

Memorandum

To: North Dakota Public Service Commission
From: Don Morgan, President and CEO, Bank of North Dakota
Date: August 26, 2026
Subject: REMC Assets

Overview

The Bank of North Dakota is grateful for the opportunity to collaborate with the Public Service Commission. Through this partnership, the Bank aims to contribute its expertise and resources toward developing a unified, statewide strategy to advance our concurrent interests in REMC Assets(REMC). This coordinated approach is designed to advance multiple North Dakota priorities by ensuring economic development within the state, while adhering to the prudent regulatory guidelines established by the Public Service Commission in meeting state and federal reclamation requirements.

Background of REMC Financing and Reclamation Guarantee

In 2021, the Bank of North Dakota, working in partnership with the North Dakota Transmission Authority, facilitated a loan to REMC. This loan enabled REMC to acquire several key assets: the Coal Creek Generation Station, the high-voltage direct current (HDVC) transmission line and hold the financial rights to Falkirk Mine and the affiliated 45,000 acres of land on the REMC balance sheet. This was in response to Great River Energy's stated intent of closing the mine and the plant and eliminating over 600 direct jobs in North Dakota.

At the time of this acquisition, the company did not meet the Public Service Commission (PSC) administrative code 69-05.2-12-05.1 requiring a five-year business history, which is necessary for self-bonding of reclamation costs. To address this issue and ensure compliance, the Bank of North Dakota, together with a lead financial institution, provided a letter of credit to the PSC. This letter of credit served as a financial guarantee, ensuring that funds would be available for reclamation in the event the mine ceased operations during the initial five-year period.

Over the last five years, BND has continued to coordinate its financial reporting and accountability of REMC to ensure it meets the bank's regulatory requirements and the broader state requirements of the Transmission Authority and Industrial Commission. This monitoring includes a regular cadence of meetings with REMC's Management, review of interim and audited financials and requesting any additional information deemed essential to understanding the financial aspects of the company.

Current Issue

REMC now meets the five-year requirement (filed on 3/2/21) and is requesting release of the standby letter of credit for reclamation costs. The question before the Commission is if REMC has sufficient financial strength to self-insure its reclamation obligations and what is the guarantee the reclamation costs will be covered in the event of mine closure. BND provides the following for the record:

1. REMC carries the obligation for mine reclamation on its balance sheet as a liability that accretes over-time. As of December 2025, the worst-case bond requirement by the PSC was \$106 million. It is anticipated this will grow to \$130 million in the near future. Currently, REMC has reserved as of May 31, 2026, \$100.4 million (77%) on its balance sheet and will continue to accrete the total liability balance by 2037.
2. Bank of North Dakota, in coordination with lead and affiliated financial institutions will continue to monitor the financial performance of REMC to ensure the bank and all the state's current and future obligations can be met. This includes maintaining a first and second lien position for the ND Transmission Authority and BND on the HDVC Line, Coal Creek Station, Falkirk Mine and affiliated assets.

Under NDAC 69-05.2-12-05.1, REMC is obligated to provide annual certification through an independent third party. If requested, BND can also certify on an annual basis that REMC has sufficient assets and the corporation structure is such that reclamation costs could be covered in the event of mine closure.

3. BND and affiliated financial institutions will continue to monitor and ensure REMC meets the requirements of NDAC 69-05.2-12-05.1, including the requirements established in subsection (1)(c). Based on current information, REMC satisfies the applicable financial qualification requirements. In addition to REMC's obligation to self-report out of compliance for the financial qualifications, BND will notify the PSC if REMC reaches or exceeds a ratio of total liabilities to net worth of 2.25 or greater, or otherwise no longer satisfies the applicable regulatory financial qualification requirements. Upon notification, the PSC may request additional information and consult with BND to determine if alternative financial assurance is required.

The parties believe this strategic relationship provides a framework to identify and address potential concerns before they become significant. While future conditions and their potential impacts on the company cannot be fully anticipated, the parties are committed to a coordinated, state-based approach that leverages the respective authorities of the Bank of North Dakota, the Industrial Commission, and the Public Service Commission. Through this partnership, the parties are committed to ensuring that the mine's reclamation obligations are fulfilled without shifting those obligations to the citizens of North Dakota.

Thank you for the opportunity to work in coordination with the Public Service Commission on this important issue for our state.

A handwritten signature in black ink, appearing to read 'Don Morgan', with a long horizontal stroke extending to the right.

Don Morgan, President and CEO
Bank of North Dakota