

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

**Minutes of the Regular Meeting of the Board of Directors
January 13-15, 2015**

	<u>Page</u>
1. Call to Order	1
2. Roll Call	1
3. Approval of the Agenda	1
4. Approval of the Minutes	1
5. General Manager's Report	2
6. Financial Services Report	2
A. Comments from Acting RUS Administrator Jasper Schneider	2
7. Western Fuels Association Report	2
8. Office of General Counsel Report	2
A. Application for Membership of Mora-San Miguel Cooperative	2
	R01.01-13-15
9. Operations Report	3
A. Distributed Generation Update	3
B. 2014 Year-End Safety & Health Report	4
10. Marketing and Asset Management Report--Purchased Power & Non-Member Sales Report	4
11. Recess and Reconvention	5
12. Roll Call	6
13. Cooperative Planning Report	6
A. Strategic Planning	6
B. Cooperating Planning	6
C. 2015 Load Forecast Review	7
14. Engineering & Construction Report	8
A. Funding Chart	8
B. Lonesome Creek Phase II Update	8
C. 345 kV Projects Update	8

	D. Dry Creek Substation Budget Amendment	R02.01-13-15	8
	E. Drafting/Engineering Systems Update		9
15.	Transmission Report		9
	A. WestConnect Planning Participation Agreement	R03.01-13-15	9
	B. Asset Purchase of Transmission Facilities from Upper Missouri	R04.01-13-15	10
16.	Financial Services Report, continued		10
	A. Funding Asset Retirement Obligations	R05.01-13-15	10
17.	Recess and Reconvention		11
18.	Roll Call		11
19.	Financial Services Report, continued		11
	A. CFC Annual Meeting		11
	B. Authorized Signatories	R06.01-13-15	12
	C. 2016-2024 Interim Financial Forecast		13
	D. Proposed Revenue Deferral Plan	R07.01-13-15	13
	E. RUS Buy-Out Update	R08.01-13-15	14
20.	Communications & Administration Report		15
	A. Legislation Briefing by Elizabeth Gore and Jon Hrobsky		15
	B. Investment Committee Report		15
	C. Human Resources-Benefits Update		15
21.	Directors' Reports		15
22.	Recess and Reconvention		16
23.	Roll Call		16
24.	Executive Session		16
	A. Authorization to Offer Options 1 & 2 Concepts to WMPA	R09.01-13-15	16
	B. Settlement of STB Case with BNSF	R10.01-13-15	16
	C. Deferral of BNSF Settlement to 2015	R11.01-13-15	17
25.	Date and Time of Next Board Meeting		17
26.	Executive Session		17
27.	Adjournment		18

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January 13-15, 2015**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the Cooperative or Basin Electric) was held at the headquarters Building, Bismarck, North Dakota, beginning on January 13, 2015 at 1:40 p.m. CST.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Gary C. Drost kept the minutes thereof.

2. Roll Call

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

Donald E. Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Robert J. Bartosh, Tracie Bettenhausen, John Ciz, Kelly Cozby, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Greek, John Jacobs, Steve Johnson, Becky Kern, Rod Kuhn, Anine Lambert, Deborah Levchak, Sharon Lipetzky, Jay Lundstrom, Gavin McCollam, Deb Olafson, Dave Raatz, Mike Risan, Ken Rutter, Myron Steckler, Darlene Steffan, Shanda Traiser, Kevin Tschosik, Amanda Wangler, Valerie Weigel and Lyle Witham.

Also present were Dakota Gasification Company (DGC) director James Geringer and Vice President and Chief Operating Officer David J. Sauer, RUS Acting Administrator Jasper Schneider, Mor-Gran-Sou Electric Cooperative (Mor-Gran-Sou) director Robert Gaebe, East River Electric Power Cooperative (East River) director Mark Rogen and Central Power Electric Cooperative staff member Tony Presser.

3. 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 Rohrer, seconded by Director Thiessen and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the December 7-9, 2014 Regular Meeting of the Board of Directors and the December 9, 2014 Basin Electric Board Audit Committee were presented and after an opportunity for corrections, it was moved by Director Baker, seconded by Director McQuiston and carried that the minutes be approved as presented.

5. General Manager's Report

General Manager Sukut reported that Paul Baker, Bob Bartosh and Joe Leingang will meet with Tri-State staff next week to discuss concepts for possible restructuring of Western Fuels-Wyoming. Employee information sessions are being scheduled for headquarters, DGC and the power plants.

6. Financial Services Report

A. Comments from Acting RUS Administrator Jasper Schneider

Steve Johnson introduced Jasper Schneider, the acting Administrator of the Rural Utilities Service (RUS). Mr. Schneider reviewed the lending activity of RUS for the year. He noted that the RUS had received over 500 comments on its proposed modification to its environmental rules. He noted the concerns expressed by NRECA, Basin Electric and others over certain provisions of the rule that might expand the scope of additional environmental review even if RUS is not a lender. The Department is in the process of writing the final rule, with a goal to distribute the final rule to other federal agencies next month and publish it in the Federal Register in the early fall of 2015. Many of these concerns expressed in the comments will be addressed in the final rule.

Mr. Schneider also commented on his efforts to hire and train new employees to fill numerous vacancies in the Agency. When completed, this would improve the response time for loan requests.

He addressed several congressional issues and financing issues.

He concluded with a discussion with the Board on the pros and cons of "buying out" of RUS.

7. Western Fuels Association Update

General Manager Sukut noted that General Counsel Olson would discuss the status of negotiations with the BNSF in executive session.

8. Office of General Counsel Report

Mr. Olson reviewed current litigation and matters of interest to the Cooperative.

A. Application for Membership of Mora-San Miguel Cooperative

Mr. Olson reported that Basin Electric received the membership fee and complete Application for Class C Membership and for Electric Service from Mora-San Miguel Cooperative, a Tri-State member. As this cooperative meets the requirements to become a Class C member as set forth in the Bylaws, Mr. Olson recommended that the Board authorize the issuance of a Class C membership certificate in the name of Mora-San Miguel Cooperative, recognizing that the Bylaws must be amended at the annual meeting to revise the description of District No. 5 to include the county of Mora-San Miguel's headquarters.

After discussion, it was moved by Director Drost, seconded by Director Gilbert and carried that the following Resolution be adopted:

R01.01-13-15 RESOLVED, that the Application for Class C Membership and for Electric Service submitted by Mora-San Miguel Cooperative is hereby accepted and approved.

9. Operations Report

John Jacobs, Vice President of Operations, reviewed the Cooperative's safety performance for the month and then provided bus bar costs for the coal-fired fleet. He reviewed the equivalent forced outage rate trends for a 24-month moving average and on the generation of the solid fuel units.

He reported that generation came in 5.2% below budget for December and 7.5% below budget for 2014. Individual availability and capacity factors for the coal-based generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Rating	Comments
AVS #1	93.28%	96.96%	450 MW	Boiler tube leak and MFT-partial flame loss
AVS #2	74.74%	85.79%	450 MW	Boiler tube leak repair; MFT partial flame loss
DFS	74.12%	96.75%	386 MW	Primary superheater tube
LRS #1	86.39%	73.57%	570 MW	Economizer tube leak, ID fan trip
LRS #2	82.44%	87.85%	570 MW	Major outage
LRS #3	92.37%	91.40%	570 MW	Waterwall tube leak, trip load unbalance
LOS #1	93.34%	70.15%	221 MW	Turbine seals, high drum level, DC lube oil test, boiler feed pump issues, river debris plugged filters
LOS #2	93.34%	70.15%	448 MW	

He reported that on December 31, the Leland Olds Station (LOS) coal stockpile contained 709,105 tons.

A. Distributed Generation Update

Kevin Tschosik, Distributed Generation Manager, noted that December distributed generation at the facilities was as follows:

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Groton Unit #1	94.82%	9,608 MW	100 MW	
Groton Unit #2	94.03%	7,656 MW	100 MW	
Culbertson CT	98.89%	5,930 MW	100 MW	
WY Dist. Gen.	99%	264 MW	54 MW	
SMS Unit #1	100%	0	60 MW	
SMS Unit #2	99.50%	0	60 MW	
Deer Creek	88.02%	70,304 MW	300 MW	
PGS Unit #1	94.18%	7,906 MW	45 MW	
PGS Unit #2	94.38%	2,860 MW	45 MW	
PGS Unit #3	95.03%	3,962 MW	45 MW	
LCS Unit #1	96.51%	29,101 MW	45 MW	

Mr. Tschosik then reviewed 2014 safety statistics for the Distributed Generation staff. There was only one recordable safety incident during 2014.

During December, Pioneer Generating Station (PGS) ran in synchronous condensing mode 0.92 hours and Lonesome Creek Station (LCS) for 623.07 hours.

The Wyoming Distributed Generation had 17 west-side spinning reserve calls for the month. Spirit Mound Station did not run in December.

PrairieWinds ND 1 (PWND). Freezing rain caused ice build-up on blades requiring an outage. PWND staff has completed five years with no injuries.

PrairieWinds SD 1. Freezing rain also caused ice build-up on blades requiring an outage. There was also a 19-hour transmission outage associated with the storm.

The east-side peak occurred on December 30, 2014 at 8:00 p.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak (MW)	Capacity Factor (%)		Project Total
		Month	Year	
Baldwin	78 MW	37%	47%	99 MW
Day County	34 MW	42%	51%	99 MW
Edgeley	35 MW	34%	34%	40 MW
Highmore	18 MW	39%	40%	40 MW
Iowa Wind	28 MW	41%	42%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	9%	20%	3.4 MW
PrairieWinds ND	110 MW	37%	46%	123 MW
PrairieWinds SD	111 MW	48%	48%	162 MW
Wilton	59 MW	31%	43%	99 MW
Total Monthly Wind Generation	473 MW	n/a	n/a	712 MW maximum
Average Capacity Factor	n/a	39%	45%	n/a

He then reported on the 2014 simple cycle and wind generation actual versus forecast.

B. 2014 Year-End Safety & Health Report

Kelly Cozby, Safety & Occupational Health Administrator, presented the 2014 year-end safety and health report. She began with a review of the safety statistics for the year. She also reported on the safety audits conducted by the Safety Audit Committee throughout the year.

Ms. Cozby then updated the board on the status of the development and implementation of the Cooperative's "Our Power, My Safety" program.

10. Marketing & Asset Management Report--Purchased Power & Non-Member Sales Report

Ken Rutter, Vice President-Marketing and Asset Management, reported that December member energy usage was approximately 2.165 million MWh compared to the budget of 2.123 million MWh, reflecting the colder-than-normal temperatures. The higher member usage required more-than-anticipated short-term power purchases and the burning of more natural gas.

He reviewed monthly prices for electricity and natural gas, as well as plans for future hedging. He described how congestion management operates in the context of an RTO and how Basin Electric will work to manage congestion. He also reviewed other SPP integration activities that are underway in the department.

Val Weigel, Manager of Marketing & Financial Analysis, reported on the 2015 monthly power price history from 2013 - 2014. Record production levels and weak demand have natural gas prices reaching two-year lows. Current prices have fallen 25% since the end of October. There were higher real-time prices at the beginning of December due to weather-driven demand and base load outages. Prices were softer around the holidays due to lower demand.

Deer Creek Station (DCS) runs were significantly higher than budgeted and Williston Load Pocket Generation was lower than budgeted for December. The DCS 2014 capacitor factor was 14%.

She then reported on the 2015 Basin Electric Natural Gas/PP Hedge Plan (the Plan). Of the targeted \$37.1 million expense, \$31.0 million, roughly 84% of the Plan, has been secured. Of the targeted 1.3 million MWh, 974,000, roughly 77% of the Plan, have been secured.

Ms. Weigel went on to discuss ongoing value and risk mitigation projects. Marketing has identified constrained paths in MISO that consistently result in expenses for Basin Electric's membership. Marketing will be participating in the February MISO auction for Financial Transmission Rights (FTR) to mitigate risk and hedge congestion price exposure for up to six distinct paths. Marketing is structuring the FTR bid process with a not-to-exceed cost of approximately \$40,000 for approximately 26 MW. This exercise is designed to familiarize staff with the FAR bid process.

She noted that Basin Electric has a fairly substantial volume of MW that are expected to come from either peaking generation or market purchases. Basin Electric works with the Western Area Power Administration (WAPA) to determine if purchases are more economic than running the peaking combustion turbines. The issue is that Basin Electric's purchases through WAPA have increased over time due to a shorter position. WAPA has indicated that it can no longer absorb the level of Basin Electric purchase expense within its federal budget constraint. Basin Electric could buy its position down to avoid buying from WAPA; however, there are limited counterparties to transact with that deliver to the Integrated System (IS). Most counterparties charge a \$3 to \$7 premium to deliver to the IS. Another option would be for Basin to prepay WAPA for day-ahead purchases, incurring just a small carry cost. Based on the projected January position, Basin Electric made a \$6 million prepayment to WAPA for January purchases.

Ms. Weigel/Mr. Rutter then gave an SPP Project Update, reviewing the software, strategies, staffing, processes, plant coordination and WAPA. Bench testing will begin in the next couple months.

11. Recess and Reconvention

At 5:00 p.m., President Peltier recessed the meeting until January 14, 2015, at 8:00 a.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

12. Roll Call

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

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Claire M. Olson and staff members Cory Bauer, Tracie Bettenhausen, Andy Buntrock, Tom Christensen, Tammy DeWitt, Mike Eggl, John Frank, Robert Frank, Matt Greek, John Jacobs, Steve Johnson, Becky Kern, Keith Ketcherside, Janet Kubisiak, Rod Kuhn, Deborah Levchak, Sharon Lipetzky, Jay Lundstrom, Gavin McCollam, Darla Miller, Kimberly Miller, Dale Niezwaag, Curt Pearson, Dave Raatz, Mike Risan, Josh Rossow, Ken Rutter, Susan Sorensen, Myron Steckler, Darlene Steffan, Matt Stoltz, Shanda Traiser, Kevin Tschosik, Deb Olafson, Amanda Wangler, Valerie Weigel and Zane Zuther.

Also present were East River director Mark Rogen, Mor-Gran-Sou Director Robert Gaebe, and DGC Vice President David J. Sauer.

13. Cooperative Planning Update

A. Strategic Planning

Shanda Traiser, Director of Strategic Planning, presented a refresher on the strategic planning goals. Each goal is identified and targets are established. She identified current and future initiatives and initiative managers, as well as plans to review goals, measures, targets and a brief overview of initiatives. Changes and refinements are expected as goals progress. She distributed the strategy map and noted that P8, entitled Optimize Use of Cooperative Asset Portfolio, was added. She reviewed the strategy map and goals. She will review one theme with the board each quarter. She will review the workforce theme and cooperative philosophy in May; operational excellence theme in August; and the support growth theme in October. The Strategic Planning process with the subsidiaries will begin in the spring of this year.

B. Cooperative Planning

Dave Raatz, Vice President of Cooperative Planning, reported that the January estimated member peak demand sales were approximately 60 MW above budget.

RTO Integration. He presented an RTO integration rate and contract modifications chart representing each of the Class A members.

Class A Member Rate Schedule Modifications. Mr. Raatz reported that staff is studying the effects of discontinuing the oil pipeline pumping rate, large compression rate and the large commercial rate.

The oil pipeline pumping rate was for oil pumping stations 5 MW or greater. Central Power has 6 MW on this rate and East River has 40 MW.

The large compression rate was established in 2006 for large gas compression units of 1,000 horsepower or greater. The rate was the base rate plus 15mills/kWh for 10 years. PRECorp currently has one 3 MW gas compressor on this rate. This rate has been closed to new applications for some time.

The large commercial rate was established in 2010 for new loads or expansions of 15 MW or greater and was at the base rate plus 15 mills/kWh. Currently, the proposed TransCanada Pipeline would be the only load on this rate. This rate has been closed for new applications for some time.

He reviewed the economics involved in terminating these three rates. He suggested that the board take action to eliminate these rates in August 2015 to be effective January 1, 2016.

This matter was discussed at the October Manager's Advisory Committee (MAC) meeting and will be discussed further at the MAC meeting next week. He then reviewed the Schedule A benefits certain members would receive.

MISO/SPP Load Shifts. Mr. Raatz reported that Basin Electric staff is working with MDU, Ottetail and our members to resolve issues involving load shifts that arise between MISO and SPP as a result of joining SPP.

Basin Electric also has agreements with Alliant and MidAmerican with similar concerns, although discussions have not yet begun.

Member Contract Modification. Mr. Raatz noted that staff has identified several issues that need to be addressed with amendments to the member Wholesale Power Contract. The first involves extending the contract term to 2075 to accommodate the extension of depreciation on Dry Fork Station, as well as new facilities.

An amendment is also needed to implement the new Transmission Service Policy and establish new delivery points.

Mr. Raatz noted that some member contracts have special issues that need to be resolved, such as the Tri-State contract and adjustments to the final CROD deliveries on the west and the all requirements obligation in Nebraska. Also, amendments to the PRECorp contract to accommodate potential new members.

Staff is working on contract language and hope to have them implemented by January of 2016.

C. 2015 Load Forecast Review

Jay Lundstrom, Lead Load Forecast Analyst, reported that the 2014 Load Forecast was completed 10 months ago and staff is working on a 2015 update to that forecast. He noted this update would update the member load forecasts, reflect a two-year delay (to 2017/2019 to 2019/2021) to the Keystone XL Pipeline, add the additional sales to the GRE-Fixing members and update the Energy Sector Analysis.

The study would also look at an alternative scenario involving a 50% drop in drilling activity of the Williston Basin, plus no Keystone Pipeline.

Mr. Lundstrom then reviewed the load forecast with slides illustrating the 2014 Forecast, the 2015 Update and the 2015 Alternative case.

Mr. Lundstrom also reviewed the load forecasts of each District of the Membership and noted that the finalized load forecast will be presented at the February board meeting for approval.

14. Engineering & Construction Report

A. Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that contracts totaling \$2 million would be presented for approval this month. He then presented the listing of major projects including the approved budget amount, total committed and completion dates.

B. Lonesome Creek Phase II Update

Myron Steckler, Director of Project Management & Construction, recognized and extended his appreciation to the team for their work on LCS II and III. He presented photographs of the units and reported that Phases II and III had been turned over to the Operations Division on December 23, 2014. Commercial Operation began on January 1, 2015. This project was approved by the Board of Directors in July 2012. Performance testing is complete and meets or exceeds guarantees. Saulsbury, the contractor for Phase II, performed well and had an excellent safety record. The project came in 25% under budget.

C. 345 kV Projects Update

Amanda Wangler, Project Manager for the Antelope Valley Station (AVS)-to-Neset 345 kV Transmission Line Project, provided the construction update.

The AVS-to-Neset project costs continue within the \$347 million budget and are currently forecasted to be \$339 million. The North Killdeer Loop costs continue within the \$180 million budget.

There were four property damage safety incidents and a near miss during the month. After visiting with the contractor about this matter, he added staff to the project and recommitted to safety.

Structures on the AVS-to-Judson segment need to be set by March. Phase I of the AVS switchyard work is nearing completion and on schedule. Phase II will begin in February 2015.

The contractor is working on foundation piers and breaker pads, assembling switches and working on steel bus at the Charlie Creek Substation.

The power transformer was set on the foundation on December 9 at the Judson Substation. The contractor is pouring piers, finished transformer foundation and containment and is working through cold-weather concrete issues.

D. Dry Creek Substation Budget Amendment

Boyd Trester, Electrical Engineering Supervisor, noted that the Dry Creek Substation is a new 230/115 kV substation being built directly next to the Rapid City DC Tie. The Board approved this project in January 2013 for \$10.7 million. Construction began in June of 2014 and is estimated for completion in June of 2015. Costs to date total \$7.7 million. The total committed to date is \$10.4 million. He presented the proposed budget amendment for \$2 million, reviewed the factors required in the amendment and recommended that it be approved.

After discussion, it was moved by Director Drost, second by Director Fuher and carried that the following Resolution be adopted:

R02.01-13-15 RESOLVED, that the budget for the Dry Creek Substation is hereby increased \$2 million to a new contract total of \$12.7 million; and

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

E. Engineering/Drafting Systems Section Update

Lynn McNulty, Manager of Drafting & Engineering Systems, reported that the Engineering/Drafting Section provides drafting and design services at all levels for the Engineering section. It also reviews vendor drawings from outside agencies for conformance to Basin Electric standards and accuracy and can create and revise 3D models of existing facilities. This group manages 400,000-plus engineering drawings. All current engineering drawings are available in Altien, the document management system. This division also provides large-format printing and scanning services for all facilities and departments.

This section is comprised of nine drafters/designers who together have 130-plus years of experience with the Cooperative. In 2014, more than 23,000 new and revised drawings were added to the Engineering Drawing System.

The goal of the division is to have the most current and accurate drawings available for all of Basin Electric's facilities.

15. Transmission Report

Mike Risan, Senior Vice President, Transmission, provided an update of the various activities associated with the integration into SPP. Staff is also working with the members to assist them in determining what facilities they may want to include in SPP.

He presented a diagram of loads in the Williston Basin load pocket in December. He noted that the existing generation and transmission serving the load pocket can support 1,000 MW of load, and should be adequate for this year.

Staff is preparing for the WECC audit in September. Staff also continues to negotiate with MDU regarding payments under the Interconnection and Common Use Agreements.

A. WestConnect Planning Participation Agreement

Mr. Risan reviewed the footprint of WestConnect and reported that the WestConnect Planning Participation Amendment implements the directives of FERC Order 1000 with respect to regional planning and cost allocation for regional projects. Participation is voluntary for non-jurisdictional entities. Members have the ability to withdraw, but may need to pay dues for up to one year. The annual dues are between \$60,000 and \$130,000 to support the planning phase.

He reviewed the five membership options and reviewed the investor-owned utilities (IOUs) that have signed. He recommended that Basin Electric sign the WestConnect Planning Participation Agreement as a Coordinating Transmission Owner.

After discussion, it was moved by Director Pearson, seconded by Director Drost and carried that the following Resolution be adopted:

R03.01-13-15 RESOLVED, that the CEO and General Manager, or his designee, is hereby authorized to execute the WestConnect Planning Participation Agreement, as a Coordinating Transmission Owner.

B. Asset Purchase of Transmission Facilities from Upper Missouri

Mr. Risan, Senior Vice President of Transmission, reported that in 2008, Basin Electric purchased the Charlie Creek to Richland 115 kV transmission line from Upper Missouri. He recommended that the Cooperative now purchase the Richland 115 kV facilities, the East Sidney Switches and the Charlie Creek 115 kV facilities for the net book value of \$855,600. Basin Electric will recover these costs in the IS and SPP tariffs. Upon the purchase of these facilities, the existing leases with Upper Missouri will be terminated.

After discussion, it was moved by Director Applegate, seconded by Director Drost and carried that the following Resolution be adopted:

R04.01-13-15 RESOLVED, that the CEO and General Manager, or his designee, is hereby authorized to execute the Asset Purchase Agreement with Upper Missouri Power Cooperative for the purchase of the Richland 115 kV, Charlie Creek 115 kV and East Sidney 115 kV facilities at Net Book Value.

16. Financial Services Report, continued

A. Funding Asset Retirement Obligations

Susan Sorensen, Vice President & Treasurer, reviewed the legal obligations to retire, decommission or reclaim the Cooperative's facilities. She noted that the Cooperative currently has approximately \$24 million of Asset Retirement Obligations (AROs). Currently there is a 21.9 million current reserve value for existing AROs. She recommended that the Cooperative establish a \$22 million ARO fund to provide funds for asset retirement.

After discussion, it was moved by Director Drost, seconded by Director Baker and carried that the following Resolution be adopted:

R05.01-13-15 RESOLVED, the Board of Directors of Basin Electric Power Cooperative (the Cooperative) hereby authorizes the establishment of an Asset Retirement Obligation Fund in the initial amount of \$22 million in order to provide available funds to pay for the cost of reclaiming certain of the Cooperative's assets.

RESOLVED, that the Cooperative elects to hire Vanguard Institutional Asset Management (Vanguard) to invest the monies in the Asset Retirement Obligation Fund.

WHEREAS, Vanguard requires that the Cooperative's board of directors adopt a resolution identifying the employees of the Cooperative who will be authorized to conduct transactions with respect to the Cooperative's Vanguard account(s) on behalf of the Cooperative and that Vanguard may rely upon such resolution until such time as Vanguard receives written notice from the Cooperative

that such resolution or authorization has been modified or terminated;

NOW THEREFORE, BE IT RESOLVED, that the following employees of the Cooperative are hereby authorized to effect transactions on behalf of the Cooperative with Vanguard involving the Cooperative's Asset Retirement Obligation Fund account(s):

Paul M. Sukut, CEO & General Manager
Steven P. Johnson, Senior Vice President & CFO
Susan Sorensen, Vice President & Treasurer

BE IT FURTHER RESOLVED, that Vanguard shall be authorized to rely on this resolution until such time as Vanguard receives from the Company a resolution amending this resolution, a resolution in substitution for this resolution or a resolution terminating the effectiveness of this resolution and the authorizations set forth herein.

17. Recess and Reconvention

At 12:00 noon, the meeting recessed until 1:00 p.m., at which time the meeting reconvened, President Peltier continuing to preside and Secretary-Treasurer Gary C. Drost keeping the minutes thereof.

18. Roll Call

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

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Claire M. Olson and staff members Tracie Bettenhausen, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Greek, John Jacobs, Steve Johnson, Becky Kern, Deborah Levchak, Kim Miller, Mary Miller, Deb Olafson, Dave Raatz, Mike Risan, Susan Sorensen, Darlene Steffan, Shanda Traiser, Roxanne Woeste and Mike Zimmerman. Also present was East River director Mark Rogen.

19. Financial Services Report, continued

Steve Johnson, Senior Vice President and Chief Financial Officer, reviewed current economic statistics. The gross domestic product showed 5% growth between the second and fourth quarters of 2014. This is the highest since 2003. The U.S. employment rate dropped from 5.8% to 5.6%. This is the most jobs since 1999. As of today, the 10-Year U.S. Treasury yield is 1.81%.

A. CFC Annual Meeting

Mr. Johnson reported that the CFC annual meeting is scheduled for February 23, 2015 in Orlando, Florida, and that a delegate and alternate should be named. After

discussion, it was moved by Director Drost and seconded by Director Gilbert that Director Applegate serve as the delegate and Director McQuiston serve as the alternate. Motion carried.

B. Authorized Signatories

Mr. Johnson reported that the Authorized Signatories resolution needs to be updated to remove "interim" from Paul Sukut's title. After discussion, it was moved by Director Thiessen, seconded by Director Brekel and carried that the following Resolution be adopted:

R06.01-13-15 RESOLVED, that the Bank of North Dakota, BMO Bank of Montreal, Bank of Toyko-Mitsubishi UFJ, CoBank, First Security Bank-West, JPMorgan Chase Bank, National Association, National Rural Utilities Cooperative Finance Corporation, PNC Bank N.A., Union State Bank, U.S. Bank National Association, Wells Fargo Bank, N.A. and Bank of the West (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:

Wayne Peltier, President
Kermit Person, Vice President
Gary C. Drost, Secretary-Treasurer
Paul M. Sukut, Chief Executive Officer & General Manager
Steven P. Johnson, 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.

C. 2016-2024 Interim Financial Forecast

Andy Buntrock, Manager of Financial Planning & Forecasting, reviewed the changes in assumptions from the Financial Forecast that was approved in August. He compared revenue and expense impacts to the margin since August. He then presented average member rate comparisons and the Interim Financial Forecast, which indicates a two-mill rate increase in 2016. He then reported on the changes to the Cooperative's financial metrics because of the changes in the Interim Financial Forecast.

D. Proposed Revenue Deferral Plan

Shawn Deisz, Controller, noted that the 2014 budgeted before-tax margin was \$38.8 million. The current 2014 estimated allocable margin before tax is between \$55 million and \$65 million, which includes \$10 million amortized from the prior year. The proposed 2014 revenue deferral is \$15 million. Accounting for Rate Regulation under ASC 980 (SFAS No. 71) requires that, in order for a revenue deferral to be allowed, the following conditions must be met: (1) rates must be set by an independent regulator or the entity's own governing board; (2) rates are designed to recover the regulated entity's cost of providing service; (3) it must be reasonable to assume rates charged to recover costs can be collected from the

customers; and (4) the regulator may require a gain to be given to customers over future periods. The gain is amortized over future periods and rates are reduced in relation to the amortized amount. This action requires RUS approval, and a response from RUS within 90 days. Ms. Deisz recommended the 2014 revenue deferral as presented.

After discussion, it was moved by Director Rohrer, seconded by Director Brekel and carried that the following Resolution be adopted:

R07.01-13-15

WHEREAS, Basin Electric Power Cooperative has earned significantly higher revenue than forecasted during 2014; and

WHEREAS, Basin Electric is constructing new generating facilities to meet the increasing member demand and bringing the cost of new generating facilities into the rate base will place upward pressure on retail rates for Basin Electric's members; and

WHEREAS, the Rural Utilities Service (RUS) 7 CFR Part 1767 "Accounting Requirements for RUS Electric Borrowers" dated January 1, 2012, requires RUS approval of all revenue deferral plans.

NOW THEREFORE, BE IT RESOLVED, that effective December 31, 2014, an additional \$15 million of Surplus Sales revenue earned during 2014 be deferred and brought into revenue from 2015 through 2019, subject to the approval of the RUS; and

BE IT FURTHER RESOLVED, that such funds shall be restricted until amortized into revenue; and

BE IT FURTHER RESOLVED, that due to the fact that the Cooperative is not now, nor has it ever been, tax exempt, the Cooperative believes that said deferral will not impact its tax status; and

BE IT FURTHER RESOLVED, the Board of Directors further finds that bringing said revenue in the Cooperative's business from 2015 through 2019 will have no greater impact on Basin Electric's status as a cooperative than would bringing the revenue into business in 2014 since: (a) such revenue was unanticipated in 2014; and (b) the makeup of the membership of the Cooperative is unlikely to change in a manner which would materially impact the allocation of capital credits.

E. RUS Buy-Out Update

Mr. Johnson noted that in November, a detailed presentation was made to the board on the economics of an RUS Buy-Out. He summarized the proposed modifications to the RUS environmental regulations that, if implemented, would make it difficult to build new facilities on a timely basis.

Mr. Johnson also reviewed a summary of the economics of a buy-out. He noted that with the potential problems associated with the new RUS regulations, the difficulty in obtaining loan funds on a timely basis, and the current low interest rates in the public markets, the Cooperative should take a serious look at the merits of a buy-out.

After discussion, it was moved by Director Baker, seconded by Director Drost and carried that the following Resolution be adopted:

R08.01-13-15 RESOLVED, that staff be authorized to proceed to develop a plan for implementing an RUS buyout, including a company hedge strategy.

20. Communications & Administration Report

Mike Eggl, Senior Vice President-Communications & Administration, reported that more than 200 employees have retired in the past two years and that there is a shortage of skilled and technical workers such as engineering and information technology. Most of the new workers (millennials) want work-life integration, which isn't the same as work-life balance, since work and life now blend together inextricably. As a result, Basin Electric is refocusing on recruitment and retention, learning from the employee survey and is working to revitalize the cooperative culture and foster employee engagement through nontraditional measures. He then reported on the Cooperative's "Stay Basin", "Why Basin" series, BE Involved and BE Well programs.

A. Legislative Briefing by Elizabeth Gore and Jon Hrobsky

Mike Eggl introduced Elizabeth Gore and John Hrobsky from the Washington consulting firm of Brownstein, Farber, Hyatt & Schreck. They reviewed various energy and environmental issues being considered by federal agencies and/or the Congress.

B. Investment Committee Report

Marcie Schorsch, Benefit Compliance Analyst, reported there is an Investment Committee comprised of the CEO/General Manager, Chief Financial Officer, General Counsel, Vice President of Operations, Vice President of Human Resources and two at large members, currently Ted Cash, the Manager of Media Support Services, and Becky Kern, the Director of Utility Planning. The Committee meets annually with Vanguard for an asset and participant overview, market and economic overview and an investment review.

At this year's meeting, Vanguard presented its "Fiduciary Best Practices" training for the Committee in November. She then reviewed participant statistic and plan features. She noted that the Plan is 100% in compliance and that the Basin Electric and DGC plans are among the top 150 companies in overall assets within Vanguard.

C. Human Resources -- Benefits Update

Ms. Schorsch then discussed Basin Electric's current benefit offering and the new offerings for 2015. Lonnie Burns, Benefits Supervisor, then presented an update of the 401(K) and NRECA retirement programs.

21. Directors' Reports

Director Thiessen reported that he participated in the Upper Missouri board meeting via conference call and discussed October prices.

Director Fuher reported he participated in the North Dakota Statewide meeting.

Director Peltier reported that he will participate in the upcoming Minnesota Statewide meeting.

22. Recess and Reconvention

At 4:30 p.m., President Peltier recessed the meeting until January 15, 2015, at 8:00 a.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

23. Roll Call

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

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Claire M. Olson and staff members Tracie Bettenhausen, Shawn Deisz, Tammy DeWitt, Mike Eggl, Casey Jacobson, Steve Johnson, Becky Kern, Deborah Levchak, Dave Raatz, Mike Risan and Darlene Steffan.

24. Executive Session

At 7:57 a.m., the Board retired into executive session to discuss the Western Fuels Association/Basin Electric case and new member possibilities. At 10:51 a.m., it was moved by Director Applegate, seconded by Director Gilbert and carried to arise from executive session.

A. Authorization to Offer Options 1 & 2 Concepts to WMPA

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

R09.01-13-15 RESOLVED, that the CEO and General Manager, or his designee, is hereby authorized to offer to the Wyoming Municipal Power Agency (**WMPA**) Options 1 and 2 concepts as discussed in this Board of Directors meeting; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, shall return to the Board of Directors for approval of any contractual arrangements, noted above, consistent with this Resolution.

B. Settlement of STB Case with BNSF

After discussion, it was moved by Director Drost, seconded by Director Pearson and carried that the following Resolution be approved:

R10.01-13-15 **RESOLVED**, to approve the resolution as presented during the meeting and authorize the CEO and General Manager to execute all the necessary documents for the settlement of the STB case with the Burlington Northern Santa Fe Railroad.

C. Deferral of BNSF Settlement to 2015

After discussion, it was moved by Director Gilbert, seconded by Director Fuher and carried that the following Resolution be approved:

R11.01-13-15 WHEREAS, Basin Electric negotiated a settlement with the Burlington Northern Santa Fe Railroad related to coal deliveries to the Missouri Basin Power Project (MBPP) Laramie River Station, effective October 1, 2014; and

WHEREAS, the settlement includes a one-time payment of \$20 million to the BNSF from the MBPP Participants of which \$8,502,524.40 is Basin Electric's share; and

WHEREAS, Basin Electric had not anticipated the settlement cost in its 2014 rates; and

WHEREAS, the Rural Utilities Service (RUS) published the January 1, 2009 Edition of "Accounting Requirements for RUS Electric Borrowers", 7 CFR Part 1767, which authorizes deferral of any cost that will be fully amortized within the next 12 months, without prior written approval from the RUS; and

WHEREAS, the deferral of these costs is in accordance with Accounting Standards Codification No. 980, *Regulatory Operations*.

NOW THEREFORE BE IT RESOLVED, that recognition of Basin Electric's share of the BNSF settlement be deferred until 2015; and

BE IT FURTHER RESOLVED, that due to the fact that the Cooperative is not now, nor has it ever been tax exempt, the Cooperative believes that said deferral will not impact its tax status; and

BE IT FURTHER RESOLVED, the Board of Directors further finds that bringing said expenses into the Cooperative's rate base in 2015 will have no greater impact on Basin Electric's status as a cooperative than would bringing the expenses into the rate base in 2014.

25. Date and Time of Next Board Meeting

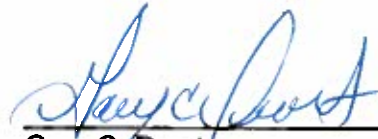
The next regularly scheduled meeting of the Board of Directors will take place February 10-12, 2015, at the headquarters building in Bismarck, North Dakota.

26. Executive Session

At 10:55 a.m., President Peltier declared the board to be in executive session for internal board discussions. President Peltier declared the executive session ended at 11:08 a.m.

27. **Adjournment**

President Peltier adjourned the meeting at 11:08 a.m.



Gary C. Drost
Secretary-Treasurer