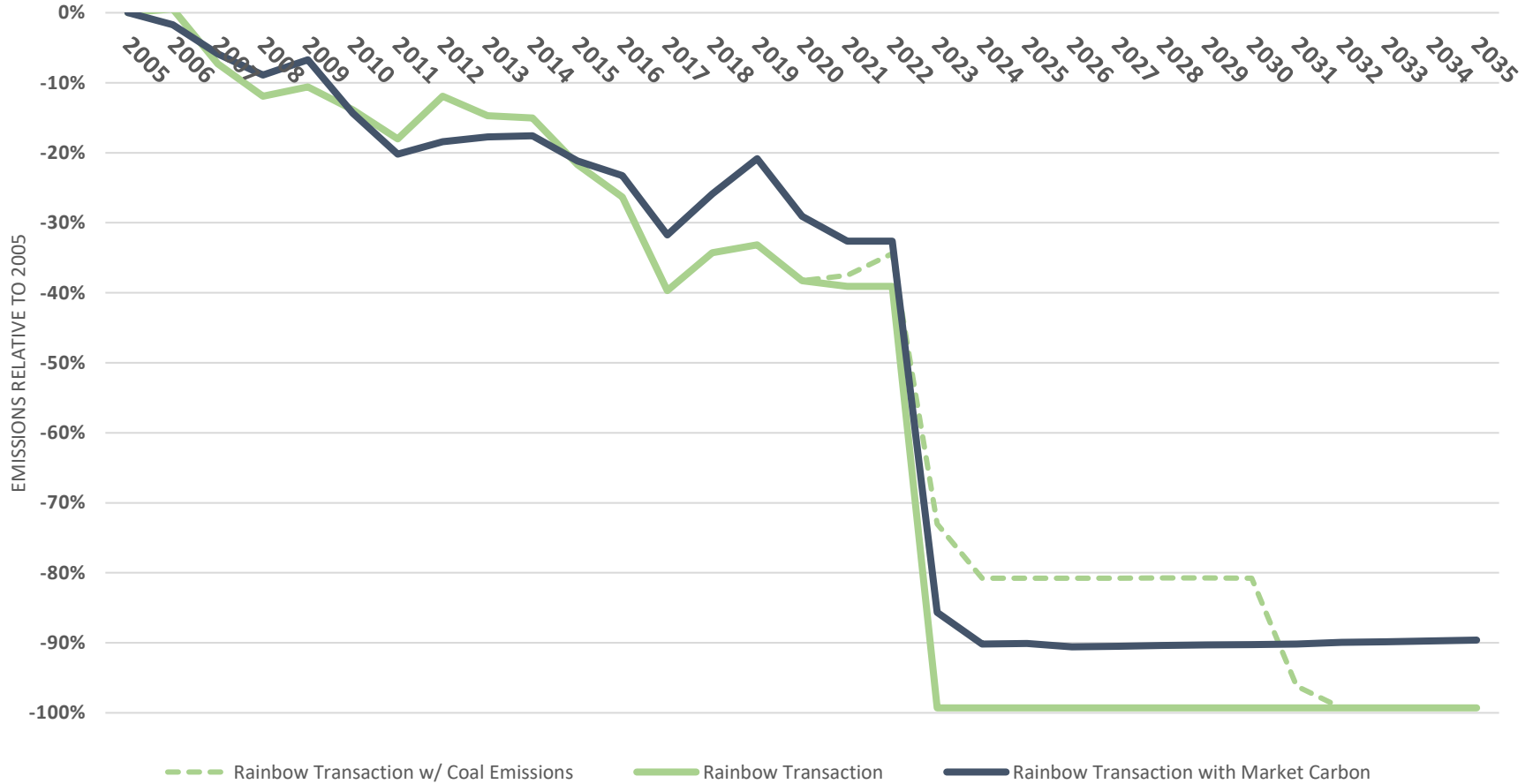
reduction from 2005 levels by **2050**

Economy wide carbon goals

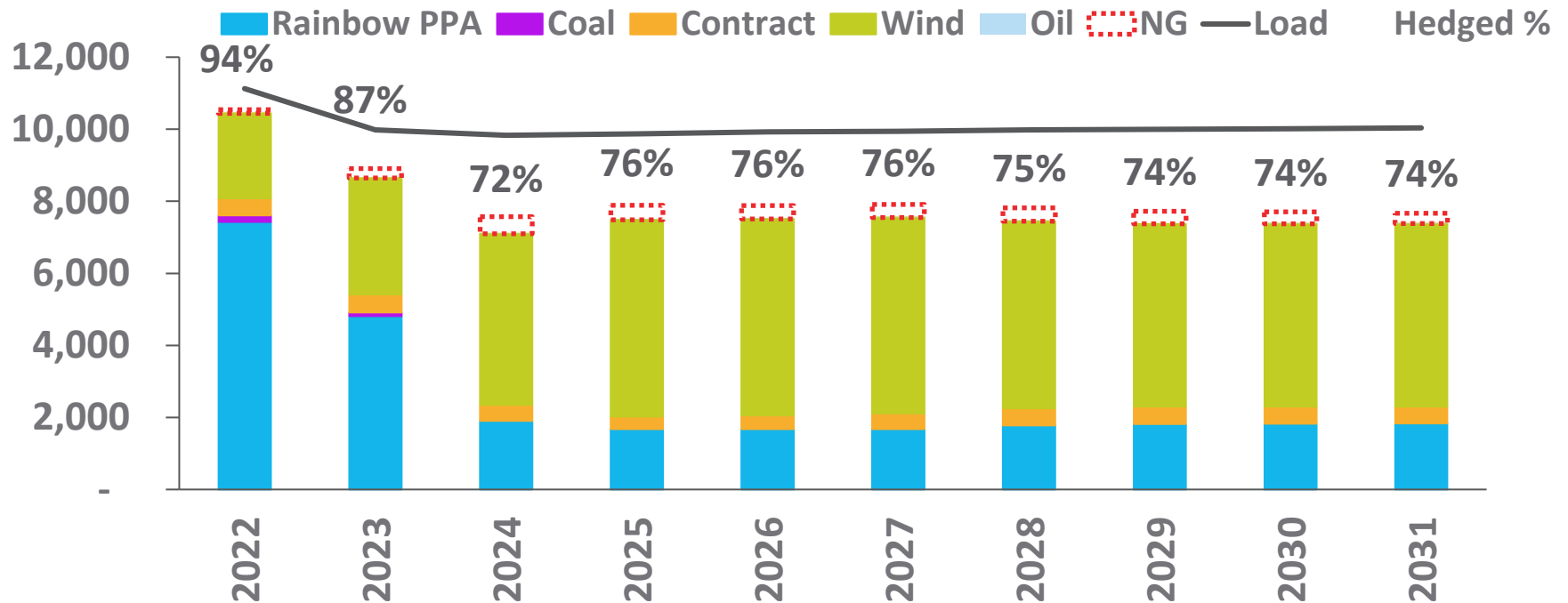
Carbon risk minimized



CO2 Reductions



Hedged Energy with Rainbow PPA



- Represents the amount of fixed priced energy that hedges the Shared Pool load
 - Does not include excess fixed priced energy sold back into the market
 - e.g. wind generation, block energy that is sold during shoulder months when loads are low
- Natural gas-fired generation is not considered hedged because the fuel has not been procured; not included in percentages
 - Spiritwood becomes a natural gas resource in year 3

Portfolio – 2023 and beyond



MISO market

- ▶ Economic power sales and purchases
- ▶ Flexibility and access to diversity of resources provides virtual battery

Wind resources

- ▶ Core energy resources
- ▶ Provides long-term hedge to MISO market

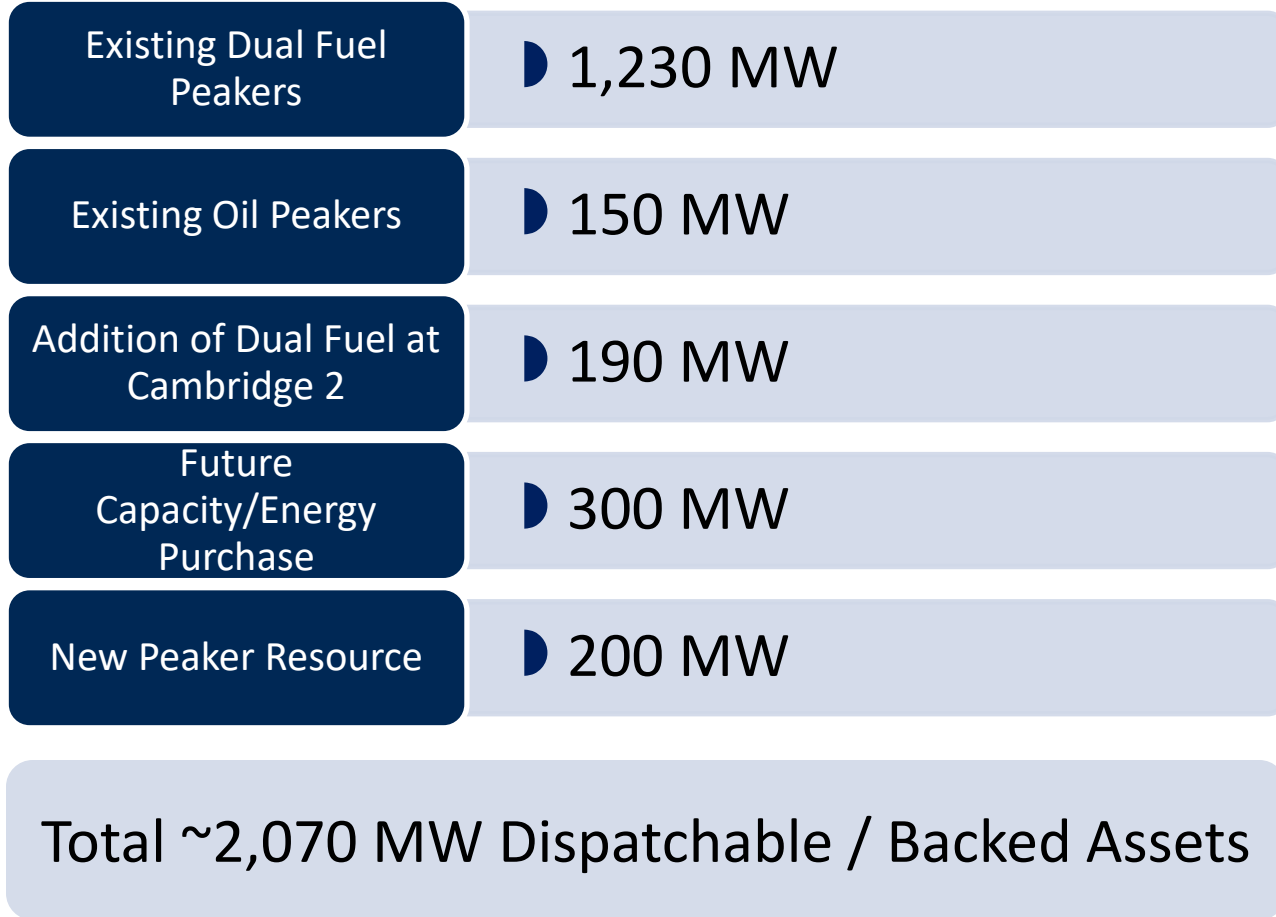
Natural gas peaking generation

- ▶ Core capacity resources
- ▶ Dual fuel for reliability
- ▶ Hedge against extreme conditions

Power purchase agreements

- ▶ Energy hedging
- ▶ Capacity resource

Resources and load



HVDC options assessment, sale process, and O&M services agreement



Priti Patel

HVDC sales process

overview



- ▶ Engaged in a structured sale and evaluation process
- ▶ The REMC opportunity is the result of a lengthy sales process considering a range of alternatives for Coal Creek Station (CCS) and the HVDC system
- ▶ GRE evaluated approximately 24 companies and screened down to a narrow set of bidders presenting a range of options
- ▶ REMC presented the greatest expected benefit to GRE and its member-owners

Engaged Charles River Associates (CRA)



Services provided by CRA's energy practice



Corporate strategy

Corporate scenario development & analytics

Portfolio optimization

Offering development

M&A growth strategy

Market entry strategy



Utility strategy & planning

Integrated resource planning

Commodity price forecasting

Grid modernization

Process transformation

Rate impact analysis

Regulatory support



Energy markets

Market forecasts

Market based rates filings

FERC analysis (Order 841, Order 1000)

Capacity market design

RTO cost benefit analysis



Transaction support

Asset sales processes

Energy assets due diligence and valuation

Competitive merger reviews

Utility M&A due diligence



Litigation support

FERC and state ratemaking

Damages analysis

International arbitration

Commercial litigation

Expert testimony

Structured process overview



Review criteria

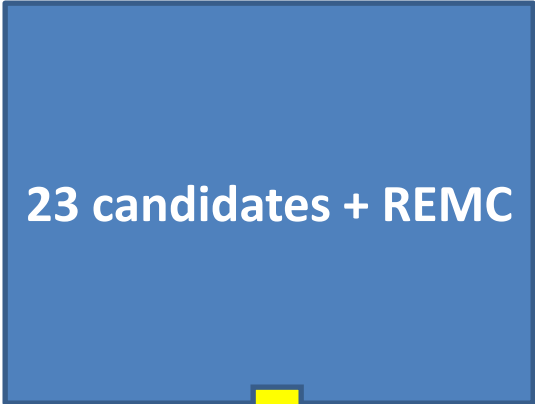
- ▶ **Overall value** generated for GRE and its member-owners
- ▶ **Key risk factors and uncertainties** related to the proposed transaction
- ▶ Counterparties' **ability to execute the proposed transaction** based on their development experience, regulatory competence, and financial capabilities
- ▶ Expectations of **GRE's role in the process and in the ongoing management of the HVDC asset**

Unique considerations

- ▶ Challenging coal plant economics
- ▶ Fewer off-takers for energy and capacity sourced from fossil resources
- ▶ Wind and transmission moratoriums
- ▶ MISO generator replacement process uncertainty
- ▶ Uncertain avoided costs for certain generation developers; line use for new projects

Candidate vetting

Starting candidate pool



Targeted renewable and transmission developers, private equity, adjacent utilities



Invited candidates



Candidates that were invited to participate in a Request for Proposal (RFP)

GRE conducted a series of interviews with short-listed candidates to discuss proposals



Short-listed candidates



REMC offers optimal value

- ▶ Beneficial PPA with HVDC system sale at book value
- ▶ Mitigates ongoing CCS liabilities while eliminating further HVDC cost exposure
- ▶ Minimal execution risk relative to options
- ▶ Maintains valuable jobs at CCS and Falkirk Mining Company
- ▶ Long-term O&M agreement for HVDC system

HVDC options assessment



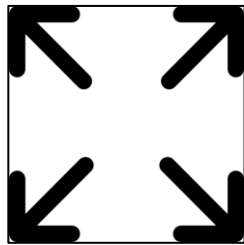
overview

- ▶ HVDC system facilities are unique. Market value of existing asset cannot be confused with the cost of building a new similar asset.
 - A project's cost (price to build) is not indicative of a project's value (a buyer's willingness to pay)
- ▶ The REMC opportunity is the result of a process that considered a range of alternatives for CCS and the HVDC system
- ▶ Selling the HVDC system creates highest value at lowest risk
- ▶ Delaying a decision on the HVDC system's future (for sale or otherwise) may require additional GRE investment, and would be subject to future uncertainties

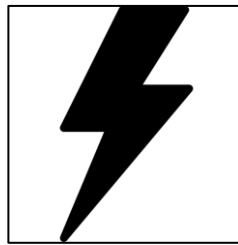
The market value of GRE's HVDC system is not represented by the cost of new HVDC systems



- There are three main cost components to an HVDC system project impacting cost
- High-level cost estimating tools are available to approximate new HVDC system costs
- HVDC systems currently proposed in the United States have substantial price tags (> \$1 billion) that may exceed value as evidenced by failure to launch
- However, a project's cost (price to build) is not indicative of a project's value (a buyer's willingness to pay)



Capacity



Voltage



Distance

Multiple options to monetize the HVDC system have been evaluated

POSITION
THE
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A

Sale

- Asset sold and ownership transferred to another party
- New owner responsible for all ongoing and future costs
- Option of highest value and lowest risk

B

MISO Cost Shared

- MISO manages flow on HVDC system to maximize energy market benefit
- GRE cost responsibility is decreased, but not eliminated (decreases from 100% to ~14% of costs)
- Requires MISO designation that benefits exceed HVDC system costs

C

Generators Pay

- Individual generators who see value pay to reserve line capacity
- HVDC or surrounding system likely to require upgrades to make option viable
- HVDC may have to acquire MISO interconnection rights that could be used by generators





D

MISO Zonal Asset

- Potential option of last resort
- MISO manages flow on HVDC system to maximize energy market benefit
- GRE pays majority (>75%) of costs via GRE zonal transmission rate

The successful achievement of a monetization option is primarily driven by external factors

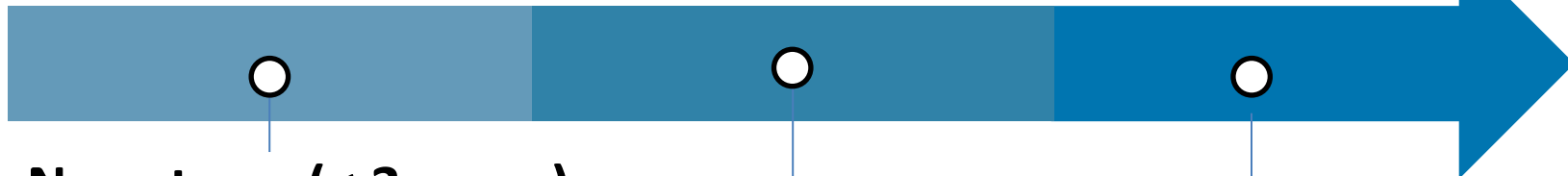


Sale		Structured vetting process demonstrated greatest value and potential buyers' willingness to pay
MISO Cost Shared		Precedent risk. Existing HVDC system has not demonstrated sufficient benefits to achieve eligibility for regional MISO-wide cost-sharing
Generators Pay		Likely requires GRE investment of @\$75M to make HVDC system generator-ready. Potential MISO interconnection process
MISO Zonal Asset		Regulatory risk. GRE would continue to pay majority of ongoing and future costs associated with HVDC system

Forgoing sale today for higher return in future increases uncertainties

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INCREASING UNCERTAINTY



Near-term (< 3 years)

- Costs likely so that HVDC can accept non-CCS generation
- Local zoning issues in North Dakota
- North Dakota political climate favors dispatchable generation, e.g. CCS

Medium-term (3-5 years)

- Expiration of CCS's generator interconnection agreement would require lengthy process for GRE to acquire interconnection rights on behalf of HVDC system
- HVDC interconnection process may identify transmission upgrades as condition for acquiring interconnection rights

Long-term (5+ years)

- MISO embarking on plan to increase transmission capacity and facilitate fleet transition

Key takeaways

- ▶ HVDC systems are unique. Market value of an existing HVDC system cannot be conflated with the cost to build a new HVDC system.
- ▶ GRE engaged in a structured sale and evaluation process typical in situations like this. The REMC opportunity is the result of a process that considered a range of alternatives for CCS and the HVDC system
- ▶ Selling the HVDC system creates highest value at lowest risk
- ▶ Delaying a decision on the HVDC system's future (for sale or otherwise) may require additional GRE investment, and would be subject to future uncertainties

O&M agreement

overview

POSITION
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- ▶ Support future reliable operation of the HVDC system through services provided by qualified GRE employees while mitigating risk to GRE
- ▶ Agreement with Nexus on key terms and conditions
- ▶ Mitigation of risks

Background

- ▶ HVDC system and associated facilities included in sale agreement
 - HVDC converters at CCS and Dickinson Converter Station
 - 230-kV substation facilities at CCS
 - HVDC & transmission service center at CCS
 - HVDC storage building at Dickinson Converter Station
 - HVDC transmission line
 - HVDC ground electrode system
 - Associated HVDC system equipment
 - Filter banks, cooling towers, inventory

Key terms and conditions

- ▶ GRE and Nexus Line, LLC, a North Dakota limited liability company (Nexus), will enter into an operations and maintenance agreement for the HVDC system
- ▶ Nexus will retain GRE as an independent contractor to provide services similar to those provided today for the HVDC system
 - Efficient and reliable day-to-day operational control of the HVDC system
 - Performance or oversight of maintenance and capital project services
- ▶ Term: 10 years; through December 31, 2031
- ▶ Contract requires creation of an O&M committee consisting of Nexus and GRE employees

Key terms and conditions

compensation



- ▶ For the first five years GRE is responsible for cost of GRE labor providing operations and maintenance services
 - 2022-2026: GRE provides maximum 17,500-hour O&M labor allowance; any additional GRE O&M labor charged at non-member services rate
- ▶ For the next five years Nexus pays all O&M labor costs
 - 2026-2031: No labor allowance. All GRE O&M labor charged at non-member services rate
- ▶ For capital project services, Nexus must pay for all hours of GRE labor
 - Charged at non-member services rate
- ▶ Any non-GRE labor costs for either O&M or capital services incurred by GRE is a pass-through cost to Nexus

Key terms and conditions

use of certain transmission facilities

- ▶ Nexus will grant GRE easements at no cost to use facilities that support the services at CCS and Dickinson Converter Station
 - CCS – HVDC & transmission service center and laydown
 - Dickinson Converter Station – HVDC storage building
- ▶ At no cost to GRE, GRE shall also be permitted to use these facilities to support the operation and maintenance of its own transmission facilities in North Dakota and Dickinson

Key terms and conditions

operations services

- ▶ GRE shall provide substantially similar operations services with respect to the HVDC system that it provides for its own facilities for which it exercises day-to-day operational control
- ▶ Primary service is coordination of CCS's output based on MISO signal
- ▶ Subject to first 5-year O&M services annual labor allowance
 - Maximum 17,500 annual hours for GRE field and office employees

Key terms and conditions

maintenance services

POSITION
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- ▶ GRE will provide substantially similar scheduled and unscheduled maintenance services as it does today
- ▶ GRE will provide Nexus with a 10-year scheduled maintenance and inventory plan to facilitate maintenance, including cost forecasts, to be updated annually
- ▶ Subject to first 5-year O&M services annual labor allowance
 - Maximum 17,500 annual hours for GRE field and office employees

Key terms and conditions



capital project services

- ▶ GRE shall provide needed capital projects services to improve or maintain HVDC system performance
 - Either through GRE employees or third-party contractors
- ▶ Nexus shall pay for all GRE labor – no allowance provided
- ▶ Nexus shall pay all capital project costs
- ▶ Nexus shall retain a qualified owner’s engineer at Nexus’ sole expense
 - HVDC system expertise to advise on capital projects and system performance issues
 - Owner’s engineer will recommend and provide a 3-year plan to GRE describing capital projects needing completion in future years
 - GRE will develop (or update, as applicable) a consolidated budget forecast and schedule for each project

Mitigating risks and securing future opportunities



- ▶ Insurance
 - Negotiated appropriate insurance design terms
- ▶ Limitations of liability
 - Negotiated aggressive maximum annual limit for GRE liability
- ▶ NERC compliance
 - Both GRE and Nexus have NERC compliance requirements
 - GRE right to terminate agreement if Nexus fails to comply with NERC requirements resulting in material adverse impact to GRE
- ▶ Asset Purchase Agreement reflects Nexus' agreement to not impose further HVDC costs onto GRE in future
- ▶ GRE secured future opportunity to strategic investment

Summary

- Engaged in a structured sale and evaluation process
- The REMC opportunity is the result of a lengthy sales process considering a range of alternatives for CCS and the HVDC system
- Sale of the HVDC system creates highest value at lowest risk
- The O&M agreement for the HVDC system is complete and has been agreed to by both parties
- Terms and conditions designed to protect GRE to the maximum extent possible

Transaction terms, approvals and governance



Eric Olsen

Confidentiality

- ▶ Transaction terms remain confidential despite announcement of the transaction
- ▶ GRE/Rainbow confidentiality agreement
- ▶ GRE/member confidentiality agreements
- ▶ Disclosing information outside your cooperatives could expose GRE and member cooperatives to litigation and could jeopardize the transaction

Asset Purchase Agreement (APA) basic transaction structure

- ▶ GRE sells Coal Creek Station to Rainbow Energy Center, LLC (REC)
- ▶ GRE sells HVDC system to Nexus Line, LLC (NL)
- ▶ GRE enters into Financial Settlement and Capacity Purchase Agreement (PPA) with REC
- ▶ GRE enters into HVDC O&M agreement with NL

Coal Creek Station (CCS)

- ▶ Price: \$---
- ▶ GRE assets sold include the plant, real estate, Spiritwood coal load-out at CCS, at least 200K tons of coal, DryFining patents
- ▶ GRE pays REC \$--- to assume reclamation and other mine obligations, REC obligated to maintain ND bonding
- ▶ Decommissioning expense: first 10 years – cost shared pro rata based on years of CCS operation, \$50M cap for GRE; after 10 years – REC solely responsible
- ▶ Environmental: REC responsible for regional haze upgrades, new ash pond if liner application denied, post-closing liabilities; GRE responsible only for pre-closing issues

HVDC system

- ▶ Price: \$---
- ▶ Assets include the converter stations, associated real estate, line and easements, CCS substation, maintenance building at CCS
- ▶ Allocation of environmental liabilities is the same as for CCS
- ▶ HVDC operations and maintenance by GRE pursuant to the O&M agreement

Miscellaneous APA provisions

- ▶ \$--- APA termination fee if either party breaches obligation to close; REMC guarantees buyer's termination fee
- ▶ Closing effective no earlier than 9/1/2021
- ▶ Possibility of transition services by GRE, REC/NL will pay GRE non-member rates

Protection for GRE

- ▶ Termination fee guaranteed by REMC
- ▶ Blanket guaranty by REMC Group, LLC and REMC Assets, LP – covers all obligations of REC or NL to GRE
- ▶ Release of GRE reclamation self-bond by ND, replacement bond by REC, Falkirk complete release of GRE
- ▶ PPA credit support includes letter of credit or cash based on mark-to-market energy and capacity
- ▶ O&M agreement protection includes required insurance and naming GRE as additional insured

APA conditions to closing

- ▶ Regulatory approvals including:
 - Federal – FERC order approving transfer; FERC approval of generator interconnection agreement changing HVDC point of interconnection to Dickinson, MN; NERC/MRO acceptance of new generator and transmission owners
 - ND – DEQ approval of CCS air permit transfer, PSC approval of HVDC permit to construct and route permit
 - MN – MPUC order authorizing transfer of HVDC construction permit
- ▶ GRE member approval, Indenture release, GRE self-bond release, REC replacement bond, no material adverse changes

Falkirk Coal Sales Agreement

- ▶ Termination agreement and release terms
 - Contingent on CCS/HVDC closing
 - At closing, GRE pays \$14M, transfers Bismarck building, transfers 7019 MAG units
 - If REC closes CCS, GRE pays Falkirk \$8M if closure before 12/31/23, \$6M if during 2024, \$4M if during 2025, \$2M if during 2026, zero thereafter
 - Complete termination and release

GRE governance - board

- ▶ In Resolution No. GRE R21-6-4, the GRE board:
 - Approves CCS/HVDC transaction, PPA, O&M Agreement – requires 2/3 board vote
 - Approves Falkirk termination agreement
 - Requests release of transferred assets from Indenture
 - Describes regulatory asset for CCS to include plant sale and Falkirk termination agreement costs
 - Calls special member meeting to approve asset sale and PPA

GRE governance - members

- GRE bylaws require vote of 2/3 of members present and entitled to vote to approve the CCS/HVDC sale
- Requires a member meeting
- Will accept votes by member board resolution but member must send a delegate
- All requirements member vote on the transaction will also include the AR dual percentage vote on the PPA
- Special meeting of all GRE members on July 30

Timeline

- ▶ June 30 – GRE board approval, APA signed, announcement of transaction, notice of special meeting
- ▶ June 30 to closing – GRE member briefing on July 1 and special meeting on July 30; obtain all necessary approvals, consents, and releases; prepare for closing; prepare for transition
- ▶ September 1 – closing occurs, REC/NL take ownership, REC hires CCS employees, effective date of PPA and all other transaction economics

Legal opinion

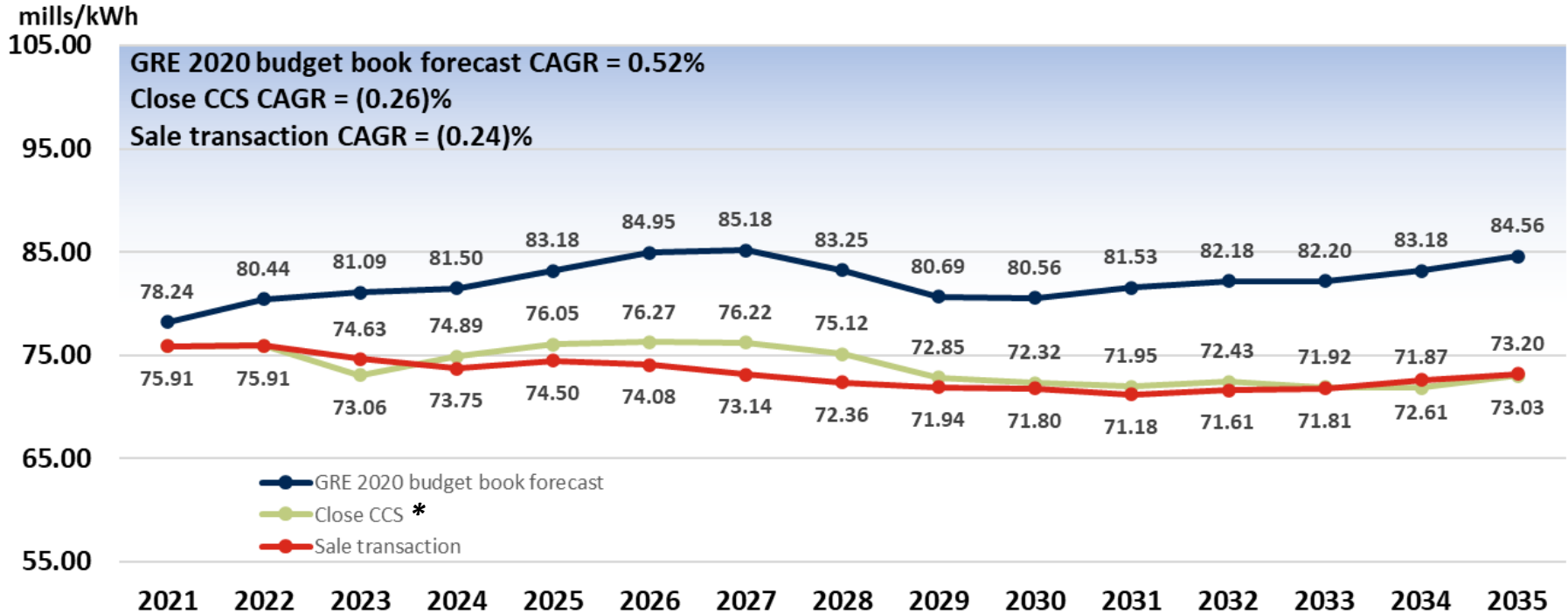
- ▶ Transaction documents are in order
 - Several month process of negotiation and drafting
- ▶ GRE board process and duty of care
 - Several month process of review and discussion
- ▶ GRE board's business judgment
 - Sufficient rationale to approve transaction
- ▶ Member freedom to vote as they choose
 - Member judgment about their best interest

Rate forecast for CCS transaction

Michelle Strobel

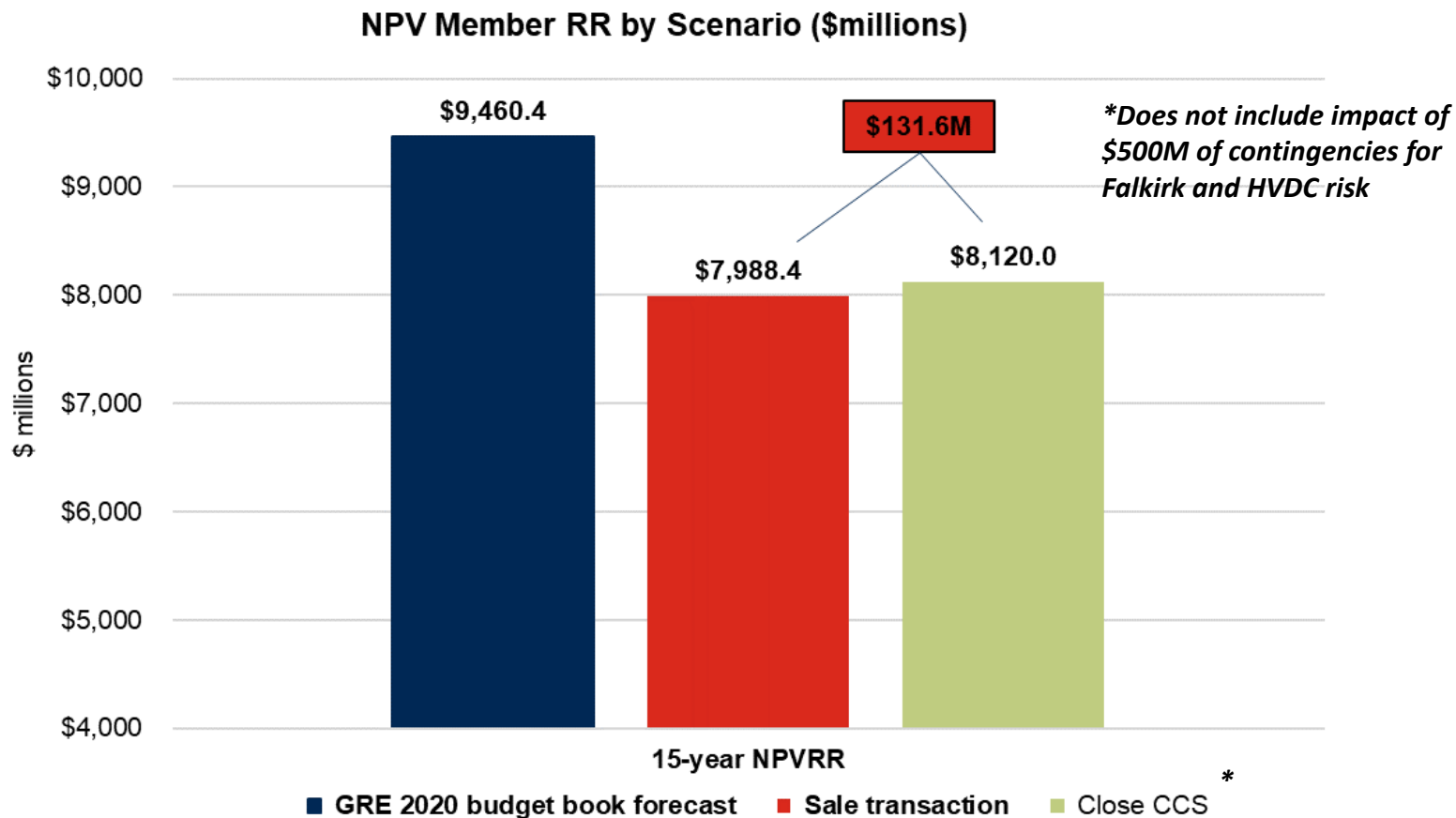
GRE 15-year rate forecast

GRE 15-year rate forecast



* Does not include impact of \$500M of contingencies for Falkirk and HVDC risk

Net present value of revenue requirement: 15-yr



Forecast assumptions

- ▶ Both scenarios utilize the same assumptions for:
 - LMP market forecast (ACES)
 - Retirement regulatory asset amortization period
 - Debt service coverage (DSC) ratio minimum
 - Member unit sales (MWh)
 - SWS gas conversion assumptions
 - BFE repower contract settlement

Sale transaction assumptions

▶ Sale of CCS for \$---

- Payment of \$--- at closing to extinguish Falkirk post-mining reclamation liability
- GRE retains environmental liabilities associated with pre-closing activities
- No decommissioning costs incurred by GRE, assumption that plant runs for entire length of PPA

Sale transaction assumptions (cont.)

- ▶ Sale of HVDC assets for \$---
- Includes, lines, converter stations, CCS transmission building, inventory, spare parts, and all easements
- GRE to operate and maintain line for 10 years under an O&M agreement

Sale transaction assumptions (cont.)

- ▶ Purchase power agreement with Rainbow
 - 10-year purchase for capacity and energy
 - 1050 MW through February 2023
 - 300 MW thereafter
 - PPA capacity purchase
 - delays peaking fleet capacity investment until 2032
 - 200 MW
 - Reduces market capacity purchases by 100MW until 2032

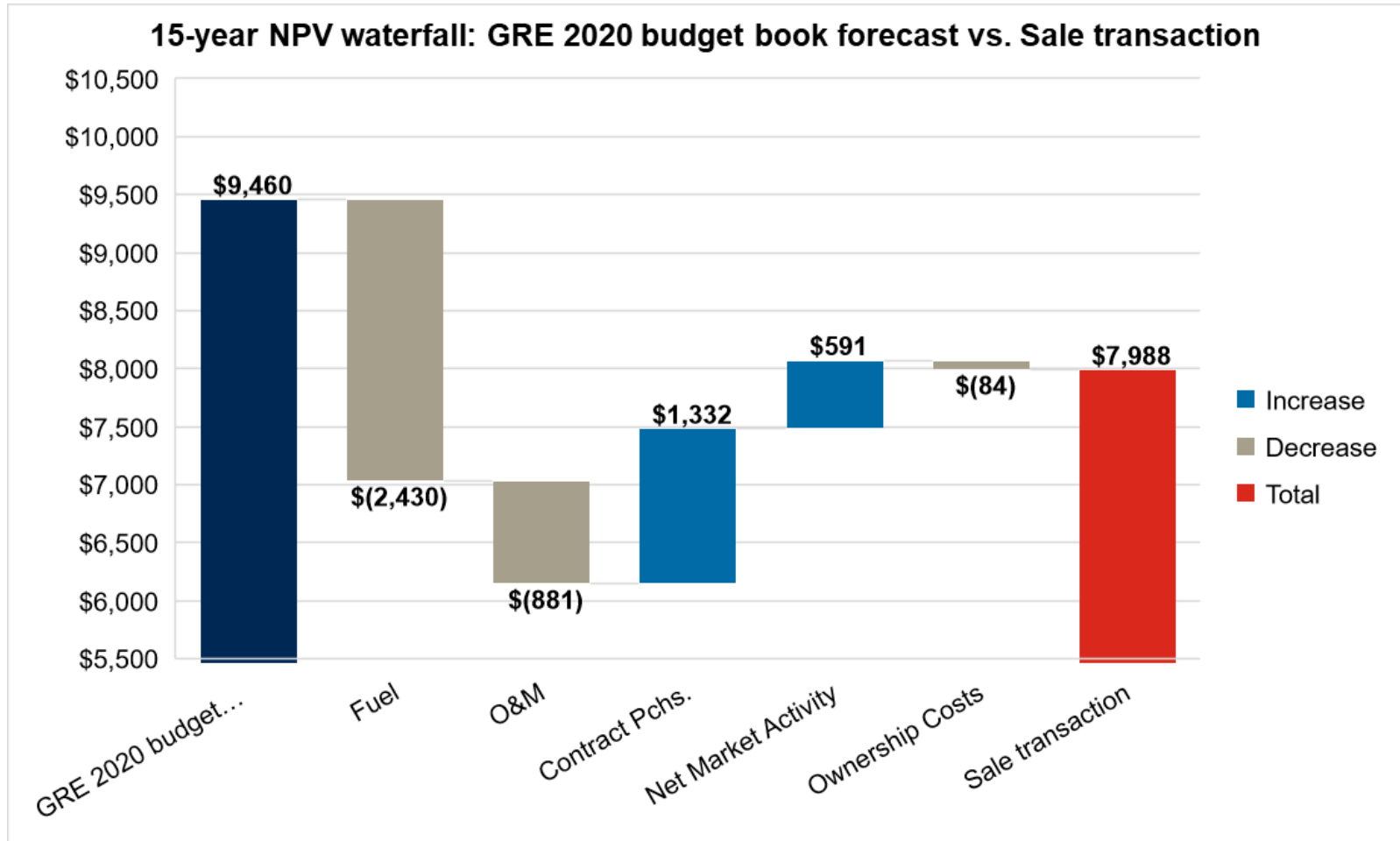
CCS closure assumptions

- ▶ CCS retired in September 2022
 - Incur severance payments, voluntary county tax payments, and plant decommissioning costs
- ▶ Falkirk Mine shut down costs
 - Potential litigation impact not modeled
- ▶ Peaking fleet capacity upgrades of \$83M – 200MW
- ▶ Market capacity purchases – 200MW

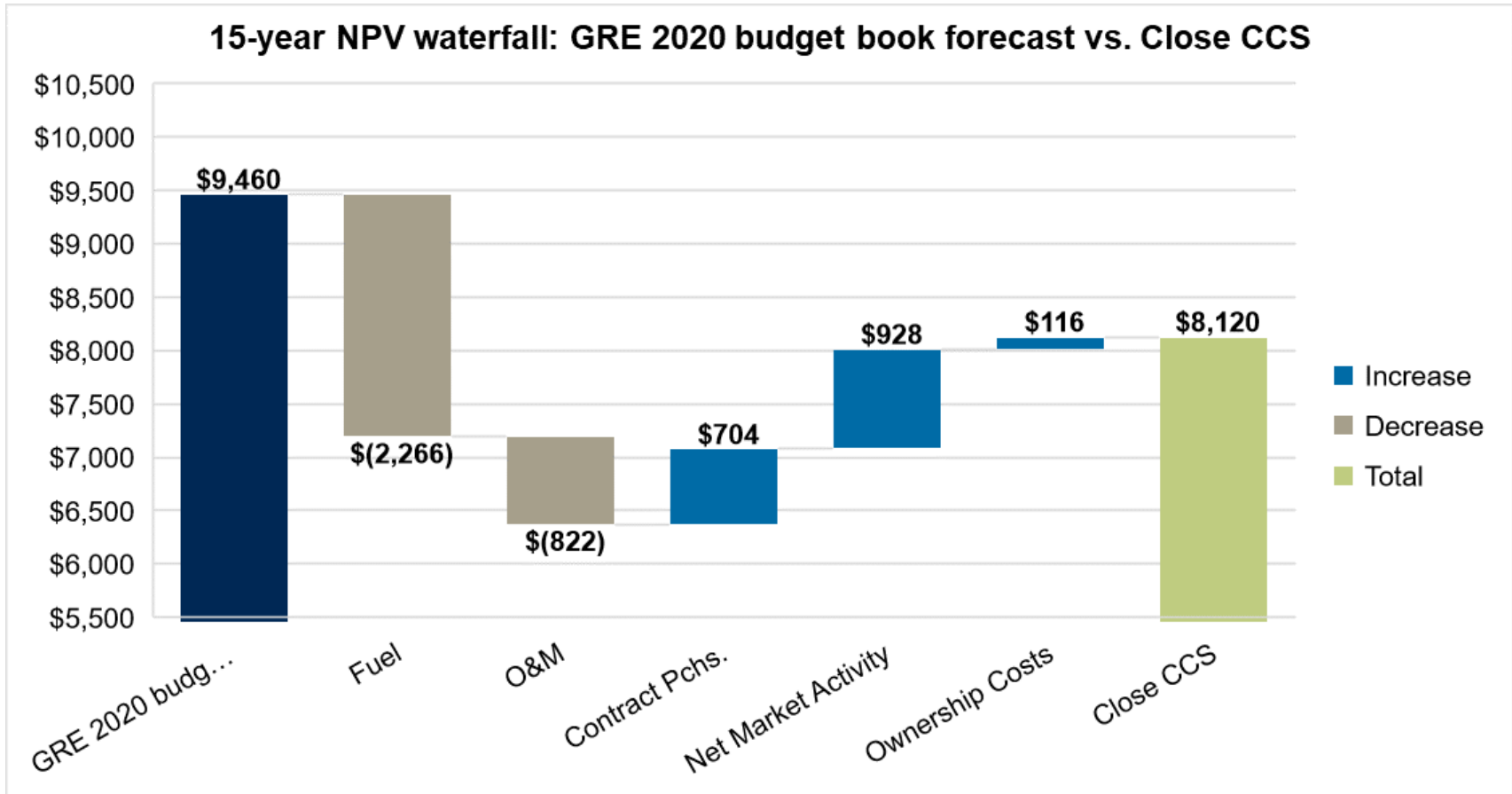
CCS closure assumptions (cont.)

- ▶ HVDC assets unable to be transacted upon CCS retirement
 - HVDC assets sold for net book value in 2029
 - \$176M sale price
 - No agreement to perform ongoing operating or maintenance of assets
 - Retirement of HVDC line (or portions thereof) not modeled

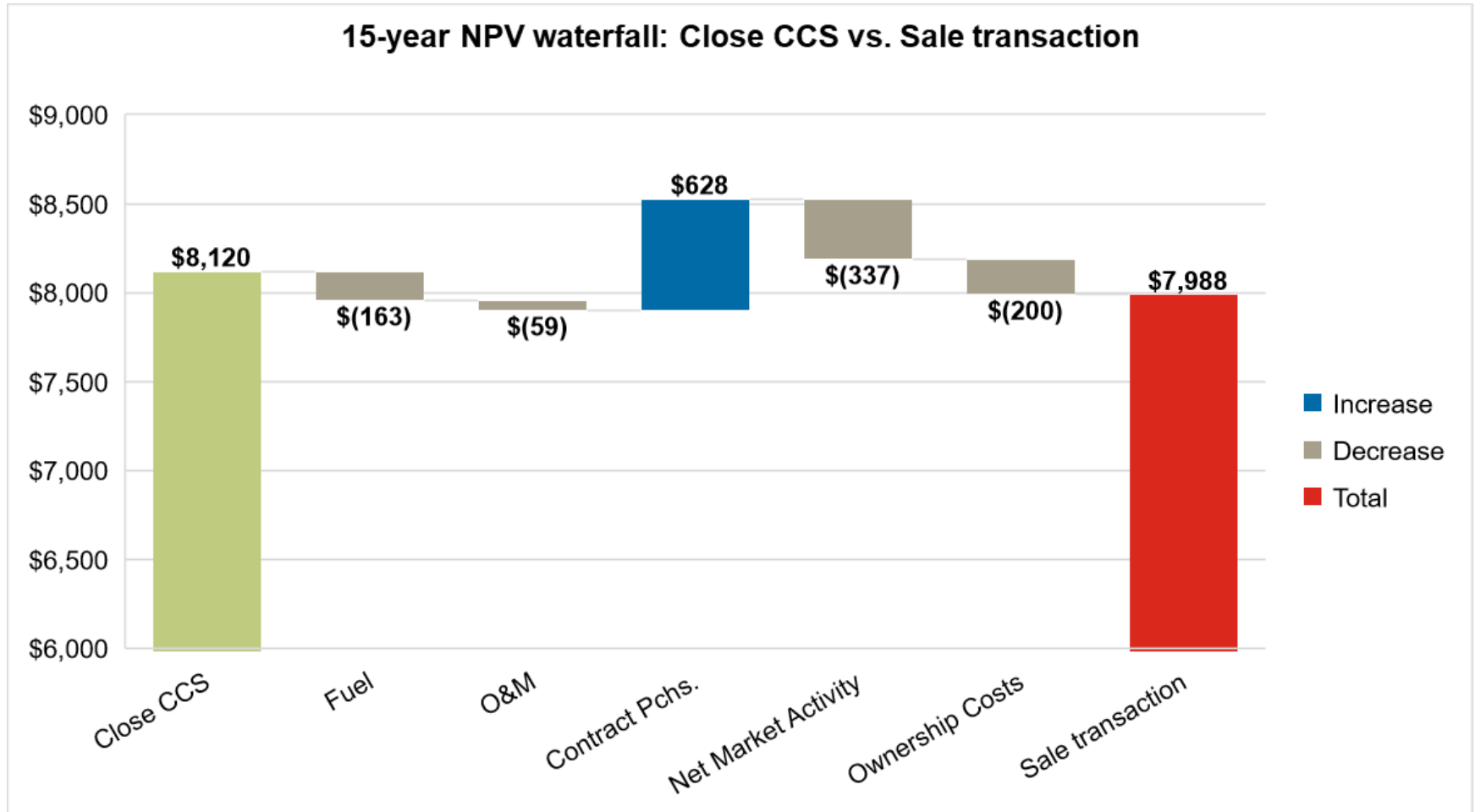
15-yr net present value waterfall



15-yr net present value waterfall



15-yr net present value waterfall



Revised 2021 mid-year budget

- ▶ Effective date of CCS transaction and terms of PPCs if transaction closes in 2021
- ▶ Reflects current member PPCs
 - Reduced billing units
 - Member Directed Resources
- ▶ Reflects Appendix B requirements
- ▶ Regulatory assets approved to minimize revenue requirement impacts to extent reasonably possible
- ▶ Information provided to members in accordance with 60-day notice requirements

Great River Energy Confidential

Communication resources



Mark Fagan

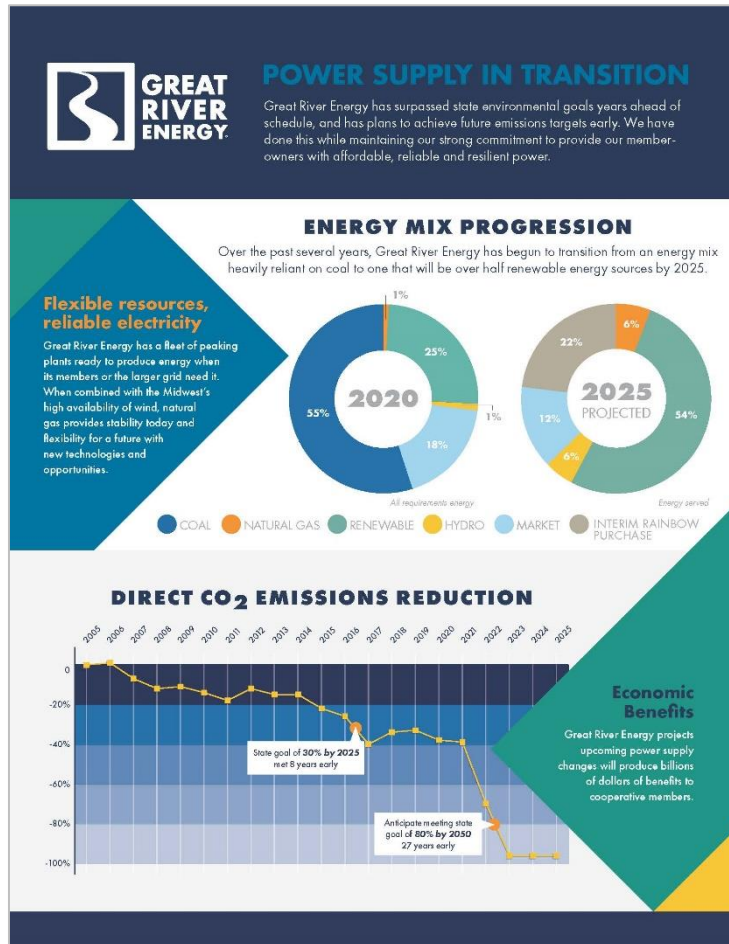
VP, corporate and member services

July 1, 2021

Key communications messages

- ▶ Announce agreement with REC/NL to sell CCS/HVDC and for PPA
 - Board approval; transaction subject to additional member and regulatory approvals
 - Provides additional value to member-owners
 - REC to pursue carbon capture and storage
 - New chapter for employees and communities
 - PPA not in original plan but will serve as a reliable steppingstone

Member-owner materials



- ▶ To GRE directors, member CEOs, and communicators
 - Press release (REMC's)
 - Customizable member-owner newsletter article
 - GRE power supply infographic
 - Talking points
 - Draft email/phone call response

Continued interest

- ▶ Local, national, and trade media
 - REC/NL taking lead on media outreach
 - GRE communications responding to inquiries
 - GRE monitoring social media; correcting errors
- ▶ Key stakeholder outreach
 - GRE governmental affairs team in contact with MN and ND officials and organizations

Additional support available

- ▶ GRE is available to help with challenging contacts
 - Member-owners may forward contacts to (763) 445-5096 or greatriverenergy@greenergy.com
 - GRE staff will track messages and respond as appropriate