

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

**Minutes of the Regular Meeting of the Board of Directors
February 11-13, 2014**

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February 11-13, 2014**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at Basin Electric's headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, on Tuesday, February 11, 2014 starting at 8:00 a.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
Marshall Collins	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 interim CEO & General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson; Basin Electric staff members Tammy DeWitt, Mike Eggl and Deborah Levchak.

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 Drost, seconded by Director Fuher and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the January 13, 2014 Special Meeting and the January 14-15, 2014 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Pearson, seconded by Director Applegate and carried that the minutes be approved as presented.

5. General Manager's Report

Mr. Sukut reported on the 2013 year-end margin and noted that a detailed report will be presented in the accounting report.

He also reported on his employee meetings at the Antelope Valley Station (AVS), the Leland Olds Station (LOS) and the Dry Fork Station (DFS). On February 14, he will be at the Laramie River Station (LRS).

6. Executive Session

At 9:00 a.m., it was moved by Director Pearson, seconded by Director Drost and carried that the Board recess into executive session to discuss the personnel issues. At 10:00 a.m., it was moved by Director Applegate, seconded by Director Rohrer and carried that the Board arise from executive session.

A. Modification of Delegation of Authority to CEO

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

R01.02-11-14

RESOLVED, that within a policy framework established by the Board of Directors, the CEO and General Manager is responsible for meeting the Cooperative's member electric power requirements at the lowest cost, consistent with sound business practices by effectively planning, organizing, directing and controlling the day-to-day business activities of the Cooperative and to accomplish these activities, the CEO and General Manager is specifically authorized to:

1. Approve all purchase, sale and other contractual arrangements (subject to the limitations set forth in subsection 4 below) involving the expenditure or commitment of the Cooperative's operating funds;
2. Approve all capital projects in an amount not to exceed \$1.0 million and any time such a capital project exceeds \$1.0 million, Board of Directors approval shall be required. Capital projects in excess of \$1 million must be submitted to the Board of Directors for approval;
3. Capital projects exceeding the original approved project amount in the aggregate by the lesser of 10% or \$500,000 must be resubmitted to the original approvers, either the CEO or the Board of Directors, for approval;
4. For all capital projects approved by the Board of Directors, approve and execute all contractual arrangements involving the expenditure or commitment of funds in an amount not to exceed \$3.0 million with the exception of change orders, which in the aggregate the limit shall be \$1.0 million; provided, however, in no instance will such authority extend beyond the project budget amount approved by the Board of Directors, except as noted above in item 3. Each month, the board will be provided a report of change orders for all capital project contracts with the original amount of \$3.055 million or more;

5. Approve and execute any commodity or financial market derivative contract with an undiscounted notional or total contract value as of the effective date not to exceed \$50 million and a term not to exceed five years; and
6. Delegate such authority and responsibility to staff members as deemed appropriate to facilitate the duties and obligations delegated herein.

B. Modification of Cooperative Commodity Risk Management Policy

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

R02.02-11-14 RESOLVED, that Board Policy 16, Cooperative Commodity Risk Management, be amended to reduce the notional value of transactional authority to the CEO and General Manager from \$100 million to \$50 million.

C. Adoption of Interim CEO Deferred Compensation Plan

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

R03.02-11-14 RESOLVED, that the Board of Directors of Basin Electric Power Cooperative hereby adopts the Basin Electric Power Cooperative Interim CEO Deferred Compensation Plan as presented to the Board of Directors and directs that it be executed by an officer of Basin Electric.

7. Recess and Reconvention

At 11:35 a.m., the meeting recessed until Wednesday, February 12, 2014 at 9:00 a.m., at which time the meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

8. Roll Call

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

Don Applegate	Paul Baker
Marshall Collins	Gary 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 Interim CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Robert J. Bartosh, Andrea Blowers, Andy Buntrock, Eric Carufel, Kelly Cozby, Ryan Davis, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Ehrman, Matt Greek, Steve Johnson, Becky Kern, Mark Kinzler, Deborah Levchak, Joe Leingang, Gavin McCollam, Folko Mueller, Mike Murray, Dale Niezwaag, Deb Olafson, Dave Raatz, Chad Reisenauer, Ken Rutter, Susan Sorensen, Myron Steckler, Steve Tomac, Kevin Tschosik,

Valerie Weigel, Michelle Wiedrich and Lyle Witham. Also present were Dakota Gasification Company (DGC) Chief Operating Officer (COO) David J. Sauer, Powder River Energy Corporation (PRECorp) director Walter Christensen and East River Electric Power Cooperative (East River) director Bert Rogness.

9. General Manager's Report, continued

Interim CEO and General Manager Paul M. Sukut noted that he would be attending the Western Fuels Association (WFA) meeting on February 26, Central Montana's annual meeting on February 27 and the NRECA annual meeting in Nashville on March 1-5. President Peltier noted that the Minnesota Rural Electric Association (MREA) annual meeting overlaps the March Basin Electric board meeting. He asked Mike Eggl to work out the travel arrangements so the directors could attend the MREA annual meeting and fly to Bismarck the evening of Tuesday, March 11 for the Basin Electric Board meeting the morning of March 12.

10. Office of General Counsel Report

Claire Olson, Senior Vice President and General Counsel, discussed recent developments with respect to the 345 kV AVS-to-Neset transmission project and the 10th Circuit Court of Appeals remand to the Surface Transportation Board in the Basin Electric/WFA rate case. Senior Staff Counsel Deborah Levchak discussed the EPA decision regarding Wyoming Best Available Retrofit Technology.

11. Cooperative Planning Report

A. Strategic Planning

Chad Reisenauer, Manager of Member Support and Services, reported that today the Board and staff would work on the Vision Statement exercise and hear three Point of View presentations.

The directors and staff then broke into small groups to provide input for the development of a vision statement. After receiving the group input on the vision statement, Mr. Reisenauer reported that Shanda Traiser will work with these responses to draft a vision statement. He distributed a revised draft of the current strategic goals and noted they were close to final form.

He then reviewed the schedule for the rest of the activities leading up to the strategic planning retreat on March 18 and 19.

Dave Raatz noted that, as part of the strategic planning process, the Point of View team was established to perform research on issues that affect the electric utility industry in the future. Upon completion of the research Basin Electric will develop our Point of View conclusions.

The following individuals presented research reports on the findings of the POV Team: Folko Mueller--Politics and Legislation; Matt Ehrman--The Changing Member; and Ryan Davis and Steve Tomac--Technology.

12. Recess and Reconvention

At 12:10 p.m., the meeting recessed until 1:00 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

13. Roll Call

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

Don Applegate	Paul Baker
Marshall Collins	Gary 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 Interim CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Andrea Blowers, Eric Carufel, Kelly Cozby, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Ehrman, Pius Fischer, Matt Greek, Deb Haga, Ellen Holt, Steve Johnson, Becky Kern, Mark Kinzler, Janet Kubisiak, Sharon Lipetzky, Gavin McCollam, Cris Miller, Mary Miller, Dale Niezwaag, Dave Raatz, Mike Risan, Ken Rutter, Myron Steckler, Steve Tomac, Boyd Trestor, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present were DGC COO David J. Sauer, PRECorp director Walter Christensen and East River director Bert Rogness.

14. Remarks from Adam Schwartz of The Cooperative Way

Adam Schwartz, former NRECA employee and currently a principal in The Cooperative Way, an organization that helps cooperatives succeed, discussed the seven-step process to understanding a cooperative.

15. Generation Report

Matt Greek, Senior Vice President of Generation, reviewed the Cooperative's safety performance for the month, noting that there had been four recordable incidents and three Days Away Restricted or Transferred (DART) incidents in January.

He then reviewed forced outages rates, equivalent forced outage rates and bus-bar costs for January. He reviewed actual generation for the solid fuel plants, oil and gas plants and wind facilities for January and year-to-date. Environmental compliance averaged over 99 percent for the month.

January individual availability and capacity factors for the coal-based generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Rating	Comments
LRS #1	92.5%	93.5%	570 MW	Boiler tube leak economizer and two low drum levels
LRS #2	100%	95.9%	570 MW	
LRS #3	91.2%	64.7%	570 MW	PA fan 3A outlet dampers and PA fan shutdown; main steam safety valve leak
LOS #1	100%	75.9%	221 MW	Coal conservation at this time
LOS #2	100%	79.7%	448 MW	
AVS #1	100%	97.3%	450 MW	
AVS #2	75.6%	92.4%	450 MW	Boiler tube leak repair; breaker failure
DFS	100%	96.8%	386 MW	Scheduled valve test

DFS will come down tomorrow night to address a build-up in the scrubber. This takes the place of the future scheduled outage.

The LRS coal inventory is currently at 1.03 million tons or a 42-day supply. The target level is 900,000 tons.

Mr. Greek then reviewed the monthly performance of the Cooperative's generation facilities.

A. Distributed Generation Update

Kevin Tschosik, Distributed Generation Manager, reviewed natural gas prices and noted it had been a very good wind month. January distributed generation at the facilities was as follows:

Unit	Monthly Availability (%)	Monthly Generation (Net MWh)	Unit Rating (MW)	Comments
Groton Unit #1	88%	5673	200	Load demand
Groton Unit #2	93.5%	8741		Load demand
Culbertson CT	90.37%	16,209	100	Load demand
WY Dist. Gen.	65.5%	7	54	25 west-side events in January
SMS Unit #1	100%	0	120	Did not run
SMS Unit #2	100%	0		Did not run
Deer Creek Station	72.6%	34,087	300	
Pioneer CT	74.0%	7548	45	Load & synchronized condensing
Lonesome Creek CT	84.3%	11,629	45	Load but mainly synchronized condensing
PWND 1		59,074	123	
PWSD 1		74,639	162	

DCS. Mr. Tschosik noted that DCS had an outage caused by ice formation in the air-cooled condenser. The icing occurred as a result of a seal failure on an inlet Butterfly valve that allowed steam to seep past the valve into the condenser. The steam condensed into water and then froze. He noted the valves were being replaced and heat tracing installed to eliminate future occurrences. One-third of the condenser has been isolated from the rest of the condenser for repair and the unit will be able to run at full load as long as ambient temperatures remain below 50 degrees.

PrairieWinds ND 1. Mr. Tschosik reported that semi-annual maintenance is 98% complete.

PrairieWinds SD 1. Mr. Tschosik reported that there was a gearbox failure on Turbine 9.

The east-side peak occurred on January 5, 2014 at 1900 hours. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor	Project Total
PrairieWinds ND	8 MW	65%	123 MW
PrairieWinds SD	134 MW	62%	162 MW
Wilton	78 MW	62%	99 MW
Baldwin	79 MW	68%	99 MW
Edgeley	14 MW	42%	40 MW
Highmore	35 MW	56%	40 MW
Day County	81 MW	60%	99 MW
Iowa Wind	34 MW	60%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	26%	3.4 MW
TOTAL JANUARY WIND GENERATION	464 MW	61%	712 MW maximum
AVERAGE YTD CAPACITY FACTOR	---	61%	---

C. 2013 Safety and Health Update

Kelly Cozby, Safety & Occupational Health Administrator, reported on the formation of a Cooperative Combustible Dust Team comprised of members from all of the coal-fired facilities. Topics to be addressed include baghouses, conveyors, dust measurement, housekeeping improvements, spontaneous combustion and personal protective equipment, hot vessel approach procedures and other management procedures. She then reviewed the status of each item.

She reviewed the safety statistics for the year, noting that the national 2013-2014 OSHA Recordable industry rate is 2.8 and Basin Electric's rate is 4.05. The industry DART rate is 1.50 and Basin Electric's is 3.04. She also reviewed the 2013 Safety

Plan and action items.

Ms. Cosby then reviewed the total number of corrective actions taken in 2013 by facility and the historic DART trend. The Contractor Safety Program has been updated to include team reviews of contractors' safety performance. The site access requirements are being updated at all facilities.

She then provided an update on the CAT Safety program. Quinn Messer, a DGC Synfuels plant employee, has been selected as the CAT Steering Team Lead.

D. Williston-Tioga Project Amendment

Gavin McCollam, Director of Engineering Services, reported that the Williston-to-Tioga transmission project was approved in May of 2007. The line was energized in January of 2011. During this time frame, the Cooperative was also doing an upgrade of the ND/SD Microwave System under a separate project. Approximately \$900,000 of costs attributable to the microwave upgrade project was ultimately included in the Williston to Tioga project. He recommended that the budget for the Williston-to-Tioga project be amended by \$888,543.45. The ND/SD Microwave project is currently \$1.3 million under budget. This amendment was required because of an incorrect charging of costs on a common project, not a cost overrun.

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

R04.02-11-14

RESOLVED, that the budget for the Williston to Tioga 230 kV Transmission Project be increased in the amount of \$888,543.45 related to the final telecommunications costs for the North Dakota/South Dakota Microwave Project; and

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

16. Marketing and Trading

Ken Rutter, Vice President of Marketing and Trading, reviewed the January membership loads, purchased power estimates and estimates of non-member sales. He also reported on the production at the Cooperative's gas-fired facilities.

Power prices are holding higher based on uncertainty in natural gas pricing. Prices in early February spiked to levels not seen in 10 years. The spike was felt in many markets across the U.S. Prices in ERCOT, New England and Mid-C all topped \$150/MWh.

An extremely low probability event occurred when AVS, LOS and Deer Creek were unavailable coincident with days when power prices spiked within JMP to \$265/MWh. During those days, Basin Electric experienced tie curtailments due to south to north flows, as well as a Black Hills generator trip. Given all of the above, there were several days last week where the Western Area Power Administration (WAPA) and Marketing were forced to run high-cost generation such as Spirit Mound. Marketing adjusted what it could on the load side using WAPA peaking energy, load management, as well as shutting down the coal mine drag lines. There was some offset to the high costs on the east with sales on the west. Marketing also deferred an LRS outage from last weekend to next weekend.

Purchased power volumes were up, as well as natural gas burns and wind energy. The higher purchased power expenses and fuel expenses will be offset with cost plus 10 percent sales to WAPA and non-member sales revenues.

Owned generation produced roughly 28,000 MWh less than budgeted.

Estimated January short-term non-member sales volumes were higher than anticipated. Prices on the east were strong and the overall gains in non-member sales largely offset the increased purchase power expense.

Combustion turbine runs were roughly 6,000 MWh higher than anticipated.

Forward hedging activity continues on the east. The Marketing and Trading group is working to ensure Basin Electric achieves the budget while also working to provide additional value above the budget. Several of the purchases have involved looking at the natural gas assets as an alternative to purchased power.

Hedging activity also continues on the west. The west is forecasted to have surplus and we are working to monetize the value at or above budget when market conditions are supportive.

Mr. Rutter then reviewed the scheduling and dispatch functions being brought into the Marketing & Trading group. He reviewed the benefits associated with bringing this activity in-house and estimated that there would be a benefit of \$3.6 million to the Cooperative.

17. Cooperative Planning Report, continued

Resource Planning. Dave Raatz, Vice President of Cooperative Planning, reported that the January winter peak estimate is 3520 MW, about 300 MW over the forecast. So far in February, member sales are estimated to be 250 MW higher than budgeted.

He noted that the new load forecast information is higher than the 2013 load forecast and there could be a need for between 300 MW and 500 MW additional peak in the 2018/2019 period. Staff is reviewing the ability to purchase peaking capacity from the market, but is not receiving good responses.

Mr. Raatz reviewed the need for combined-cycle generation in the portfolio and discussed the pros and cons of building combined-cycle with peaking or purchasing power on the market for a period of time coupled with peaking generation. He then reviewed current opportunities for purchases in the market.

He reported that in March, staff would present the 2014 load forecast. He noted that there will likely be a substantial increase in the forecasted load for western North Dakota.

Mr. Raatz then discussed opportunities for power sales out of the Cooperative's west-side resources.

Solar Generation Rate. Mr. Raatz noted that staff has been working with the membership in developing a rate for solar generation. A number of the members are experiencing interest from their member/consumers in owning and using solar generation. The goal in developing these rates is to have a rate that works for the consumer, is fair to all of the membership and preserves the integrity of the all-requirements contract.

After reviewing the current small renewable rate, Mr. Raatz presented a proposal that

would create a new structure by terminating the existing small renewable rate and creating a renewable purchase rate for wind, biomass and solar.

He reviewed these proposed rate structures for renewables that are variable based on the size of the generation. He noted that Basin Electric's purchases under this rate would be no more than 7 MW from all of the membership.

Mr. Raatz noted that this rate is on the agenda for the upcoming Manager's Advisory Committee meeting. A rate proposal will likely be brought back to the board for consideration within a month or two.

A. Generation Site Review

Myron Steckler, Project Management and Construction Director, reported that the eight-member project team was tasked to identify three potential peaking sites for a nominal 200 MW plant and three potential combined-cycle sites for a nominal 650 MW plant. The evaluation criteria were access to electrical transmission, fuel supply, water supply, environmental and site development. He reviewed the siting areas (North Dakota and northern South Dakota), gas supply pipelines, transmission, gas transportation, water supply and environmental.

He noted that all sites are workable; some would just require small changes.

He reviewed the timeline for a 650 MW 2x2x1 combined-cycle facility and discussed the near term project development steps required to maintain a 2019 commercial operation date along with an estimated cost of each.

He then reviewed the peaking facility potential sites (which include all of the combined-cycle sites plus Tioga, Minot and Groton).

He reviewed the timeline for construction of a 200 MW or 100 MW per site peaking facility and discussed the near term project development steps required to maintain a 2017 commercial operation date along with an estimated cost of each.

18. Recess and Reconvention

At 5:20 p.m. CST, the meeting recessed until 7:30 a.m. CST on Thursday, February 13, 2014, at which time the meeting reconvened, President Peltier continuing to preside and Director Drost continuing to keep the minutes.

19. Roll Call

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

Donald E. Applegate	Paul Baker
Marshall Collins	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 Interim CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Robert J. Bartosh, Andrea Blowers, Shawn Deisz, Tammy DeWitt,

Matt Greek, Ellen Holt, Steve Johnson, Mark Kinzler, Deborah Levchak, Gavin McCollam, Sally Meier, Cris Miller, Kimberly Miller, Mary Miller, Dave Raatz, Mike Risan, Ken Rutter, Jean Schafer, Myron Steckler, Boyd Trestor, Kevin Tschosik, Shelly Wanek, Valerie Weigel, Michelle Wiedrich and Roxanne Woeste. Also present were DGC COO David J. Sauer, PRECorp director Walter Christensen, East River director Bert Rogness and consultant Peter Stark.

20. Transmission Report

A. Teckla Substation Expansion

Boyd Trestor, Electrical Engineering Supervisor, reported that the Teckla Substation expansion includes a 230 kV breaker, line disconnect switch, grounding switch, three potential transformers, a take-off structure, bus additions, relay panel and configuration changes. He presented a diagram showing the terminal line addition and where it will connect with Black Hills Power's new Osage line. The estimated cost is \$2.0 million. Basin Electric will construct and own the addition and Black Hills Power will have cost responsibility. Completion is scheduled for the fourth quarter of 2014.

It may be beneficial for PRECorp to have partial ownership in the project. This project is on the fast track and plan for completion at the end of 2014.

He recommended the Board authorize staff to proceed with construction of the Teckla Substation 230 kV Line Terminal Addition to accommodate Black Hills Power's 230 kV line that ultimately supports the Rapid City area, including the DC tie.

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

R05.02-11-14

RESOLVED, that the construction of the Teckla Substation 230 kV line termination addition, as presented, with an estimate of \$2.0 million be approved; and

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

B. Basin Electric-MDU Interconnection and Common Use Agreement

Mr. Risan reported that the Board granted authorization in December of 2013 to execute the revised Interconnection and Common Use Agreement Exhibits and Supplements with MDU. Since then, some costs have changed slightly along with the proposed loss assessment. He reviewed the changes and noted that the losses have been hard-wired at 7% since inception. This new change is an average of 5.4% for all deliveries. For the first time, losses are being reduced, which opens the door for future adjustments. WAPA has given notice that it is terminating its 1 mill reciprocal tariff for MDU. When that goes away, there may be another opportunity for reduction.

He recommended that the Board authorize the CEO and General Manager to sign the revised Interconnection and Common Use Agreement Supplements and Exhibits with MDU.

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

R06.02-11-14

RESOLVED, that the CEO & General Manager, or his designee, is hereby authorized to execute the revised Interconnection and Common Use Agreement Supplements and Exhibits as presented at this meeting.

Mr. Risan then provided an operations update on the Williston load pocket. Since last month, another unit at Pioneer was placed in commercial operation, which requires another adjustment in the operating guides. Loads in the Williston pocket were anticipated to be 650 MW, but hovered around 600 MW. Some loads on the southern edge of the pocket were served via alternate transmission to free up transmission in the pocket.

With all generation and transmission facilities in service, we can meet only 880 MW of load in the Williston load pocket. We currently have a margin to operate in, but in cold weather, that margin was very small. Having two additional units at Lonesome Creek next winter will help.

He then reviewed the chart of System Upgrade Options for the Williston load pocket, which is the longer-term planning strategy.

Mr. Olson reported that the U.S. Forest Service had provided comments to the Rural Utilities Service (RUS) favoring the alternative corridor options for the Charlie Creek-to-Williston and Roundup to Patent Gate portion of the 345 kV project, so as to avoid the Forest Service's grasslands. He noted that staff would meet with the Forest Service to try and understand their concerns.

Mr. Risan then reported on attending meetings of the SPP regional state committee, along with Bob Harris of WAPA. It was reported at the SPP meeting that there is a Bakken-like development in New Mexico that is just three to four years behind. A 345 kV line has been proposed there and some are concerned about cost allocation.

21. Executive Session

At 9:00 a.m., it was moved by Director Gilbert, seconded by Director Drost and carried that the Board retire into executive session to hear the results of the employee survey from Peter Stark.

At 9:45, it was moved by Director Drost, seconded by Director Applegate and carried that the Board arise from executive session.

22. Communications & Administration Report

Mike Eggl, Senior Vice President of Communications & Administration, provided a summary of press items, events of the past month and media inquiries. He reported that the comment period on the EPA Section 111(b) Notice of Proposed Rulemaking ends on March 10. This will affect new simple-cycle turbines. EPA could finalize the rule as early as February 7.

EPA Administrator Gina McCarthy will tour the Synfuels plant on February 28.

He then presented photographs and discussed the progress of the new hangar building.

He then reported on activities in support of the St. Baldrick's 2014 "Brave the Shave" fundraiser. More and more companies and organizations are stepping up to hold and promote events.

I&T Update. Mr. Eggl reported that January key items for the IT staff were marketing and trading system support, working on both the Deloitte & Touche and Baker Tilly audits, SPP data interchange/SCADA interconnection, new software and plant system virus checking and prevention.

Headquarters Building Update. Mr. Eggl reported that study of a new building has been terminated and other options are being re-examined. He noted that staff has rented space in the Great River Energy building to accommodate the immediate need for space. Staff will further investigate the need and options for a maintenance shop, parking space and possible addition to the existing headquarters building.

23. Financial Services Report

Steve Johnson, Interim Senior VP & Chief Financial Officer, reported the January month-end Member Investment Program (MIP) balance was \$156.9 million. The RUS Cushion of Credit Account balance is currently \$226 million. The balance is sufficient for between six and seven quarters of RUS payments as quarterly debt service payments are approximately \$35 million. Liquidity continues to be strong at \$1,104.1 million, excluding the Cushion of Credit account.

At the end of 2013, the Basin Cooperative Services (BCS) Mine Closing Fund was at \$4.9 million. In 2014, BCS liquidated \$3 million to pay off its revolver with Basin Electric. At the end of 2013, the DCC Mine Closing Fund was at \$13.4 million.

Mr. Johnson reported that Corn Belt has the fiduciary responsibility to manage the Duane Arnold Decommissioning Fund. Corn Belt reported that the fund earned an 18% return for 2013.

Based on unaudited numbers, the 2013 budgeted pre-tax margin was \$53.4 million compared to \$57.4 million actual. 2013 revenue was \$1.38 billion and expenses were \$1.32 billion.

Mr. Johnson then reviewed the schedule of events during the NRECA annual meeting which is March 1-5, 2014 in Nashville. Staff is working to schedule meetings with RUS, Sutherland, CoBank and CFC.

Fitch has affirmed the Cooperative's "F1" rating on both commercial paper (—taxable and tax-exempt) programs. Within the next few months, Fitch will also review the Cooperative's long-term rating.

A. Accounting Report

Shawn Deisz, Manager of Accounting, reported that Deloitte & Touch auditors are on-site auditing Basin Electric and Baker Tilly auditors are on-site auditing the MBPP financial statements. She also noted that RUS approved the \$10 million revenue deferral approved by the Board in January.

She then reported that the January 2014 Statement of Operations reflected an estimated net margin of \$17.2 million compared to the budgeted net margin of

\$8.1 million for a favorable variance of \$9.1 million. The net margin for the same period last year was \$7.8 million.

She also reviewed member sales, surplus sales, operations expenses, maintenance expenses, year-to-date consolidated net income/loss, changes to the balance sheet and month-end cash.

Basin Electric's equity-to-asset ratio at the end of January was 21.26% and at the end of December was 21.20%. At the end of January, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 25.60% and at the end of December was 25.90%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 20.80% at the end of January and 20.40% at the end of December.

24. 2014 Affirmative Action Plan

Shelly Wanek, Compensation/EEO/Recruitment Supervisor, reported that Basin Electric's Affirmative Action Plan (Plan) is revised each year according to federal and state law changes and to update statistics. Basin Electric has a plan for females and minorities and another for veterans and individuals with disabilities. She then reviewed the changes and goals of the Plan and recommended that the 2014 Plan be approved.

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

R07.02-11-14 RESOLVED, that the 2014 Basin Electric Power Cooperative Affirmative Action Plan be approved.

25. Directors' Reports

Director Pearson expressed his appreciation to Messrs. Sukut, Raatz and Tomac for attending the East River directors and employees conference. Attendance was one of the highest ever.

Director McQuiston reported that Rushmore's sales reached a new peak of 270 MW, which is an increase of 10 MW.

Director Rohrer invited the directors and staff to Central Montana's annual meeting on February 27.

Director Thiessen reported that Upper Missouri hired a new employee to work on incorporating Upper Missouri's growth into NERC compliance and load monitoring. Basin Electric assisted with creating the document and putting the action plan in place.

Director Gilbert reported that he had been Corn Belt's delegate last week to the New and Emerging Technologies Conference. Basin Electric was a sponsor. He reported on several emerging technologies. He also invited the directors and staff to Corn Belt's annual meeting on April 2.

Director Collins reported that there are some reports about a new oil field in northeastern Colorado; however, little information has been received. Tri-State continues trying to implement a new rate design for its members. There continues to be a lot of questions from the membership.

Director Applegate reported that NIPCO had 7% load growth in 2013, of which 23% was in December due to corn drying and heating. Nishnabotna is connecting approximately 10% more new load next year via the expansion of four different industries. Nishnabotna and WIPCO are conducting a consolidation/merger study due to load factor and power cost.

Director Drost reported on the East River Director and Employee seminar and noted that the presentation on fiduciary responsibility was outstanding. He wished all of the directors could see it.

Director Peltier thanked everyone for moving the March board meeting date in order for some to attend the MREA annual meeting.

26. Date and Time of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place March 12-14, 2014, at the Basin Electric headquarters building in Bismarck, North Dakota.

27. Adjournment

There being no further business to come before the meeting, it was moved by Director Drost, seconded by Director Rohrer and carried that the meeting be adjourned at 11:20 a.m.



Gary C. Drost
Secretary-Treasurer