

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

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April 11-12, 2012**

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**Basin Electric Power Cooperative
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**Minutes of the Regular Meeting of the Board of Directors
April 11-12, 2012**

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, on April 11-12, 2012 starting at 10:45 a.m. CDT.

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

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Andrew M. Serri and Assistant Secretary Claire M. Olson and Basin Electric staff members David Bangen, Chris Baumgartner, Shawn Deisz, Mike Fluharty, Daryl Hill, Trisha Johnson, Becky Kern, Rod Kuhn, Deborah Levchak, Jay Lundstrom, Gavin McCollam, Mike Murray, Mark Nygard, Mike Paul, Dave Raatz, Mike Risan, Doug Rothe, Dave Sauer, Myron Steckler, Paul Sukut, Linda Thomas, Kevin Tschosik, Michelle Wiedrich, Lyle Witham and Zane Zuther. Also present was East River Electric Power Cooperative (**East River**) director Gaylen Grant.

3. Approval of the Agenda

The Directors considered the agenda for the conduct of the business of the meeting. After an opportunity for addition and deletion of items, it was moved by Director Drost, seconded by Director Child and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the March 14-15, 2012 Board meeting were presented. After an opportunity for corrections, it was moved by Director Gilbert, seconded by Director McCabe and carried that the minutes be approved as presented.

5. General Manager's Report

Mr. Serri reported that during the month, he, CFO Paul Sukut and Steve Johnson, Manager Treasury Services met with the rating agencies and primary banks in New York. He also reported on meetings in Washington, D.C. where he expressed Basin Electric's gratitude to the Congressional delegation for their assistance on the North Dakota

Regional Haze ruling. He encouraged the Cooperative's members to do the same. He then reported on the Class A member annual meetings he attended during the month.

He noted that the Leland Olds Station (LOS) #1 was taken offline for the month of April for economic reasons. Staff will evaluate whether to keep the unit offline in May as well.

On March 30, while maintenance activities were underway in the Laramie River Station (LRS) east switchyard, a fault occurred that ultimately resulted in the tripping of approximately 2000 MW of generation on the Western Area Power Administration (Western or WAPA) system. LRS Units 2 and 3 were lost, as well as a unit at Wyodak and Pawnee Station. The Dry Fork Station (DFS) ramped down generation but did not go offline. Investigation continues; however, it is believed to be a technician error.

The Manager's Advisory Committee will meet on April 19. There will be a senior staff strategic follow-up meeting. He also reported he had begun a national search for a new Human Resources Manager.

He then reviewed the schedule for the May board meetings.

A. Western Fuels Update

Director Ritthaler reported that the Surface Transportation Board heard the Berkshire-Hathaway premium issue on March 22. Minnesota Senator Franken did a very good job in his testimony on behalf of the shippers. The Powder River Basin coal market has softened. Dry Fork Mine staff has worked 107 days without a lost-time accident. He also discussed detention charges, dust mitigation and train cycle times.

6. Office of General Counsel Report

Mr. Olson reviewed the status of litigation affecting or of interest to the Cooperative. He noted that on March 27, EPA proposed a limit on carbon dioxide (CO₂) emissions such that all new coal-fired generation must include carbon capture. He also reported on the Public Service Commission hearing in Williston yesterday regarding the 3.2-mile Williston Tie Line linking the Williston and Judson Substations.

A. Easement to Northwest Communications Cooperative

Mr. Murray reported that Northwest Communications Cooperative has requested an easement for underground fiber and a hand hole in order to serve Basin Electric's communications services at the Pioneer Generation Station. The easement will be 10 feet in width and Basin Electric's Engineering & Construction staff has approved the location. There will be no compensation as Basin Electric is making the request.

Mr. Murray recommended the easements be granted. After discussion, it was moved by Director Peltier, seconded by Director Drost and carried that the following Resolution be adopted:

R01.04-11-12

BE IT RESOLVED, that Basin Electric hereby grants an easement to Northwest Communications Cooperative to cross Basin Electric land with an underground cable located in the southeast quarter of Section 20, T155N, R103W in Williams County, North Dakota; and

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

B. Easement to Powder River Energy Corporation to Serve Dry Fork Mine

Mr. Murray reported that Powder River Energy Corporation has requested an easement to serve power to the relocated HiVol Station for the Dry Fork Mine. The easement and station will be located on the Fort Union Reserves property owned by Tri-State G&T Association and Basin Electric. The proposed easement is 30 feet by 620 feet. The Western Fuels board approved this easement on March 29.

Mr. Murray recommended the easements be granted. After discussion, it was moved by Director Pearson, seconded by Director Ritthaler and carried that the following Resolution be adopted:

R02.04-11-12

BE IT RESOLVED, that Basin Electric Power Cooperative hereby grants an easement to Powder River Energy Corporation to cross the Fort Union Reserves property in order to provide power to the relocated HiVol Station for the Dry Fork Mine, to be located in the W/2NE/4 and NE/4NW/4 of Section 18, T50N, R71W, Campbell County, Wyoming; and

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

7. Marketing Report

A. Purchased Power Update

Mr. Ratz reported that on April 1, Basin Electric began holding its own operating reserves on the Western Interconnection. Historically, the Cooperative has purchased operating reserves from the Public Service Company of Colorado.

He noted that LOS #1 is offline this month for economic reasons. This will result in avoided fuel costs of approximately \$1 million for the month of April.

Staff continues the analysis of participation in a regional transmission organization. Mr. Ratz also distributed a summary of purchased power costs for the month.

8. Recess and Reconvention

At 11:55 a.m., the meeting recessed until 1:00 p.m., at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

9. Roll Call

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

Donald E. Applegate
Gary Drost
Clifford Gjellstad
Dean McCabe
Wayne Peltier
Roberta Rohrer

Wayne L. Child
Charles Gilbert
Roy Ireland
Kermit Pearson
Reuben Ritthaler

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members David Bangen, Chris Baumgartner, Tracie Bettenhausen, Nolan Bray, Shawn Deisz, Pius Fischer, Mike Fluharty, Daryl Hill, Trisha Johnson, Becky Kern, Rod Kuhn, Deborah Levchak, Jay Lundstrom, Gavin McCollam, Dawn Moore, Mark Nygard, Mike Paul, Dave Raatz, Mike Risan, Kathi Risch, Doug Rothe, Dave Sauer, Tom Stalcup, Myron Steckler, Paul Sukut, Linda Thomas, Kevin Tschosik, Michelle Wiedrich, Lyle Witham and Zane Zuther. Also present were East River director Gaylen Grant and Mor-Gran-Sou Electric Cooperative director Judge Barth.

10. **Marketing Report, continued**

A. **2012 Member Load Forecast**

Jay Lundstrom, Forecast Analyst, reported staff prepares a Load Forecast that is the basis for the Cooperative's power supply planning, rate analysis, transmission planning and financial planning. This forecast covers the period 2012-2025.

Basin Electric's forecast is done on a system-wide basis and all members participated in the forecast, with the exception of Tri-State, which prepares its own forecast. He then reviewed the study process and the projected loads of each of the members by sector. He noted that Basin Electric member load in the Upper Midwest is growing at three times the national average.

Mr. Lundstrom then recommended approval of the 2012 Load Forecast. After discussion, on motion duly made by Director Drost, seconded by Director Child and carried, the following Resolution was adopted:

R03.04-11-12

WHEREAS, Basin Electric Power Cooperative and its member systems have completed a detailed econometric forecast for the period of 2011 through 2025;

WHEREAS, the forecast was prepared in accordance with current Rural Utilities Service regulations using reasonable methodologies and assumptions;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Basin Electric does hereby adopt and approve the 2012 Update of the 2011 Load Forecast as a reasonable forecast of Basin Electric's future deliveries to its member systems.

11. Environmental Report

Lyle Witham, Manager of Environmental Services, reported on the status of the permits and environmental approvals for the Antelope Valley Station (**AVS**) to Naset Transmission line and Pioneer Generation Station.

In the most significant rule promulgated by the Environmental Protection Agency (**EPA**) in 15 years, the new Greenhouse Gas New Source Performance Standards were released on March 27. For new generating resources, the rule limits CO₂ to 1,000 pounds per MWh. EPA states this new rule does not apply to existing sources; however, the NSPS definition of "new source" includes "modification". The CO₂ emission limits will preclude the use of coal for new generation without CO₂ capture and segregation.

12. Transmission Report

Mike Risan, Senior Vice President-Transmission, reviewed the status of the transmission build-out in western North Dakota.

He reported that it was the unanimous opinion of the Integrated System (**IS**) participants to allow the MISO seams agreement to expire at the end of April 2012. Staff is currently working with WAPA to develop a seams agreement between the IS and SPP. This agreement is expected to be in place prior to the expiration of the MISO seams agreement.

He noted that staff continues to work on the analysis of the pros and cons of joining MISO.

He reported that on March 16, 2012, Energy Secretary Chu sent a memorandum to the power marketing administrations indicating they should focus more efforts on increased leadership to promote transmission development; on rate design to promote efficiencies, demand response, and integration of variable resources including minimizing tariff pancaking; on improving regional planning and public/private partnerships; and to seek legislation for more financial authorization for enhancing grid reliability. This got the attention of WAPA's preference customers and may change WAPA's perspective on RTO activity.

He then reported on the March 30 disturbance that began in the LRS switchyard. It is believed to have started when a technician accidentally introduced an AC signal into the DC power supply system that resulted in tripping Units 2 and 3 at LRS. The upset also resulted in unit trips at Pawnee and Wyodak and the reduction in output at the DFS. The units were restored and there was no loss of load.

He then referred the Directors to the written Transmission System Maintenance report.

13. Plant Operations Reports

A. Fossil Fuel Generation

Mike Fluharty, Vice President of Plant Operations, reported there were no Days Away Restricted or Transferred (**DART**) case and no Office of Safety and Health Administration (**OSHA**)-recordable incidents in March. The LRS outage got off to a rough start when a contract scaffold builder fell 25 feet, resulting in a compound fracture of his arm and a gash on his forehead. Another contract employee tripped over some trash and broke his wrist.

He noted that coal-based generation for the month was 6.3 million MWh compared to the budget estimate of 6.9 million MWh or 8.4% under budget. The LRS coal inventory is at 1.37 million tons (a 57-day supply for all three units at full load). He then reviewed year-to-date bus bar costs.

LRS #3 took a 10-day outage early in the month so it won't have to be down 26 days later in the summer.

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

Unit	Availability	Capacity Factor	Unit Rating
LRS #1	73.5%	81.5%	570 MW
LRS #2	90.9%	84.6%	570 MW
LRS #3	66.4%	72.4%	570 MW
LOS #1	99.8%	60.9%	221 MW
LOS #2	98.2%	60.1%	448 MW
AVS #1	100%	82.7%	450 MW
AVS #2	100%	82.8%	450 MW
DFS	64.8%	99%	386 MW

He then reviewed the 24-month moving average forced outage rates.

B. Dry Fork Station Update

Tom Stalcup, DFS Plant Manager, reported that DFS staff has worked 404,208 hours (1618 days) without a DART incident. Net generation in March was 25.32% under the budget and availability was 64.83%. The generation shortfall was mainly because the April outage was moved into March. Year-to-date, net generation is 4.17% under the budget and availability is 83.08%. Mr. Stalcup then showed photographs and discussed activities during the January, 2012 outage for the plugged reflux circulating fluid bed scrubber and the February 28 to March 11, 2012 outage to repair a tube leak in the boiler penthouse.

Nolan Bray, DFS Performance Engineer, presented a report on the inspection of a number of welds in the boiler that were done at the time of manufacture and which are not in accordance with the plans and specifications for this project. The manufacturer has been advised of these deficiencies and staff is preparing a plan to fix these welds and resolve the contractual issues.

C. Distributed Generation Report

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

Unit	Monthly Generation
Groton Unit No. 1	305 MWh
Groton Unit No. 2	Did not run (looking for a new bushing)
Culbertson CT	2684 MWh
Wyoming Distributed Generation	383 MWh

Spirit Mound Unit No. 1	Did not run
Spirit Mound Unit No. 2	Did not run
Wisdom Unit No. 2	Did not run

The Spirit Mound current fuel inventory is 959,408 gallons.

PrairieWinds SD 1. Semi-annual maintenance at the Crow Lake Project is 40% complete. GE warranty blade repair has begun.

PrairieWinds ND 1. There were two load curtailment events – 460 MWh. Pad-mount transformer oil samples were taken during the month. GE warranty blade repair has begun.

Nordex turbines. These turbines were repaired and have been available for service since March 15, 2012. Staff is scheduling a meeting with Nordex to discuss updating the controls. Nordex did call a couple times to see how the units were doing once they were on-line.

The east-side peak occurred on March 2, 2012, at hour ending at 8:00 p.m. At that time, wind generation was as follows:

Project	Capacity Factor for the month	Load Factor During the Peak	Project Total
PrairieWinds ND1	55%	109 MW	123 MW
PrairieWinds SD 1	53%	161 MW	162 MW
Wilton Project	55%	96 MW	99 MW
Baldwin Project	54%	86 MW	99 MW
Edgeley Project	46%	34 MW	40 MW
Highmore Project	48%	36 MW	40 MW
Day County Project	61%	98 MW	99 MW
Iowa Wind Projects	49%	43 MW	45.1 MW
Other Wind Projects (Chamberlain, Rosebud & Pipestone):	30%	3 MW	4.1 MW
TOTAL MARCH WIND GENERATION	54%	665 MW	712 MW
AVERAGE 2012 YEAR-TO-DATE CAPACITY FACTOR	47%		

14. Recess and Reconvention

At 4:30 p.m., the meeting recessed until 8:00 a.m., at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

15. Roll Call

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

Donald E. Applegate
Gary Drost
Clifford Gjellstad
Dean McCabe
Wayne Peltier
Roberta Rohrer

Wayne L. Child
Charles Gilbert
Roy Ireland
Kermit Pearson
Reuben Ritthaler

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, Chris Baumgartner, Shawn Deisz, Mike Eggli, Pius Fischer, Daryl Hill, Jen Holen, Curtis Jabs, Steve Johnson, Mary Klecker-Green, Rod Kuhn, Gavin McCollam, Sally Meier, Dawn Moore, Mark Nygard, Curt Pearson, Mike Paul, Dave Raatz, Mike Risan, Kathi Risch, Doug Rothe, Dave Sauer, Jim Sheldon, Myron Steckler, Paul Sukut, Linda Thomas and Michelle Wiedrich. Also present was East River director Gaylen Grant.

16. Project Updates

A. Project Funding Chart

Mike Paul, Vice President of Engineering and Construction, reported there will be funding requests of \$3.3 million this month.

B. Award of Contract #623688, LRS Rotary Car Dumper Dust Suppression-Phase II Electrical Work

Dawn Moore, Mechanical Engineer, reported this project is to reduce fugitive dust at the LRS Rotary Car Dumper and is required for compliance with the OSHA's Combustible Dust National Emphasis Program. The total project cost is \$8.1 million the completion is scheduled for late summer 2012. Ms. Moore presented photographs of construction and reviewed the status of the project.

LRS Rotary Car Dump Dust Collector Phase II Electrical Scope of Work includes a 6900 volt feeder and installation of the 6900/480 volt transformer, 480 volt switchgear, 480 volt motor control centers and panel boards; wiring of controls and instrumentation; power, lighting and equipment grounding in the new area; and new conduits, cables, cable trays and associated support systems.

She reviewed the bids for the Phase II Electrical Work and recommended the contract be awarded to Van Ert Electrical Co. Inc. for \$893,426.

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

R04.04-11-12

BE IT RESOLVED, that Contract No. 623688 for the LRS Rotary Car Dump Dust Collector Phase II Electrical Work be awarded to Van Ert Electrical Company Inc. in the amount of \$893,426; and

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

C. Deer Creek Station Report

Gavin McCollam, Manager of Mechanical and Performance Engineering, reported there were no first-aid, OSHA recordable or lost-time incidents at DCS in March.

He then presented photographs of the site and reviewed monthly progress. The project is very near completion, with only minor items such as lighting and paving remaining.

Doug Rothe, Assistant Supervisor of Mechanical Engineering, reviewed commissioning activities in progress, commissioning milestones and reported that the project schedule remains on track. Combustion turbine first fire is scheduled for April 17, first synchronization of the steam turbine generator for May 28 and commercial operation for June 5.

Through March, 2012, approximately \$341.6 million of the \$405 million project budget has been expended.

D. Pioneer Generation Station Update

Myron Steckler, Generation Resource Project Manager, reported that the Zoning and Conditional Use Permit have been approved, clearing the way to start construction. Mobilization is scheduled for May 28. The schedule is tied to the delivery of long lead-time equipment.

A safety alignment meeting was held with Wanzek Construction to make sure everyone understands the importance of safety and reporting requirements.

Work continues on the transmission interconnect, water supply interconnect and the natural gas transportation with Williston Basin.

To date, \$11.9 million of the \$60.0 million total project budget has been expended.

E. Lonesome Creek Generation Station Update

Mr. Steckler reported that the comment period on the draft air permit ends on April 20. Approval of the Zoning and Conditional Use Permit will be requested at the May Township meeting. Mobilization is scheduled for end of June/early July.

Work continues on the transmission interconnection and with the McKenzie County Water Resource District to supply water to the plant.

To date, \$7.8 million of the \$64.5 million total project budget has been expended.

F. Lonesome Creek Station-Authorization to Enter into Interconnection Agreement with Northern Border Pipeline Company

Mr. Steckler reviewed the route of the Northern Border Pipeline near the proposed Lonesome Creek Station and the location of the proposed interconnection for fuel supply.

The gas pipeline is being designed large enough to include the gas requirements for a combined cycle facility, should it be needed at a later date.

The scope of the required facilities includes a hot tap, yard piping, metering station including a building, remote terminal unit and building, gas chromatograph for gas composition, telecommunications equipment and fencing. The prepayment cost is estimated at \$2.14 million with a monthly operation and maintenance fee of \$2,000. Mr. Steckler recommended the Interconnection Agreement with Northern Border Pipeline Company be approved.

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

R05.04-11-12

RESOLVED, that the Interconnection Agreement with Northern Border Pipeline Company for the transportation of natural gas to the Lonesome Creek Station presented to this meeting of the Board of Directors at a budgeted cost of \$2,140,000 and a \$2,000 monthly operations and maintenance fee is hereby approved; and

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

G. Minot Southwest Substation

Pius Fischer, Supervisor of Electrical Engineering, began with a review of completed and scheduled transmission additions since 2008. Substations completed include Carr Draw, Hughes, Sheridan, Pumpkin Buttes, Tongue River, Dry Fork Station, Teckla, Neset (2), Charlie Creek, Tioga, Culbertson, Groton, Spirit Mound, Rhame, Sully Buttes and Glenham. Substation projects approved through 2012 include Witten, Squaw Gap, Blaisdell (2), Wheelock, Logan, Kenaston, LOS transformer, Neset, Charlie Creek (2), LRS transformer, Antelope Valley, Berthold, Judson, Tande and Dickinson. Transmission lines completed since 2008 include the Hughes Transmission project, Williston to Tioga, Belfield to Rhame and Culbertson East to Culbertson. Transmission line projects approved but not yet built include AVS to Neset, Judson to Williston, Neset to Tande and Blaisdell to Berthold. The Witten to Lower Brule transmission line project has been placed on hold.

Mr. Fischer reported that several projects along the Kenmare to Logan line were approved in March of 2011—Kenmare, Kenaston, Berthold, Minot SW and Logan.

Originally, the Minot Southwest Substation was to be comprised of a 115 kV (4) breaker ring bus, telecommunications and a 115/42 kV line. The cost of Basin Electric's share of the project was \$5.6 million. The commercial operation date was October 2012.

The current plan is for Central Power to build the 115 kV (4) breaker ring bus and the 115/42 kV line. Basin Electric will be responsible for telecommunications. The Basin/IS cost is \$1.8 million and the commercial operation date is December of 2012. Formal agreements have been executed. He recommended that the project budget and scope of work be revised as presented.

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

R06.04-11-12 RESOLVED, that the Minot Southwest Substation project budget and scope of work be revised as presented, with an estimated Basin/IS cost of \$1.8 million; and

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

H. Kenaston Substation

Mr. Fischer reported that a temporary tap to the Enbridge Substation is needed on the Kenaston to Berthold line. Originally, Burke-Divide Electric Cooperative (**Burke-Divide**) was to build the 115 kV Tap, 10 MVAR capacitors and purchase the land, with a project cost of \$1.6 million (IS qualifying). The commercial operation date was August 2012.

The current plan is for Basin Electric to design and build the entire facility. The Basin Electric/IS Cost is \$4.1 million and Burke-Divide's cost is \$1.1 million. The operational date of the temporary tap to Enbridge is May 2012. The permanent tap and capacitors are scheduled for commercial operation in the second quarter of 2013. Formal agreements are in progress.

He recommended that the Kenaston Tap and Capacitor Bank project budget of \$5.2 million and scope of work be revised and approved as presented.

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

R07.04-11-12 RESOLVED, that the Kenaston Tap and Capacitor Bank project budget and scope of work be revised and approved as presented, with an estimated project cost of \$5.2 million; and

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

I. Richland/Squaw Gap Capacitor Banks

Mr. Fischer reported that the original plan was to install two 15 MVAR kV capacitors at the Richland Substation due to load growth. The IS/Basin Electric cost was \$2.2 million.

This plan has been modified and the current plan is for the Squaw Gap Addition which includes a new line terminal at Squaw Gap for an estimated cost of \$3.7 million. McKenzie Electric will build the transmission line and a temporary tap scheduled for completion in November 2012. The substation completion is scheduled for the second quarter of 2013. Work on the formal agreements has begun.

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

R08.04-11-12 RESOLVED, that the construction of the Squaw Gap Addition as presented, with an estimated project cost of \$3.7 Million be approved; and

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

J. Spare IS 600 MVA Transformer

Mr. Fischer reported that the original project was to locate a spare 600 MVA 345/230 kV transformer at the Broadland 500 kV Substation. The Basin Electric/IS project cost was estimated at \$5.9 million and the completion date was scheduled for October 2012.

The current plan is to locate this spare transformer at the Charlie Creek Substation at a Basin Electric/IS project cost of \$5.5 million. The completion date for this Project is the first quarter of 2013.

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

R09.04-11-12 RESOLVED, that the Spare IS Transformer (600 MVA 345/230 kV) project budget and scope of work be revised as presented, with an estimated project budget of \$5.5 million; and

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

K. Leland Olds Station 600 MVA Transformer

Mr. Fischer reported that the original plan for the installation of the 600 MVA transformer at LOS was approved in March 2011. The project schedule called for operation in September of 2012 for Phase 1 and June of 2013 for Phase 2.

He noted that the plan has been revised to accommodate other changes to the system. The current plan will require a faster, more economical installation and will move the spare 250 MVA to Belfield. The Basin Electric/IS Cost will be \$6.7 million and completion is scheduled for October of 2012. He reviewed the completion plan and recommended that the revised scope and budget be approved.

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

R10.04-11-12 RESOLVED, that the scope and budget for the LOS 600 MVA transformer project be revised as presented with a new project estimate of \$6.7 million; and

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

L. Award of Contract #623311, Leland Olds Station 600 MVA Transformer Construction

Mr. Fischer reported that this project includes removal of the 250 MVA transformer at LOS, installation of the 600 MVA transformer at LOS, two breaker replacements and shunt reactor installation at the Fort Thompson 345 kV line.

He reviewed the bids and recommended the contract be awarded to Highmark, Inc., which took no exceptions to the RFP. Highmark can meet the project schedule and has a very good history with Basin Electric.

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

R11.04-11-12 RESOLVED, Contract #623311, for the construction of the LOS Substation as presented be awarded to Highmark, Inc. for \$1,861,660; and

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

17. Financial Report

Paul M. Sukut, Senior Vice President and Chief Financial Officer, reported that Messrs. Serri, Johnson and he had visited the three rating agencies (Moody's, Standard & Poor's and Fisk) and U.S. Bank, Goldman Sachs and Barclay's during the month.

A. Moody's Methodology Review

David Bangen, Manager of Financial Planning and Forecasting, reviewed Basin Electric's current bond rating as developed using Moody's rating methodology. He then reviewed Basin Electric's financial metrics based upon the prior three years' actual results.

B. Accounting Report

Shawn Deisz, Manager of Accounting, reported that the March 2012 Statement of Operations reflected an estimated net margin of \$3.6 million compared to the budgeted net margin of \$2.3 million for a favorable variance of \$1.3 million. The net margin for the same period last year was \$1.5 million.

She also reviewed changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio at the end of March was 19.6% and at the end of February was 18.9%. The equity-to-capitalization ratio using Moody's Rating Service's methodology at the end of March was 23.6% and at the end of February was 22.7%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 18.2% at the end of March and 18% at the end of February.

Mrs. Deisz then provided an update on the Public Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act). She also reported on the formation of the Board Audit Committee and the Business Practices Committee.

18. Board Audit Committee

At 10:20 a.m., the Board recessed to hold a meeting of the Board Audit Committee. The Board meeting reconvened at 10:45 a.m.

19. External Relations and Communications Report

Mike Eggl, Senior Vice President—External Relations and Communications, discussed the EPA's proposed revisions to the New Source Performance Standards.

Thus far, the 2012 St. Baldrick's event has raised \$216,000 and Basin Electric's event is currently the 13th top St. Baldrick's fundraiser in the world.

A. 2011 Charitable Giving Report

Jen Holen, Charitable Giving Coordinator, reported that in 2011, Basin Electric and its subsidiaries charitable giving totaled \$1,067,492.38 plus surplus assets and in-kind donations of \$4480. She reviewed donations by category and by state and noted that the majority of pledges will end in 2013. One-third of the budget was set aside for member matching donations. In 2011, 19% of the member matching budget was used. She then reviewed the recipients of major donations in 2011, as well as the organizations/programs where Basin Electric employees volunteer.

B. Request for Resolutions Committee Meeting

Mr. Eggl recommended that the 2012 Resolutions Committee be authorized to convene. After discussion, it was moved by Director Drost and seconded by Director Ritthaler that the 2012 Basin Electric Member Resolutions Committee be convened in September. Motion carried. Director Peltier then volunteered to represent the Board on the 2012 Resolutions Committee.

20. Administration

A. IS&T Microsoft Agreement

Pat Spilman, Vice President-Chief Information Officer, reviewed the terms of the licensing agreement renewal for Microsoft products. The contract begins June 1, 2012 and expires May 31, 2015. Overall, a 14.5% discount was negotiated. The renewal agreement requires annual payments of \$631,000, \$680,000 and \$680,000 plus periodic true-ups for the licensing count. The license price is fixed. This is a Basin Electric contract. DGC will pay its portion through the allocation methodology.

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

R12.04-11-12

RESOLVED, that the three-year computer licensing contract with Microsoft is hereby approved; and

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

21. Executive Session

At 12:15 p.m., it was moved by Director Pearson and seconded by Director Child to recess into executive session to discuss business opportunities and human resource matters. At 1:10 p.m., it was moved by Director Drost and seconded by Director Gilbert that the Board arise from executive session. Motion carried.

22. Directors' Reports

Director Applegate reported on NIPCO's annual meeting.

Director Rohrer reported on Central Montana's annual meeting.

Director Gilbert reported that Midland and Humboldt County had voted to merge effective January 1, 2013. He also reported on Corn Belt's annual meeting and its trip to New York to meet with the rating agencies.

Director Peltier reported on Minnesota Valley's annual meeting and noted that the District 9 information meeting will take place on June 11 at Basin Electric's headquarters building.

Director McCabe reported on Upper Missouri's annual meeting and noted that Roger Sorenson is the new board president. Claire Vigesaa is Upper Missouri's new manager. He also expressed his appreciation that the Directors had toured the Bakken area to see Upper Missouri's needs.

Director Drost reported on L&O's annual meeting.

Director Child reported on Tri-State's annual meeting. Tri-State's board officers remained the same. He noted that EPA's new rules could result in Tri-State having to shut down the Nucla Station.


Director Ireland reported on Rushmore's annual meeting.

23. Date and Place of Next Board Meeting

The next meeting of the Board of Directors will take place May 15-17, 2012, at Basin Electric's headquarters building in Bismarck, North Dakota.

24. Adjournment

At 12:55 p.m., it was moved by Director Applegate, seconded by Director McCabe and carried that the meeting be adjourned.



Kermit Pearson
Secretary-Treasurer