

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

**Minutes of the Regular Meeting of the Board of Directors  
March 15-16, 2011**

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

**Minutes of the Regular Meeting of the Board of Directors  
March 15-16, 2011**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at Bismarck, North Dakota on March 15-16, 2011 starting at 1:00 p.m. CDT.

**1. Call to Order**

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

**2. Roll Call**

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

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

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Ronald R. Harper and Assistant Secretary Claire M. Olson and Basin Electric staff members Robert J. Bartosh, Chris Baumgartner, Don Boehm, Dean Bray, Shawn Deisz, Mike Eggl, Steve Ellefson, Mike Fluharty, Daryl Hill, Debra Honeyman, Bryan Keller, Jeannie Koffler, Rod Kuhn, Brian Larson, Deborah Levchak, Mike Massey, Myron Mattern, Faye Miller, Deb Olafson, Shawna Platz, Mike Risan, Dave Sauer, Myron Singleton, Sue Sorenseon, Paul Sukut, Lee Thomas, Linda Thomas, Justin Weichel, Val Weigel, Kim Wetzel and Michelle Wiedrich.

Also present were Dakota Gasification Company directors Heidi Heitkamp and Tom Owens and Deloitte & Touch staff members Scott Loveless and Mark Glende.

**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 Child and carried that the agenda be approved as revised.

**4. Approval of the Minutes**

The minutes of the February 15-16, 2011 Regular Board Meeting were presented. After an opportunity for corrections, it was moved by Director Ireland, seconded by Director Applegate and carried that the minutes be approved as presented.

5. **Board Audit Committee Quarterly Report**

At 1:00 p.m., the Board recessed to hold the quarterly meeting of the Board Audit Committee. The meeting reconvened at 2:45 p.m.

6. **Executive Session**

At 3:00 p.m., it was moved by Director Drost, seconded by Director Child and carried that the Board retire into executive session to discuss union negotiations and hiring of a consultant. At 4:20 p.m., it was moved by Director Ireland seconded by Director Gilbert and carried to arise from executive session.

7. **General Manager's Report**

Mr. Harper reported that his presentation at member meetings had been well received and resulted in good communications and exchange of ideas. He discussed the Western Governor's Association annual meeting scheduled for June 29 to July 1 in Coeur d'Alene, Idaho, the NRECA Legislative Rally scheduled for May 1-4 and the joint board meeting with PRECorp in August.

8. **Western Fuels Report**

Director Ritthaler reported that flooding in Australia resulted in a \$2 per ton increase in Australian coal. He noted that a seaport to unload coal is being constructed in Washington State and that Powder River Basin (PRB) coal will be shipped to markets in the Far East. Burlington Northern Santa Fe (BNSF) is gearing up to put coal trains in service to the west coast. He also reviewed the status of the Surface Transportation Board (STB) case.

9. **Recess and Reconvention**

At 4:50 p.m., the meeting recessed until 8:00 a.m., at which time the meeting reconvened, President Gjellstad continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

10. **Roll Call**

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

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

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Ronald R. Harper, Assistant Secretary Claire M. Olson and Basin Electric staff members Wayne Backman, David Bangen, Clyde Bush, Mike Eggl, Bob Eriksen, Pius Fischer, Mike Fluharty, Becky George, Daryl Hill, Dana Jensen, Bryan Keller, Rod Kuhn, Brian Larson, Deborah Levchak, Myron Mattern, Gavin McCollam, Mike Paul, Dave Raatz, Mike Risan, Dave Sauer, Ron Schneider, Myron Singleton, Paul Sukut, Linda Thomas, Kevin Tschosik, Amanda Wangler, Michelle Wiedrich and Lyle Witham.

**11. Office of General Counsel Report**

Mr. Olson reviewed the status of the appeal of the STB ruling, the current status of the North Dakota SIP Call by EPA, a Dry Fork Station (DFS) construction claim and the DFS Maximum Achievable Control Technology (MACT) Permit. He also discussed other litigation matters of interest to the Cooperative.

**12. Power of Attorney-MBPP Transmission**

Mr. Olson reported that Tri-State operates Basin Electric's west-side transmission. The process of obtaining crossing permits, easements, etc. requires the signatures of all of the Missouri Basin Power Project (MBPP) Participants which can be a lengthy process. In order to simplify this process, the MBPP Participants have agreed to grant Limited Powers of Attorney to Tri-State (for west-side transmission) and to Basin Electric (for east-side transmission) for the purpose of obtaining crossing permits, easements, and other minor third-party requests.

He recommended that Basin Electric execute a Power of Attorney granting Tri-State such limited authority over Basin Electric's west-side transmission issues. After discussion, it was moved by Director Drost seconded by Director Applegate, and carried that the following Resolution be adopted:

**R01.03-15-11**                      RESOLVED, that the CEO and General Manager is hereby authorized to execute a Power of Attorney granting Tri-State G&T Association the authority to execute easements, crossing permits and other minor third-party requests with regard to MBPP west-side transmission.

**13. Termination of Wholesale Power Contract with Roughrider Electric; Approval of Roughrider Electric's Class C Membership Application**

Mr. Olson reported that Roughrider Electric Cooperative is joining Upper Missouri G&T Electric Cooperative (**Upper Missouri**). They have executed a Wholesale Power Contract with Upper Missouri and have become a member. The change is effective April 1, 2011.

Roughrider has requested that its Wholesale Power Contract and Class A membership with Basin Electric be terminated and has requested Class C membership.

He reported that the Class C Membership Application submitted by Roughrider Electric Cooperative meets the requirements set forth in the Basin Electric Bylaws to become a Class C Member.

Mr. Olson recommended that the Wholesale Power Contract between Basin Electric and Roughrider be terminated effective April 1, 2011; that Roughrider's Class A membership in Basin Electric be cancelled and its membership fee be returned and that Roughrider Electric's Class C Membership Application be approved.

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

**R02.03-15-11**                      RESOLVED, that effective April 1, 2011, the Class A Membership and Wholesale Power Contract with Roughrider Electric Cooperative, Inc. be terminated; and

BE IT FURTHER RESOLVED, that effective April 1, 2011, a Class C membership be approved and issued to Roughrider Electric Power Cooperative; and

BE IT FURTHER RESOLVED, that the CEO and General Manager be authorized to execute all ancillary documents necessary to complete the transaction.

**14. Generation Monthly Report**

Wayne Backman, Senior Vice President – Generation, reported that generation department funding requests totaling \$19,942,876 would be presented this month.

**15. Rocky Mountain Generation Cooperative 2011 Directors**

Mr. Backman reported it is time for Basin Electric to nominate its representatives to the Rocky Mountain Generation Cooperative board of directors for the ensuing year. He reported that he and Dave Raatz presently serve in this capacity and that this could be an option going forward. After discussion, it was moved by Director Drost, seconded by Director Gilbert and carried that the following Resolution be adopted:

**R03.03-15-11** BE IT RESOLVED, that Wayne Backman and Dave Raatz be nominated as Basin Electric's representatives to the Rocky Mountain Generation Cooperative board of directors for 2011.

**16. Williston Basin Planning**

Mr. Backman noted that the load growth in the Williston Basin (**the Basin**) continues at a rapid rate with approximately 175 drilling rigs in the Basin.

He reviewed the history of the development of the large gas compression rate and the large commercial rate. He noted that the large commercial rate applies to loads greater than 15 MW and consists of the Class A rate plus 15 mills. The 15-mill adder reflected the marginal cost of power at the time the rate was developed.

*New gas processing facilities in the Basin are proposing to install self-generation for several reasons, which would enable them to keep their demand below 15 MW.*

He noted that the members in the Williston Basin are completing their load forecasts and have spent a lot of time analyzing the data to arrive at the projections. There is a substantial amount of "local judgment" that goes into projecting this load growth.

He reviewed the load forecasts of the members in the Williston Basin by distribution cooperative. From 2010 to 2025, these members are projecting load growth of 1161 MW. Mr. Backman noted that if these loads develop as forecast, infrastructure improvements will be required with transmission costs in the range of \$300 million. Additional generation may also be required to serve this load.

To the extent practical, these improvements will be made in steps so that the system isn't overbuilt if, for whatever reason, the loads don't develop as projected.

**17. Power Cost Anomalies**

Mr. Backman noted that Crow Wing Power (**Crow Wing**) purchases all of its requirements over and above what it purchases in its fixed obligation purchase from Great River Energy.

As a result of the economic downturn, Crow Wing's Basin Electric purchases marginally exceed the GRE fixed amount which makes the demand/energy relationship volatile and not representative of their total load. He reviewed the 2010 data which results in an average Crow wing power cost of 110 mills as compared to the member average of 41 mills.

He noted that this significantly exceeds Basin Electric's cost to serve, was not anticipated when Crow Wing joined, and perhaps a 2011 provision be contemplated to address this anomaly. One way to fix this problem would be to cap the year-end average power cost at some level which would apply to all members.

After discussion, he suggested that this issue would be discussed further with the Rate Subcommittee.

**18. NextEra Proposal**

Mr. Backman reported that was discussed at strategic planning.

**19. Great River Energy Activities**

Mr. Backman reported that on March 23, staff will meet with Great River Energy in Bismarck to discuss a power supply proposal for the Great River Energy-fixing members that are members of Basin Electric.

**20. Revision of 2010 Small Renewable Purchase Rate; CBED Rate**

Dave Raatz, Manager of Marketing and Power Supply Planning, reported that the current Small Renewable Purchase Rate contains two separate sections -- one for small renewable projects and one for the Community-Based Energy Development (**CBED**) tariff. He proposed making each of these sections into separate stand-alone rates.

He reviewed the terms and conditions of each rate as proposed and recommended they be approved. After discussion, it was moved by Director Pearson, seconded by Director Ritthaler and carried that the following Resolution be adopted:

**R04.03-15-11**                      RESOLVED, that the Small Renewable Purchase Rate and new CBED Rate be approved as presented, to be effective June 1, 2011, subject to the approval of the Rural Utilities Service.

**21. AVS/Neal IV MISO Operations Update**

Mr. Raatz reported that December and January sales from the Antelope Valley Station (**AVS**) and Neal IV into MISO show a \$700,000 net benefit. He expects continued economic value to this MISO resource commitment, which is currently committed through August of 2011. The increased value is expected due to higher unit loadings and higher market prices.



**22. Dry Fork Station Project Update**

Mike Massey, DFS Project Manager, reported that DFS project engineering is 99.2% complete and procurement is 99.7% complete. The construction is 97.9% complete and, overall, the project is 98.7% complete. Approximately \$1,176,440,965.23 has been expended on the Project through February, 2011.

Clyde Bush, VP Coal-based Resource Development, reported that the date for the first coal fire at the Dry Fork Station was delayed from March 21 to April 21. The commercial operation date has also been changed from June 30 to August 1.

The delay resulted when Graf-Wulff, the subcontractor to the supplier of the air quality control system (**AQCS**), Nooter-Eriksen, concluded that additional flow testing of the system was needed.

Mr. Raatz reviewed the effect of the delay on the Cooperative's power supply obligation and David Bangen, Manager of Financial Planning and Forecasting, reviewed the impacts to the project budget and the 2011 rate.

Mr. Bush noted that this delay should provide a greater degree of certainty that the station will pass its compliance within the 90-day period after first coal fire, as required by the air permit.

Mr. Bush reviewed updated DFS project cost estimates including interest during construction, taxes, contingency, escalation, indirect costs, labor, material and equipment.

**23. Dry Fork Station Construction Report**

Mr. Massey reported that to date, construction staff has worked 6,437,1654 total man-hours with only three lost-time accidents, 39 recordable accidents and 179 first-aid incidents. In February, there were no lost-time accidents, no recordable accidents and one first-aid incident. During three weeks of the previous month, there were no incidents at all. There were 598 construction personnel on site in February. He reviewed February activities, presented photographs of the monthly construction activities and reviewed the three-month look-ahead.

**24. Deer Creek Station Report**

Gavin McCollam, Manager of Mechanical and Performance Engineering, presented photographs and reviewed the monthly activities at the Deer Creek Station. Procurement is 99+% complete, engineering is 89% complete and construction is 31% complete.

Through February 28, 2011, approximately \$205 million of the \$405 million project budget has been expended. The commercial operation date is currently scheduled for June of 2012.

**25. Deer Creek Station Construction Update**

Mr. McCollam reported there currently are 204 personnel on site and man-hours total 189,085. There were six first-aid cases in February and no recordable or lost-time incidents. He then presented photographs of the construction activities and discussed February construction progress.

**26. PrairieWinds Report**

Amanda Wangler, Electrical Engineer, reported that the last Crow Lake turbine was topped out on February 9. Work remaining includes completion of the O&M building, civil reclamation, a total park reliability test, installation of the GE wind farm management system and service lifts.

Installation of the Hailo service lifts got off to a slow start due to component issues that required modifications. Once the prototype has been completed, the lifts will be installed by 10 to 12 crews. Lift completion is scheduled for mid-May.

**27. PrairieWinds Construction Report**

Ms. Wangler reported that staff has worked 154 days without a recordable or lost-time incident. There has been one reportable incident, four near misses and two first-aid cases for the project to date. There currently are 22 workers on-site, 13 with Wanzek and subcontractors and nine with GE. Work was hampered by the considerable amount of snow and dangerously low wind chills. She then reviewed February activities and presented photographs of the monthly construction activities.

**28. Fossil-Fuel Generation Report**

Mike Fluharty, Vice President of Plant Operations, reviewed safety statistics and reported that February coal-based generation was 1,883,997 MWh compared to the budget of 1,867,398 MWh or 0.8% above budget. He also reviewed year-to-date bus bar costs.

Year-to-date, actual generation was 4.10 million MWh compared to budgeted generation of 3.96 million MWh or 3.6% above budget.

Individual availability, capacity factors and unit rating for the generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Rating
LRS #1	100%	96.4%	570 MW
LRS #2	88.6%	95%	570 MW
LRS #3	83.9%	93.2%	570 MW
LOS #1	99.6%	87%	221 MW
LOS #2	100%	86%	448 MW
AVS #1	100%	94.8%	450 MW
AVS #2	100%	95.5%	450 MW

Lake Sakakawea was at 1,838.5 feet Mean Sea Level which is 60.02 feet above the intake.

He then reviewed forced outage rate trends.

**29. Laramie River Station (LRS) Plant Report**

Brian Larson, LRS Plant Manager, reviewed safety statistics, noting the last Days Away, Restricted or Transferred (**DART**) occurred on November 19, 2010. In 2010, LRS employees achieved 650,000 man-hours without a DART. He then reviewed 2010 generation records of each unit.

For 2011, LRS has generated 2,145,359 MWh or 2.2% under budget. Station availability was 93.4%.

Unit 1 outages were for water wall and secondary superheater inlet bank tube leaks. Unit 1 availability as of February 28, 2011 was 93.1%.

Unit 2 outages were for a primary superheater intermediate bank tube leak. Unit 2 availability as of February 28 was 94.6%.

The two Unit 3 outages were caused when the fire protection system sprayed on "A" phase Current Transformer and when a condenser tube leak caused the boiler pH to drop. Unit 3 availability as of February 28 was 92.4%.

As of February 28, there were approximately 1,441,088 tons of coal in inventory which is a 60-day supply for all units at full load. There are currently three trains in service.

As of February 28, Grayrocks Reservoir had 106,258 acre-feet in storage. He reviewed inflows and storage from 2007 through present and the snowpack report.

He then reviewed activities planned for the Unit 3 triennial outage scheduled for April 9 through May 29, 2011.

### 30. **Distributed Generation Report**

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

<b>Unit</b>	<b>Monthly Generation</b>
Groton Unit No. 1	2,209 MWh
Groton Unit No. 2	1,471 MWh
Culbertson Combustion Turbine	3,980 MWh
Wyoming Distributed Generation	157 MWh
Spirit Mound Unit No. 1	Did Not Run
Spirit Mound Unit No. 2	Did Not Run
Wisdom Combustion Turbine	Did Not Run

He reported that Greg Opdahl has been selected as Deer Creek Station Plant Superintendent. Mr. Opdahl has worked for Basin Electric for 32 years, first as an Electrician at LRS and more recently as the Maintenance Superintendent at DFS.

The entire Crow Lake wind park had a planned outage on February 25-26 to adjust the Generator Step-Up Transformer and turned on pad mount transformers. Bolt tensioning is complete.

PrairieWinds ND had two outages, the first on February 1, 2011 when the pad mount transformer on Tower 19 failed causing the park to trip and the second on February 17, 2011 when a wind/snow storm caused a line fault on the Garrison line, which had a phase-to-ground fault and tripped the park off-line. Some towers could not be reached until the next morning due to visibility problems.

The east-side peak occurred between 7:00 and 8:00 p.m. on February 1, 2011.

The February average monthly capacity factor was 48%. Mr. Tschosik reported the monthly wind generation as follows:

<b>Project</b>	<b>Capacity Factor</b>	<b>Load Factor at the time of the east-side peak</b>	<b>Project Total</b>
PrairieWinds SD1 (Crow Lake)	33%	34 MW	162 MW
PrairieWinds ND1	48%	38 MW	123 MW
Wilton Project	54%	84 MW	99 MW
Baldwin	56%	88 MW	99 MW
Edgeley Project	51%	32 MW	40 MW
Highmore Project	52%	33 MW	40 MW
Day County	61%	90 MW	99 MW
Iowa Wind Projects	47%	42 MW	45.1 MW
Other Wind Projects: Chamberlain Rosebud Pipestone	24%	2 MW	4.1 MW
<b>Total February Wind Generation</b>	<b>49%</b>	<b>443 MW</b>	<b>549 MW</b>

**31. LRS Unit 1 Low NO<sub>x</sub> Burner Replacement Project**

Myron Singleton, Mechanical Engineer, reported that on December 9, 2010, LRS received its BART permit from the Wyoming Department of Environmental Quality (DEQ). The permit requires the installation of Low NO<sub>x</sub> burners in Unit 1 in 2012, Unit 2 in 2013 and Unit 3 in 2014. He presented the budget for the Unit 1 project totaling \$17,586,426 and recommended that it be approved.

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

**R05.03-15-11**

BE IT RESOLVED, that the LRS Units No. 1 Burner Replacement Project at a budgeted cost of \$17,586,426 is hereby approved; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, is authorized to execute the necessary documents to proceed with the project.

Mr. Singleton then presented the five bids received for supplying the low NO<sub>x</sub> burners for Unit 1. He reviewed concerns over awarding the contract to the low bidder and recommended the contract be awarded to Babcock and Wilcox for \$5,897,114. Their burner will provide the lowest NO<sub>x</sub> performance, improve boiler efficiency and its burner is the newest innovative design. Babcock and Wilcox also supplied these same burners at the Dry Fork Station.

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

**R06.03-15-11**

BE IT RESOLVED, that the contract to supply the burners for LRS Unit 1 in the amount of \$5,897,114 be awarded to Babcock and Wilcox; and

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

Dana Jensen, HQ engineer, then reviewed the bids for supply of the burner control system for LRS Unit 1 and recommended the contract be awarded to Emerson in the amount of \$1,073,411. After discussion, on motion duly made by Director Pearson, seconded by Director Gilbert and carried, the following Resolution was adopted:

**R07.03-15-11**

BE IT RESOLVED, that the contract to supply the LRS Unit 1 burner control system in the amount of \$1,073,411 be awarded to Emerson; and

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

**32. Recess and Reconvention**

At 12:10 p.m., the Board recessed until 1:00 p.m., at which time the Board reconvened, President Gjellstad continuing to preside and Secretary Pearson continuing to keep the minutes.

**33. Roll Call**

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

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

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Ronald R. Harper, Assistant Secretary Claire M. Olson and Basin Electric staff members David Bangen, Chris Baumgartner, Andy Buntrock, Clyde Bush, Karen Crawford, Shawn Deisz, Mike Eggl, Mike Fluharty, Dennis Gad, Becky George, Daryl Hill, Curtis Jabs, Mary Klecker-Green, Jeannie Koffler, Rod Kuhn, Brian Larson, Myron Mattern, Emily McKay, Sally Meier, Dawn Moore, Mike Paul, Curt Pearson, Mike Risan, Dave Sauer, Myron Singleton, Sue Sorensen, Paul Sukut, Linda Thomas, Steve Tomac, Michelle Wiedrich and Lyle Witham.

**34. LRS Unit 1 Generator Circuit Breaker Replacement and Installation**

Myron Mattern, LRS Electrical Supervisor, reported that the existing generator circuit breaker (GCB) at LRS are due to be replaced because of obsolescence and maintenance

costs. The schedule is to replace the GCB in Unit 1 during the spring 2012 outage, in Unit 2 during the spring 2013 outage and in Unit 3 during the spring 2014 outage.

The budget for the Unit 1 project is as follows:

GCB Equipment	\$1,981,458
Installation Costs	Included
Engineering Costs	\$225,000
Miscellaneous	\$150,000
TOTAL	\$2,356,450

He noted that the 2011 Capital Budget included \$3.2 million for this project. He recommended the project be approved with a budget of \$2,356,450.

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

**R08.03-15-11** BE IT RESOLVED, that the LRS Unit No. 1 Generator Circuit Breaker Replacement Project at a budgeted cost of \$2,356,450 is hereby approved; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, is authorized to execute the necessary documents to proceed with the project.

Mr. Mattern then reviewed the generator circuit breaker bids and recommended that we not accept the low bidder. He reviewed the list of vendors he had considered. He explained the reasoning for eliminating: (1) Hitachi was not able to meet the continuous current carrying specification; and (2) the Alstom footprint was too large to fit through the turbine deck floor opening and met the specifications only after adding auxiliary cooling. Only ABB meets the continuous current ratings without auxiliary cooling.

Mr. Mattern reported that ABB is proven to be an excellent GCB provider and has experienced service technicians located throughout the U.S. and worldwide. ABB's air-blast generator to SF-6 conversion experience is unparalleled. Similar ABB GCBs have been installed at DFS and Leland Olds Station (LOS). ABB's service and emergency response record is very good.

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

**R09.03-15-11** BE IT RESOLVED, that the contract to supply and install the LRS Unit 1 Generator Circuit Breaker in the amount of \$1,981,458 be awarded to ABB; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, is authorized to execute the necessary documents to proceed with the project.

**35. Environmental Consultant for Western North Dakota Transmission**

Lyle Witham, Manager of Environmental Services, reported that some very preliminary discussions have been held with agencies regarding approvals needed for constructing transmission upgrades to enhance deliveries into northwestern North Dakota. Because of the magnitude of the load growth, the Rural Utilities Service (RUS) has suggested a full Environmental Impact Statement (EIS) be prepared. WAPA is likely to be the lead agency.

The initial bids for hiring an environmental consultant were received, but are being reviewed. A recommendation to award a contract will most likely be made in April.

He also reported that RUS has agreed to be the lead agency on the EA With Scoping for the Lower Brule to Witten transmission line.

**36. Transmission Report**

Mike Risan, Senior Vice President – Transmission, reported that, as result of the MISO/Basin Electric seams agreement, MISO has a compliance filing requirement detailing how MISO proposes to address the North Dakota export seam that is due April 1. There is a difference of opinion between MISO and Basin Electric on how that filing should be done.

Basin Electric and MISO were supposed to come up with a collaborative proposal, but instead MISO has invited Basin Electric to a March 25 meeting where staff expects to be informed of MISO's plan for the filing, as there is little time left before the filing is due. Should this be the case, Basin Electric has 21 days to respond and any dispute would end up before FERC.

Mr. Risan then reviewed the options for the build-out of the transmission system in western North Dakota. He also reviewed options to add voltage support in the area as a short-term solution until such time as new transmission facilities can be constructed.

**37. Minot Southwest 115 kV Substation**

Mr. Risan noted that the new Minot Southwest 115 kV Substation is needed to serve growing loads in the area. He introduced Pius Fischer, Electrical Engineering Supervisor, who reported that the Minot Southwest 115 kV Substation will be located on the Logan to Kenmare 115 kV line and will provide for an Integrated System (IS) delivery point to Central Power's increased load around the city of Minot. Basin Electric's cost will be included in the IS.

Basin Electric will be responsible for the 115 kV facilities that qualify for the IS and Central Power the remaining 115/42 kV facilities. Basin Electric's share of the cost is estimated at \$5.6 million.

He recommended the project be approved. After discussion, on motion duly made by Director Pearson, seconded by Director Peltier and carried, the following Resolution was adopted:

**R10.03-15-11**

BE IT RESOLVED, that construction of the Minot Southwest 115 kV Substation Project, as presented, with an estimate of \$5.6 million is hereby approved; and

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

**38. Berthold 115 kV Tap**

Mr. Risan reported that the Berthold 115 kV tap is needed to provide an additional IS delivery point to member load. Central Power will construct the facilities. It currently owns the first tap. Basin Electric will be responsible for the IS qualifying 115 kV facilities. While the design is not yet finalized, the IS qualifying additions are projected at \$955,000 and Basin Electric will recover its annual costs through the IS tariff. The Berthold 115 kV Tap is scheduled for commercial operation in August of 2012.

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

**R11.03-15-11** BE IT RESOLVED, that the construction of the Berthold 115 kV Tap Project, as presented, with an estimated project budget of \$955,000, is hereby approved; and

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

**39. Kenaston 115 kV Tap and Capacitor Bank**

Mr. Risan reported that the Kenaston 115 kV Tap and Capacitor Bank are needed to provide an additional IS delivery point to member load on the Logan to Kenmare 115 kV line. Burke-Divide will construct and Basin Electric will be financially responsible for the IS qualifying additions. The agreement between Burke-Divide and Basin Electric has not yet been formalized. The IS qualifying additions are projected at \$1.6 million. Project completion is scheduled for August of 2012. Mr. Risan recommended the project be approved.

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

**R12.03-15-11** BE IT RESOLVED, that the construction of the Kenaston 115 kV Tap Project, as presented, with an estimate of up to \$1.6 million, is hereby approved; and

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

**40. Blaisdell 115 kV Capacitor Banks**

Mr. Risan reported that additional voltage support is needed on the 230 kV transmission system in northwestern North Dakota. Staff recommends the installation of 2 X 15 MVAR capacitor banks to the Blaisdell Substation Project at an additional estimated cost of \$700,000, with cost recovery in the IS tariff. The existing Blaisdell project was approved in July 2010 at a cost of \$8.65 million. Fortunately, there was advance notice that capacitor



banks may be added to the project, so space was saved for them. The revised project budget is \$9.35 million. The commercial operation date remains August of 2012.

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

**R13.03-15-11**

RESOLVED, that the construction of the Blaisdell Capacitor Banks, as presented, be added to the Blaisdell Substation Project and the project budget be revised to \$9.35 million; and

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

**41. LOS 600 MVA 345/230 kV Power Transformer Project**

Mr. Risan reported that the two existing 345/230 kV transformers at LOS are rated at 250 MVA and 500 MVA. Replacement of the 250 MVA transformer with a 600 MVA (approximate size) transformer is required to meet reliability criteria. Pius Fischer reviewed costs and construction considerations for the project. The estimated cost is \$9.2 million. He reviewed the schedule for the construction of the project. Phase 1 is scheduled for completion in September of 2012 and Phase 2 for June 2013. Mr. Risan recommended the project be approved.

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

**R14.03-15-11**

RESOLVED, that the construction of the Leland Olds Station 600 MVA Transformer Project, as presented, with an estimated budget of \$9.2 million is hereby approved; and

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

**42. Spare 600 MVA 345/230 kV Power Transformer**

Mr. Risan noted that currently, the IS does not have a spare 345/230 kV transformer. Due to the increasing loading on the transformers due to load growth and the aging of these transformers, he recommended the purchase of a spare 600 MVA transformer. Pius Fischer reviewed the associated costs projected at \$5.9 million and the intent to place the unit at the Broadland Substation near Huron, South Dakota. The cost will go into the IS. Commercial operation is scheduled for December 31, 2012.

Mr. Fischer noted that this spare would be energized so that it is ready for operation and to make sure it operates correctly within the warranty period. Broadland is the best location for the spare because, under certain grid conditions, the existing 400 MVA transformer on the Broadland to Huron line can overload. Having the spare transformer energized at this location will alleviate that situation.

Since the transformers will be operated in parallel as one unit, no additional relaying changes will be made at this facility, at AVS or at Huron. Since the spare transformer located at Broadland will be operated at 345 kV, it is not necessary to build the additional buswork to 500 kV, which will save cost. The goal is to have this installation completed by the end of 2012.

After further discussion, on motion duly made by Director Child, seconded by Director Drost and carried that the following Resolution be adopted:

**R15.03-15-11** RESOLVED, that the procurement of a spare 345/230 kV 600 MVA Transformer Project, as presented, with an estimated cost of \$5.9 million is hereby approved; and

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

**43. Transmission System Maintenance**

Bryan Keller, Manager of Transmission System Maintenance, reported on the activities of the TSM staff for the month.

**44. MBPP Mineral Oil Processing Van**

Mr. Keller reported that Basin Electric has a 1978 van that is used to process mineral oil in the plant and substation transformers, shunt reactors and oil circuit breakers in North and South Dakota. For the past 30 years, the van has also been used to process oil for the MBPP system. With the large number of oil-filled equipment in both systems, TSM cannot support the oil work required, especially during unit outages.

He requested Board authorization to purchase a second oil processing van for the MBPP system. The new van would have similar vacuum pumps, transfer pumps and filtering equipment as the existing unit, but would also have a 350 KVA generator so a rental unit wouldn't be required. The new unit would have additional oil heaters so that transformer work can be completed during cold weather without building heated temporary enclosures around the larger transformers. The budget estimate for the mineral oil processing van is \$660,000. A specification has been completed and will be used to obtain competitive bids.

After further discussion, on motion duly made by Director Drost, seconded by Director Gilbert and carried that the following Resolution be adopted:

**R16.03-15-11** RESOLVED, that the project to purchase a mineral oil processing van for the MBPP transmission system is hereby approved at an estimated cost of \$600,000; and

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

**45. Financial Report**

Paul Sukut, Senior Vice President and Chief Financial Officer, reported that the CoBank \$50 million line of credit is in place. With all lines of credit, Basin Electric's liquidity is now

\$386 million. While Basin Electric has not yet received the \$200 million of RUS loan funds for Culbertson, Groton II and the LOS Scrubber, RUS is still obligated to honor the loan commitment. He also reported that CoBank and CFC were not concerned about Basin Electric's downgraded bond rating.

**2012-2021 Financial Forecast.** Mr. Bangen reviewed the 2012-2021 Financial Forecast Assumptions and recommended removal of the CO<sub>2</sub> Cost Assumptions, the Gas Price Assumption (Ventura Hub) and the diesel price assumption.

Due to the delay in DFS commercial operation, the end-of-year margin is now estimated to be approximately \$8 million.

**46. Capital Credit Allocation**

Shawn Deisz, Manager of Accounting, reviewed the Cooperative's financial performance for 2010, noting that the allocable margin for the year is \$26,400,326.10. She recommended that the Board allocate this margin. After discussion, it was moved by Director Drost, seconded by Director Ritthaler and carried that the following Resolution be adopted:

**R17.03-15-11**

WHEREAS, for the fiscal year ended December 31, 2010, Basin Electric Power Cooperative realized a margin before income taxes of \$26,427,982.08 and Basin Cooperative Services realized a net deficit of \$27,655.98 for a combined allocable margin of \$26,400,326.10;

NOW THEREFORE, BE IT RESOLVED, that the 2010 Basin Electric before income tax margin and the 2010 Basin Cooperative Services net deficit in the combined total of \$26,400,326.10 be allocated to the patrons of Basin Electric on a patronage basis in accordance with the provisions of the Bylaws of Basin Electric Power Cooperative.

**47. Accounting Report**

Jeannie Koffler, Senior Accounting Analyst, reported that the February 2011 statement of operations reflected an estimated net margin of \$5.8 million compared to the forecasted net margin of \$1.6 million for a favorable variance of \$4.2 million. The net margin for the same period last year was \$6.4 million. The year-to-date net margin is estimated to be \$12.2 million compared to a year-to-date forecasted net margin of \$4.0 million. The year-to-date net margin last year was \$15.8 million.

She also reviewed changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio in February was 18.6%; the equity-to-capitalization ratio, using Moody's Rating Service's methodology was 21.5%, both without the Coteau consolidation entry; and the equity to capitalization ratio based on indenture requirements for patronage distribution was 20.7%.

**48. External Relations and Communications Report**

Mike Eggl, Senior Vice President—External Relations and Communications, reviewed the status of nuclear power regulation in the U.S. and noted this would likely change given the recent nuclear problems in Japan resulting from the earthquake and tsunami.

Mr. Eggl then reviewed a summary of the major regulatory initiatives promulgated by EPA. These included Regional Haze and Best Available Retrofit Technology (**BART**), Boiler Maximum Achievable Control Technology (**MACT**), coal combustion residues, new National Ambient Air Quality Standards (**NAAQS**), Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule and New Source Performance Standards for Greenhouse Gases.

Deborah Levchak, Staff Counsel, reported on the status of Basin Electric's political and legal efforts to oppose the implementation of EPA's Federal Implementation Program on the state of North Dakota.

Mr. Eggl then reviewed the bills pending in Congress to delay or prevent EPA regulation of greenhouse gases. He then reviewed the regional haze communications strategy and discussed the status of the rail premium issue.

He noted that the Crow Lake dedication is scheduled for June 23 and the Dry Fork Station for August 11.

He concluded with a review of the activities scheduled for the St. Baldrick's fundraising event. To date, more than 150 shavers have volunteered and more than \$120,000 has been raised by those participating in the event.

#### **49. Reaffirmation/Revision of Board Policies**

Dave Sauer, Senior Vice President -- Administration, noted that the Board Policies had been reviewed by staff and had the following recommendations:

Board Policy #14, Approval & Execution of Contractual Arrangements: no recommended changes; Board Policy #17, Director Compensation/Travel Policy: no recommended changes; Board Policy #18, Volunteer Fire Fighting Policy: he reviewed the proposed changes; Board Policy #19, Selling of Corporate Technology Policy, had been distributed for review and that staff had no recommended changes; Board Policy #21, Drug & Alcohol Testing Policy: he reviewed the proposed changes; Board Policy #22, General Safety & Health Policy: he reviewed the proposed changes; Board Policy #23, Environmental Commitment & Compliance Policy: he reviewed the proposed changes.

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

**R18.03-15-11**                   RESOLVED, that Board Policy #14, Approval & Execution of Contractual Arrangements, is hereby reaffirmed;

RESOLVED, that Board Policy #17, Director Compensation/Travel, is hereby reaffirmed;

RESOLVED, that Board Policy #18, Volunteer Fire Fighting, is hereby re-approved with the revisions presented;

RESOLVED, that Board Policy #19, Selling of Corporate Technology, is hereby reaffirmed;

RESOLVED, that Board Policy #21, Drug & Alcohol Testing, is hereby reapproved with the changes presented;

RESOLVED, that Board Policy #22, General Safety & Health, is hereby reapproved with the changes presented; and

RESOLVED, that Board Policy #23, Environmental Commitment & Compliance, is hereby reapproved with the changes presented.

**50. Directors' Reports**

Director Peltier reported on the Minnesota Rural Electric Association annual meeting and the District 9 information meeting.

Director Ireland invited the Directors to Rushmore's annual meeting on March 30.

Director Gjellstad invited the Directors and staff to the North Dakota Statewide annual meeting which starts tonight.

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

The next meeting of the Board of Directors will take place April 13-15, 2011 at Basin Electric's headquarters building in Bismarck, North Dakota.

**52. Adjournment**

At 4:30 p.m., it was moved by Director Rohrer, seconded by Director Applegate and carried that the meeting adjourn.



Kermit Pearson  
Secretary-Treasurer