

**Basin Electric Power Cooperative  
Bismarck, North Dakota**

**Minutes of the Regular Meeting of the Board of Directors  
January 11-12, 2011**

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**Basin Electric Power Cooperative  
Bismarck, North Dakota**

**Minutes of the Regular Meeting of the Board of Directors  
January 11-12, 2011**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at Bismarck, North Dakota on January 11-12, 2011 starting at 8:00 a.m. CST.

**1. Call to Order**

The meeting was called to order by President Clifford Gjellstad, who presided, and Secretary-Treasurer Kermit Pearson kept the minutes thereof.

**2. Executive Session**

At 8:00 a.m., the Board retired into executive session to discuss employee evaluation process and procedures. The Board arose from executive session at 10:45 a.m.

**3. Roll Call**

After calling the roll, the Secretary reported the following Directors present:

Donald E. Applegate	Wayne L. Child
Gary Drost	Charles Gilbert
Clifford Gjellstad	Roy Ireland
Dean McCabe	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Ronald R. Harper and Assistant Secretary Claire M. Olson and Basin Electric staff members Wayne Backman, Clyde Bush, Kelly Cozby, Mike Eggl, Mike Fluharty, Daryl Hill, Clifton T. Hudgins, Rod Kuhn, Mike Massey, Gavin McCollam, Mark Nygard, Dave Raatz, Ron Rebenitsch, Mike Risan, Linda Thomas, Steve Tomac and Michelle Wiedrich. Also present was Mor-Gran-Sou Electric Power Cooperative (**Mor-Gran-Sou**) director Mark Doll.

**4. Approval of the Agenda**

The Directors considered the agenda for the conduct of the business of the meeting. After an opportunity for addition and deletion of items, it was moved by Director Drost, seconded by Director Child and carried that the agenda be approved as revised.

**5. Approval of the Minutes**

The minutes of the December 14-16 Reorganizational Board Meeting, December 14-16 Regular Board Meeting and December 16 Board Audit Committee were presented. After an opportunity for corrections, it was moved by Director Rohrer, seconded by Director Peltier and carried that the revised minutes be approved.

**6. General Manager's Report**

General Manager Harper reviewed the schedule of meetings this week, North and South Dakota inaugural events, as well as meetings with the North Dakota Congressional delegation and staffs regarding the tailoring rule and its impact on coal-based power plants.

Mike Eggli, Senior Vice President-External Relations and Communications, reported on the joint meeting between NRECA and the G&T managers last Friday to discuss the NRECA climate change white paper.

Mr. Harper distributed the draft agendas for the Rate Subcommittee and the Manager's Advisory Committee (**MAC**) meetings. The Class A managers have been asked to provide agenda items.

Mr. Harper then reported that he planned to attend each Class A board meeting early this spring to review the current Basin Electric rates and discuss the potential need for a mid-year rate increase in 2011. He also proposed discussing the adequacy of the 2012 rate as contained in the current financial forecast, as well as cover other economic challenges. He noted that he would also discuss this with the MAC at the January meeting.

He noted that the April Board meeting has been moved from April 12-14 to April 13-15.

**7. Office of General Counsel Report**

Mr. Olson reviewed the status of legal matters affecting the cooperative, including *Western Fuels Association & Basin Electric v. BNSF* (the remand back to the Surface Transportation Board), Laramie River Station (**LRS**)-Best Available Retrofit Technology, EPA-Federal Implementation Plan-North Dakota, as well as other litigation affecting the Cooperative.

He also noted that the Dry Fork Station (**DFS**) MACT permit is expected this month.

**8. Recess and Reconvention**

At 11:45 a.m., the meeting recessed until 12:45 p.m., at which time the meeting reconvened, President Gjellstad continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

**9. Roll Call**

After calling the roll, the Secretary reported the following Directors present:

Donald E. Applegate	Wayne L. Child
Gary Drost	Charles Gilbert
Clifford Gjellstad	Roy Ireland
Dean McCabe	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	

said persons being all of the Directors of the Cooperative. Also present was Assistant Secretary Claire M. Olson and Basin Electric staff members Wayne Backman, Clyde Bush, Kelly Cozby, Mike Fluharty, Becky George, Daryl Hill, Jerry Horner, Mike Massey,

Gavin McCollam, Mike Murray, Mark Nygard, Mike Paul, Dave Raatz, Mike Risan, Ron Schneider, Paul Sukut, Linda Thomas, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present was Mor-Gran-Sou director Mark Doll.

**10. Generation Monthly Report Project Funding**

Wayne Backman, Senior Vice President – Generation, reported that generation department funding requests totaling \$5,706,000 would be presented this month.

**11. Green Tags**

Mr. Backman noted that there has been discussion among the membership regarding the utilization of the green tags associated with the Cooperative's renewable resources. Under the current policy, the Cooperative socializes the green tags up to 10% of the retail sales of the membership, exclusive of hydro.

Some members suggest that this policy rewards states who currently require green tags since several states do not currently require the retirement of green tags. Others suggest that the local consumers would see the connection to the renewable resources if the green tags were managed locally.

He then presented three options for the Cooperative to consider in administering the green tag program. The first is to maintain the present program of socializing up to 10% of retail sales, exclusive of hydro. The second option is to provide green tags to members at market prices. The third would allocate all green tags to members based on patronage.

Mr. Backman reviewed the pros and cons of each method and the economic impact of each method.

He noted this matter will be discussed at the January MAC meeting and will come back to the Board for consideration at a later date.

**12. Dry Fork Station Project Update**

Mike Massey, DFS Project Manager, reported that the DFS project engineering is 98.6% complete, procurement is 99.5% complete, construction is 98.5 complete and, overall, the project is 98.2% complete. Due to year-end closeout, updated costs were not available.

He reported on the air heater property damage as a result of the December 22, 2010 fire. The fire protection system operated as designed and there were no injuries.

Forty-eight damaged baskets were removed from the unit. In addition, some segmented plate in between the sections will have to be replaced. Contractors have been mobilized and supplies ordered for the repair. Immediate action has been taken to get the air heater back in service to support commissioning activities.

Safety and the schedule are good and the budget is still on track. First fire in the boiler is scheduled for February 28. To date, \$1.344 billion of the \$1.35 project budget has expended.

**13. DFS-Construction Report**

Mark Nygard, Construction Manager, reported that in December, there were no lost-time accidents, two recordable accidents and six first-aid incidents. There are 701 construction personnel on site. The work force reached six million man-hours with no lost time accidents. He presented photographs, discussed December construction activities and reviewed project milestones and the three-month look-ahead.

It was then moved by Director Drost, seconded by Director Ritthaler and carried that the following Resolution be adopted to commend the Dry Fork Station staff, labor and contractors for achieving six million man-hours without a lost workday case:

**R01.01-11-11**

BE IT RESOLVED, that the Board of Directors offers its congratulations and thanks to the Dry Fork Station staff, labor and contractors for working six million man-hours without a lost workday case.

**14. Deer Creek Station Project Update**

Gavin McCollam, Manager of Mechanical & Performance Engineering, presented photographs and reviewed the monthly activities at the Deer Creek Station. Procurement is 99% complete, engineering is 86% complete and construction is 25% complete. He then reviewed Boldt's "Earned Percent Complete" chart.

Through December 31, 2010, approximately \$187.6 million of the \$405 million project budget has been expended. The commercial operation date is currently scheduled for June of 2012. Upcoming goals include mechanical GWC "true-up" meetings in February and to continue working safely.

**15. Deer Creek Station Construction Report**

Mr. Nygard reported there currently are 186 personnel on site and 133,947 man-hours have been worked to date. To date, there have been 18 first-aid cases and no recordable incidents or lost-time incidents. He then presented photographs of the construction activities and discussed December construction progress.

**16. 2010 Year-End Safety and Health Report**

Kelly Cozby, Safety and Occupational Health Administrator, reviewed the 2010 personal injuries/illness statistics for the Cooperative. She also reviewed the regulatory activities at the Cooperative's facilities for 2010 and activities planned for 2011 to enhance the Cooperative's safety programs.

**17. Fossil-Fuel Generation**

Mike Fluharty, Vice President of Plant Operations, reported that December coal-based generation was 2.9% above budget. Year-to-date, actual generation was 22.8 million MWh compared to the budget of 24.4 million MWh or 6.6% below budget. He also reviewed year-to-date bus bar costs and the fuel mix.

Grayrocks Reservoir was at 105,000 acre-feet or 101% of full. LRS coal inventory is 1.48 million tons or 62 days' supply. Lake Sakakawea was at 1841.66 feet Mean Sea Level

which is 63 feet above the intake. He reviewed 2010 year-end forced outage rates and noted that the units have been running very well.

Individual availability/capacity factors for the generation stations were as follows:

Unit	Availability	Capacity Factor
LRS #1	100%	99.1%
LRS #2	89.1%	97.2%
LRS #3	100%	99.6%
LOS #1	100%	95.57%
LOS #2	100%	83.97%
AVS #1	99.12%	98%
AVS #2	100%	101.4%

LRS Unit 1 set a new generation record of 420,061 net MW in December. The previous record was 413,022 net MW in December of 2009. Unit 1 availability in 2010 was 94%.

LRS Unit 2 set a new generation record of 420,888 net MW in August of 2010. The previous record was 417,018 net MW in December of 2009. Unit 2 availability in 2010 was 76.6% due largely to the triennial outage.

The Station set a new generation record of 4,570,897 net MW for the year 2010. The previous record was 4,540,702 net MW in 2003.

#### 18. Distributed Generation Report

Kevin Tschosik, Distributed Generation Manager, reviewed natural gas prices and reported that distributed generation was as follows:

Unit	Monthly Generation
Groton Unit No. 1	380 MWh
Groton Unit No. 2	2918 MWh
Culbertson Combustion Turbine	5938 MWh
Wyoming Distributed Generation	Did not run
Spirit Mound Unit No. 1	Did not run
Spirit Mound Unit No. 2	Did not run
Wisdom Combustion Turbine	Did not run

He reported that up to seven people will be hired for the Crow Lake project. Currently, the wind technicians are working with the GE commissioning crews. Wind tower rescue training is currently being done. Tools and equipment are starting to arrive.

Fifty-eight PrairieWinds SD 1 towers were commissioned in 2010 compared to the goal of 54. Staff is working with GE to set up monitoring from the Headquarters building. Tower work is now 65% complete.

The east-side peak occurred between 6:00 and 7:00 p.m. on December 31, 2010. During that time, Basin Electric's wind projects were generating 103 MW. The December average monthly capacity factor was 38%.

Mr. Tschosik reviewed total wind generation for 2010 and reported the monthly wind generation as follows:

<b>Project</b>	<b>Capacity Factor</b>	<b>Load Factor</b>	<b>Project Total</b>
PrairieWinds ND1	43%	103 MW	123 MW
Wilton Project	39%	95%	99 MW
Baldwin	34%	83 MW	
Edgeley Project	28%		40 MW
Highmore Project	34%	33 MW	40 MW
Day County	43%	87 MW	99 MW
Iowa Wind Projects	39%	29 MW	45.1 MW
Other Wind Projects: Chamberlain Rosebud Pipestone	20%	2 MW	4.1 MW
<b>Total October Wind Generation</b>	<b>38%</b>	<b>435 MW</b>	<b>549 MW possible</b>

**19. LRS Unit 1 Distributed Control System Upgrade Project**

Jerry Horner, Electrical Engineer, reported that the existing LRS Unit 1 control system consists of two separate Distributed Control Systems (DCS) and several Programmable Logic Controller (PLC)-based systems. The main plant DCS is a Foxboro system installed in 1997. The scrubber control system is a mix of different ABB and Bailey DCS equipment, the latest being 1993-vintage equipment. The Allen Bradley PLC systems have been in use for 10 to 20 years. ABB and Foxboro have issued obsolescence statements for their respective DCS systems and replacement parts are becoming increasingly unavailable. Staff has concluded that it is time to upgrade the LRS control system.

He noted that ABB, Fox, Allen Bradley and Emerson make these systems. After explaining the merits of each system, he recommended that the contract for this equipment be sole sourced from Emerson.

He reviewed the \$8,364,066 budget for the project. After reviewing the schedule, he recommended that SEGA be retained to conduct Phase 2 of the Engineering Services in the amount of \$1.32 million.

After discussion, on motion duly made by Director McCabe, second by Director Gilbert and carried, the following Resolution was adopted:

**R02.01-11-11**

BE IT RESOLVED, that the LRS Unit 1 Distributed Control System Upgrade Project with a budget of \$8.36 million is hereby approved; and

BE IT RESOLVED, that the contract for Phase 2 Engineering Services for the LRS Unit 1 Distributed Control System be awarded to SEGA for a cost of \$1.32 million; and

BE IT FURTHER RESOLVED, that Emerson is



approved as a sole-source bidder and in the contract amount estimated at \$2.85 million; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, be authorized to execute the required documents. .

**20. Land Sale to Roughrider Electric for Stanton Substation**

Mike Murray, Supervisor of Property & Right-of-Way, reported that Roughrider Electric proposes to purchase land from Basin Electric to expand its existing Stanton Substation. This land is located in the E/2SE/4 of Section 21, T144N, R84W in Mercer County, North Dakota and consists of 3,610 square feet or 0.08 acres. Roughrider Electric offers \$1 for this land transaction. He also noted that the 1967 deed contains an error in the location of current substation. An additional 3,610 square feet or 0.08 acres is required to correct the property description and provide the additional land needed. Mr. Murray recommended approval of the land sale.

After discussion, on motion duly made by Director Drost, second by Director McCabe and carried, the following Resolution was adopted:

**R03.01-11-11**

RESOLVED, that Basin Electric grants an easement to Roughrider Electric to expand its existing Stanton Substation located in the E/2SE/4 of Section 21, T144N, R84W in Mercer County, North Dakota, consisting of 3,610 square feet or 0.08 acres; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, is hereby authorized to execute said Easement.

**21. Transmission Monthly Report**

Mike Risan, Senior Vice President – Transmission, reported that Black Hills Power, Inc. is considering the construction of a new 230 kV line from Teckla to Rapid City to support the system in the Rapid City area in the 2014 and 2015 time frame.

Discussions with WAPA continue regarding WAPA taking over the administration of Basin Electric's west-side tariff. Basin Electric would withdraw its west-side tariff as an open-access tariff because of the difficulty to administer due to the Missouri Basin Power Project contract. Staff will meet with WAPA to discuss this on February 11.

The Williston to Tioga transmission line was placed in service on January 10. This line supports the system in an area that has seen substantial growth due to oil and gas development.

He noted that Central Power has immediate need for an additional delivery point near Minot. There is a conference call among WAPA, Central Power and Basin Electric this week. The most likely solution will be a substation on Basin Electric's 115 kV line between Logan and Berthold. It would also require a parallel 115 kV line to avoid overload. He

expects to bring a recommendation to the Board in March after internal engineering staff does the analysis of costs and how to split the work with Central Power.

The Integrated System (IS) rate was adjusted effective January 1, 2011 from \$2.96 kW-Mo to \$2.83 kW-Mo. This rate is driven primarily by increased usage of the IS. The IS lease program approved last month took effect January 1, 2011. Most of the agreements have been returned.

Staff has been busy preparing for the self-certification report due January 20, 2011 for the WECC compliance program. The Cooperative has received a notice of alleged violation as a result of the MRO audit conducted last fall.

The number of members in the Midcontinent Area Power Pool (MAPP) continues to decline. MDU has submitted a letter expressing interest in leaving MAPP.

Mr. Risan noted he was asked to attend East River's Director/Manager seminar to discuss transmission issues. He referred the Directors to the Transmission System Maintenance report in the board book.

## **22. Recess and Reconvention**

At 4:00 p.m., the Board recessed until 8:00 a.m., at which time the Board reconvened, President Gjellstad continuing to preside and Secretary Pearson continuing to keep the minutes.

## **23. Roll Call**

After calling the roll, the Secretary reported the following Directors present:

Donald E. Applegate	Wayne L. Child
Gary Drost	Charles Gilbert
Clifford Gjellstad	Roy Ireland
Dean McCabe	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Ronald R. Harper, Assistant Secretary Claire M. Olson and Basin Electric staff members Olmstead Adams, Wayne Backman, David Bangen, Bob Bartosh, Shawn Deisz, Mike Eggl, Mike Fluharty, Clifton T. Hudgins, Steve Johnson, Mary Klecker-Green, Rod Kuhn, Deborah Levchak, Emily McKay, Sally Meier, Faye Miller, Ron Rebenitsch, Mike Risan, Kathi Risch, Floyd Robb, Paul Sukut, Linda Thomas, Steve Tomac, Amanda Wangler and Michelle Wiedrich. Also present was DGC staff member Mark D. Foss.

## **24. Financial Report**

Paul M. Sukut, Senior Vice President and Chief Financial Officer, began his report outlining the major financial related issues for the Cooperative in 2011. These include improving the financial viability of DGC, Basin Electric rates for 2011 and beyond, liquidity, equity levels, financial planning and fiscal policy.

He then reviewed current economic statistics, Basin Electric's liquidity, the Member Investment Program and capital expenditures from 2008 through projected November 2011.

He introduced Steve Johnson, Treasury Services Manager, who discussed liquidity options should there be a delay in receiving RUS loan funds. He reviewed the estimated total liquidity from December 2010 through January 31, 2011 and the tentative schedule for the receipt of RUS loan funds.

The Member Investment Program ended the year at \$101.8 million with 43 participating members out of the 134 eligible.

He then discussed the possibility of future financings via South Dakota's EB-5 Program. Mr. Sukut concluded that there would be no Accounting Report this month but would be presented next month after the 2010 books are closed.

## **25. Financial Report – Authorized Signatories**

Mark Foss, DGC General Counsel, reported that, due to the transition in position of Chief Financial Officer, the banks with which Basin Electric does business require new resolutions regarding authorized signatories. He presented the resolution and recommended it be adopted.

After discussion, on motion duly made by Director Drost, second by Director Applegate and carried, the following Resolution was adopted:

### **R04.01-11-11**

**RESOLVED**, that Bank of Bridger, N.A., Bank of North Dakota, BMO Bank of Montreal, First Security Bank-West, JPMorgan Chase Bank, National Association, National Rural Utilities Cooperative Finance Corporation, Union State Bank, U.S. Bank National Association and Wells Fargo Bank, N.A. (collectively, the **Banks**) are hereby designated as depositories for the funds of the Cooperative and the officers and other persons of the Cooperative to open or continue an account or accounts with said Banks and to execute and deliver to said Banks signature cards or cards supplied by said Banks containing specimen signatures of the officers and other persons hereinafter named, and that the officers and other persons hereinafter named are hereby authorized for and on behalf of the Cooperative to sign (either in original form or by facsimile), make, draw, accept, endorse or cause to be endorsed and to deposit or cause to be deposited in such account or accounts from time to time checks, notes, drafts, bills of exchange, acceptances, orders and other instruments for the payment of money to the Cooperative or withdrawal of funds held by the Cooperative;

**RESOLVED**, that the Banks are authorized to accept deposits to the account or accounts of the Cooperative and to pay, cash or otherwise honor or charge to the Cooperative any such instrument for the payment of money or withdrawal of funds held by the Cooperative when so signed (either in original form or

by facsimile), made or drawn regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Banks by the Secretary-Treasurer or other officer of the Cooperative;

**BE IT FURTHER RESOLVED**, that checks, notes, drafts, bills of exchange, acceptances, orders and other withdrawal orders and any and all other directions and instructions of any character with respect to funds of the Cooperative now or hereafter with said Banks may be signed by any two persons holding the following offices or positions with the Cooperative: President, Vice-President, Secretary-Treasurer, Chief Executive Officer & General Manager and Senior Vice President and Chief Financial Officer, and said Banks are hereby fully authorized to pay, cash or otherwise honor or charge to such account or accounts any checks, notes, drafts, bills of exchange, acceptances, orders and other deposits or withdrawal orders so signed;

**BE IT FURTHER RESOLVED**, that any of the two persons then holding one of the offices or positions herein named and their designees (in writing) be, and they hereby are, authorized to give written or verbal instructions by telephone, telegraph, or otherwise, as they deem proper; and said Banks are authorized to accept instructions from any such persons herein named or their designee (in writing) as to the delivery of checks, notes, drafts, bills of exchange, acceptances, orders and other instruments for the payment of money or temporary investment of money from the account or accounts of the Cooperative; and any such person shall have the fullest authority at all times with reference to any transaction deemed by him to be proper to make or enter into for or on behalf of the Cooperative with the Banks or others. This paragraph shall be and remain in full force and effect until written notice of the revocation hereof shall be delivered to the Banks; and

**BE IT FURTHER RESOLVED**, that the following persons presently occupy the respective offices and positions designated in this resolution and that the same are duly qualified as such officials:

Clifford Gjellstad, President  
Roy Ireland, Vice President  
Kermit Pearson, Secretary-Treasurer  
Ronald R. Harper, Chief Executive Officer & General Manager  
Paul M. Sukut, Senior Vice President & Chief Financial Officer

**BE IT FURTHER RESOLVED**, that said Banks shall be entitled to rely upon a certified copy of these resolutions until written notice of modification or rescission has been furnished to

and received by said banks.

**26. Bank of the West Investment Account**

Steve Johnson, Treasury Services Manager, recommended the Board authorize staff to open an investment account with Bank of the West for the investment of short-term funds. Bank of the West is one of the banks involved in the \$200 million liquidity facility that the Cooperative entered into this past October. After discussion, on motion duly made by Director Child, second by Director Pearson and carried, the following Resolution was adopted:

**R05.01-11-11**

**RESOLVED**, that Basin Electric Power Cooperative (the "Corporation"), authorizes each person holding any of the following officer positions: Clifford Gjellstad, President; Roy Ireland, Vice President; Kermit Pearson, Secretary-Treasurer; Ronald R. Harper, Chief Executive Officer & General Manager and Paul M. Sukut, Senior Vice President & Chief Financial Officer (each an "Authorized Representative"), acting alone, to: (1) establish now with Bank of the West (the "Bank") one or more deposit accounts and from time to time additional accounts; (2) to designate from time to time persons to manage, operate, or otherwise provide instructions regarding each account; and (3) contract for such other banking services as any Authorized Representative deems necessary or appropriate to manage this Corporation's deposit accounts;

**RESOLVED FURTHER**, that this Corporation adopts for each account (a) the Bank's Deposit Account Disclosure and Schedule of Fees and Charges for Business Accounts, as those terms and conditions are added to, deleted from or otherwise amended from time to time, and as those terms and conditions are applicable to any account opened in accordance with these resolutions and (b) the Bank's agreement entitled Deposit Account Signature Card Agreement (the "Signature Card") dated January 12, 2011, and any addendum thereto which is incorporated by this reference, for each deposit account it opens;

**RESOLVED FURTHER**, that the person(s) designated as Contacts have such powers as have been delegated to them who signed the Signature Card as granted by an Authorized Representative and those person(s) Designated Account Signers and, in the future, any person who is authorized by an Authorized Representative to do so/are authorized to operate each account as specified on the Signature Card and/or by an Authorized Representative.

**RESOLVED FURTHER**, that the authority conferred is in addition to any other, including conflicting authorizations, in effect and shall remain in force until Bank receives written notice of its revocation at the office where the account is maintained or at such other location as Bank may direct.

## 27. Freedom Mine Reclamation Bonding

Faye Miller, Director of DCC/BTI/Telecommunications Financial Services, reported receiving notification from the ND Public Service Commission (PSC) and the Coteau Properties Company (Coteau) that the proposed reclamation bond calculations have been approved and documents and additional funding must be submitted to the NDPSC by February 1, 2011. The additional funding is \$7 million.

The Freedom Mine needs to increase its overall reclamation bond by \$7 million of which 90% is placed as a collateral bond and 10% as a cash bond. The Basin Electric board will be required to approve the collateral portion or \$6,300,000.

Pursuant to the Coteau Lignite Sales Agreement, Dakota Coal Company (Dakota Coal) is obligated to compensate Coteau for the cost of reclamation activities at the Freedom Mine. One of these costs is the cost of providing bonds to the PSC so as to assure the PSC that Coteau will perform final reclamation of the lands it has mined. Dakota Coal is able to self-bond 90% of this obligation on behalf of Coteau through a guarantee by the Cooperative and Coteau places cash collateral (borrowed from Dakota Coal) with the Bank of North Dakota for the 10% balance.

The Freedom Mine reclamation obligation was previously established at \$102.0 million. The PSC has determined that an additional \$7.0 million is needed to cover estimated increased mine expenses, mine plan changes and contingencies.

	<u>Current</u>	<u>Proposed</u>	<u>Change</u>
Self Bond (90%)	\$91,800,000	\$98,100,000	\$6,300,000
Collateral Bond (10%)	<u>\$10,200,000</u>	<u>\$10,900,000</u>	<u>\$700,000</u>
Total	\$102,000,000	\$109,000,000	\$7,000,000

Of this \$7 million, 90% or \$6.3 million may be provided in the form of self bonding. Therefore, an additional \$6.3 million in self-bond assurance is needed at this time.

At its May 17-19, 2001 board meeting, the Board of Directors adopted the following resolution (R10.05-01) which has not been amended or rescinded:

“RESOLVED, that in order to reduce the cost associated with reclamation bonds, that management be authorized to (1) request that the North Dakota Public Service Commission approve Basin Electric as guarantor in connection with Basin Cooperative Services’ Glenharold Mine and (2) request that the North Dakota Public Service Commission accept Basin Electric’s third-party guarantee of the reclamation obligations of The Coteau Properties Company for the Freedom Mine.

BE IT FURTHER RESOLVED, that the CEO and General Manager, Senior Vice President and Chief Financial Officer and the Senior Vice President and General Counsel be authorized to execute all documents necessary to self bond and collateral bond and to provide the corporate guarantee as appropriate for the mining interest at the Glenharold and Freedom Mines.”

Given this authority, no further board action is needed at this time; however, staff is providing the Board of Directors notice that the value of the Cooperative's guarantee for Freedom Mine reclamation obligations will be increasing by \$6.3 million to \$98.1 million.

**28. External Relations and Communications Report**

Mike Ettl, Senior Vice President-External Relations and Communications, reviewed the major issues that the 112<sup>th</sup> Congress will likely address, impact on the Cooperative and legislative strategies to protect the Cooperative's interests.

Mary Klecker-Green, Supervisor of Publications and Member Communications, discussed concepts and the budget for Basin Electric's 50<sup>th</sup> anniversary celebration. The event will be celebrated in conjunction with the 2011 annual meeting.

She then discussed plans for the March 17, 2011 St. Baldrick's Event which will be held at the BSC National Energy Center. Commitments have already been received from NISC, BSC, MDU Resources, MedCenter One and Kadmas Lee & Jackson. The 2011 theme this year is "Shave a Life".

**29. Executive Session**

At 10:40 a.m., it was moved by Director Ireland and seconded by Director Rohrer that the Board retire into executive session to discuss union negotiations and legal matters.

At 11:30 a.m., it was moved by Director Drost seconded by Director McCabe and carried that the Board arise from executive session.

It was then moved by Director Ritthaler, seconded by Director Applegate and carried that the following Resolution be adopted:

**R06.01-11-11**                      RESOLVED, that the CEO and General Manager, or his designee, is hereby authorized to execute a new contract with North Dakota Local 1593 if it is generally within the confines of the agreement discussed in executive session.

**30. Date and Place of Next Board Meeting**

The next meeting of the Board of Directors will take place February 15-17, 2011 at Basin Electric's headquarters building in Bismarck, North Dakota.

**31. Adjournment**

It was moved by Director Drost, seconded by Director Child and carried that the meeting adjourn at 12:10 p.m. CST.

  
Kermit Pearson  
Secretary-Treasurer