

UPPER MISSOURI G. & T. ELECTRIC COOPERATIVE, INC.

FORMULA RATE PROTOCOLS

Adopted February 2, 2022

SUBJECT: BUDGET AND FORMULA RATE REVIEW AND APPROVAL PROCESS

PURPOSE:

To prepare a budget and rate for the ensuing year setting forth operating expenses, cash required for operations, recommendations on rates, projects, notes payable, and capital budget for Upper Missouri G. & T. Electric Cooperative, Inc. (the "Cooperative"), and to establish procedures for the review and approval by the Cooperative's Board of Trustees (the "Board") of the budget and resulting rate.

POLICY:

The Board will require a budget be prepared by Cooperative staff for review and approval by the Board prior to the beginning of each fiscal year. The budget approved by the Board will be designed to recover the Cooperative's cost of service and to maintain reasonable reserves in order to strengthen and maintain the financial integrity of the Cooperative.

The Cooperative has established and filed with the Federal Energy Regulatory Commission ("FERC") a formula rate, in the form of a multi-tab spreadsheet (the "Formula Rate Template") and these Protocols (together, the "Formula Rate"), that establishes a comprehensive cost-of-service rate for the service provided to the Cooperative's members pursuant to the service obligations specified by the members' Wholesale Power Contracts ("WPCs").

Under the Formula Rate, the costs of power purchased by the Cooperative from Basin Electric Power Cooperative ("Basin Electric") and the Western Area Power Administration ("WAPA") are passed through to the members without mark-up or change by the Cooperative. The costs passed through to the members for demand and energy purchased by the Cooperative from WAPA are based on the demand and energy charges in accordance with the members' allocations from WAPA, without mark-up or change. The Formula Rate also provides for the pass-through of other costs incurred by the Cooperative on behalf of the members, such as reliability compliance expense, facility charges, and metering expense; the Formula Rate includes an estimate of these expected costs for the rate year, but they are billed and collected as incurred (typically monthly). Finally, the "UMPC Charge" is developed under the Formula Rate; the UMPC Charge reflects budgeted costs for the rate year that are allocated pursuant to the Formula Rate based upon the type of cost incurred; the allocation methods include per capita (i.e., divide by the number of members (11)), member sales, and delivery points ("Budgeted Costs").

RESPONSIBILITY: The Board and General Manager of the Cooperative.

PROCEDURES:

The following procedures shall apply to the preparation, review, and Board approval of the UMPC Charge and Budgeted Costs:

1. Each year, Cooperative staff will prepare, or have prepared, a draft budget in accordance with accepted accounting procedures, including the Uniform System of Accounts established by FERC, that sets forth projected revenues, expenditures, cash position, and rates, for the forthcoming fiscal year of the Cooperative, with reasonable supporting documentation and information. Cooperative staff will deliver the draft budget in written form by email or other reasonable means of delivery to each of the members of the Board (the “Trustees”) and to each general manager or chief executive officer of each of the Cooperative’s members (the “Member Managers”). The draft budget delivered and presented to the Trustees and Member Managers will include a version of the Formula Rate Template, then in effect and on file with FERC, populated with the draft budget information, and such supporting documentation as reasonably necessary to understand the basis of the draft budget. Cooperative staff will deliver the draft budget typically in September, but in any event no later than sixty (60) days prior to the beginning of the fiscal year of the Cooperative for which the draft budget is prepared. Cooperative staff will solicit input from the Trustees and Member Managers on the draft budget and populated Formula Rate Template.
2. Cooperative staff will present the draft budget and populated Formula Rate Template to the Board at the regularly scheduled Board meeting (typically in September) that succeeds the delivery of the draft budget to the Board to answer any questions, make corrections, hear objections, and address any other issues related to the draft budget and asked, requested, or otherwise raised by any Trustee or any Member Manager. At the request of any Member Manager and with reasonable advance notice of not less than ten (10) days, Cooperative staff will hold a meeting with the Member Managers, which may be by teleconference or videoconference, to receive input on the draft budget and populated Formula Rate Template.
3. Cooperative staff will make any revisions approved by the Board following the Board meeting described in paragraph 2, above, and deliver a proposed final budget, along with a version of the Formula Rate Template populated with the proposed final budget information, by email or other reasonable means of delivery to each of the Trustees and to each of the Member Managers. Cooperative staff will deliver the proposed final budget no later than ten (10) days prior to the regularly scheduled meeting of the Board at which the final proposed budget will be considered by the Board. Typically, the Board will consider the final proposed budget at its November meeting, but the Board may also defer action on the final

budget to its December meeting or other meeting established by the Board.

4. The Board will review, modify at its discretion, and approve a final budget at the meeting of the Board described in paragraph 3, above, or as soon thereafter as possible, after the Board is satisfied with the proposed final budget.
5. To ensure certain material inputs to the Cooperative's budget are available to the Cooperative's members, Cooperative staff will post on the Cooperative's website (www.uppermo.com) copies of the power bills from Basin Electric and WAPA, the Basin Electric Load Forecast, the transmission lease currently in effect with Basin Electric, and the WAPA maintenance billing. This information will be posted in a members-only, password-protected section of the Cooperative's website. Due to the commercially sensitive nature this information, it will not be provided publicly to anyone other than the members who pay the Cooperative's rates. Cooperative staff will update this information on a rolling basis as updated information becomes available. Cooperative staff will provide notice to the members when the information is updated. The Cooperative's annual FERC Form No. 1 and quarterly FERC Form No. 3Q will be publicly posted on the Cooperative's website.
6. As part of the rate-setting process, Cooperative staff will perform an annual reconciliation between current year revenues and actual costs. If revenues received in the current year are expected to result in margins exceeding approved margins, the Cooperative will issue credits to the members to force margins to the level approved by the Board. Typically, these credits will be issued in connection with billing for the last month of the year since this is when the Cooperative has the best idea as to what the year-end margin will be. Because actual costs incurred by the Cooperative on behalf of the members, such as power supply costs, are a pass-through by the Cooperative from the supplier to the members, only the Budgeted Costs should result in an excess or shortfall relative to forecast cost and rates. The Cooperative does not anticipate that there would be any differences from amounts reported in the FERC Form No. 1 as a result of the annual reconciliation process because costs and revenues would be known and unchanged for the reporting year by the time of the FERC Form No. 1.
7. The Formula Rate may be changed only pursuant to Federal Power Act Section 205 or Section 206.
8. The Board may modify the budget and rate during the fiscal year by following procedures analogous to those set forth in paragraphs 1 through 4, above.
9. The Cooperative will make an annual informational filing with FERC setting forth the rate as adopted by the Board in accordance with these Protocols and additional informational filings for any modifications in rate associated with paragraph 8. The annual informational filing will include a populated version of the Formula Rate Template as approved by the Board, and such supporting documentation and explanation as may be appropriate. The annual informational filing will be made no

later than thirty (30) days after the later of (a) the start of the Cooperative's fiscal year or (b) the Board's approval of the budget. The Cooperative's fiscal year currently is the calendar year.

10. Nothing in these Protocols changes or modifies (i) the terms or conditions of any member's WPC, (ii) the Cooperative's obligations to satisfy the requirements of Federal Power Act Sections 205(a) and 205(b), (iii) the members' rights under Sections 205 or 206 of the Federal Power Act, or (iv) any rights a member may have under the law to pursue any future or existing claim for relief that any member has brought or may bring in state or federal court or any state or federal governmental agency, or any defenses the Cooperative has or may have against any such claim.