

Assumptions for Benson Power Plant Purchase and Closure

Assumption	Support
\$95M PPA termination and asset purchase price	Arms-length negotiation for termination of the PPA and purchase of the power plant (to the extent there are costs payable to North American Fertilizer (NAF) estimated to be approximately \$2M, such costs will be deducted from the purchase price and paid to NAF).
\$1.5M contract termination fees	Jennie-O litter contract termination.
\$1.5M legal, miscellaneous fees and insurance	Title insurance, escrow agent fee, antitrust filing fee, and legal.
\$8.8M demolition, remediation and certain other costs per the May 1, 2017 Letter Agreement with the City of Benson	<p>We consulted with a third party to provide an initial estimate of the demolition scope and costs. For purposes of this estimate, we assumed a salvage value of \$400,000 with the expectation that we will offset demolition costs to the extent practical by actively managing the salvage process. While our plan includes removal of all underground foundations, wire, and piping to the maximum feasible depth we will work with the MN Pollution Control Agency to determine specific site requirements during the permitting process. In no case will removals be less than the minimum of four feet below grade per agreement letter with the City of Benson.</p> <p>Per agreement with the City of Benson the transaction would reimburse approximately \$600K of stranded investment by the city, and up to \$200K for a new water line and relocation of controls for NAF.</p>
\$1M fuel and \$5M transportation	Assumes plant runs two months at 86% capacity factor and 35%/65% litter/wood mix with no inventory on hand at closing; assumes two 16 hour burns thereafter for emergency run only, using 100% wood, until plant is shut down.
\$3K ash disposal to landfill	Assumes ash disposal to landfill will only be needed for the two 16 hour burns using 100% wood biomass fuel. Cost is based on approximately 59

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\$4.9M operating contracts, materials, & supplies	<p>tons of ash at \$55/ton.</p> <p>This includes the costs necessary to run the plant for seven months. Includes labor, supplies, parts, services, utilities, and professional fees. Assumes plant runs at full capacity for up to two months to use the existing fuel inventory and honor fuel contracts during cancelation process, then changes to “emergency run only” for months three through six which reduces labor and employees by 50% and supplies, parts and services by 75%, and in month seven, reduces labor and employee related O&M by 86% (includes two maintenance mechanics, two instrumentation and electrical techs, one instrumentation and control tech, and one operations person for isolations, equipment layup, hazardous material removal, etc.). These costs do not include labor for Xcel Energy on site Manager or Xcel Energy support organization assistance.</p> <p>Also includes costs to honor the Backup Station Power Agreement per the May 1, 2017 Letter Agreement with the City of Benson (1MW @ \$8.25/kW-mo through April 2027).</p>
\$3.5M property taxes	<p>Property taxes continue until the facility has been removed. For a period of two years following removal, the Company will make two final annual payments consisting only of local county, city and school property taxes per the May 1, 2017 Letter Agreement with the City of Benson. Forecasted amounts are based on the Swift County 2017 property tax statement escalated for inflation with the two additional annual payments each reduced \$200K to reflect our obligation under the Letter Agreement with the City of Benson.</p>