

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

**Minutes of the Regular Meeting of the Board of Directors  
March 12-14, 2013**

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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 March 12-14, 2013 starting at 1:00 p.m. CDT with the pledge of allegiance.

**1. Call to Order**

The meeting was called to order by President Roy Ireland, 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	Gary Drost
Arden Fuher	Charles Gilbert
Roy Ireland	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	Allen Thiessen

said persons being all of the Directors of the Cooperative except Wayne L. Child, who was absent. Also present were CEO & General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Shawn Deisz, Jason Doerr, Mike Eggl, Mike Fluharty, Daryl Hill, Becky Kern, Rod Kuhn, Les Larson, Deborah Levchak, Sharon Lipetzky, Jay Lundstrom, Brian Matthews, Gavin McCollam, Mike Paul, Dave Raatz, Mike Risan, Doug Rothe, Ken Rutter, Myron Steckler, Paul Sukut, Linda Thomas, Steve Tomac, Kevin Tschosik, Michelle Wiedrich and Lyle Witham.

Also present were Dakota Gasification Company (**DGC**) directors James Geringer and Tom Owens; East River Electric Power Cooperative (**East River**) director James Ryken; and Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Vernard Frederick.

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

**4. Approval of the Minutes**

The minutes of the February 12-13, 2013 Regular Board meeting were presented and after an opportunity for corrections, it was moved by Director Pearson, seconded by Director Rohrer and carried that these minutes be approved as presented.

## **5. General Manager's Report**

Mr. Serri reported that he and senior staff served lunch at the Ruth Meiers Hospitality House after the February Board meeting. Over the last several years, Basin Electric has contributed to the purchase of new kitchen appliances at this facility. He noted it was a good time to give back to the community and spend time with senior staff outside of the office.

He reported meeting with Scott Loveless from Deloitte & Touché to discuss the 2012 audit. It was a good audit with no surprises. Deloitte will give a presentation to the Board tomorrow and the Directors will have an opportunity to ask questions during the executive session after the presentation.

Mr. Serri reported he continues to work with the Bismarck-Mandan Chamber of Commerce and the Airport Authority to try to bring another airline into Bismarck. The ability to fly in and out of Bismarck at an affordable cost will aid in recruiting, among other things.

He also reported on his tour of "Amber's Dream", the children's unit at Sanford Health (hospital). Basin Electric has been a major contributor to this project.

During the month, Mr. Serri met with the majority leaders of the North Dakota House and Senate and thanked them for their efforts on behalf of Basin Electric.

Agreements have been executed for refined coal treatment at the Laramie River Station (LRS) and the Antelope Valley Station (AVS). A test burn of AVS coal was completed late last week.

Mr. Serri then reported on his tour of the new addition to the North Dakota Heritage Center. He noted that one event of the 2013 Basin Electric annual meeting will be held at this facility.

Mr. Serri then reported on his work with Western Fuels Association staff to find a resolution to the LRS demurrage charges and various other issues. He discussed the current terms of these negotiations.

Mr. Serri and son Gabe are taking pledges to have their heads shaved at the St. Baldrick's Foundation fundraiser on March 15.

He noted that to date, 50 employees have announced they will retire in 2013, 22 of which are at headquarters.

### **A. Western Fuels Update**

Director Ritthaler reported that the Dry Fork Mine employees have worked three years without a lost-time accident. The mine also set a record in 2012 for mining 6.2 million tons of coal.

The Western Coal Traffic League has challenged the dust mitigation measures proposed by the railroads hauling out of the Powder River Basin. So far, they have saved shippers \$221 million in costs for mitigation efforts that are costly and ineffective.

No decision is expected in the LRS Surface Transportation Board Rate Case before late summer.

He reported that the number of tons of coal shipped is down from last year. Utility stockpiles are also higher due to reduced loads.

Sunflower chairman Loren Ochs will retire from his local cooperative, Victory Electric Cooperative, this month.

## **6. Office of General Counsel Report**

Claire Olson, Senior Vice President and General Counsel, reviewed the status of legal matters affecting or of interest to the Cooperative.

### **A. Environmental Services**

Mr. Olson reported on the proposed greenhouse gas regulation on existing generating units under Section 111(d) of the Clean Air Act. He noted that the Keystone Pipeline supplemental Environmental Impact Statement had been approved. Staff continues evaluating processes and schedule for the Big Bend to Witten line, as well as reviewing the draft Biological Assessment for the AVS to Neset 345 kV line.

### **B. Property Management**

Mr. Olson reported on the status of easement acquisition on the AVS to Tande 345 kV transmission project.

## **7. Transmission Report**

Mike Risan, Senior Vice President-Transmission, reported that during the month, Basin Electric self-certified to the Western Electricity Coordinating Council that it is fully compliant with reliability requirements.

He reported that the Williston load pocket made it past the winter peak with no load-serving problems. The new norm for peaks in this area seems to be settling in at 400 MW, which is well below the limit of 500 MW, at which point Culbertson would need to be started. This is actively monitored. Of more concern is making sure the system is operated within the reliability limits when in a degraded state, particularly during the construction outages associated with the addition of a second 230/115 kV transformer at Williston.

The Cooperative has received approval to connect Pioneer I to the system.

He reported that meetings with the membership to discuss joining an RTO are approximately half done and seem to be going well. The Brattle group reported this morning that not much has changed on the nodal analysis.

The Western Area Power Administration (**Western** or **WAPA**) explained its public process and how it is proceeding at the March 4 Midwest meeting.

Central Power is building the 115 kV Snake Creek Project, a joint project with Mountrail-Williams and WAPA. They apparently will have to conduct a second archeological survey across a small tribal parcel, but aren't expecting any major delays.

## **8. Marketing and Trading Report**

Ken Rutter, Vice President of Marketing and Trading, reported that the Risk Policy has been delayed until April to allow for final coordination with the Delegation of Authority policy.

He then reviewed February weather and loads, WAPA hydro conditions, market prices, Spring position and west-side transmission.

In February, owned generation performance was 4% better than budgeted. Short-term purchase power volumes were lower than budget. Short-term purchase power pricing was flat to slightly better than budgeted. Using SCADA data, loads appear to be roughly 2.5% under budget. Prices remained soft for February.

Average weather and less than anticipated load growth lead to lower purchase volumes. Member service area temperatures were in line with seasonal averages. Bismarck was within 3.8 degrees (higher) of normal and Sioux Falls was within one degree of normal. Extreme down spikes were short-lived when they did occur in February, which lead to expected loads for service territories. Precipitation and snowfall were below average at 8.2 inches in February when normal is 18 inches. Staff continues to monitor drought conditions. The region wasn't in a drought condition in January 2012, but it now is.

Mr. Rutter noted that staff continues to work with Cooperative Planning and Accounting staff to establish real-time performance reporting, which will help with work as we migrate west-side operations to in-house by next year. SCADA data – near real-time on a day-to-day basis rather than forecast data.

### **A. Purchased Power Report**

Mr. Rutter reported that short-term purchased power prices were in line with budget. Long-term purchased power volumes are higher than budgeted. Mr. Rutter then reviewed how load obligations were served in February.

He noted that currently precipitation is 93% of average above Fort Peck. While there is still time to recover, it appears Missouri River runoff may be below normal for the year.

He noted that work is progressing on moving west-side operations to in-house from WAPA, with a goal of completion by January 1, 2014. He reviewed the timeline and discussed the cost of implementing the project. A big challenge will be recruiting experienced people to operate the real-time desk.

## **9. Cooperative Planning Report**

Dave Raatz, Vice President of Cooperative Planning, reported that the member meetings to discuss Basin Electric joining an RTO have gone very well and that the members are supportive.

WAPA will begin its public information process next month. Mr. Raatz reviewed the timeline for the RTO decision. Next month, staff will ask the Board to support Western in its process to join an RTO and also request authorization for Basin Electric staff to work on contractual arrangements and final negotiations of membership with a final decision by fall 2013. Joining an RTO is dependent on the outcome of the federal process.

He reported that a settlement has been reached between Yellowstone Valley and Southern Montana's bankruptcy trustee, clearing the way for Yellowstone Valley to leave Southern Montana and join Central Montana. The target date to release Yellowstone Valley from its Southern Montana obligations to purchase power is April 30, so potentially on May 1; Basin Electric could provide power supply for the balance of 2013. The Bankruptcy Court hearing is scheduled for March 26. All potential objections to the settlement are due today.

The settlement agreement requires the approval of the bankruptcy judge and WAPA. WAPA is included because there's a change in the WAPA allocation among the remaining Southern Montana members and Yellowstone Valley. Should final action on the Southern Montana bankruptcy be taken on March 26, the issue of providing power to Yellowstone Valley beyond 2013 could come to the Basin Electric Board as early as April.

**A. Cost of Service Study – Demand and Energy Split**

Mr. Raatz reported that the Board had asked for additional information on cost of service and how changes to the demand and energy components affect member competitiveness.

He reviewed the history of the Cooperative's demand/energy components, noting the current split is 50/50 on the Base Rate and 56/44 on the Fixed CROD Rate.

He then reviewed the cost of Electric Service analysis based on the 2012-2021 Financial Forecast. Mr. Raatz then compared 55%/45%, 50%/50% and 45%/55% demand/energy components in the projected 2013 member costs.

He noted that while changes in the demand/energy components will shift some costs among the membership, the change as studied will not have a significant impact on the competitive position of the membership.

**B. Integrated Resource Plan (IRP)**

Becky Kern, Manager of Utility Planning, reported that the Energy Policy Act of 1992 requires that all WAPA customers develop an IRP. Basin Electric and its members participate in one plan because they are part of a three-tiered power supply program with common objectives and consumers. Tri-State is not included because it prepares and submits its own report. The five-year IRP is an action plan to effectively use Basin Electric's existing resources to provide maximum benefits to the consumers and to develop new resource alternatives to meet future power supply obligations at the lowest possible cost. The IRP is also submitted to the state of Minnesota for informational purposes only.

Ms. Kern then reviewed the Integrated Resource Plan and recommended that it be approved. After discussion, it was moved by Director Pearson, seconded by Director Gilbert and carried that the following Resolution be adopted:

**R01.03-12-13**

RESOLVED, that the Integrated Resource Plan for Basin Electric Power Cooperative and its members dated March 2013 is hereby approved and adopted.

**C. 2013 Williston Basin Oil Load Forecast Update**

Jay Lundstrom, Senior Forecast Analyst, reviewed some preliminary data from the 2013 Williston Basin Oil Load Forecast Update. He noted that in 2012, loads in the Williston Basin tracked the forecast fairly well. However, producers in the Basin are projecting additional production from several additional oil-producing benches in the Three Forks that could substantially increase the total number of wells in the Basin.

He reviewed preliminary data from the members in the Basin and noted this would be reviewed with the members to verify the numbers with the final update presented to the Board in April.

**D. Corn Belt Contract Agreements**

**1) Pocahontas 3.8 Diesel Generator**

Mr. Raatz reported that in 2009 when Basin Electric entered into a new agreement with Corn Belt, Basin Electric agreed to purchase all generation Corn Belt currently had under contract, which included the city of Pocahontas' 3.8 MW diesel generation and Corn Belt's power purchase agreement with the city of Pocahontas.

The Corn Belt/Iowa Lakes/Pocahontas contract runs through December 31, 2015 and rolls on a year-by-year basis. The diesel generation purchase agreement went through the same term and the capacity price was \$3.75/kW-month plus whatever Basin Electric scheduled would add energy costs. The generator is limited to approximately 500 hours of operation per year. The City could also run for its own needs and would have to pay fuel and variable O&M cost. This contract also rolls on a year-by-year basis, depending on the power purchase agreement mentioned above.

Corn Belt/Iowa Lakes and Pocahontas are discussing a 10- to 15-year contract extension. Corn Belt has asked Basin Electric to extend the diesel generation purchase out through December 31, 2027. After negotiations, the parties reached agreement that commencing January 1, 2016, the capacity payment would be \$3.00/kW month and the energy priced at fuel cost plus variable O&M.

Mr. Raatz recommended that the Corn Belt contract be modified to accommodate this purchase.

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

**R02.03-12-13**

BE IT RESOLVED, that the CEO and General Manager, or his designee, be authorized to execute the required contract modifications with Corn Belt as to incorporate the extension of the purchase of the



output of the Pocahontas diesel generator presented, subject to the approval of the Rural Utilities Service.

2) **City of Whittemore**

Mr. Raatz reported that Iowa Lakes was negotiating an agreement to supply wholesale power to the City of Whittemore, Iowa. Whittemore's population is 504 and the load is 0.7 MW. They are currently served by an investor-owned utility, but there are fairly significant transmission/wheeling cost increases coming to them under that existing contract. Whittemore abuts Iowa Lakes, an existing Corn Belt member, and Whittemore is seeking to become a customer of Iowa Lakes.

Basin Electric's contract with Corn Belt would require amendment to serve this load since it is not within the current service territory of Whittemore.

Mr. Raatz proposed amending the Corn Belt contract to serve the load at the Basin Electric Base Rate plus a 5-mill adder for the first 15 years. Since this is a new contract obligation for Corn Belt/Iowa Lakes, there would not be a 5-mill adder on top of the 4-mill adder Corn Belt currently pays. This is consistent with how Basin Electric dealt with all new members coming in.

Patronage and bill credits would be based on the existing Basin Electric/Corn Belt contract provisions.

After discussion, it was moved by Director Peltier that the CEO be authorized to execute the required contract modifications with Corn Belt as presented. The motion was seconded by Director Applegate.

Director Thiessen then moved that the vote on the motion be tabled until tomorrow after the executive session. The motion to table was seconded by Director Pearson and carried.

10. **Plant Operations Reports**

A. **Fossil Fuel Generation Update**

Mike Fluharty, Vice President, Generation, reviewed the Cooperative's safety performance for the month. He noted there were no Days Away Restricted or Transferred (DART) incidents and two OSHA-recordable injuries in February.

February generation was 7.1% above budget. Actual generation was 4.65 million MWh and budgeted generation was 4.46 million MWh or 4.2% over budget.

He then reviewed the 24-month moving-average forced-outage rate trends, bus bar costs and fuel mix. The LRS coal inventory is 1.52 million tons or a 63-day supply for all three units at full load. There will be a dumper outage during the Unit #3 chemical cleaning.

February individual availability and capacity factors for the generation stations were as follows:

Unit	Avail-ability	Capacity Factor	Unit Rating	Comments
LRS #1	100%	93.0%	570 MW	
LRS #2	99.5%	96.2%	570 MW	Short outage boiler feed pump lost lube pump.
LRS #3	100%	97.0%	570 MW	
LOS #1	100%	80.9%	221 MW	
LOS #2	98.2%	88.6%	448 MW	One-day outage due to trip originating from switchyard.
AVS #1	100%	96.9%	450 MW	
AVS #2	100%	98.6%	450 MW	
DFS	100%	97.1%	<b>386.</b>	

**B. Capital Project #W13032-LRS #1 Low NO<sub>x</sub> Burner Project Amendment Request**

Mr. Fluharty reported that the original capital project estimate for the LRS #1 Low NO<sub>x</sub> Burner Project was approximately \$17,821,129. A more detailed analysis of the project showed the need for additional over-fire air ports to get better NO<sub>x</sub> reduction with the new boilers for an additional cost of \$1.87 million. Due to the multiple delays in the startup of Unit #1 last year, there were additional costs of \$232,549 for testing and commissioning the new burners.

Mr. Fluharty recommended that Amendment # 1 to Capital Project #W13032 in the amount of \$1.75 million be approved. After discussion, it was moved by Director Ritthaler, seconded by Director Applegate and carried that the following Resolutions be adopted:

**R03.03-12-13** BE IT RESOLVED, that Amendment #1 to Capital Project #W13032 -- LRS #1 Low NO<sub>x</sub> Burner Project -- to provide for the supply and installation of additional overfire air ports and additional commissioning costs, in the amount of \$1.75 million to a new project total of \$19,250,000.00 be approved; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, is authorized to execute the capital project amendment.

**C. Dry Fork Station (DFS) Air-Cooled Condenser Maintenance**

Jim Lund, Senior Mechanical Engineer, reported that concerns arose in the spring of 2012 regarding the: (1) failure of the Fan 41 hub coupling; (2) alignment of the motor-gearbox coupling; and (3) support of the condensate return lines. He presented photographs of the areas of concern, described the root cause analysis and the corrections made to the DFS air-cooled condenser.

**D. Distributed Generation Update**

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

Unit	Monthly Generation	Unit Rating	Comments
Groton Unit #1	2101 MW	200 MW	All for load demand.
Groton Unit #2	1590 MW		
Culbertson CT	5928 MW	100 MW	Mainly load demand and some reliability calls.
WY Dist. Gen.	36 MW	54 MW	16 spinning reserve calls during the month.
SMS Unit #1	Did not run	120 MW	
SMS Unit #2	Did not run		
DCS	Did not run	300 MW	

The Deer Creek Station (DCS) was available all month.

The Spirit Mound Station current fuel inventory is 810,014 gallons.

**PrairieWinds ND 1.** Mr. Tschosik reported that the turbine #61 gearbox was replaced during the month at a cost of \$170,000 (for labor and the crane; the gearbox was provided under warranty).

**PrairieWinds SD 1.** Mr. Tschosik reported that there was a lot of rain and ice last week, so the park was off-line March 10 and part of March 11. TSM repaired the overhead ground wire damaged in the storm.

The east-side peak occurred on February 20, 2013 at hour ending 7:00 a.m. At that time, wind generation was as follows:

Project	Load Factor During the Peak	February Capacity Factor	Project Total
PrairieWinds ND 1	112 MW	42%	123 MW
PrairieWinds SD 1	89 MW	43%	162 MW
Wilton Project	93 MW	39%	99 MW
Baldwin Project	89 MW	41%	99 MW
Edgeley Project	8 MW	24%	40 MW
Highmore Project	27 MW	35%	40 MW
Day County Project	95 MW	46%	99 MW
Iowa Wind Projects	0 MW	42%	45.1 MW
Other Wind Projects (Chamberlain & Pipestone)	1 MW	23%	3.4 MW
<b>TOTAL FEBRUARY WIND</b>	<b>514 MW</b>	<b>41%</b>	<b>712 MW Maximum</b>

GENERATION			
AVERAGE 2013 YEAR-TO-DATE CAPACITY FACTOR	---	45%	---

**11. Recess and Reconvention**

At 4:45 p.m., the meeting recessed and reconvened at 12:30 p.m. on March 13, 2013, at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes.

**12. Roll Call**

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

Donald E. Applegate	Gary Drost
Arden Fuher	Charles Gilbert
Roy Ireland	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	Allen Thiessen

said persons being all of the Directors of the Cooperative except Wayne L. Child, who was absent. Also present were CEO & General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members David Bangen, Robert J. Bartosh, Shawn Deisz, Steve Ellefson, Mike Fluharty, Daryl Hill, Deb Honeyman, Steve Johnson, Marie Klein, Jan Kubisiak, Rod Kuhn, Joe Leingang, Pat Meidinger, Deb Olafson, Shawna Piatz, Dave Raatz, Marci Schorsch, Susan Sorensen, Tom Stalcup, Paul Sukut, Linda Thomas, Justin Weichel, Cheri Wenzel and Michelle Wiedrich.

Also present were DGC directors James Geringer, Alan Klein and Tom Owens; East River director James Ryken; and Deloitte and Touché staff members Scott Loveless and Judy Dockendorf.

**13. Recess and Reconvention**

At 12:30 p.m., the meeting recessed for the Basin Electric Board Audit Committee and reconvened at 3:45 p.m. on March 13, 2013, at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes.

**14. Roll Call**

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

Donald E. Applegate	Gary Drost
Arden Fuher	Charles Gilbert
Roy Ireland	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	Allen Thiessen

said persons being all of the Directors of the Cooperative except Wayne L. Child, who was absent. Also present were CEO & General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Shawn Diesz, Mike Eggl, Steve Ellefson,

Mike Fluharty, Daryl Hill, Deb Honeyman, Steve Johnson, Mark Kinzler, Rod Kuhn, Les Larson, Joe Leingang, Gavin McCollam, Deb Olafson, Mike Paul, Shawna Piatz, Dave Raatz, Doug Rothe, Tom Stalcup, Paul Sukut, Steve Tomac, Justin Weichel, Michelle Wiedrich and Lyle Witham. Also present was East River director James Ryken.

## **15. Plant Operations Reports, continued**

### **A. Dry Fork Station Update**

Tom Stalcup, DFS Plant Manager, reported that, through February, 2013, the DFS staff worked 17,023 hours (35 days) without a DART incident. Emphasis is being placed on each individual's responsibility for safety. A daily tool box meeting is held with the craft employees. A thorough investigation procedure is utilized to prevent reoccurring incidents. DuPont representatives were on-site to "train the trainers" in its STOP safety program, which will be implemented throughout the rest of the work force in April.

February net generation was 10.83% over budget, availability was 100%, the forced outage rate was 0% and the running plant capacity factor (RPCF) was 97.07% or 393 net MW/hour (10 MW spinning reserve).

YTD 2013, net generation was 2.12% under budget due to a planned maintenance outage in January. Availability was 91.38%, the forced outage rate was 0% and the RPCF was 93.87% or 380 net MW/hour (40 MW restriction January 1-17, 2013 due to air preheater seals).

A planned outage was taken January 17-22, 2013 to replace air preheater cold end radial seals with an upgraded design and to clean the primary and secondary superheater, reheater and pendant tubes with explosives. Mr. Stalcup showed a diagram of the new air preheater design and the plugged FRH screen tube.

Unplanned 2013 projects include putting four spare sootblowers into service and installing 12 additional sootblowers. The total estimated cost of this capital project is \$429,555.

## **16. Engineering and Construction**

### **A. Funding Chart**

Mike Paul, Vice President, Engineering & Construction, reported that funding requests totaling \$45.7 million would be presented this month: \$5.4 million for the Pioneer Generating Station (PGS) Wanzek Construction; \$6.3 million for Lonesome Creek Station (LCS) Wanzek Construction; \$13.0 million for PGS Phase II Construction; and \$21.0 million for the Leland Olds Station (LOS) scrubber.

Preliminary requests for April include \$4.0 million for the DGC-AVS pipeline and \$12.7 million for a modification to the Dickinson Substation.

### **B. LOS Scrubber Project**

Mr. Paul noted that in 2006, the Board authorized the installation of scrubbers at LOS in response to EPA's regional haze rules for visibility improvements in national

parks. These regional haze rules required better emission control. LOS fell within those rules and Basin Electric was obligated to do something to reduce SO2 emissions at LOS. Under those rules, once the State Implementation Plan was approved, compliance was required within five years. It was expected that the rules would be implemented and approved in 2008, which would have required compliance in 2013.

Paul Sukut, Senior Vice President & Chief Financial Officer, reported that the LOS emission control project budget was \$410.4 million.

The original schedule for Unit #2 was the fall of 2009; for Unit #1 was the fall of 2010. These projects were delayed for Unit #2 until the fall of 2012 and for Unit #1 to the spring of 2013. These delays were discussed and/or approved at the March 2009 and February 2010 board meetings (R05.03-10-09).

The impact of these delays was \$69.9 million of additional interest during construction (IDC) charges. Had the original schedule been maintained, IDC would have been \$24.5 million.

Mr. Sukut reported that the scrubber project budget on the original schedule was \$358.2 million and with the delayed schedule is \$410.4 million.

Mr. Sukut then recommended that the budget for the project be revised from \$390,800,000 to \$410,438,911. After discussion, it was moved by Director Ritthaler, seconded by Director Peltier and carried that the following Resolutions be adopted:

**R04.03-12-13** BE IT RESOLVED, that the budget for the LOS #1 and Unit #2 Scrubber Project (W1050) be revised from \$390,800,000 to \$410,438,911; and

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

**C. Update and Construction Contract Amendment -- Pioneer Generating Station**

Myron Steckler, Generating Resource Project Manager, reported that Wanzek's safety record has been very good with no recordables to date. Approximately 96% of the PGS Phase I engineering and 70% of the Phase I construction is complete. He presented photographs of the construction site.

The PGS Phase I commercial operation date has been revised from March 30, 2013 to May 21, 2013.

The original Wanzek contract for PGS Phase I was for \$20.4 million. Change orders (for the addition of selective catalytic reduction to each unit and the addition of a booster pump system because rural water pressure was not adequate) totaled \$5.4 million for a new contract value of \$25,854,545. Mr. Steckler recommended that the contract amendment to increase the total cost by \$5.4 million be approved. After discussion, it was moved by Director Pearson, seconded by Director Gilbert and carried that the following Resolution be adopted:

**R05.03-12-13**

BE IT RESOLVED, that construction contract #619827-01 with Wanzek for increased scope and equipment additions at the Pioneer Generation Station, resulting in a net addition of \$5,425,409 to a new contract total of \$25,854,545 be approved; and

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

**D. Update and Construction Contract Amendment – Lonesome Creek Generating Station**

Mr. Steckler reported that Wanzek's safety record has been very good with no recordables to date. LCS Phase I engineering and 57% of the Phase I construction is complete. Construction is proceeding well. The LS Phase I commercial operation date has been revised from May 22, 2013 to June 30, 2013.

The original Wanzek contract for the LCS Phase I was \$19.4 million. Change orders (for the addition of selective catalytic reduction, the addition of a booster pump system because rural water pressure was not adequate and considerably higher cut and fill charges) totaled \$6.28 million for a new contract value of \$25,705,912. He recommended that the contract be amended to include these \$6.28 million of additional costs. After discussion, it was moved by Director Applegate, seconded by Director Peltier and carried that the following Resolutions be adopted:

**R06.03-12-13**

BE IT RESOLVED, that construction contract #619827-02 with Wanzek for increased scope and equipment additions at the Lonesome Creek Station, resulting in a net addition of \$6,285,996 to a new contract total of \$25,705,912 be approved; and

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

**E. Pioneer Generating Station Phase II Update and Construction Contract Award**

Mr. Steckler reported that the Health Department is processing the air permit for Phase II of the PGS and will schedule a public hearing, followed by a 30-day public review. He anticipates the permit would be awarded at the end of April.

The February 7, 2012 Public Service Commission hearing on the siting permit in Williston went well. Mr. Steckler expressed his appreciation for Upper Missouri's testimony. The next step is a vote at the Public Service Commission's next meeting, which is March 27.

Construction is scheduled to begin May 15, 2013 and the commercial operation date is scheduled for January 2014. To date, \$34.4 of the \$102 million budget has been expended.

The Harris Group was hired for the Phase #II engineering, which is 60% complete. Procurement of the long-lead items is going well. Wanzek, TIC and AZCO submitted bids for Phase #II construction. Staff is working through clarifications however, the difference in bids is so great and the changes are expected to be minimal so he recommended the contract be awarded to The Industrial Company (TIC) for the currently estimated amount of \$13,062,824.

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

**R07.03-12-13**

BE IT RESOLVED, that the construction contract for Pioneer Generation Station Phase II be awarded to TIC -- The Industrial Company for the currently estimated amount of \$13,030,000 with the final contract price adjusted by the CEO and General Manager when negotiations have concluded; and

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

**F. Lonesome Creek Station Phase II Update**

Mr. Steckler reviewed the status of Phase II of the Lonesome Creek project. The Harris Group has been hired for the Phase II engineering. A kick-off meeting with Harris Group and GE is scheduled for next week. The application for Rural Utilities Service financing should be submitted in the next few months.

The start of construction is scheduled for May 2014 and the commercial operation date is scheduled for January 2015. To date, \$9.7 million of the \$116 million total budget has been expended.

**17. Financial Services**

**A. Financial Services Report**

Paul Sukut, Senior Vice President and Chief Financial Officer, reported on a meeting with Midwest Venture Partners who were seeking investors. This is not a likely prospect for Basin Electric.

He noted that NRECA has developed a program for advance funding of pension obligations. This involves making an up-front payment for financing your pension obligations with the benefit of reduced contributions in later years. Staff is studying the merits of this proposal and will report back to the Board in April.

**B. Accounting Report**

Susan Sorensen, Supervisor of Financial Reporting and Accounts Receivable, reported that the February 2013 Statement of Operations reflected an estimated net margin of \$11.0 million compared to the budgeted net margin of \$5.2 million for a



favorable variance of \$5.8 million. The net margin for the same period last year was \$7.0 million.

She also reviewed member sales, surplus sales, operations expenses, maintenance expenses, YTD consolidated net income/loss, changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio at the end of February was 19.2% and at the end of January was 19.2%. The equity-to-capitalization ratio at the end of February using Moody's Rating Service's methodology was 23.6% and at the end of January was 23.4%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 17.4% at the end of February and 17.3% at the end of January.

**C. Capital Credit Allocation**

Shawn Deisz, Manager of Accounting, reviewed the Cooperative's financial performance for 2012, noting that the allocable margin for the year is \$42,581,975.60. She recommended that the Board allocate this margin.

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

**R08.03-12-13**

WHEREAS, for the fiscal year ended December 31, 2012, Basin Electric Power Cooperative realized a margin before income taxes of \$42,632,905.22 and Basin Cooperative Services realized a net deficit of \$50,929.62 for a combined allocable margin of \$42,581,975.60;

NOW THEREFORE, BE IT RESOLVED, that the 2012 Basin Electric before income tax margin and the 2012 Basin Cooperative Services net deficit in the combined total of \$42,581,975.60 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.

Ms. Deisz noted that the equity-to-capitalization ratio at the end of 2012 was 16.9% and under the terms of the Indenture, capital credits cannot be distributed until the equity-to-capitalization ratio after the retirement is 20%.

**D. CFC Revolving Credit Facility**

Steve Johnson, Treasury Services Manager, reported that the \$130 million CFC Revolving Credit Facility's primary use is to backstop the Cooperative's tax-exempt commercial paper program. It was originally executed November 18, 2008 for a three-year term and was amended on September 23, 2010 for an additional three years.

The new facility will have a five-year term, an up-front fee of 30 basis points (\$390,000) and an annual facility fee of 15 basis points (\$195,000). This facility will close on March 18, 2013.

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

**R09.03-12-13**

RESOLVED, that the Board of Directors of the Cooperative hereby authorizes the establishment of a line of credit and borrowing from National Rural Utilities Cooperative Finance Corporation ("CFC") as administrative agent of a syndicate of lenders in an amount which shall not at any one time exceed \$130,000,000.00 (the "Line of Credit Amount") for a term of sixty (60) months pursuant to the provisions of the Credit Agreement dated as of March 18, 2013, in the form presented to this meeting (the "Credit Agreement");

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the following documents:

- a) The Credit Agreement; and
- b) Such other documents as are reasonable and customary in syndicated, unsecured revolving loan agreements; and

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to the Credit Agreement as such individual may deem appropriate within the Credit Amount so authorized, and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

Title:	Name:
CEO & General Manager	Andrew M. Serri
Sr. Vice President & General Counsel	Claire M. Olson
Sr. Vice President & CFO	Paul M. Sukut
Manager, Treasury Services	Steve Johnson
Senior Financial Analyst	Sharon Cerkoney

**18. Recess and Reconvention**

At 5:15 p.m., the Board recessed until 8:00 a.m. March 14, 2013, at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

**19. Roll Call**

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

Donald E. Applegate	Gary Drost
Arden Fuher	Charles Gilbert
Roy Ireland	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	Allen Thiessen

said persons being all of the Directors of the Cooperative except Wayne L. Child, who was absent. Also present were CEO & General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Mark Kinzler, Rod Kuhn, Sally Meier, Deb Olafson, Shawna Platz, Dave Raatz, Paul Sukut, Linda Thomas, Steve Tomac, Justin Weichel and Michelle Wiedrich. Also present was East River director James Ryken.

**20. Recess for Board Audit Committee Meeting**

At 8:00 a.m., the meeting recessed to hold a meeting of the Board Audit Committee. The meeting reconvened at 8:30 a.m.

**21. Communications and Administration Report**

Mike Eggl, Senior Vice President-Communications and Administration, reviewed major legislation currently pending in Congress.

**A. Federal Policy Update**

Mr. Eggl reported that the nominee for Secretary of the Department of Energy is Ernest Moniz, director of MIT's energy initiative. The EPA Administrator nominee is Gina McCarthy, head of the EPA Air and Radiation office and chief architect of several major rules under former EPA Administrator Lisa Jackson.

He noted that a delegation from Mongolia will visit the Synfuels Plant in March.

**B. Legislative Update**

**South Dakota.** Steve Tomac, Senior Legislative Representative, reported that the South Dakota Legislature's first South Dakota Cooperative Day had been attended by 160-180 cooperative managers and directors.

He then reviewed the major pieces of legislation considered in South Dakota. The SD Legislature adjourned March 1 and will come back March 25 or 26 with the opportunity to act on any legislation vetoed by the Governor.

**Minnesota.** Mr. Tomac reported that the legislature is considering legislation containing a mandate for 4% solar energy and also raises the renewable energy standard from 25% to 40%. It appears that there is enough opposition so this bill will not pass.

**Montana.** Mr. Tomac noted that legislation was introduced requiring plaintiffs in eminent domain proceedings to pay attorney's fees for defendants in condemnation cases. That legislation failed.

**North Dakota:** Mr. Tomac reported that Messrs. Niezwaag and VandeVenter are both at the capital as SB 2209, which would allow the eminent domain process to begin prior to siting approval is up for consideration. This would be extremely helpful as Basin Electric goes through the siting process for the AVS to Neset 345 kV transmission line.

**C. Community Support**

Mr. Eggl reported that during the month, Mr. Serri toured "Amber's Dream", the children's unit at Sanford Health (hospital) in Bismarck and the North Dakota Heritage Center addition. Basin Electric contributed to both projects.

Mr. Serri and some of the senior staff toured the Heritage Center Addition. We hope to use this facility for the annual meeting social. There is room for 2000 people.

He then reported on member visits and events attended by staff during the month.

**D. Information Services & Telecommunications (IS&T)**

Mark Kinzler, Acting Chief Information Officer, reported on the restructuring and realignment of the IS&T department. Bridge Strategies was the consultant retained to assist with this effort. He reviewed the process and the reorganizational steps undertaken as a part of the review.

**E. St. Baldrick's Campaign**

Mr. Eggl presented a video of the St. Baldrick's fundraiser to fight childhood cancer. He discussed the event and discussed events being held in the Bismarck/Mandan area. He noted that Andy and Gabe Serri are taking pledges to shave their heads at Basin Electric's March 15 event.

**22. Executive Session**

At 9:30 a.m., it was moved by Director Peltier, seconded by Director Pearson and carried that the Board retire into executive session to discuss the Corn Belt/City of Whittemore transaction and the Central Montana/Yellowstone Valley transaction.

At 10:55 a.m. it was moved by Director Applegate, seconded by Director Gilbert and carried that the Board arose from executive session.

**23. Cooperative Planning, continued**

**A. City of Whittemore**

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

**R10.03-12-13**

BE IT RESOLVED, that contractual arrangements with Corn Belt that enable Corn Belt to provide electric service to

the City of Whittemore, Iowa be approved, subject to the approval of the Rural Utilities Service; and

BE IT FURTHER RESOLVED, that the applicable rate to Corn Belt for this customer is the Basin Electric Class A Rate plus a 5-mill adder, with the 5-mill adder effective for 15 years; and

BE IT FURTHER RESOLVED, that all contracts required to implement this transaction must be executed prior to December 31, 2013; and

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

**B. Yellowstone Valley**

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

**R11.03-12-13**

BE IT RESOLVED, that subject to: (1) the Bankruptcy Court approving the Yellowstone Valley Settlement Agreement in the Southern Montana bankruptcy proceeding; and (2) all contracts required to implement this transaction are executed and effective prior to December 31, 2013, the Board of Directors approves the following:

1. An Amendment to the Central Montana Wholesale Power Contract (subject to the approval of the Rural Utilities Service) providing electric service to Central Montana for Yellowstone Valley at the Basin Electric Class A Rate plus a 5-mill adder, with the 5-mill adder effective for 15 years; and
2. Issuance of a Basin Electric Class C membership to Yellowstone Valley; and

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

**24. Directors' Reports**

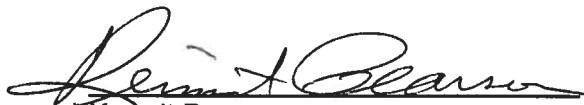
The directors commented on activities at their local cooperatives and G&Ts.

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

The next regularly scheduled meeting of the Board of Directors will take place April 9-11, 2013, at the Basin Electric headquarters building in Bismarck, North Dakota.

**26. Adjournment**

At 11:45 a.m., it was moved by Director Peltier and seconded by Director Thiessen that the meeting be adjourned. The motion carried.

A handwritten signature in black ink, appearing to read "Kermit Pearson". The signature is written in a cursive style with a horizontal line underneath it.

Kermit Pearson  
Secretary-Treasurer