

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

**Minutes of the Regular Meeting of the Board of Directors  
March 9-10, 2015**

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

**Minutes of the Regular Meeting of the Board of Directors  
March 10-11, 2015**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the Headquarters Building, Bismarck, North Dakota, beginning on March 10, 2015 starting at 8:00 a.m. CDT.

**1. Call to Order**

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

**2. Roll Call**

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

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

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Robert J. Bartosh, Tracie Bettenhausen, Eric Carufel, John Ciz, Tammy DeWitt, Pius Fischer, Mark D. Foss, John Frank, Spencer Garland, Matt Greek, John Jacobs, Steve Johnson, Becky Kern, Jon Klein, Janet Kubisiak, Rod Kuhn, Brian Larson, Sharon Lipetzky, Tracy McBride, Gavin McCollam, Mike Murray, Deb Olafson, Dave Raatz, Mike Risan, Josh Rossow, Ken Rutter, Myron Steckler, Lucas Teigen, Kevin Tschosik, Amanda Wangler, Valerie Weigel and Michelle Wiedrich. Also present were Dakota Gasification Company (DGC) Vice President and Chief Operating Officer David J. Sauer, East River Electric Power Cooperative (**East River**) director Pat Homan and Mor-Gran-Sou Electric Cooperative director Judge Barth.

**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 Pearson and carried that the agenda be approved as amended.

**4. Approval of the Minutes**

The minutes of the February 10-11, 2015 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Drost, seconded by Director Brekel and carried that the minutes be approved as corrected.

5. **General Manager's Report**

General Manager Sukut reported on the February 26, 2015, Western Fuels Association strategic planning session.

6. **Office of General Counsel Report**

Mr. Olson reviewed current litigation and matters of interest to the Cooperative, including an update on the litigation concerning the Best Available Retrofit Technology (BART) at the Laramie River Station (LRS). He noted that he would report on the BNSF Railway Company (BNSF) coal transportation agreement during executive session. The initial letter regarding the 2015 Bylaw Review Committee will be sent to each district in early April. The first meeting of this committee will be held in early June. The March 2 Public Service Commission (PSC) hearing on Phase III of Pioneer Generating Station (PGS) went well and no problems are anticipated. Staff is now working on the March 17 PSC hearing for Phase III of the Lonesome Creek Station (LCS). The Environmental Protection Agency (EPA) confirmed its earlier decision that the BART determination for Leland Olds Station (LOS) #2 is selective non-catalytic reduction (SNCR) plus over-fired air. The environmental groups have 60 days to appeal. He noted that engineering staff would report on the settlement of the Wanzek construction claim litigation.

7. **Engineering & Construction Report**

A. **Project Funding Chart**

Matt Greek, Senior Vice President-Engineering and Construction, reported that contracts totaling \$65.3 million would be presented for approval this month. He then presented the listing of major projects including the approved budget amounts, total amounts committed and completion dates.

B. **345 kV Projects Update**

Mr. Greek provided the construction update. There was one Occupational Safety & Health Administration (OSHA) recordable incident and no Days Away, Restricted or Transferred cases (DART) in February. Construction of the Judson Substation and the Antelope Valley Station (AVS)-to-Judson portion of the transmission line are behind schedule. An accelerated construction schedule is in place once the ground dries sufficiently. There have been no changes to the overall budget.

C. **PGS/LCS Phase I Construction Contract Settlement Approval**

Myron Steckler, Project Management & Construction Manager, reviewed the history and settlement of the *Wanzek Construction v. Basin Electric* construction claim litigation regarding construction of the PGS and LCS. With the additional settlement of \$3.2 million, the final cost for Phase I of PGS was \$62.9 million and for LCS Phase I was \$64.7 million. Both were under budget.

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

**R01.03-10-15** RESOLVED, that, in order to settle the lawsuit filed by Wanzek Construction, Inc., the construction contract for the Pioneer Generation Station and Lonesome Creek Station Phase I

projects with Wanzek Construction, Inc. be increased from \$51.7 million to \$54.9 million, an increase of \$3.2 million; and

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

**D. Award of Contract for LCS III General Contractor**

Josh Rossow, Project Manager, reported that staff continues working to use drawings for construction as the vendor drawings come in. All major equipment has been awarded except the continuous emission monitoring equipment, fire protection system and switchyard equipment. He estimated that the air permit would be issued by May 5 and the PSC permit and county conditional use permit in April. The project is still under budget at \$104.6 million, leaving \$3.3 million for contingencies. The contract scope includes all LCS Phase III construction work except the switchyard construction. He reviewed the bids and noted that clarifications have not yet been discussed with the bidders. He recommended that the contract be awarded to the low evaluated bidder in an amount not to exceed \$27 million.

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

**R02.03-10-15** RESOLVED, that the construction contract for the Lonesome Creek Station Phase III be awarded to the low evaluated bidder in an amount not to exceed \$27 million; and

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

**E. PGS III Metal Buildings**

Mr. Rossow presented a diagram of buildings to be located at PGS III. He noted that the procurement process is 40% complete, 11 packages are out for bid or in review and eight have been awarded. The permitting timeline supports a May 1 construction start. The air permit is out for the 30-day public comment period. We expect to receive the Williams County Conditional Use Permit later this month. He noted that the approved budget for this entire project is \$161.2 million, which includes \$9.7 million in contingencies.

The contract project scope includes four pre-engineered metal buildings, the most substantial of which is the power block building. After review of the bids, he recommended that the contract be awarded to the low evaluated bidder in an amount not to exceed \$6.1 million.

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

**R03.03-10-15** RESOLVED, that the pre-engineered metal building contract for Pioneer Generation Station Phase III be awarded to the low evaluated bidder in an amount not to exceed \$6.1 million; and

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

**F. PGS III Site Preparation**

Mr. Rossow reported that the scope of this project includes graveling of the laydown yard, site grading, storm sewers, paving and reclamation and erosion control. The project budget is \$7 million. He reviewed the bids and recommended that the contract be awarded to the low evaluated bidder in an amount not to exceed \$6.5 million.

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

**R04.03-10-15** RESOLVED, that the site preparation contract for Pioneer Generation Station Phase III be awarded to the low evaluated bidder in an amount not to exceed \$6.5 million; and

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

**G. Mercer County Land Sale**

Mike Murray, Supervisor of Property & Land Management, reported that Mercer County is improving and widening County Road 17 south of State Highway 200 and approximately two miles south of the AVS plant site. Mercer County has requested an additional 60 feet of road right-of-way to the west to accommodate this expansion. The total land sale is for 4.93 acres plus an additional 0.25 acres of temporary workspace. He recommended authorization to sell 4.93 acres of land to Mercer County for \$700 per acre (the same price DGC is paying to purchase property from Mercer County for its rail spur) for a total of \$3,501.

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

**R05.03-10-15** WHEREAS, Mercer County, North Dakota, has requested to purchase a parcel of land from Basin Electric Power Cooperative for its County Road 17 widening project. This parcel of land is located in Sections 18 and 19, T144N, R88W in Mercer County, North Dakota, and consists of 4.93 acres. Mercer County has offered to pay \$700 per acre for the additional right-of-way and \$75 per acre for the temporary work space for a total of \$3,501.00; and

WHEREAS, Basin Electric staff has recommended to the Basin Electric Power Cooperative Board of Directors that it authorize a request to U.S. Bank National Association, as trustee under the Indenture dated as of January 1, 1998 as amended and supplemented to release this property from the lien of the Indenture; and

THEREFORE, BE IT RESOLVED, that the CEO and General Manager, or his designee, be authorized to execute the documents necessary to sell this 4.93 acre parcel of real property

and temporary right-of-way to Mercer County, North Dakota, and to request a release of lien from the Indenture Trustee.

**H. Deer Creek Station HRSG Enclosure Study Budget Amendment**

Cris Bauer, Senior Structural Engineer, reported that the Deer Creek Station (DCS) has had reliability issues during winter months due to equipment, piping and instrumentation freezing. He presented photographs of the temporary enclosures and reviewed the results of Black & Veatch's feasibility study for enclosing the entire heat recovery steam generator (HRSG) and pipe rack and providing an initial (Class 4) estimate.

Black & Veatch determined that enclosing the pipe racks was feasible with few structural modifications. Enclosing the HRSG is feasible, but poses challenges. Enclosing the existing stair tower was not feasible; however, a new stairway could be constructed inside the new enclosure. He presented diagrams of the proposed preliminary steel framing and noted that the Class 4 project estimate is from \$24 million to \$28.5 million. Detailed engineering is required to achieve a Class 1 estimate.

The scope of this budget amendment is to retain an architect/engineering firm to perform the detailed engineering required to develop firm-price bid packages (including drawings and specifications) and to provide a more accurate estimate for the remaining construction work.

Other services would be for geotechnical engineering and to determine if some of Nooter Eriksen's equipment would need to be offset. He noted that refined project cost estimates and contracts would be presented to the Board for approval in September or October. He reviewed the budget amendment and recommended that the amendment to the DCS HRSG enclosure study budget be approved.

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

**R06.03-10-15** RESOLVED, that the budget for the Deer Creek Station heat recovery steam generator enclosure study be increased \$1,362,326 to a new total of \$1,438,113; and

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

**I. Replacement of LRS Dust Collectors 7 & 8**

Gavin McCollam, Engineering Services Director, introduced Mark Jenson, Engineer, who reported that dust collectors 7 and 8 are located below grade under the silos surrounded by concrete. OSHA regulations require outdoor explosion venting, so upgraded dust collectors need to be installed outdoors at grade level. These new collectors will improve coal system safety and the operating environment by improving dust collection, CO ventilation and reducing wash-down costs. He presented an overview of the plant site and a schematic of the dust collectors. He reviewed the project schedule for environmental permitting, engineering and procurement with installation starting in early September and commissioning completed by January of 2016. A request for proposal (RFP) for the equipment and installation was issued and two proposals were received. After

evaluation, AirCure was the low bidder at \$1.85 million. He reviewed the Class 3 estimate from the bids received which includes materials, construction, tax, interest during construction, overheads and contingencies. The total project cost estimate is \$5.18 million. He noted that the contract is for \$5.2 million, with Basin Electric's share being \$2.2 million.

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

**R07.03-10-15** RESOLVED, that the Laramie River Station Dust Collector 7 & 8 Replacement Project presented to this meeting of the Board of Directors at a budgeted cost of \$5,180,000 is hereby approved; and

BE IT FURTHER RESOLVED, that the contract for the equipment and installation of the LRS Dust Collector 7 & 8 Replacement Project is hereby awarded to the low evaluated bidder, AirCure, for \$1.85 million; and

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

#### **J. Allam Cycle Update**

Mr. Greek reported that the Allam Cycle uses an expanding turbine for power and a gasifier to create energy to expand the turbine. What makes it different from what the Cooperative does now is that it creates high-pressure CO<sub>2</sub> and uses it as the working fluid in the turbine. CO<sub>2</sub> has different dynamics than steam which allow operation of the cycle in supercritical condition. A lot of energy is lost when steam is cooled to water. The Allam Cycle does not have to do that, so it can be expanded all the way through and avoid some of those losses. The net takeaway is that this process provides operating efficiencies similar to a combined-cycle plant.

Mr. Greek reported on his meeting with Allete and members of 8 Rivers (a group of investors) to discuss opportunities for a lignite-fueled Allam Cycle plant based in North Dakota. To this point, work has focused on funding and completing a lignite FEED study using the Allam Cycle. The North Dakota legislature has appropriated \$5 million for this effort (down from an original request of \$10 million). The balance of funding could potentially come from Lignite Energy Council funds. The meeting included discussion on what's in it for organizations like Basin Electric and Allete, who meaningfully support development and demonstration.

In addition to 8 Rivers, Exelon and Chicago Bridge & Iron own a portion of the rights to application of the Allam Cycle using natural gas as a feedstock.

Mr. Greek noted that the process would need to be proven utilizing natural gas before it would be tried using coal gas.

#### **8. Operations Report**

John Jacobs, Vice President of Operations, reported there were no DART or OSHA Recordable Incidents in February. He provided bus-bar costs for the coal-fired fleet and reviewed the equivalent forced-outage rate trends for the past 24-month period on the



solid fuel units. He reviewed February generation totals. The LOS stockpile contains 600,000 tons or 47.9 days burn at cruise rating.

He reported that February fleet generation came in 1.9% below budget and year-to-date fleet generation is at 0.4% above budget. Individual availability and capacity factors for the coal-based generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Rating	Comments
AVS #1	100%	99.7%	450 MW	Valve test
AVS #2	99.6%	98.2%	450 MW	Feedwater transmitter failure
DFS	79.1%	100.49%	386 MW	Blow-down valve on circ water stuck open; boiler feed pump recirc valve closed; drum level trip; turbine valve TCS modules deviation causing drum level swing; platen superheater tube repair
LRS #1	99.76%	84.61%	570 MW	ID fan control issues
LRS #2	86.39%	93.65	570 MW	Generator circuit breaker failure
LRS #3	100	94.30	570 MW	
LOS #1	100%	92.81%	221 MW	
LOS #2	100%	90.31%	448 MW	

#### A. Distributed Generation Update

Kevin Tschosik, Distributed Generation Manager, reported on natural gas prices at Groton, DCS, LCS, PGS and Wyoming distributed generation and noted that there were no recordable safety incidents in February.

The February generation at the distributed facilities were as follows:

Unit	Monthly Availability (%)	Monthly Generation (MW)	Unit Rating (MW)	Comments
Groton Unit #1	99.23%	246 MW	100 MW	No issues.
Groton Unit #2	95.79%	135 MW	100 MW	
Culbertson CT	91.65%	10,132 MW	100 MW	Ran for load demand. One outage for thrust tube rupture on the engine.

WY Dist. Gen.	99.5%	172 MW	54 MW	
SMS Unit #1	100%	0 MW	60 MW	Did not run.
SMS Unit #2	100%	0 MW	60 MW	Did not run.
Deer Creek	95.65%	58,429 MW	300 MW	Leak on preheater in HRSG outage; freeze problem from IP drum outage
PGS Unit #1	99.96%	6,423 MW	45 MW	Ran well; no outages; high capacity factor. #1 ran some synch condensing hours for voltage support.
PGS Unit #2	97.82%	8,442 MW	45 MW	
PGS Unit #3	100%	9,848 MW	45 MW	
LCS Unit #1	99.81%	4,421 MW	45 MW	Ran well; no problems. #1 ran some synch condensing hours for voltage support.
LCS Unit #2	99.84%	20,315 MW	45 MW	
LCS Unit #3	98.14%	17,251 MW	45 MW	

During February, the PGS ran in synchronous condensing mode 903 hours and the LCS for 2.1 hours. The Wyoming Distributed Generation had 10 west-side spinning reserve events during the month. Mr. Tschosik then reviewed the emission limits contained in each facility's major permits.

**PrairieWinds ND 1.** PWND had 475 MWh of lost generation due to icing.

**PrairieWinds SD 1.** PWSD had 728 MWh of lost generation due to icing.

The east-side peak occurred on February 23, 2015 at 8:00 a.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak (MW)	Capacity Factor (%)		Project Total
		Month	YTD	
Baldwin	86 MW	42%	47%	99 MW
Day County	95 MW	51%	52%	99 MW
Edgeley	34 MW	35%	41%	40 MW
Highmore	14 MW	36%	38%	40 MW
Iowa Wind	5 MW	47%	46%	45.1 MW

Other Projects (Chamberlain & Pipestone)	1 MW	50%	29%	3.4 MW
PrairieWinds ND	119 MW	46%	50%	123 MW
PrairieWinds SD	40 MW	49%	55%	162 MW
Wilton	74 MW	36%	40%	99 MW
Total Monthly Wind Generation	469 MW	44%	48%	712 MW
Average Capacity Factor	n/a	44%	48%	n/a

**B. Laramie River Station Update**

Brian Larson, LRS Plant Manager, reported that 37% of the LRS workforce have zero to five years of service and 35% have 21 or more years of service. Year-to-date, there have been two injuries, one vehicle accident, three near misses and no OSHA Incidents or DARTs at LRS. The employees have accumulated over 300,000 man-hours without a DART, much of which he credited to the "Our Power, My Safety" program.

Continuous Improvement Team 1 rolled-out in March of 2014 and the employees filled out 3,639 inspections looking at lighting, grating and general cleanliness issues at the plant. Year-to-date, 476 inspections have been turned in.

NO<sub>x</sub> environmental compliance was 100%. There was a small blip on opacity at Unit #1 due to precipitator issues.

He noted that all of the Irrigation District's mountain reservoirs are full and spring runoff has not yet begun. The Grayrocks Reservoir is 102% full. He reviewed 2009-2014 Grayrocks Reservoir levels. At the end of February, the LRS coal stockpile contained nearly one million tons, sufficient for 30 days burn for all units at full load.

Generation, heat rates and availabilities have been good. A generator circuit breaker transformer failed last month in Unit #2. These circuit breakers were installed just two years ago, so this issue is a concern.

As a result of running hard for 30 years, Unit #3 is experiencing the same economizer tube leak issues as Unit #1.

Work performed during the September 6 to December 8, 2014 Unit #2 fall outage included replacement of the lower boiler slope and of the low-pressure turbine rotor L-1 wheels, overhaul of the 2B/2E absorber tower and replacement of the 2B cooling tower electrical distribution cable. The repair cost of the Unit #3 low-pressure turbine was \$4,677,782 and of the Unit #2 low-pressure turbine was \$4,350,599.

The Unit #1 outage is scheduled for March 14 through June 12, 2015. Work planned during the outage includes low pressure turbine rotor L-1/L-0 wheels, replacement of the air heater baskets and air heater lube oil skid, overhaul of the absorber tower, replacement of the absorber bowls return line, the economizer inlet header and cooling tower switch gear and relining circulating water underground pipeline. He presented photographs of the economizer header.

Mr. Larson presented photographs and discussed the February 18, 2015 "clean-up day" and the lighting upgrades. Mr. Larson noted that all employees now wear fire-retardant clothing.

Mr. Larson introduced Spencer Garland, Reliability Engineer, who has been in charge of the coal system focus group projects, who presented and discussed the projects planned to be completed in 2016.

He then discussed the Unit #2 generator circuit breaker failure and explained the circuiting for the generator, relays and protection system. New generator circuit breakers were purchased and installed in Unit #1 in 2012, in Unit #2 in 2013 and in Unit #3 in 2014.

**9. Marketing & Asset Management Report**

**A. Purchased Power & Non-Member Sales Report**

Valerie Weigel, Manager, Marketing Financial Analytics, reported that power and gas prices were similar to last month. Pricing between the Southwest Power Pool (SPP) North Hub and the SPP WAUE point showed a 98% correlation. Colder temperatures have February member energy loads coming in a bit higher than forecast. Basin Electric hedges continue to be positive versus the budget, but out-of-the-money versus market. The April 1, 2015 deadline in the SPP project plan is fast approaching. Natural gas storage withdrawals are complete as of early March. High-level strategies for generation offers and load demand bids attempt to optimize generation and serve member load at the lowest cost. She reviewed February prices on-peak and noted that February 2015 member loads came in 4% higher than forecasted.

**10. Recess and Reconvention**

At 11:55 a.m., President Peltier recessed the meeting until 1:00 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

**11. Roll Call**

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

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

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Claire M. Olson and staff members Robert J. Bartosh, Tracie Bettenhausen, Andrew Buntrock, Ryan Davis, Shawn Deisz, Tammy DeWitt, Mike Eggl, Pius Fischer, Mark D. Foss, Gene Giesen, Matt Greek, John Jacobs, Steve Johnson, Kasey Kaseman, Becky Kern, Janet Kubisiak, Deborah Levchak, Sharon Lipetzky, Tracy McBride, Gavin McCollam, Dave Raatz, Mike Risan, Ken Rutter, Susan Sorensen, Myron Steckler, Shanda Traiser, Val Weigel and Michelle

Wiedrich. Also present were East River director Pat Homan and DGC Vice President David J. Sauer.

**12. Marketing & Asset Management Report, continued**

**A. Basin Electric Hedge Plan**

Ken Rutter, Vice President, Marketing & Asset Management, then reviewed pricing, monthly estimates, forward hedging, the SPP project, the Basin Electric hedge plan, price outlook, natural gas for fuel hedge plan, purchase power hedge plan, the 2016 surplus sales hedge plan, the ongoing value and risk mitigation projects and SPP/Midwest Independent System Operator (**MISO**) generation offers and demand bid strategies.

**13. Cooperative Planning Update**

Dave Raatz, Vice President of Cooperative Planning, reported that meetings are scheduled with a number of the entities within the Integrated System (**IS**) to make sure everything is ready to go for the SPP integration. The final registration and Federal Energy Regulatory Commission (**FERC**) filing are currently scheduled for April 1, 2015.

The present schedule for those members putting transmission facilities into SPP is as follows: Northwest Iowa Power Cooperative (**NIPCO**) and Corn Belt Power Cooperative (**Corn Belt**), October 1; East River and Central Power Electric Cooperative, January 1, 2016. Basin Electric has to represent every delivery point at the end of the SPP system. That information will be rolled into Basin Electric's registration application as well.

Staff is also planning to meet with the Great River Energy fixing members on March 24. The settlement agreement discussions continue with Montana-Dakota Utilities Co. (**MDU**) and Otter Tail Power Company (**OTP**). We are making good progress with MDU, but OTP discussions are not going as well. Staff is continuing discussions with Northwestern Energy. Staff has also met with Tri-State G&T Association (**Tri-State**) and Nebraska Public Power District exploring possibilities of Tri-State joining SPP for the eastern system.

Eleven Member draft wholesale power sale agreements have been sent out as of the March Board meeting, and staff continues to work on the other power sale agreement amendments.

He discussed proposed modifications to the Corn Belt adders and the net impact of Corn Belt pricing changes on Basin Electric revenue.

He then discussed proposed modifications to the Powder River Energy Corporation (**PRECorp**) wholesale power contract.

**A. Resource Development**

Becky Kern, Director of Utility Planning, provided an update on ongoing resource alternate analysis in the Western Interconnected system in COWY area and Montana region as well as in the MISO region on the Eastern Interconnection.

At the April Board meeting, staff will provide additional detail on the NTEC, MISO combined cycle project needs and economics.

**B. Substation Physical Security**

Mr. Raatz reported that in December, FERC issued Order No. 791 which approved the Version 5 Reliability Standards. Energy providers with medium and high security facilities must have additional security installed by April 2016. There are daily fines for noncompliance. Basin Electric (for its own facilities and as operator of LRS), has eight different substations that meet the medium-security criteria: AVS 345 kV; Charlie Creek 345 kV; LOS 230 kV; LOS 345 kV; LRS 230 kV; LRS 345 kV; Stegall 345 kV and Sidney 345 kV. Engineering is still working with the security group on the cost estimate to comply with these requirements and will come back to Board in April requesting funds for this additional security.

**C. Strategic Planning**

Shanda Traiser, Director of Strategic Planning, reviewed the results of the survey conducted last month with respect to six areas of the strategic planning and execution process: 1) develop the strategy; 2) translate the strategy; 3) align the organization; 4) link to operations; 5) monitor and learn; and 6) test and adapt. Board members, senior staff and employees who have been involved in the process were asked to rate the importance of each item and assess how well the cooperative is performing each of the six areas. The results showed improvement in all five areas from one year ago, when the same survey had been given the first time.

Work continues in communicating the strategic plan to employees, and the development of a corporate scorecard. In May a detailed update for two of the strategic themes, commitment to cooperative philosophy and business model, and workforce is a valuable asset, will be shared with the Board.

**14. Executive Session**

At 3:45 p.m., it was moved by Director Rohrer, seconded by Director McQuiston and carried to retire into executive session to discuss potential new members joining the Cooperative, intellectual property rights for the pulsed electron beam technology and four contracts with the IBEW Local #612.

At 5:25 p.m., it was moved by Director Drost, seconded by Director Applegate and carried that the Board arise from executive session.

**15. Approval of IBEW Local #612 Labor Contracts**

Mr. Jacobs recommended approval of the four labor contracts with IBEW Local #612. It was then moved by Director Drost, seconded by Director Gilbert and carried that the following Resolution be adopted:

**R08.03-10-15**

RESOLVED, that the Labor Agreement with the International Brotherhood of Electrical Workers Local #613 LRS/TSM be approved, and subject to the contract vote of the membership ratifying and approving the contract, that the officers of the Cooperative be authorized to execute the same for and in behalf of the Cooperative; and

BE IT FUTHER RESOLVED, that the CEO & General Manager, or his designee, is authorized to execute said contract.

**16. Recess and Reconvention**

At 5:30 p.m., the meeting recessed until 8:00 a.m. on March 11, 2015, at which time the meeting reconvened, President Peltier continuing to preside and Secretary-Treasurer Gary C. Drost keeping the minutes thereof.

**17. Roll Call**

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

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

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and staff members Robert J. Bartosh, Tracie Bettenhausen, Eric Carufel, Mark D. Foss, Tammy DeWitt, Mike Eggl, Matt Greek, Deb Haga, John Jacobs, Dan Job, Steve Johnson, Janet Kubisiak, Rod Kuhn, Anine Lambert, Deborah Levchak, Dave Raatz, Mike Risan, Myron Steckler, Shelly Wanek and Michelle Wiedrich. Also present were DGC Vice President David J. Sauer.

**18. Executive Session**

At 8:00 a.m., it was moved by Director Baker, seconded by Director Drost and carried to retire into executive session to continue discussions on pulsed electron beam technology intellectual property rights, for a report on the status of the LRS coal transportation agreement with the BNSF and for a report on the conversation with Wyoming Governor Mead. At 10:15 a.m., it was moved by Director Pearson, seconded by Director Baker and carried that the Board arise from executive session.

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

**R09.03-10-15** RESOLVED, that the salary recommendations presented to this meeting of the Board of Directors are hereby approved; and

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

**19. Communications and Administration Report**

**A. Building Update**

Dan Job, Facilities Director, introduced Brett Donnet, lead architect for the building addition from EAPC Architect and Engineers; Brett Gerholtz, Andy Werner and Gabe Schell from Kadrmas Lee & Jackson, Inc. and Chris Bauer, Basin Electric Senior Structural Engineer.

Mr. Gerholtz provided a basic overview of the civil engineering for the Headquarters Building expansion including parking, traffic patterns, storm water management, drainage, water use and sanitary sewer.

Mr. Schell provided an overview of the traffic report, existing traffic conditions, afternoon peak-hour characteristics and capacity analysis, infrastructure to accommodate internal circulation and sight distance evaluation at access points, as well as plans for the existing and future ingress and egress, traffic flow and parking. Mr. Werner then reviewed the plans to address storm water runoff and drainage issues.

Mr. Donnet reported that with the front entrance, cafeteria, atrium and conference rooms being located on the fourth floor of the building addition, the decision was made to add a fourth elevator.

Mr. Bauer then reviewed logistics, and recommended that a prime contractor be engaged to manage this project. He then discussed the project schedule.

Mr. Job reviewed the office/building configuration of the Fargo, ND Microsoft campus, which they recently toured and noted that the group will next report to the Board in May.

## **20. Transmission Report**

Mike Risan, Senior Vice President, Transmission, provided an update on the SPP integration. After the last Board meeting, he and Dave Ratz attended the February 12 settlement conference, which included MDU and OTP. The settlement judge is very articulate and wants us to move forward with a strong interest in getting the first federal Power Marketing Administration into a regional transmission organization. There were break-out sessions and good progress was made with MDU; however, things are not progressing as well with OTP.

On March 3, 2015, he made a presentation to the PSC on the SPP integration process. There was a larger crowd than he had anticipated, including Minnkota Power Cooperative representatives.

He has received a similar request from the Iowa Utilities Board for an update regarding SPP integration. He brought this to SPP's attention and asked who from SPP will be there to answer questions.

He showed where the OTP system overlaps the Central Power system and where MDU overlaps the cooperative systems and gave a review of the status of the negotiations with MDU and OTP. Mr. Sukut has made several appointments to SPP groups. Mike Risan has been appointed as the Membership representative and Dave Ratz has been appointed to the Market and Operations Policy Committee.

Central Power was contemplating bringing its transmission facilities into SPP through a lease with Basin Electric, but is now strongly considering joining SPP as a transmission owner similar to Corn Belt's, NIPCO's and East River's intentions.

The Mid-Continent Area Power Pool (**MAPP**) has begun the official process of dissolution to be effective on September 30, 2015 as there will be an insufficient number of MAPP members after the IS parties leave to join SPP.

Last month, there was an action item to approve another delivery point in the Beaver Hills area on behalf of Upper Missouri. Board approval was contingent on making acceptable progress with WAPA. WAPA is studying the request very carefully. We



think the underlying 57 kV system is not sufficient to accommodate the load and we need to tap into the 230 kV system.

There are three developments concerning NERC. We are working with SPP on a waiver document that would recognize that Basin Electric is not joining SPP's reliability organization, just the regional transmission organization. He reported that we had a facility rating issue in Midwest Reliability Organization (MRO) and that we filed a mitigation plan to rectify and submitted to MRO. On March 2, Basin Electric self-certified that it was compliant in the Western Electricity Coordination Council (WECC) region for the year 2014. We are also on track for the WECC on-site audit this fall.

On or about April 1, Basin Electric will be providing information to SPP for an SPP filing for our Annual Transmission Revenue Requirement. We expect our rate of return on equity to be approximately 11% using an average of existing SPP members. That number could erode slightly due to a revision in the calculation.

**21. Recess and Reconvention**

At 12:00 noon, President Peltier recessed the meeting until 12:50 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

**22. Roll Call**

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

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

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and staff members Robert J. Bartosh, Tracie Bettenhausen, Eric Carufel, Shawn Deisz, Tammy DeWitt, Mark D. Foss, Matt Greek, John Jacobs, Steve Johnson, Kasey Kaseman, Mark Kinzler, Marie Klein, Janet Kubisiak, Rod Kuhn, Tracy McBride, Darla Miller, Faye Miller, Deb Olafson, Dave Raatz, Mike Risan, Jean Schaffer, Susan Sorensen, Dain Sullivan, Steve Tomac, Karen Ulrich, Cheri Wenzel and Michelle Wiedrich. Also present were DGC Director Alan Klein, DGC Vice President David J. Sauer, Deloitte & Touche representatives Adam Krasnoff and Judi Dockendorf and East River director Pat Homan.

**23. Financial Services Report**

Steve Johnson, Senior Vice President & Chief Financial Officer, reported on the Cooperative's liquidity and the importance of an "A" rating (the difference between an A1/P1 credit rating and an A2/P2 credit rating today is 41 basis points). He reviewed CoBank's financial results, current economic statistics and RUS refinancing across the U.S. He then reported on due diligence sessions, a meeting with Tri-State finance staff and conference calls to discuss proposed indenture changes, which are being prepared to send to the rating agencies for their review and approval.

**A. Basin Electric Guarantee--DGC Urea Project Financing**

Mr. Johnson reported that the terms and conditions of DGC's urea project financing are subject to an unsecured guarantee by Basin Electric and he recommended that said unsecured guarantee be granted. After discussion, it was moved by Director Gilbert, seconded by Director Pearson and carried that the following Resolution be adopted:

**R10.03-10-15** RESOLVED, that the CEO & General Manager or Senior Vice President & CFO of the Cooperative are authorized to negotiate and execute an unsecured guarantee of the payment and performance of the obligations of the Cooperative's wholly owned subsidiary, Dakota Gasification Company, under (a) one or more note purchase agreements between the Company and one or more affiliates of: (i) AIG Commercial Asset Finance; (ii) Teachers Insurance and Annuity Association; (iii) Prudential Insurance Company of America; (iv) CoBank, ACB; (v) National Rural Utilities Cooperative Finance Corporation[, and (vi) other institutional purchasers satisfactory to either such officer,] (b) any notes evidencing indebtedness of Dakota Gasification Company related thereto, in an aggregate principal amount not to exceed \$400 million, and (c) any related obligations, each on those terms and conditions either such officer finds to be in the best interests of the Cooperative, such finding to be conclusively evidenced by their execution of such guarantee agreements and related documents.

RESOLVED, that the CEO & General Manager or Sr. Vice President & CFO of the Cooperative are authorized to take such further actions and negotiate, execute and deliver such other agreements, documents and instruments as shall be necessary, appropriate or desirable, in the opinion of either such officer, to carry out the purposes and intent of the foregoing resolution and to effectuate the issuance of notes by Dakota Gasification Company.

**24. Recess for Meeting of the Board Audit Committee and Reconvention**

At 1:15 p.m., President Peltier recessed the meeting to hold the Board Audit Committee meeting. He reconvened the meeting at 2:55 p.m.

**25. Financial Services Report, continued**

**A. Accounting Report**

Darla Miller, Senior Accounting Analyst, reported that the February 2015 Statement of Operations reflected an estimated net margin of \$13.6 million compared to the budgeted net margin of \$3.1 million for a favorable variance of \$10.5 million. The net margin for the same period last year was \$15.3 million.

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

Basin Electric's equity-to-asset ratio at the end of February was 21.24 percent and at the end of January was 21.08 percent. At the end of February, the equity-to-

capitalization ratio using Moody's Rating Service's methodology was 25.50 percent and at the end of January was 25.10 percent, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 22.52 percent at the end of February and 22.27 percent at the end of January.

**B. Capital Credit Allocation**

Shawn Deisz, Vice President & Controller, then reviewed the Cooperative's financial performance for 2014, noting that the allocable margin for the year is \$51,986,022.23. She recommended that the Board allocate this margin.

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

**R09.03-10-15** WHEREAS, for the fiscal year ended December 31, 2014, Basin Electric Power Cooperative realized a margin before income taxes of \$52,066,390.41 and Basin Cooperative Services realized a net deficit of \$80,368.18 for a combined allocable margin of \$51,986,022.23;

NOW THEREFORE, BE IT RESOLVED, that the 2014 Basin Electric before-income-tax margin and the 2014 Basin Cooperative Services net deficit in the combined total of \$51,986,022.23 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.

**26. Communications and Administration Report**

Steve Tomac, Legislative Representative, reported on legislative matters of interest to the Cooperative. North Dakota matters included the right of first refusal, transmission tax and wind tax. Iowa matters included utility agreement on Section 111(d). South Dakota matters included SB 180-wind tax, stray voltage and cooperative day. Montana matters included net metering and CCS. Minnesota issues included FEMA match, renewable energy, Department of Natural Resource crossing fees and cooperative network day.

Mr. Tomac explained the Cooperative's bill-tracking system and reported on Cooperative Network day in Minnesota and Co-op day in South Dakota.

Mike Eggl, Senior Vice President-Communications & Administration, provided an update on federal legislation of interest to Basin Electric: the Heitkamp bill, EPA Section 111(d), water heaters (Shaheen-Portman) and the prognosis for the Keystone XL pipeline.

He then discussed governance and it was decided that a copy of all of the Board Policies which had been redlined by staff would be provided to the Board and that time would be set aside on the agenda each month for review of several policies.

Mr. Eggl then discussed the employee and member surveys and noted that the community survey is still in process.

He said he was supposed to meet with the Three Affiliated Tribes yesterday on Basin Electric's transmission proposal. Mr. Eggl noted that he expects no response from the Tribes, so staff will need to study the pros and cons of moving the North Killdeer Loop transmission line farther west--a no-win situation. This has already been discussed with some North Dakota PSC commissioners and the McKenzie County Commissioners.

Either Basin Electric takes on the challenge of condemning across the Tribes' ranch or we will have some irritated landowners who know the line will be located on their land because the Tribes' ranch is being avoided.

Mr. Eggl then reported that progress on the daycare is going very well. The YMCA found a facility they are very pleased with, the Rasmussen College building, and is now engaging with other local employers to secure commitments. To date, Sanford has committed to 75 spots, Basin Electric has committed to 40 spots and St. Alexius, MDU and NISC are reviewing the project. To date, there are commitments for 225 of the total 275 spots. If all of the committed spots are not filled, registration would be opened to the public. He noted that filling any extra spots should not be a problem as the YMCA currently has a waiting list of 375.

Mr. Sukut noted that tackling this issue in Mercer County is next on the list as nearly half of the Cooperative's work force resides in Mercer County. Staff has talked with Lutheran Social Services, which has developed a daycare model. The big problem is that there is no large daycare provider like the YMCA in Mercer County.

He reported that "Careers in Energy" day is on February 12.

Mr. Eggl then reported on activities scheduled for Brave the Shave/St. Baldrick's fundraiser.

**27. Directors' Reports**

Director Peltier reported on the Minnesota Statewide annual meeting.

Director Rohrer reported on Central Montana's annual meeting and thanked Messrs. Sukut and Raatz for participating.

Director Drost reported on the Minnesota Statewide annual meeting.

Director Gilbert distributed information on Corn Belt's revolving loan fund.

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

The next regularly scheduled meeting of the Board of Directors will take place April 14-16, 2015, at Basin Electric's headquarters building in Bismarck, North Dakota.

**29. Adjournment**

At 3:55 p.m., it was moved by Director Drost, seconded by Director Applegate and carried that the meeting be adjourned.

  
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Gary C. Drost  
Secretary-Treasurer