Approved May 14, 2013

Basin Electric Power Cooperative
Bismarck, North Dakota

Minutes of the Regular Meeting of the Board of Directors
April 9-10, 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 April 9-10, 2013 starting at 3:00 p.m. CDT.

1. Call to Order

The meeting was called to order by Vice President Wayne Peltier, who presided because President Ireland participated via conference call, 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	Arden Fuher
Charles Gilbert	Roy Ireland (via phone)
Kermit Pearson	Wayne Peltier
Reuben Ritthaler	Roberta Rohrer
Allen Thiessen	

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 Andrea Blowers, Shawn Deisz, Daryl Hill, John Jacobs, Becky Kern, Rod Kuhn, Deborah Levchak, Sharon Lipetzky, Jay Lundstrom, Dale Niezwaag, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Susan Sorensen, Myron Steckler, Paul Sukut, Linda Thomas, Shanda Traiser, Kevin Tschosik, Michelle Wiedrich, Lyle Witham and Zane Zuther. Also present was Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Robert Gaebe.

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 Gilbert and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the March 12-14, 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 thanked the directors for their support of Basin Electric's St. Baldrick's event, where he and son Gabe obtained pledges to have their heads shaved.

He reported that a team comprised of staff from Human Resources and Legal are looking into the issue of child care. A system-wide survey of the employees is being done to obtain current and future day care needs. Staff will also look at partnering with other employers in the area and learning what is available here and at Basin Electric's other locations.

He reported he has met with the Basin Safety team and noted that the new Caterpillar Safety program will begin on April 30.

On March 20, Missouri River Energy Services (**MRES**) CEO Tom Heller was in town and stopped in to visit and discuss Laramie River Station (**LRS**) operations and Regional Transmission Organization (**RTO**) issues.

Mr. Serri reported that Heartland Consumers Power District General Manager Mike McDowell has announced his retirement.

Mr. Serri reported on the Lignite Energy Council Management Committee meeting. The committee is working with a Minneapolis recruiting firm to find John Dwyer's successor. On April 18-19, Basin Electric will host the interviews at Headquarters.

He then reported on several meetings with engineering and design staff regarding a new aircraft hangar. As the cost of a new hangar is substantial, staff has performed an analysis of cost of aircraft ownership versus use of commercial aircraft. Paul Sukut reviewed those results.

He reported that an offer was made and accepted for the position of Senior Vice President, Generation.

The Interview Committee has conducted its second round of interviews of candidates for Vice President of Human Resources.

On March 22, a delegation from Mongolia toured the Synfuels plant. They're very interested in building a similar facility, but they have little water in their country and the coal quality there is poorer than lignite.

Mr. Serri hosted a dinner for the Democratic leadership during the month.

He met with the BTI group several times and is excited about potential business with the membership and in the oil patch.

He then reported on the Dry Fork Mine safety celebration.

Mr. Serri noted he had attended Dakota Gasification Company's (**DGC**) leadership safety event, which is a seminar that prepares employees prior to a major maintenance outage.

A meeting with Burlington Northern is scheduled for April 26 to discuss the demurrage issues at the LRS.

He reported that staff has been making RTO presentations to the Class A and some Class C members.

Shawn Harris, the individual who received chemical burns at LRS, is no longer on light duty and is back to work in the coal yard.

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. Property Management

Mr. Olson reported on the status of easement acquisition on the Antelope Valley Station (**AVS**) to Tande 345 kV transmission project.

B. 2013 Bylaw Review Committee

Mr. Olson reported that the Bylaw Review Committee is scheduled to meet in 2013 and that a notice will be sent to the Class A Managers asking them to identify their representatives (one manager and one director from each District). At this time, the only item to be addressed is updating the descriptions to indicate the three new District 5 (Tri-State) members and the new District 6 (Central Montana) member.

C. Yellowstone Valley Bankruptcy Update

On April 5, the bankruptcy court approved the settlement with the bankruptcy trustee. Yellowstone Valley will leave Southern Montana G&T with a 9 MW share of the WAPA allocation, which will be assigned to Central Montana. This approval of the settlement agreement paves the way for Yellowstone Valley to become a member of Central Montana and then Basin Electric. Work is underway to have the contracts in place so Central Montana can supply power to Yellowstone Valley by June 1, 2013.

The new Western Area Power Administration (**WAPA or Western**) Administrator is Mark A. Gabriel, currently the CEO and President of Power Pundits LLC in Conifer, Colorado, a management consulting firm specializing in the energy industry.

7. Delegation of Authority/Commodity Risk Management Policy

Mr. Olson reviewed the Delegation of Authority resolution, after which Ken Rutter, Vice President, Marketing & Trading, reviewed the Commodity Risk Management Policy.

A. Approval of Modified Delegation of Authority

After discussion, Mr. Olson recommended that the modified Delegation of Authority be adopted. After discussion, it was moved by Director Drost, seconded by Director Applegate and carried that the following Resolution be adopted:

R01.04-09-13 RESOLVED, that within a policy framework established by the Board of Directors, the CEO and General Manager is responsible for meeting the Cooperative's member electric power requirements at the lowest cost, consistent with sound business practices by effectively planning, organizing, directing and controlling the day-to-day business activities of the Cooperative and in order to accomplish these activities, the CEO and General Manager is specifically authorized to:

1. Approve all purchase, sale and other contractual arrangements (subject to the limitations set forth in subsection 4 below) involving the expenditure or commitment of the Cooperative's operating funds;

2. Approve all capital projects in an amount not-to-exceed $3 million and any time such a capital project exceeds $3 million, Board of Directors approval shall be required;

3. For all capital projects approved by the Board of Directors, approve and execute all contractual arrangements involving the expenditure or commitment of funds in an amount not-to-exceed $5 million with the exception of change orders, in which case the limit shall be $3 million; provided, however, in no instance will such authority extend beyond the project budget amount approved by the Board of Directors. Each month, the Board will be provided a report of change orders for all capital project contracts with the original amount of $5 million or more.

4. Approve and execute any commodity or financial market derivative contract with an undiscounted notional or total contract value as of the effective date not-to-exceed $100 million and a term not-to-exceed five (5) years; and

5. Delegate such authority and responsibility to staff members as he deems appropriate in order to facilitate the duties and obligations delegated herein.

B. <u>Approval of Commodity Risk Management Policy</u>

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

<u>R02.04-09-13</u> RESOLVED, the Board of Directors approves the Commodity Risk Management Policy.

C. <u>Amendment to Administrative Services Agreement with DGC</u>

After discussion, Mr. Olson recommended that the amendment to the Administrative Services Agreement with DGC be approved. After discussion, it was moved by Director Applegate, seconded by Director Rohrer and carried that the following Resolution be adopted:

<u>R03.04-09-13</u> RESOLVED, that the Board of Directors approves the Third Amendment to the Administrative Services Agreement between Basin Electric Power Cooperative and Dakota Gasification Company and authorizes the execution of such amendment by the CEO and General Manager, or his designee, on behalf of the Cooperative.

D. Amendment to Management Agreement with DCC

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

R04.04-09-13 RESOLVED, that the Board of Directors approves the Second Amendment to the Management Agreement between Basin Electric Power Cooperative and Dakota Coal Company and authorizes the execution of such amendment by the CEO and General Manager, or his designee, on behalf of the Cooperative.

8. Marketing and Trading Report

Ken Rutter, Vice President of Marketing and Trading, reviewed March weather and loads, WAPA hydro conditions, market prices and west-side transmission. Temperatures in the service territory were colder than seasonal averages. Based on preliminary SCADA information, member loads were 2.2% higher than budgeted.

A. Purchased Power Report

Mr. Rutter reported that short-term purchased power prices were above budget on a $/MWh level, but the overall expense was lower by approximately $500,000. Long-term purchased power volumes were higher than budgeted.

Because the WAPA east-side invoice isn't available until three weeks after the end of the month, board presentations are given using estimates. Last month's short-term purchased power amount was 31.43 and the estimate had been 29.32. So it has been decided that starting next month, actual data will be used in the purchased power report. This means that at the May board meeting, the report will be using actual March data.

9. Cooperative Planning Report

Dave Raatz, Vice President of Cooperative Planning, reported that the renewable energy credits (REC) from the wind and waste heat generation that are not already committed are distributed to the members based on patronage. The members have the option to keep them for their own use or have Basin Electric market them. He showed the 2012 breakdown by sector. The current market price for RECs is 75 to 80 cents per REC. Basin Electric assesses $0.025 per REC for fees and administrative costs to retire RECs.

Mr. Raatz then reviewed member activities and contacts during March.

Small Renewable Generation Issues. Mr. Raatz noted several issues emerging with respect to small renewable generation. There are more than 178 small generators out on the member systems of less than 50 kW and 15 that are from 50-150 kW. The Cooperatives purchase excess consumer generation at rates for this product at 44.3 mills with 1.5% annual escalation.

Currently there is legislation pending in Minnesota that could expand net metering to larger renewable generators and they are also considering legislation that would establish a solar mandate. He noted that as we proceed with rate development this year, we need to review of the small renewable rate level.

He also reviewed the Cooperative's PURPA rate. Currently these are addressed at the distribution cooperative level. There is a process to petition FERC to transfer the obligation to purchase to the G&T. There was discussion on the appropriateness of obligation transfers.

Mr. Raatz also discussed the Consumer Wind Energy Rate. He noted that this rate, as well as the Small Renewable Rate and the PURPA rate, would be discussed with the managers at the next Manager's Advisory Committee meeting.

Regenerative Drives. Mr. Raatz reported that distribution cooperatives in western North Dakota were approached by vendors inquiring about the installation of regenerative drives on oil well pump jacks. These generators operate on energy of the down stroke of the pump jack. He reviewed the economics of operating these types of generators which suggested that these are unlikely to gain wide acceptance.

WAPA Meeting. He reported on a recent meeting with Western where the Cooperative submitted a new load forecast to Western, developed a permitting strategy for committed and new transmission facilities and generator interconnections and identified and discussed load-serving issues expected over the next five years.

Balanced Scorecard. Mr. Raatz introduced Shanda Traiser, Business Strategies Planner, who will be working on the development of the Balanced Scorecard and Point of View documents. The Balanced Scorecard is focused on improving organizational efficiencies and controlling costs. Phase 1 of the Balanced Scorecard development will continue through 2013 and is focused on meeting with employees to develop targets and goals for each Department and Division. Phase 2 involves incorporating the strategic plan and initiatives.

Point of View Document. Mr. Raatz presented a general outline of a Point of View Document. This document consists of identifying and analyzing major issues the Cooperative will be facing in the upcoming years.

A. RTO Membership Direction

Mr. Raatz reviewed an update of the economic evaluation comparing the benefits of joining MISO or SPP, as compared to staying outside an RTO. He noted that staff has completed its meetings with the members where it discussed RTO membership. Western senior staff is also considering the analysis results before they start their official public process, whereby it will obtain input from interested parties on the merits of Western joining an RTO.

The next activities for Basin Electric include supporting Western in the public process, further discussions with SPP on contracts and integration and working with the Basin Electric membership regarding a transmission service cost-sharing policy.

10. Recess and Reconvention

At 5:10 p.m., the meeting recessed and reconvened at 7:30 a.m. on April 10, 2013, at which time the meeting reconvened, Vice President Peltier continuing to preside and Secretary Pearson continuing to keep the minutes.

11. Roll Call

The meeting began with the pledge of allegiance. After calling the roll, the Secretary reported the following Directors present:

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	Roy Ireland (via phone)
Kermit Pearson	Wayne Peltier
Reuben Ritthaler	Roberta Rohrer
Allen Thiessen	

said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Andrea Blowers, Tom Christenson, Shawn Deisz, Mike Eggl, Daryl Hill, John Jacobs, Becky Kern, Rod Kuhn, Les Larson, Sharon Lipetzky, Jay Lundstrom, Brian Matthews, Gavin McCollam, Cris Miller, Dale Niezwaag, Mike Paul, Dave Raatz, Mike Risan, Doug Rothe, Myron Steckler, Paul Sukut, Linda Thomas, Shanda Traiser, Kevin Tschosik, Michelle Wiedrich, Lyle Witham and Zane Zuther. Also present were DGC directors James Geringer and Mor-Gran-Sou director Robert Graebe.

12. Cooperative Planning Report, continued

A. Wisdom Unit #1

Becky Kern, Manager of Utility Planning, reported that the Wisdom Station owned by Corn Belt Power Cooperative **(Corn Belt)** and when Corn Belt became a member of Basin Electric, the parties executed a Power Purchase Agreement that incorporated this generation into the Basin Electric resource portfolio.

Wisdom Unit #1 is a 35 MW unit that went into commercial operation in 1960 as a dual-fuel natural gas and coal unit. In the 1970's, it was converted strictly to coal. Under the current environmental regulations, this unit now has to be either retired or retrofitted by 2015 to comply with the Utility MATS rule.

One of the options available is to restore the capability to burn natural gas in the unit and then it would be allowed to operate 90% of the time on natural gas and 10% on coal without having to install very expensive pollution control equipment. This unit would be used primarily for reserves and would seldom run. Since gas supply is limited during severe cold days during the winter due to limited pipeline capacity, coal would be used only on those days.

Unit #1 either has to be retired or retrofitted by 2015 due to the Utility MATS rule. Options include the following: (1) restore the original capability to burn natural gas at a cost of approximately $3 million; (2) replace the steam turbine with a combustion turbine for approximately $46.8 million; (3) install a new combustion turbine for approximately $63.8 million; (4) convert Units #1 and #2 to a combined-cycle system for between $99.9 to $162.3 million; or (5) retire Unit #1 in 2015 at a cost of between $3 million and $10 million, which would increase the Operations and Maintenance costs at Unit #2 due to shared facilities.

Under the old MAPP Accreditation Working Group, a natural gas facility would need firm gas or be capable of dual fuel. The site has access to interruptible gas. She estimated the cost to get firm gas to be approximately $28 million. A better option would be to restore the unit to its original fuel, natural gas, which is exempt from MATS.

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

R05.04-09-13 BE IT HEREBY RESOLVED, that the CEO and General Manager is hereby authorized to approve, in accordance with the terms and conditions of the Power Purchase Agreement between Corn Belt Power Cooperative and Basin Electric Power Cooperative, a capital project to restore the original capability to burn natural gas in Wisdom Unit #1 at a cost not-to-exceed $3 million.

B. RTO Membership Direction, continued

Mr. Raatz noted he had reviewed the economics of joining an RTO yesterday. He then introduced Tom Christensen, Manager of Transmission Rates, who reviewed the transmission aspects of joining either SPP or MISO.

Mr. Raatz then recommended that the Board adopt a resolution supporting Western in its public process and authorize the CEO and General Manager to negotiate terms and conditions of membership with SPP.

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

R06.04-09-13 RESOLVED, that the CEO and General Manager is authorized to support the Western Area Power Administration in its federal process to join the Southwest Power Pool (**SPP**): and

BE IT FURTHER RESOLVED, that the CEO and General Manager is authorized to negotiate with SPP with respect to terms and conditions upon which the Cooperative might join SPP as a transmission-owning member. Final authorization to join SPP shall be subject to final approval by the Board of Directors.

C. 2013 Load Forecast

Jay Lundstrom, Senior Forecast Analyst, noted that because of the significant load growth in the membership, staff has prepared an update to the load forecast. He reviewed the changes in growth by member and the changes in the member growth by section.

Overall, the forecast increased by 280 MW from the time it was previously updated. After noting that staff is now initiating the process for the 2014 load forecast, he recommended that the 2013 update of the 2011 Forecast be approved.

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

R07.04-09-13 RESOLVED, that the Board of Directors of Basin Electric does hereby adopt and approve the 2013 Update of the 2011 Load Forecast as a reasonable forecast of Basin Electric's future deliveries to its member systems.

13. Plant Operations Reports

A. Fossil Fuel Generation Report

John Jacobs, AVS Plant Manager, reviewed the Cooperative's safety performance for the month. He noted there were no Days Away Restricted or Transferred (**DART**) incidents and no OSHA-recordable injuries in March.

March generation was 5.6% below budget. Actual generation was 6.76 million MWh and budgeted generation was 6.69 million MWh or 0.9% 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 1.41 million tons or a 59-day supply for all three units at full load.

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

Unit	Avail-ability	Capacity Factor	Unit Rating	Comments
LRS #1	82.5%	93.4%	570 MW	Economizer inlet tube leak
LRS #2	93.6%	94.1%	570 MW	Triennial maintenance outage began March 30th
LRS #3	47.5%	76.6%	570 MW	Reaching WEPCO rules NO_x limit so needed to shut down and decided to do the chemical cleaning at this time; trip while testing stop valves; trip on furnace pressure due to ID fan problems; main steam safety valve was lifting
LOS #1	95.2%	81.3%	221 MW	Drum safety repair
LOS #2	97.9%	83.8%	448 MW	Continued TSM rewiring relay in switchyard; replace turbine valve servos
AVS #1	100%	95.2%	450 MW	
AVS #2	99.8%	97.1%	450 MW	Low drum level
DFS	98.9%	95.7%	386 MW	Load center 101 A&B tripped

B. Antelope Valley Station Update

Mr. Jacobs reported that AVS March generation was 550,060 MWh, compared to the actual generation of 598,130 MWh, or 108.7% of budget. Year-to-date budgeted generation was 1,599,326 MWh compared to actual generation of 1,721,141 MWh or 107.6% of budget.

As of March 23, 2013, the AVS employees had recorded 386 days or407,497 hours since the last recorded DART case.

Mr. Jacobs then reviewed AVS performance targets and results for 2012. He then presented photographs and discussed the fix for the raw water intake screen.

C. Distributed Generation Update

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

Unit	Monthly Generation	Unit Rating	Comments
Groton Unit #1	907 MW	200 MW	All for load demand
Groton Unit #2	648 MW		
Culbertson CT	4181 MW	100 MW	All for load demand
WY Dist. Gen.	79 MW	54 MW	25 west side reserve calls in March
SMS Unit #1	Did not run	120 MW	
SMS Unit #2	Did not run		
DCS	Did not run	300 MW	Scheduled to be on-line tomorrow morning (4/11)

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

PrairieWinds SD 1. Mr. Tschosik reported that the South Dakota wind farm experienced an unplanned outage due to an overhead power ground wire failure due to ice.

Wind technicians sited whooping cranes on April 2, at which time Fish and Wildlife officials were notified. Since that time, various towers have been on and off depending on how close the cranes were. If whooping cranes are within two miles of the towers, the towers must be shut down. Because whooping cranes do not fly at night, the wind towers can be operated starting one hour after sunset to one hour before sunrise.

The east-side peak occurred on March 20, 2013 at hour ending 0800. At that time, wind generation was as follows:

Project	Load Factor During the Peak (MW)	March Capacity Factor (%)	Project Total
PrairieWinds ND 1	1 MW	42%	123 MW
PrairieWinds SD 1	14 MW	44%	162 MW
Wilton Project	0 MW	41%	99 MW
Baldwin Project	0 MW	41%	99 MW
Edgeley Project	4 MW	23%	40 MW
Highmore Project	1 MW	40%	40 MW
Day County Project	28 MW	50%	99 MW
Iowa Wind Projects	31 MW	41%	45.1 MW
Other Wind Projects (Chamberlain & Pipestone)	0 MW	29%	3.4 MW
TOTAL MARCH WIND GENERATION	79 MW	42%	712 MW Maximum
AVERAGE 2013 YEAR-TO-DATE CAPACITY FACTOR		45%	---

14. Engineering and Construction

A. Funding Chart

Mike Paul, Vice President, Engineering & Construction, reported that funding requests totaling $28.7 million would be presented this month.

Preliminary requests for May include $11.8 million for the Dickinson Substation, $2.0 million for LRS #2 DCS project and $1.8 million for the LRS #2 burner/overfired air project.

B. Dry Fork Station Final Budget Approval

Paul Sukut, Senior Vice President and Chief Financial Officer reported that the Board approved a Dry Fork Station (DFS) budget of $1.345 billion and a June 30, 2011 commercial operation date, which was later moved to November 1, 2011. He noted that the Project would have been under budget if it had been ready to be placed into commercial operation on June 30, 2011.

Interest during construction from June 30 to November 1 was $22.8 million, offset by revenue from test energy capitalized during the same period, bringing the project cost to $1.358 billion.

He then recommended the board authorize the budget increase to $1.366 billion. After discussion, it was moved by Director Ritthaler, seconded by Director Pearson and carried that the following Resolutions be adopted:

R08.04-09-13 BE IT RESOLVED, that the budget for the Dry Fork Station be revised from $1.345 billion to $1.366 billion; and

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

C. AVS Low NO_X System Project Approval

Lyle Witham, Environmental Services Manager, reviewed the environmental regulations applicable to the NO_X emissions from AVS. Because of the Regional Haze regulations and EPA's Federal Implementation Plan for North Dakota, modifications will be required at AVS to reduce the emissions of NO_X.

Gavin McCollam, Manager of Mechanical and Performance Engineering, noted that the proposed NO_X Reduction System for AVS would consist of a Separated Over Fire Air System (**SOFA**), as well as modifications to the burners. He showed a generic model of the system.

Project milestones call for completion of engineering in June of 2013; material delivery in March of 2014; completion of installation in June of 2014; and compliance as expeditiously as practical, but no later than July of 2018.

He then presented the following project budget:

Engineering	$ 585,000
Materials	$ 7,585,000
Construction	$ 4,500,000
Tax, IDC & Overheads	$ 1,440,000
TOTAL	**$14,110,000**

After responding to questions, he recommended that the project be approved. After discussion, it was moved by Director Drost, seconded by Director Gilbert and carried that the following Resolution be adopted:

R09.04-09-13 RESOLVED, that the Antelope Valley Station #1 NO_X Reduction System presented to this meeting of the Board of Directors at a budgeted cost of $14,110,000 is hereby approved; and

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

D. AVS Low NO_X System Engineering and Material Supply Contract Award

Mr. McCollam then reviewed the bids received for the engineering and material supply of the AVS Low NO_X System and recommended the contract be awarded to Alstom for the current target price of $6,230,504. This is part of the $14.1 million

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

R10.04-09-13 RESOLVED, that the Engineering and Material Supply Contract for the AVS #1 NO_X Reduction System be awarded to Alstom for the current target price of $6,230,504; and

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

E. **Leland Olds Station (LOS) Scrubber Update**

Les Larson, Senior Mechanical Engineer, reviewed the results of the LOS Unit #2 scrubber performance testing done in January 2013. The new scrubber has met all of its performance obligations set forth in the contract and operates in compliance with all regulations.

He presented photographs of the limestone storage building, reagent preparation area, absorber, dewatering, absorber corrosion protection and of a truck loading gypsum. He noted that the Unit #1 tie-in contract was awarded to ICI for $439,655; and the outage to do the tie-in to Unit #1 will take place from May 18 through June 13, 2013. Babcock Power will be on-site for the equipment start-up.

F. **Bismarck Aircraft Hangar Project Approval**

Steve Colberg, Manager of Corporate Services, reported that in 2008, the Cooperative was notified by the Bismarck Airport that due to FAA regulatory changes, its FFA funding would be jeopardized if a non-fixed base operator continued operation at the location of the existing hangar. The land for the hangar is leased from the Airport Authority and expires in 2016.

Staff began studying options in 2009, which are to: (1) move the hangar and lease land elsewhere; (2) sell the hangar and lease from an FBO; or (3) sell the hangar and build a new hangar. The Cooperative's engineering group reports that it is not feasible to move the hangar.

A 40-year ground lease in an area south of the airport next to the Montana-Dakota Utilities Co. hangar was secured in 2009 and is designed in the master plan as a corporate area.

In 2010, staff studied the option of leasing a hangar and office from a FBO, but it was determined this option would require having to house the aircraft in two different locations.

The Cooperative was able to obtain a 40-year lease from the Airport Authority in the area of the airport designated for corporate operations.

In 2012, staff reviewed the requirements for a new hangar: size, future needs, moving travel staff into one location at the hangar. A hangar construction team was formed in May and the existing hangar was listed for sale.

Dawn Moore, Mechanical Engineer, then presented a map of the existing hangar location in relation to the Bismarck airport, as well as an artist's rendering and blueprint of the proposed new facility.

Project costs include all costs associated for the hangar building, parking lot and concrete on the tarmac apron. The project cost breaks down as follows:

Construction contract	$4,958,934
Internal costs (PSI)	$ 861,132
IDC	$ 132,387
10% contingency	$ 595,245
TOTAL	**$6,547,698**

Mr. Sukut reviewed the costs of the new hangar versus the cost of selling the jets and using charter/commercial service for all Cooperative travel. After reviewing the study, he noted that the all-in cost of chartering would be higher on a per-mile basis. Mr. Colbert noted that the existing hangar will be sold for $610,000.

Ms. Moore then recommended that the Project be approved. After discussion, it was moved by Director Pearson, seconded by Director Child and carried that the following Resolutions be adopted:

R11.04-09-13 RESOLVED, that the Headquarters Bismarck Hangar Project presented to this meeting of the Board of Directors at a budgeted cost of $6,547,698 is hereby approved; and

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

G. Bismarck Hangar Project Contract Award

Ms. Moore reviewed the proposals submitted, noting that four of the seven had declined to bid. She recommended the contract be awarded to Maertens-Brenny Construction Company for $4,958,934. After discussion, it was moved by Director Thiessen, seconded by Director Gilbert and carried that the following Resolution be adopted:

R12.04-09-13 RESOLVED, that the Construction Contract for the Bismarck Headquarters Hangar project be awarded to Maertens-Brenny Construction Company in the amount of $4,958,934; and

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

15. Transmission Report

Mike Risan, Senior Vice President, Transmission, reported that later in his report, Duey Marthaller would present a request for an increase in the budget for the Blaisdell to Berthold Project. He reviewed the need and purpose for that line.

Load Serving Capability in the Bakken. Mr. Risan reviewed the operation of the transmission system in the Williston load pocket. While the system was heavily loaded during the coldest days in the winter, no significant problems were noted. He also reviewed temporary modifications and operating guidelines that will be in place in the load pocket that will facilitate construction and integration of new facilities during the summer months.

He noted there was an emergency situation on April 3 in the Charlie Creek Substation when a construction coordinator noticed movement in one of the lighting mast towers. The AVS to Charlie Creek line had to be taken out of service due to issues with the tower foundation. Had that tower failed, it may have pulled the tower over and permanently damaged the transformer. Cracks were found around the base of the structure and five of the eight bolts were broken off. Repairs and modifications were promptly made and other structures are also being checked to insure there are no additional problems.

A. Blaisdell to Berthold 115 kV Transmission Line Budget Increase Request

Duey Marthaller, Manager of Civil Engineering, reported that this project is a 16-mile line connecting the Blaisdell and Berthold Substations. When the budget was established a year ago, the estimate was $300,000 per mile; however, all costs have come in significantly higher, particularly construction costs.

The construction bids were submitted to nine bidders. Three bids were received, the lowest of which was $1.4 million higher than expected due to the increased cost of construction, steel, conductor and right-of-way. Through discussions with contractors that didn't bid, staff learned that they didn't bid due to mobilization issues and that the contractors are so busy. They also can't get linemen in the area.

On the east end of the line, there are two miles of commercial/industrial land to cross. There is also a missile silo just west of the Berthold Substation and all easements must be at least 1200 feet away from the silo. This required a small reroute to the north through a commercial area, which was much more expensive.

Mr. Marthaller then recommended that the budget be increased from $4.8 million to $6.6 million. After discussion, it was moved by Director Fuher, seconded by Director Drost and carried that the following Resolution be adopted:

R13.04-09-13 BE IT RESOLVED, that the budget of the Blaisdell to Berthold 115 kV Transmission Line project originally approved in March of 2012 be increased from $4.8 million to $6.6 million; and

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

Mr. Risan reported that on April 8th, as a result of a storm that caused LRS transmission lines to gallop, generation at the Laramie River Station was interrupted. TSM staff was able to restore the system and found no permanent damage to the transmission line. Staff continues to investigation this situation and may have to submit a report to NERC because several elements were lost.

16. Financial Services

A. Financial Services Report

Mr. Sukut reported on current economic statistics. He also reported on the Cooperative's financial metrics and noted that the Member Investment Program has increased from $139,145.404 at the end of February 2013 to $166,084,477.93 at the end of March. Forty-four of the 135 eligible members participate in the Program. He then reviewed month-end actual and projected outstanding balances in the commercial paper program and Cooperative liquidity.

B. Accounting Report

Shawn Deisz, Manager of Accounting, reported that the March 2013 Statement of Operations reflected an estimated net margin of $7.2 million compared to the budgeted net margin of $495,000 for a favorable variance of $6.7 million. The net margin for the same period last year was $3.6 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 March was 19.5% and at the end of February was 19.2%. The equity-to-capitalization ratio at the end of March using Moody's rating Service's methodology was 24% and at the end of February was 23.6%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 17.5% at the end of March and 17.4% at the end of February.

C. 2014-2023 Financial Forecast Assumptions

David Bangen, Manager of Financial Planning & Forecasting, reviewed total power costs of Basin Electric's coal-based, gas-based and wind-based generation as well as RUS cost reporting and fixed and variable cost reporting. He then reviewed total power cost at AVS, LOS, LRS, DFS and 2008 – 2012 average cost.

17. Recess and Reconvention

At 12:00 noon, the Board recessed until 1:00 p.m., at which time the meeting reconvened, Vice President Peltier continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

18. Roll Call

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	Roy Ireland (via phone)
Kermit Pearson	Wayne Peltier
Reuben Ritthaler	Roberta Rohrer
Allen Thiessen	

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 Sharon, Cerkoney, Mike Eggl, Deb Haga, Daryl Hill, Jennifer Holen, Becky Kern, Brian Matthews, Sally Meier, Cris Miller, Dale Niezwaag, Diane Paul, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Paul Sukut, Linda Thomas, Michelle Wiedrich and Lyle Witham. Also present were DGC director Alan Klein and Mor-Gran-Sou director Robert Graebe.

19. Communications and Administration Report

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

A. Charitable Giving Report

Jennifer Holen, Charitable Giving Coordinator, reported that in 2012, Basin Electric and its subsidiaries charitable giving totaled $1.3 million plus surplus assets and in-kind donations of $60,000. She reviewed donations by category and by state.

Dale Niezwaag, Senior Legislative Representative, reported on legislation of interest in North Dakota and Iowa.

Mr. Eggl then reported on the status of Minnesota legislation, as well as legislative and regulatory activity at the federal level. He also reported that the annual report was sent to the printer.

B. Request for September Resolutions Meeting

Mr. Eggl recommended that the 2013 Resolutions Committee be authorized to convene in September. It was then moved by Director Ritthaler and seconded by Director Pearson that the 2013 Basin Electric Member Resolutions Committee be convened in September and that Director Fuher represent the Board of Directors on the 2013 Resolutions Committee. Motion carried.

20. Directors' Reports

Director Pearson reported that after 39 years with East River, 24 years as the CEO, Jeff Nelson has announced his retirement effective late this year or early next year. The East River Board elected to send a letter supporting the move to an RTO and was appreciative of Basin Electric's thorough study and due diligence into this matter.

Director Applegate reported on the NIPCO annual meeting. Due to term limits at his local cooperative as a result of a merger, Alan Lucken retired from NIPCO's board. Tom Wagner is the new director representing Northwest. Tom Wagner is the son of former Basin Electric director Bill Wagner. NIPCO's new president is Louis Reed from Western Iowa Power Cooperative.

Director Rohrer reported on Central Montana's annual meeting. Yellowstone Valley's directors are thrilled that Basin Electric's Board has approved them as a member.

Director Fuher reported on Central Power's annual meeting and CoBank's membership meeting.

Director Thiessen reported that Upper Missouri has scheduled another strategic planning session. He complimented Basin Electric's staff on how it is coping with maintaining service in the Williston load pocket during cold weather.

Director Gilbert reported on the Corn Belt annual meeting, where he gave an update on Basin Electric. All directors were re-elected.

Director Child thanked the directors for the get well card and good wishes last month. He reported on Tri-State's annual meeting. He noted that Matt Brown has replaced him on Tri-State's executive committee.

Director Drost reported there are approximately 300 power poles down in the areas of L & O and Sioux Valley as a result of this storm.

All of the directors also expressed their appreciation to Mr. Serri and staff for the RTO presentations made for their cooperatives.

21. Date and Place of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place May 14-15, 2013, at the Basin Electric headquarters building in Bismarck, North Dakota.

22. Executive Session

At 1:45 p.m., it was moved by Director Drost, seconded by Director Child and carried that the Board retire into executive session to discuss pension and retirement matters.

At 2:50 p.m., it was moved by Director Drost, seconded by Director Thiessen and carried that the Board arise from executive session.

23. Future Power Supply Discussions

Mr. Raatz then discussed future power supply options.

24. Adjournment

At 3:45 p.m., it was moved by Director Drost and seconded by Director Gilbert that the meeting be adjourned. The motion carried.

Kermit Pearson

Kermit Pearson
Secretary-Treasurer