

North Dakota asset sale changes and DC line wind transaction (**Redacted**)

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Eric Olsen

Jon Brekke

Michelle Strobel

Today's agenda

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Great River Energy Member briefing
January 13, 2022
WebEx

8:00 a.m.	Welcome	David Saggau President & CEO
	Summary of asset sale changes	Eric Olsen VP & General Counsel
	DC line wind power purchase agreement	Jon Brekke VP & Chief Power Supply Officer
	Financial analysis	Michelle Strobel VP & Chief Financial Officer
	Q&A / wrap-up	David Saggau
11:00 p.m.	Adjourn	

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Confidentiality

- ▶ Certain information is subject to GRE/third party and GRE/member NDAs
 - Asset pricing and other financial terms
 - Asset purchase agreement expiration date
 - Rainbow PPA pricing
 - Wind PPA and related agreement pricing
 - Wind developer identity and identifying information regarding the wind project

Transaction refresher

- ▶ The transaction is fundamentally the same as approved by the members on July 30, 2021
 - Sell Coal Creek Station
 - Sell DC system
 - Payment to buy out of coal mining obligations
 - Terminate Falkirk Mine coal sales agreement
 - Terminate Blue Flint steam agreement
 - PPA with Coal Creek purchaser
 - O&M agreement with DC system purchaser

Asset purchase agreement changes

- ▶ Closing no earlier than May 1, 2022
- ▶ Change in DC system price adjustment
- ▶ GRE conducts and pays for Unit 2 Spring outage
- ▶ GRE option to terminate if definitive wind PPA and transmission agreements not executed

Minnesota PUC matters

- ▶ PUC approved the permit transfer on Jan. 6, to be confirmed by written order
 - No unacceptable conditions
 - Reconsideration process expected to be complete by May 1

Rainbow PPA changes

- ▶ Energy financial settlement and capacity purchase amounts for the second term are set at 350 MW
- ▶ The energy financial settlement is reduced during forced outages at Coal Creek Station
- ▶ Rainbow's right to terminate the PPA does not apply if Rainbow is receiving carbon allowances or credits
- ▶ Rainbow may satisfy PPA credit assurance requirement with investment grade credit rating
- ▶ Credit assurance calculation limited to two years

DC system O&M agreement

- ▶ The term of the O&M agreement regarding the HVDC system is increased from 10 years to 20 years
 - Longer term was a positive factor in MN PUC approval
 - After first five years, GRE compensated at non-member rates for GRE staff O&M work

Requested member approvals

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- ▶ Resolution 21-12-2, asset sale changes
 - Requires 2/3 board vote
 - GRE board set special member meeting for Feb. 9
 - 2/3 vote of all members present and entitled to vote
- ▶ Resolution 21-12-3, wind PPA
 - Majority GRE board vote
 - Requires approval of dual percentage of all requirements members, to be voted on at special member meeting for the asset sale changes

Feb. 9 meeting information

- ▶ Will accept votes by member board resolution but member delegate must attend (in person or virtually)
- ▶ Members are free to vote as they choose
- ▶ GRE will provide formal meeting notice, today's slide deck (full and redacted), GRE board resolutions, redlined transaction documents, and form voting resolution
- ▶ GRE staff available to answer questions

ND wind option

- ▶ Approval request for up to 400 MW of North Dakota wind
 - Surplus Interconnection Service (SIS) Product delivered to Dickinson at an all-in delivered price of no more than \$___/MWh for up to 30 years
- ▶ Expected price \$_____ / MWh for 20 years
- ▶ Benefits:
 - Energy hedge
 - Higher value of wind delivered into Twin Cities market
 - From continued use of DC line

Power supply changes

Summer 2021

- ▶ 300 MW Rainbow PPA
- ▶ Term 1 PPA start date of September 1, 2021
- ▶ Timberwolf Wind – 150 MW
- ▶ Three-Waters Wind 279 MW

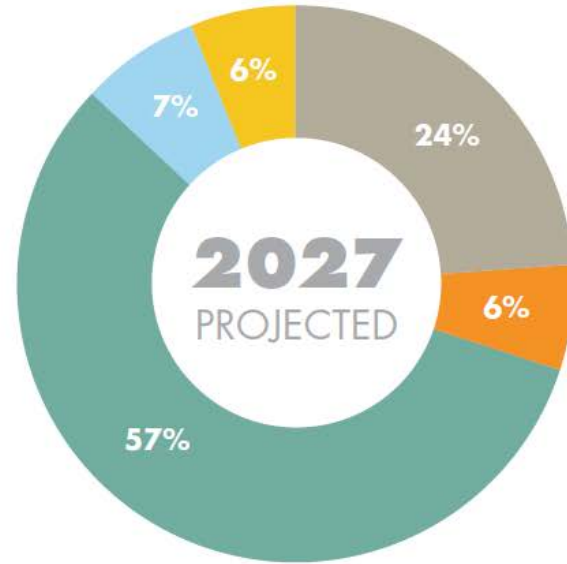
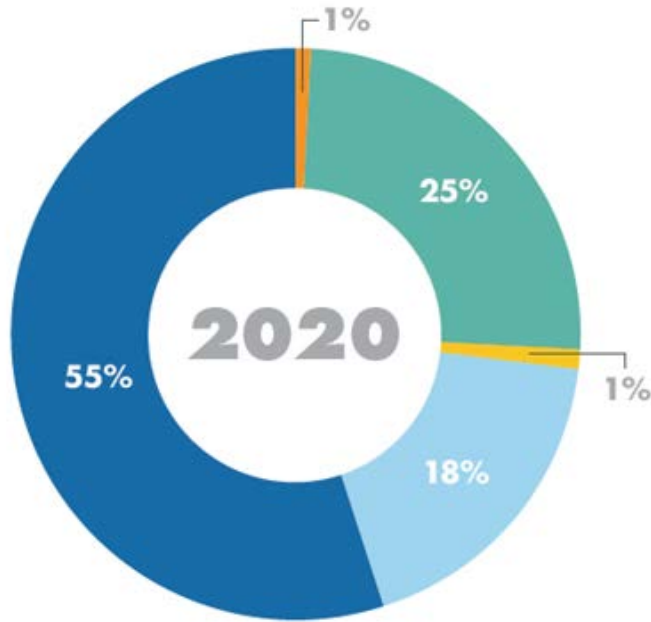
January 2022

- ▶ 328 MW Rainbow PPA
- ▶ Term 1 PPA start date no sooner than May 1, 2022
 - Term 1 end dates remain unchanged
- ▶ Timberwolf Wind – 61 MW (expected to be 0)
- ▶ Three-Waters Wind – 200 MW optionally assigned to third party
- ▶ 400 MW wind using the HVDC system

Portfolio plan

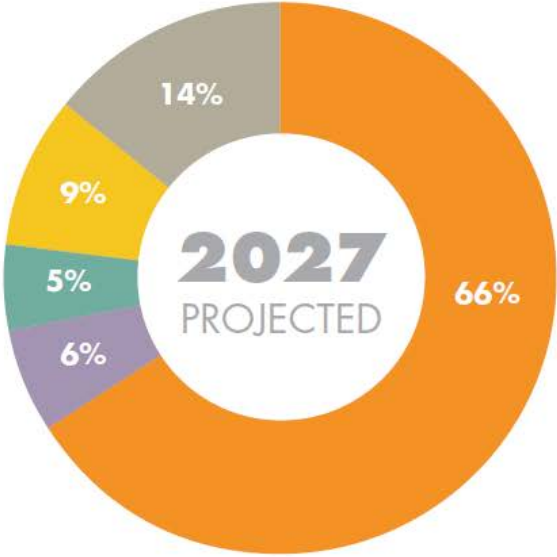
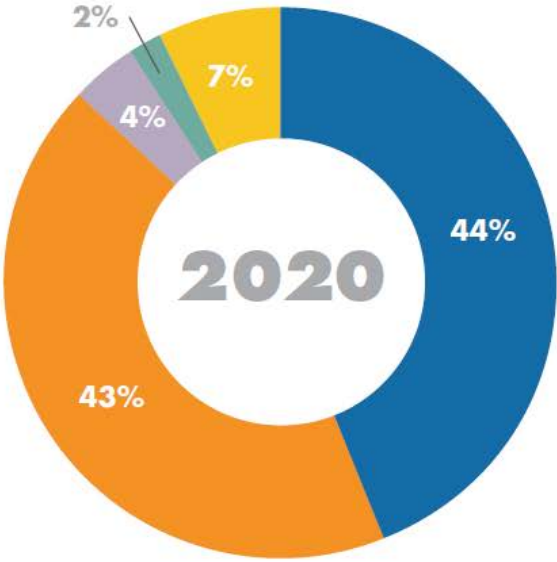
- ▶ Energy hedges
 - 1600 MW wind resources
 - 328 MW Rainbow power purchase agreement
 - Future bilateral and/or natural gas hedges
- ▶ Capacity
 - 1400 MW peaking resources
 - 328 MW Rainbow power purchase agreement
- ▶ MISO market

Energy portfolio



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Capacity portfolio



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Coal Creek study revisited

- ▶ In higher priced market of 2021 we reevaluated Coal Creek sale decision
 - Plant shutdown
 - Plant sale
 - Continued operations
- ▶ Conclusion: proceed with plant sale
 - Long-term energy prices are lower than 2020 forecast, although short-term prices are higher to 2026
 - Seek wind addition to DC line

ND wind option

- ▶ All-in PPA price 400 MW, 20-yr, Dickinson delivery \$_____/MWh
- ▶ Key information
 - Price reflective of Rainbow transmission delivery fee
 - 100% PTC safe-harbored equipment
 - Well developed relationships with landowners and local officials – identified path to site control
 - Deemed energy risk coverage for deliverability events greater than one week in length

Permitting and Timeline

- ▶ Meetings with officials since 2020 – working closely with county commissioners and state’s attorney
- ▶ Next week - joint announcement – GRE / wind developer / Rainbow
- ▶ Project sited to avoid protected areas, species of concern and critical habitat
 - Sited in low and medium wildlife and habitat impact zones

Milestone Description	Date
Beginning of Public Engagement Efforts	Q2 2020
Landowner Outreach Initiated	Q2 2020
Beginning of Major Permitting Studies	Q4 2021
Submission of State and Local Permit Applications	Q1 2023
Full Site Control	Q2 2023
State and Local Permits Received	Q4 2023
NTP	Q1 2024
COD	Q4 2024 - Q2 2025

Financial analysis

- ▶ Transaction updates were compared to the board-approved 2022 forecast
- ▶ Resulted in virtually the same financial outcome as the board-approved 2022 budget forecast

Financial analysis (cont.)

- ▶ Updates to transaction:
 - Financial settlement (PPA) with REC
 - Increased to 328MW from 300MW for Term 2
 - Addition of HVDC line wind project
 - 400 MW at \$_____/MWh
 - 20-years starting January 1, 2025
 - Removal of Timberwolf wind project

Financial analysis (cont.)

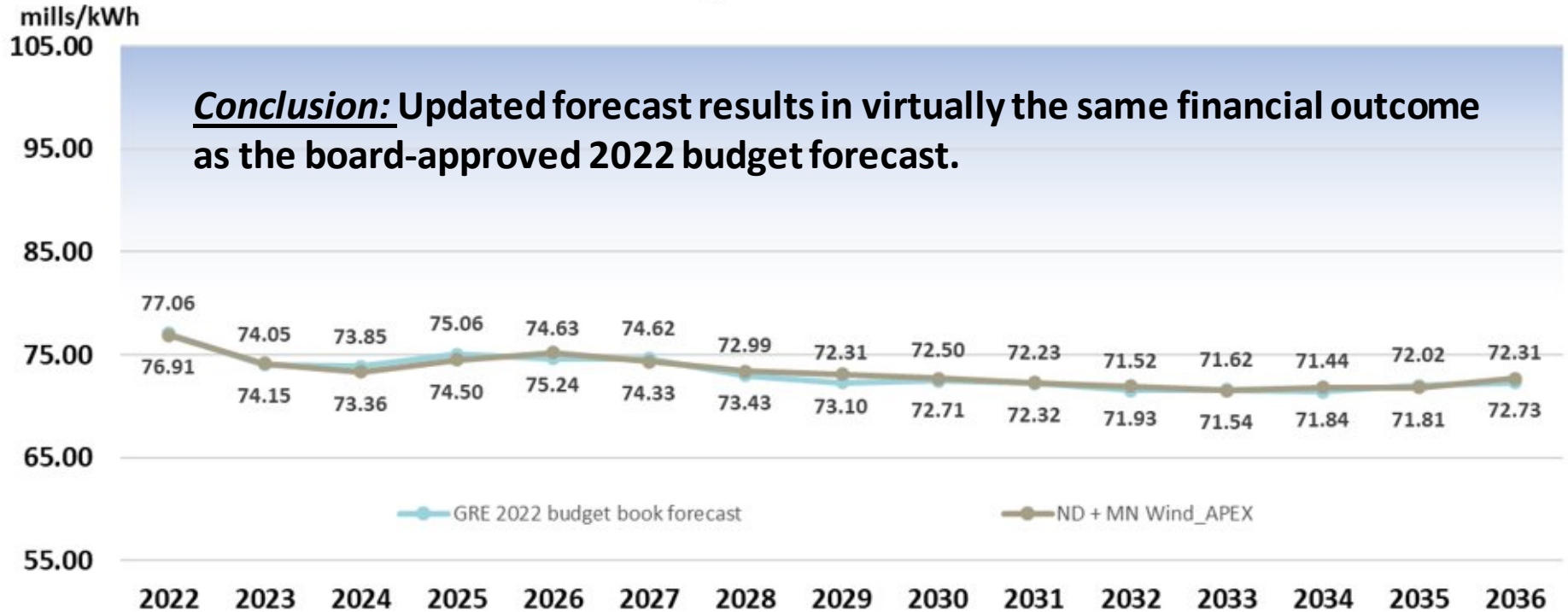
- ▶ Updates to transaction (cont.):
 - Updated timing of transaction closing
 - Nexus O&M agreement increased from 10 to 20 years
 - Includes 2022 CCS spring outage

15-year rate forecast



GRE 15-year rate forecast

Conclusion: Updated forecast results in virtually the same financial outcome as the board-approved 2022 budget forecast.



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