

**BASIN ELECTRIC POWER COOPERATIVE
BISMARCK, NORTH DAKOTA**

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
FEBRUARY 13-15, 2018**

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

**Minutes of the Regular Meeting of the Board of Directors
February 13-15, 2018**

The regular meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, on February 13, 2018 starting at 11:28 a.m. CST.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Charles H. Gilbert, who kept the minutes thereof.

2. Roll Call

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

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Mike McQuiston	David Meschke
Kermit Pearson	Wayne Peltier
Troy Presser	Allen Thiessen
Thomas Wagner	

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Tammy DeWitt, Matt Greek, John Jacobs, Steve Johnson, Diane Paul, Dave Raatz, Mike Risan and Ken Rutter. Also present was Dakota Gasification Company (DGC) Vice President David J. Sauer

3. Approval of the Agenda

The Directors considered the agenda for the conduct of the business of the meeting. After an opportunity for the addition and deletion of items, a motion was made, seconded and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the January 9-10, 2018 Regular Meeting of the Board of Directors were presented. After an opportunity for corrections, a motion was made, seconded and carried that the minutes be approved as presented.

Director Thiessen reported that Tracie Bettenhausen had been elected to the board of the International Association of Business Communicators Pacific Plains Region as a Chapter Advocate.

He also reported that Mike Murray was recognized for having been unanimously selected to receive the International Right-of-Way Association's highest award, the Frank C. Balfour award.

5. Recess for Board Committee Meetings; Reconvention

At 11:30 a.m., the meeting recessed for the Board Committee meetings. At 2:00 p.m., the meeting reconvened, with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

6. Roll Call

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

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Mike McQuiston	David Meschke
Kermit Pearson	Wayne Peltier
Troy Presser	Allen Thiessen
Thomas Wagner	

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Tracie Bettenhausen, Tammy DeWitt, John Jacobs, Steve Johnson, Dave Raatz, Mike Risan and Ken Rutter. Also present was DGC Vice President David J. Sauer.

7. Board Committee Reports

Operations Committee. Operations Committee Chair Mike McQuiston reported that the Committee recommended Board approval of Phase 2 of the Laramie Rive Station (LRS) washout system, as well as the LRS #2 Main Plant/Administration Building 480-Volt electrical upgrade project. The Committee received an update on the urea project start-up. Staff is working through issues and trying to optimize product sizing. Reports were also given on mercury compliance at the Great Plains Synfuels Plant (**Synfuels Plant**), the maintenance outage schedule and distributed generation.

Marketing Committee. Marketing Committee Chair Troy Presser reported the Committee received updates on the joint fertilizer marketing effort, the fertilizer markets as well as certain proposed transmission service mitigation projects. The Committee recommended that the Board of Directors approve Basin Electric assisting with the costs of seven of these transmission service mitigation projects.

Finance Committee. Finance Committee Chair Leo Brekel reported that the Committee received reports on the Ukraine cyber security breach, the Microsoft active directory, Basin Electric/DGC liquidity and the middle office. The members of the Committee also toured the data center. The Committee recommended the Board of Directors approve a request for an amendment to the project budget for the new phone system.

8. Recess and Reconvention

At 2:30 p.m., the meeting recessed until 9:42 a.m. on February 14, at which time the meeting reconvened, with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

9. Roll Call

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

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Mike McQuiston	David Meschke
Kermit Pearson	Wayne Peltier
Troy Presser	Allen Thiessen
Thomas Wagner	

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Eric Carufel, Tammy DeWitt, Matt Greek, John Jacobs, Kerry Kaseman, Sally Meier, Dale Niezwaag, Diane Paul, Dave Raatz, Mike Risan, Ken Rutter, Susan Sorensen, Darlene Steffan, Lucas Teigen, Valerie Weigel and Melinda Weninger. Also present were DGC Vice President David J. Sauer and DGC staff members Joan Dietz, Brenda Kraft and Tim Seidler.

10. CEO and General Manager's Report

Mr. Sukut reported that the headquarters employee information session would be held the following day, with other locations to follow.

11. Recess for Board Audit Committee Meeting; Reconvention

At 9:43 a.m., the meeting recessed for the Board Audit Committee meeting until 10:04 a.m., at which time the meeting reconvened, with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

12. Roll Call

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

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Mike McQuiston	David Meschke

Kermit Pearson
Troy Presser
Thomas Wagner

Wayne Peltier
Allen Thiessen

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Nichole Braunberger, Eric Carufel, Shawn Deisz, Tammy DeWitt, Matt Greek, John Jacobs, Steve Johnson, Gavin McCollam, Sally Meier, Dale Niezwaag, Diane Paul, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Kevin Solie, Darlene Steffan, Troy Tweeten and Valerie Weigel. Also present were Corn Belt Power Cooperative (**Corn Belt**) director Donald Feldman, East River Electric Power Cooperative (**East River**) director David Allen and DGC Vice President David J. Sauer

13. Western Fuels Association History

Fuel and Transport Superintendent Joe Leingang reported that Western Fuels Association (**WFA**) is a nonprofit membership corporation formed in 1974 and organized as a taxable Subchapter T cooperative. A cooperative of this type is permitted a deduction for patronage capital it allocates to its patrons.

WFA is owned by its members. The Class A members are Basin Electric, Tri-State Generation & Transmission Association (**Tri-State**), Kansas City Board of Public Utilities, Southern Minnesota Municipal Power Agency and Sunflower Electric Power Corporation. The sole Class B member is Sikeston Board of Municipal Utilities. The Class C members include Arizona Electric Power Cooperative, Associated Electric Cooperative, City of Grand Island (NE), Springfield (MO) City Utilities, Colorado Springs, Dairyland Power Cooperative, Fremont (NE) Department of Utilities, Hastings (NE) Utilities, Heartland Consumers Power District, Lincoln Electric System, Lower Colorado River Authority, Missouri River Energy Systems, Nebraska Public Power District and Grand River Dam Authority. He reviewed WFA fee tons in total, a breakdown of WFA fee revenue, the WFA management fee structure and total tons subject to fee. WFA fee tons are approximately one-half of what they were in the late 1990's.

The genesis of the Dry Fork Mine (**DFM**) was a project to provide a long-term source of fuel to LRS. Western Fuels-Wyoming (**WF-WY**) was formed in 1989 as a Wyoming business corporation for the purpose of becoming the general partner of the Dry Fork Coal Co. WF-WY provided the funds to construct the mine infrastructure and initial equipment and North Gillette Coal Co. (**North Gillette**), the limited partner, contributed the coal reserves.

DFM was initially capitalized by funds WFA borrowed from Basin Electric, as Missouri Basin Power Project (**MBPP**) operating agent. Initially, the six MBPP participants invested approximately \$30 million in amounts proportionate to their respective percentage interests in MBPP. MBPP loaned the money to WFA and then WFA loaned the money to WF-WY.

The overriding governance structure objective of WF-WY was to have the primary MBPP participants, Basin Electric and Tri-State, control the affairs of WF-WY for the benefit of the MBPP participants. The economic benefits and burdens of WF-WY have always been intended to flow to the MBPP participants.

First coal was mined from DFM and shipped to LRS on August 2, 1990 and LRS was the mine's only customer for the next six years. LRS paid, and still largely pays, cost plus a one percent margin.

Around 1996, higher quality Powder River Basin (PRB) coal was selling for less than LRS was paying for DFM coal. Given the lower quality of the DFM coal, we found ourselves in the situation where our highest-cost coal for LRS was also the poorest quality and the MBPP participants began clamoring to idle the mine. DFM persuaded the MBPP participants to continue to mine approximately 850,000 tons per year for LRS rather than shut down the mine. In late 1996, DFM dramatically reduced its workforce from 48 to eight. During that time, the WFA chief financial officer was also the mine manager and drove a coal haul truck.

In 2000, WF-WY assumed full control of DFM from North Gillette (which was the limited partner), ramped up production to 2.8 million tons per year and increased the workforce to 37. In 2002, DFM increased production to just under 5 million tons.

All of the coal sales to LRS and Dry Fork Station (DFS) are done in accordance with agreements written by and among WFA, WF-WY and Basin Electric, as project manager.

First coal was conveyed from the DFM to the DFS in April of 2011. He reviewed DFM production history and a breakdown of the cost of WFA coal, excluding rail, from DFM to LRS and DFS.

Effective January 1, 2011, WF-WY began operating as a single-member cooperative under Subchapter T of the Internal Revenue Code. WF-WY's sole member is WFA. The MBPP participants own 25 percent of the Class BB stock and WFA owns the other 75 percent.

The remaining 294.6 million tons of reserves are dedicated as follows: LRS-21 percent, DFS-30 percent, Tri-State-29 percent, uncommitted-19 percent and other-1 percent.

Mr. Leingang then presented the current ten-year plan overview and photographs illustrating the short distance between the DFM facilities and the DFS. He noted that DFM shipped its 100 millionth ton on April 27, 2015.

The DFM is the second smallest mine in the southern PRB; however, in 2015 DFM was the top producer of tons per man-hour at 40.8 tons and in 2016 was the second highest producer per man-hour at 37.3 tons.

Tri-State brought the deal for the Fort Union Reserves to Basin Electric and the MBPP participants as an idea to hedge for future projects (Tri-State, Basin Electric West Side and DFS). After considerable analysis, the parties closed the deal with Kennecott in December of 2004. Basin Electric and Tri-State own the reserve 50/50. Consideration

paid included assumption of the reclamation obligation and payment of advanced minimum royalties after closing. Basin Electric has paid approximately \$700,000 of costs (its share) since acquisition, offset by approximately \$60,000 per year of rental income for grazing. Subsequent purchases of buffer property around the reserve have been made.

Fundamental to this transaction was that Fort Union Mine would be operated within the DFM Logical Mine Unit (LMU). Physically, the reserve is just south of the DFM and the mining permit is for approximately 2,460 acres. This coal is of slightly higher BTU content than DFM but also slightly higher sulfur content. Fort Union adds approximately 129 million tons of recoverable commercial quality coal to the LMU. Thus, the total official recoverable reserve for the LMU is 411 million tons and the Life Index at year-end 2017 was 55 years.

Basin Electric and Tri-State have a Land Management Agreement with WF-WY. Costs will be recovered in a depletion rate paid to Basin Electric and Tri-State as the coal is mined. Topsoil is scheduled to be disturbed in 2018, overburden removal begins in 2019 and the first coal is scheduled to be severed in 2020. He presented a map of the Fort Union Reserves and a comparison of coal costs to all Basin Electric coal-fired facilities.

14. Government Relations Report

Vice President of Government Relations Dale Niezwaag reported on the North Dakota Public Service Commission's work session on February 5, 2018 regarding the Dakota Valley Electric Cooperative/Otter Tail Power Company service dispute and wind facility lighting discussion. Staff is working on more general language to acknowledge our situation with Minot Wind, the Minot Air Base, and the Air Force.

The Iowa legislative session began January 9, 2018. The Energy Omnibus Bill contains a "Fairness Down the Lines" provision that codifies Iowa Utility Board practice with regard to distributed generation rates to ensure that distributed generation users aren't being subsidized by fellow rate payers for use of the grid. Basin Electric's Legal and Transmission departments are weighing in on the language in the proposed Transmission Line Right of First Refusal bill.

Also under discussion is a broadband easement bill which would allow distribution utilities to hang fiber optic on existing infrastructure without a new easement. The Iowa Association of Electric Cooperatives is neutral on this bill and continues to monitor it.

There is a bill to criminalize destruction of critical infrastructure which designates electric infrastructure as critical. This bill will be amended to add transportation infrastructure including rail, bridges and highways, to clarify that criminal intent must be evident and to give discretion to the judge on the severity of fines.

In the South Dakota Legislature, HB 1022 would give the Public Utilities Commission one year to act on wind energy permit applications as opposed to the current six months. HB 1091 expands the number of newspapers eligible to publish legal notices. There are also various campaign, election and ballot initiative bills.

The Minnesota Legislature convenes February 20 for a budget session. The Wyoming Legislature convenes February 12. Bills of interest include eminent domain requirements for wind energy collector systems and a gross receipts reporting bill.

On the federal level, Congress passed a government funding bill last week and set spending caps for 2018 and 2019. We were very pleasantly surprised to learn that this funding bill approved amendments to Internal Revenue Code Section 45Q which could provide potential benefits to DGC. Wyoming Senators Barrasso and Enzi, and North Dakota Senator Heitkamp and Representative Kevin Cramer were instrumental in finally getting action on the 45Q legislation.

The comment period on repeal of the Clean Power Plan has been extended to April 26.

The Gillette hearing information will be published on March 27. Basin Electric is registered to speak.

Basin Electric continues to work with the National Rural Electric Cooperative Association and G&Ts on a unified approach to our comments on the Advanced Notice of Proposed Rulemaking (ANPR) and on a hybrid process for a new carbon management rule. The ANPR comments are due February 26.

Senator Barrasso appears to be finalizing language on legislation for a Senate bill to match the House bill on Public Utility Regulatory Policies Act of 1978 (PURPA) reform.

The Basin Electric Political Action Committee charter was reviewed by Government Relations and Basin Electric Funding Representatives. Amendments were proposed and approved by the membership.

15. Office of General Counsel Report

Senior Vice President & General Counsel Mark D. Foss reported on the PURPA market exception (20 MW limit in RTO) the Cooperative filed for last December. Prelude filed comments on January 2. Basin Electric filed reply comments on January 31.

Basin Electric made a settlement proposal to the Environmental Protection Agency (EPA) in the LRS Unit #3 Section 114(a) dispute and requested a formal response from EPA. The tolling agreement with EPA expires March 31, 2018.

The LRS BART rule was signed by Wyoming Governor Matt Mead on February 5. This will start the approval process at EPA.

He reported receipt of the Sierra Club's Notice of Intent to Sue which alleged failure to properly notify the public in accordance with the Coal Combustion Residual Rule (CCRR). Our web page posting was corrected which will end this matter.

16. CFC 2018 Annual Meeting - Delegate & Alternate

Mr. Peltier reported that the National Rural Utilities Cooperative Finance Corporation (CFC) 2018 Annual Meeting is scheduled for February 26, 2018 in Nashville, Tennessee, and a delegate and alternate should be named. In 2017, Director Presser was delegate and Director Gilbert was alternate.

After discussion, a motion was made, seconded and carried that Director Meschke serve as the Cooperative's delegate and Director Presser serve as the alternate to the 2018 CFC annual meeting.

17. Operations Report

Senior Vice President - Operations John Jacobs reported there were two medical treatment cases and no Days Away, Restricted or Transferred (**DART**) incidents during the month.

Generation for the owned and operated Cooperative fleet came in 1.5 percent above budget for January. He reviewed forced-outage rate trends for the last 24 months and provided bus-bar costs for the coal-fired fleet (Leland Olds Station (**LOS**), Antelope Valley Station (**AVS**), LRS and DFS. Generation by the solid-fuel plants was 0.4 percent under budget and for the total fleet was 1.5 percent over budget for January. January operating statistics were as follows:

Facility	Avail-ability (%)	Running Plant Capacity Factor (net) %	Unit Rating	Comments
AVS #1	100	96.80	450 MW	Scheduled outage on 01/25 for reserve shutdown
AVS #2	93.80	96.60	450 MW	Scheduled outage 01/25 boiler waterwall tube leak
DFS	100	104.41	386 MW	
LRS #1	100	63.90	570 MW	
LRS #2	100	93.22	570 MW	
LRS #3	96.84	91.23	570 MW	Scheduled outage 01/20 EHC piping leaks and change-out relief valve
LOS #1	99.72	80.93	221 MW	Forced outage 12/20 turbine bearing oil trip
LOS #2	100	86.43	448 MW	

Mr. Jacobs provided an update on the Integrated Test Center at DFS and on the status of the three open union contracts.

A. Laramie River Station Report

LRS Plant Manager Troy Tweeten reported that of the 346 total LRS employees, 18 are currently eligible for retirement and 66 will be eligible for retirement at

various times over the next seven years. To date, seven have retired or indicated their intent to retire this year.

He reviewed the number of injuries/illnesses, vehicle accidents, property damage, Office of Safety and Health Administration (OSHA) cases and DART cases from 2015 through 2018 year-to-date. He also reviewed January environmental compliance percentages for NO_x, opacity, SO₂ and SO₂ percentage of allowances consumed, January production, and 2018 operations goals. He reviewed 2017 budget versus actual statistics for generation, availability, equivalent availability percentage, forced outage rate, equivalent forced outage rate, scheduled outages and the number of forced outages.

The estimated stockpile inventory is 1,897,908 tons, which is 79 days of estimated supply operating at full load. He presented and discussed photographs of the new coal dumper and the outlet tunnel through the Morning Glory gates. On February 5, 2018, Grayrocks Reservoir was 97.1 percent full at 4403.3 feet Mean Sea Level. He presented and discussed photographs of the addition to the operations shift office.

Mr. Tweeten reported that the CCRR requirements require groundwater well monitoring, the results of which must be posted to the Basin Electric web site by March 2, 2018. After the first rounds of testing, early indications are that there may be issues with Pond 1. Further testing and study is required under the next phase of the CCRR. We will look for trace metals in the next testing phase.

18. Commodity Risk Management Report

Senior Commodity Risk Analyst Nichole Braunberger reported that as of February 1, 2018, Basin Electric had posted over \$40 million of collateral with Macquarie Energy. As of February 2, 2018, Basin Electric had total posted collateral of \$113 million with a limit of \$250 million.

19. Recess and Reconvention

At 11:45 a.m., it was moved, seconded and carried that the meeting recess. The meeting reconvened on February 14, 2018 at 12:55 p.m. with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

20. Roll Call

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

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Mike McQuiston	David Meschke
Kermit Pearson	Wayne Peltier
Troy Presser	Allen Thiessen
Thomas Wagner	

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Chris Baumgartner, Lynn Beiswanger, Tracie Bettenhausen, Andy Buntrock, Eric Carufel, Kelly Cozby, Shawn Deisz, Tammy DeWitt, Jason Doerr, Matt Greek, John Jacobs, Steve Johnson, Becky Kern, Nicole Lautenschlager, Tracy McBride, Gavin McCollam, Dale Niezwaag, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Susan Sorensen, Darlene Steffan, Mark Thompson, Shelly Wanek, Valerie Weigel, Melinda Weninger and Cheri Wenzel. Also present were East River director David Allen, Corn Belt director Donald Feldman and DGC Vice President David J. Sauer

21. **Marketing & Asset Management Report**

Director of Marketing & Financial Analytics Valerie Weigel reported that the January Day-Ahead average price was \$28.81 and the January Real-Time average price was \$27.22. These prices represent average around-the-clock market pricing and are not necessarily representative of actual transacted prices. She reviewed monthly average load zone pricing, January load optimization and the economic position of our sources of generation within the Southwest Power Pool (SPP).

SPP January Market Results Highlights. Ms. Weigel reported that SPP operations were negative to budget with the average surplus sales price of \$28.69/MWh versus the budget of \$31.06/MWh and an average purchase price of \$29.20/MWh versus the budget of \$26.57/MWh. Higher-than-budget generation led to higher-than-budget fuel and purchased power expenses. The total variance was (\$3.4 million).

West January Market Results Highlights. Ms. Weigel reported that West operations were negative to budget with surplus sales totaling \$5.9 million versus the budget of \$6.9 million. The average sales price was \$23.49/MWh versus the budget of \$26.94/MWh. Higher-than-budget west to east tie flows led to lower-than-budget surplus sales in the west. The total variance was (\$1.8 million).

MISO January Market Results Highlights. Ms. Weigel reported an average Midwest Independent System Operator (MISO) surplus sales price of \$37.43/MWh versus the budget of \$32.05/MWh and an average purchase price of \$37.39/MWh versus the budget of \$32.52/MWh. Below-budget load led to above-budget surplus sales. The total variance was \$0.5 million.

Ms. Weigel then reviewed the first quarter outlook including historical forward power pricing, and the 2018 three-month SPP, West and MISO positions.

Short-Term Shutdown. Ms. Weigel reviewed the pros and cons of short-term economic shutdowns. "Market" status means a unit is only available for economic commitment. "Self" status means committing a unit regardless of daily economics.

Working with the MBPP participants, LRS #1 has a procedure in place to offer "Market" status during times of defined negative forecasted prices. Marketing has been working with coal plants during planned outages to economically shut down prior to and return

online after outages in a "Market" status. Marketing is studying a process for other Cooperative units to be offered in a "Market" status during times of negative forecasted markets.

She reviewed forward look decision points for market offer economics and for economic startup and discussed physical plant parameters (hot and cold starts) for LOS #1 and #2. The minimum down time needs to be 24 hours. The minimum up time needs to be 24 to 48 hours.

Ms. Weigel reviewed December forecasted versus actual locational marginal pricing for day-ahead forecast as well as the forecast profit and loss and actual profit and loss. This will be done on a daily basis.

22. Resource Planning Report

Senior Vice President - Resource Planning Dave Raatz reviewed January member demand sales, which reached approximately 3,930 MW--100 MW higher than the January budget. So far, the February high is 3,780 MW.

He then reviewed a presentation that was made by the South Dakota Public Utilities Commission staff concerning the technical improvements made by the wind industry to increase both nameplate capacity as well as capacity factor. He reviewed 2016 wind capacity factors by state and noted that the SPP footprint has the highest wind capacity factors in the United States. Higher capacity factor equals lower cost per MWh. Wind prices have been trending down since 2009.

He then reviewed the refreshed wind price quotes that Basin Electric received from four potential projects. His group will continue to analyze new wind power purchase agreements, repowering of the Hyde County, Wilton 1 and Wilton 2; as well as a potential sale of the Basin Electric-owned wind projects.

A. Transmission Service Mitigation

RTO/Delivery Service Manager Jason Doerr reported that when a member's system covers both SPP and MISO transmission service territories, Basin Electric pays a pancaked rate for both SPP and MISO transmission service in the overlap area. This mainly impacts Central Power Electric Cooperative, Inc. (**Central Power**), East River and certain District 9 members.

Transmission service mitigation projects are member transmission projects which do not qualify for transmission tariff cost recovery but provide for overall reliability and economic benefits to Basin Electric and the member.

Eight new projects have been proposed for consideration and were presented at the January meetings of the Managers Advisory Committee and Rate Subcommittee. Both committees agreed that the best overall value was for Basin Electric to invest in Central Power's electric system rather than paying for third-party MISO transmission service. They recommended that Basin Electric proceed with seven of the eight projects. Under the proposed plan, Basin Electric is

projected to receive a 6.36 percent internal rate of return over a ten-year time period.

He reviewed the economics of the projects, the payback, annual impact to the margin and recommended approval of the proposed resolution.

After discussion, a motion was made, seconded and carried that the following Resolution be adopted:

R01.02-13-18 RESOLVED, the CEO and General Manager, or his designee, is hereby authorized to make contributions in aid of construction to Central Power Electric Cooperative, Inc. (**Central Power**) in the following not-to-exceed amounts per project for the following Central Power Transmission Service Mitigation Projects:

Project #1:	\$0.93 million
Project #2:	\$1.01 million
Project #3:	\$0.84 million
Project #5:	\$0.85 million
Project #6:	\$7.22 million
Project #7:	\$0.45 million
Project #8:	\$0.92 million

Such contributions shall be made upon such terms and conditions as the CEO and General Manager determines are in the best interests of the Cooperative, and the CEO and General Manager, or his designee, is hereby authorized to execute and deliver all documents and instruments needed to accomplish the objectives of this resolution.

23. Engineering & Construction Report

Senior Vice President - Engineering & Construction Matt Greek reviewed August through December 2017 safety statistics. He reviewed the Project Funding Chart and the list of all current major projects along with the approved budget amount, total dollars committed and completion dates. He noted that two items totaling \$5.4 million would be presented to the Board this month. There were three first-aid cases, no OSHA case injuries and one OSHA recordable incident during January.

Mr. Greek reported that the Engineering & Construction division's projects are broken into four groups along the lines of budget (\$10 million or more, \$5 to \$10 million, \$1 million to \$5 million and less than \$1 million). How they are executed and what resources are used are driven by staff expertise, current and projected workload, and the sheer volume of work required. We tend to self-supply the owner's engineering, permitting, and right-of-way functions 100 percent of the time, which is unusual for a company of our size. We then supplement with contract staff or service contracts when needed. He reviewed committed versus budgeted large projects from November of 2014 through November of 2017 and project funding over the last five years.

Work is also driven by requests for engineering services, which is a process for documenting and managing technical support needs of our facilities and cooperative partners. These requests sometimes result in projects, are frequently supported with in-house resources and tend to be driven by facility use independent of current economics. He presented a chart of June 2014 through December 2017 Requests for Engineering Services and current workload based on requests for engineering services.

He noted that the Board generally only sees the large capital projects (greater than \$10 million), capital project approvals (greater than or equal to \$1 million), capital contract approvals (greater than or equal to \$3 million), periodic updates by area or activity, and project close-out presentations.

Other materials that are available to the Board include project reports and the monthly Engineering & Construction report which includes detail on activities not covered by project reports.

A. LRS Fixed Wash-down System for Coal Bunker Filling Systems Phase 2

Mr. Greek reported that that this contract continues the process to design and install a fixed wash-down system at LRS. He recommended authorization for Phase 2 of this wash-down system at a budgeted cost of \$3.7 million (\$1.6 million Basin Electric share).

After discussion, a motion was made, seconded and carried that the following Resolution be adopted:

R02.02-13-18

RESOLVED, that Phase 2 of the Laramie River Station fixed wash-down for coal bunker filling systems presented to this meeting of the Board of Directors at a budgeted cost of \$3.7 million (\$1.6 million Basin Electric cost) be approved; and

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

B. LRS #2 Main Plant/Administration Building 480-Volt Electrical Upgrade

Mr. Greek reported that the 480-volt electrical equipment in the main plant has reached the end of its useful life and requires replacement to ensure safe, reliable and maintainable operations.

He recommended approval of the LRS Unit #2 main plant/administration building 480-volt electrical upgrade project at an estimated cost of \$9.0 million (\$3.8 million Basin Electric share)

After discussion, a motion was made, seconded and carried that the following Resolution be adopted:

R03.02-13-18

RESOLVED, that the LRS Unit 2 Main Plant/Administration Building 480-Volt Electrical Upgrade Project presented to this meeting of the Board of Directors with an estimated cost of \$9.0 million (\$3.8 million Basin Electric cost) be approved; and

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

24. Transmission Report

Senior Vice President - Transmission Mike Risan reported that as of February 2, 2018, the Transmission System Maintenance Division has worked 80 days without a DART incident.

The Blaisdell-to-Plaza 115 kV project was energized on February 1.

Mr. Risan reported that the SPP regional entity (not the regional transmission organization) is dissolving and its members must select another system operator. He noted that Basin Electric is already registered with the Midwest Reliability Organization (MRO) and the MRO is the logical place for most utilities being let go by the SPP regional entity (unless they are contiguous to another reliability entity). Most have selected MRO. On January 25, 2018, North American Electric Reliability Corporation (NERC) recommended approval of the Notice of Proposed Transfer of Regional Entities regarding the SPP regional entity transition.

A. Mountain West Transmission Group/SPP Negotiations

Mr. Risan reported on the negotiations between SPP and Mountain West Transmission Group (MWTG), as well as the negotiations between the various negotiating teams. MWTG approved the policy document on February 6 (which was also endorsed by the SPP negotiating team). The Corporate Governance Committee meets on February 22. SPP will solicit additional feedback on March 1 from those entities that have signed the nondisclosure agreement. Approval of the SPP board and members committee will be requested on March 13.

Mr. Risan discussed confidential term sheet issues and reported on the agreement reached to share the cost of the DC ties.

In a west-side development, Peak Reliability (PEAK) has agreed to explore with PJM the formation of another west-side regional transmission organization (RTO). California ISO has announced it will withdraw from PEAK in mid-2019, jeopardizing PEAK's continued viability. The PEAK/PJM partnership would allow for an RTO that provides its own reliability services.

25. Member Services & Administration Report

Senior Vice President - Member Services & Administration Chris Baumgartner discussed the Sierra Club's notice of intention to sue. He noted that in response, we have invited members of the Wyoming press for a tour of LRS. Basin Electric and its employees were the top contributor to the Bismarck/Mandan United Way 2017 campaign at \$184,000. Staff continues to work on the 2018 annual report.

Mr. Baumgartner played the video produced by Basin Electric for National Information Systems Cooperative's (NISC) 50th anniversary. It will be shown at NISC's annual meeting in Nashville.

He reported that the Procurement Division had received a \$109,677 rebate from Border States Electric.

A. Approval of Mission and Vision Statements

Mr. Baumgartner noted that the proposed Mission Statement reads as follows:

"We provide wholesale energy and services to our member owners."

The proposed Vision Statement reads as follows:

"Provide leadership in the energy industry to deliver value to our member owners."

After discussion, a motion was made, seconded and carried that the following Resolution be adopted:

R04.02-13-18 RESOLVED, that the Mission Statement in the form presented to this meeting is approved and adopted.

After discussion, a motion was made, seconded and carried that the following Resolution be adopted:

R05.02-13-18 RESOLVED, that the Vision Statement in the form presented to this meeting is approved and adopted.

26. Human Resources Report

Senior Vice President - Human Resources Diane Paul reviewed staffing levels from the past year and reported that the employee count has gone down 62 since February 2017. In addition, to date, 44 employees have indicated their intent to retire in 2018.

She reported Medical Services has posted a Radiology Technician opening. This position is a new opening, but estimated cost savings is approximately \$60,000 annually.

Fifty-three employees have signed the agreements to switch to the Choice Plan (enhanced 401(k) match with no pension). The final date for making this change is March 2, 2018. At this time, the availability of the Choice Plan is limited to administrative employees. Most of those who have made this election have between one and five

years of service with Basin Electric. Of the 53 employees making this election, 42 are at Headquarters.

A. Affirmative Action Plan Approval

Compensation/EEO/Recruitment Manager Shelly Wanek reported that Basin Electric's Affirmative Action Plan is revised each year to review hiring practices regarding females, minorities, individuals with disabilities and veterans and is then submitted to the Board of Directors for approval. The Cooperative continues to look at minorities and females from a goals perspective. The plan has benchmarks and utilization goals, which are set by the Office of Federal Contract Compliance, rather than goals, for hiring veterans and individuals with disabilities. We are required to look to a job group rather than the Cooperative as a whole for females, minorities and individuals with disabilities. All job groups are looked at for Veteran hiring. Ms. Wanek then reviewed the changes and benchmarks of the plan and recommended that the 2018 plan be approved.

R06.02-13-18 RESOLVED, that Basin Electric Power Cooperative's 2018 Affirmative Action Plan is hereby approved.

B. Learning & Development/Safety Update

Director of Human Resources Lynn Beiswanger reported that the following learning and development educational opportunities are upcoming: Generation/Transmission & Distribution 101, People Power Purpose, Continuous Improvement Workshops, Supervisor Toolkits and expansion of the new employee orientation. Harassment awareness training is ongoing. A training video on identifying substance abuse is being prepared.

Seventy-six employees received certificates in 2017 for completing the "BE Leaders" program. Eighty of the 103 applicants have been selected to participate in the 2018 BE Leaders program.

Capital Electric Cooperative has volunteered to participate in the Building Cooperative Connections program. We hope to have four cooperatives participate in 2018.

Empower Youth is for students in grades nine through 12 and will kick-off mid-2018. This program builds on individuals' strengths, helps recognize leadership potential, and improves scholarship/college/job applications.

Our Power, My Safety focus card participation was 98 percent in January.

27. Financial Services Report

Senior Vice President & Chief Financial Officer Steve Johnson provided an economic update and reviewed expectations of interest rate changes.

A. Duane Arnold Decommissioning Fund

Mr. Johnson reported that it appears the Duane Arnold nuclear plant will close in 2025 rather than 2034 and so a review of the decommissioning funds was prudent. Due to the recent strong returns delivered by the global economic expansion, we currently expect that no additional funding will be required.

B. Cisco Phone System Capital Project Budget Amendment Request

Vice President & Chief Information Officer Mark Thompson reported that this amendment is a part of replacing the Siemens phone system equipment with Cisco equipment. The phone system project was approved by the Board in August of 2015 for \$1,614,499. The amendment is for \$309,738 and is for equipment, internal labor, a small amount of contracted services and additional interest during construction.

He noted that the phone system at headquarters is being finished up and the system at the Synfuels Plant remains to be completed. These two facilities were the last to get the new system.

This amendment is required because certain equipment did not function as expected with the new Cisco system, some equipment additions were required that were unanticipated when the site was reviewed, Security & Response Services dispatch was not included in the original proposals, the internal labor effort was greater than anticipated, the original capital project request amount was primarily the vendor's proposal with some internal labor, and there was no provision in the budget for contingencies. Mr. Thompson reviewed the resolution and recommended it be approved.

After discussion, a motion was made, seconded and carried that the following Resolution be adopted:

R07.02-13-18

BE IT RESOLVED, that the Capital Project approval for the Cisco Phone System is amended by increasing the authorized capital project budget amount by \$309,738, bringing the total Capital Project budget to \$1,924,237; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, is authorized and empowered to execute all necessary documents and take such further actions as may be necessary to carry out the foregoing resolution.

C. Designation of Funds for Revenue Deferred in Prior Years

Vice President & Controller Shawn Deisz reported that the Basin Electric Board of Directors approved revenue deferrals in 2014 and 2015 in the aggregate amount of \$22,884,008.48, but did not designate cash in an amount equal to these

deferrals. She requested that the Board do so now so that is reflected in the 2017 financial statements.

After discussion, a motion was made, seconded and carried that the following Resolution be adopted:

R08.02-13-18

WHEREAS, the Basin Electric Board of Directors approved revenue deferrals in 2014 and 2015 in the aggregate amount of \$22,884,008.48; and

WHEREAS, the Board of Directors wishes to designate funds in an amount equal to this deferred revenue amount.

NOW THEREFORE, BE IT RESOLVED, that effective December 31, 2017, \$22,884,088.48 shall be designated until amortized into revenue.

D. Accounting Report

Accounting Analyst III Melinda Weninger reported that the January 2018 Statement of Operations reflects a net margin of \$28.5 million compared to the budgeted net margin of \$19.8 million for a favorable variance of approximately \$8.7 million. The net margin in January 2017 was \$32.9 million.

Estimated member revenue for January is \$145.5 million. Member sales were approximately \$5.4 million higher than budget. January's revenue does not include December actualization. A positive volume variance of \$7.3 million (120,000/MWh) and a negative price variance of \$1.9 million is estimated.

Estimated surplus sales revenue for January is \$13.1 million compared to the budget of \$13.3 million. Surplus sales were approximately \$0.2 million lower than budget. The \$0.2 million below budget includes December positive actualization of \$0.1 million and January sales are estimated to be \$0.3 million less than originally forecasted. A positive volume variance of \$2.2 million and a negative price variance of \$2.5 million is estimated.

Operating costs were approximately \$1.5 million less than budget. Wheeling expenses were \$2.8 million less than anticipated. Fuel expenses were \$0.6 million less than anticipated. Purchased Power was \$1.2 million more than anticipated.

Maintenance expenses were \$2.1 million less than anticipated due to timing of boiler maintenance at LRS. The remaining increases were spread across all other maintenance categories.

Ms. Weninger then reviewed year-to-date consolidated net income and changes to the balance sheet and month-end cash.

Basin Electric's January Equity-to-Asset ratio was 19.1 percent compared to 18.7 percent in December. The January Equity-to-Capitalization ratio using the Moody's Investor Service's methodology (both without the consolidation entry for The Coteau Properties Company) was 22.1 percent compared to 21.8 percent in

December. The January Equity-to-Capitalization ratio based on indenture requirements for patronage distribution was 23.24 percent compared to 22.82 percent in December.

28. Directors' Reports

Director Pearson reported that East River's Energy Forum had been very well attended and thanked Messrs. Sukut and Rutter for attending.

Director Baker reported that Powder River Energy Corporation's system experienced a cyber-attack which involved a hack through their phone system. This resulted in a \$1.1 million phone bill. AT&T forgave these charges. He noted that the WFA board members need to be seated.

Director Meschke reported that Minnesota Rural Electric Association conducted their Washington, DC legislative visit on February 5-7. Topics that were discussed included Section 45Q credits and access to U.S. Forest Service lands for right-of-way.

Director Gilbert expressed his appreciation to Don Feldman for his 29 years of service on the Corn Belt board of directors. Mr. Feldman will be retiring from the Corn Belt board of directors in March.

29. Date and Time of Next Board Meeting

President Peltier reported that the next regularly scheduled meeting of the Board of Directors will begin on March 13, 2018 starting at approximately 1:00 p.m. CST.

30. Executive Session

At 4:00 p.m., a motion was made, seconded and carried that the Board retire into executive session for an update on the labor contracts and negotiations. At 4:44 p.m., a motion was made, seconded and carried that the Board arise from executive session.

A motion was then made, seconded and carried to approve the International Brotherhood of Electrical Workers Local #415 labor contract.

R09.02-13-18 BE IT RESOLVED, that the labor contract with the International Brotherhood of Electrical Workers Local #415 at the Dry Fork Station is hereby approved.

31. Adjournment

President Peltier adjourned the meeting at 4:45 p.m.



Charles H. Gilbert
Secretary-Treasurer