

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

**Minutes of the Regular Meeting of the Board of Directors
April 15-17, 2014**

		<u>Page</u>
1.	Call to Order	1
2.	Roll Call	1
3.	Approval of the Agenda	1
4.	Approval of the Minutes	1
5.	General Manager's Report	1
6.	Office of General Counsel Report	2
	A. Confirmation of Business Practices Committee Members R01.04-15-14	2
	B. Legal Department Report	2
7.	Generation Report	3
	A. Distributed Generation Report	4
	B. Laramie River Station Plant Update	5
	C. Pulsed Electron Beam Technology for NOX Mitigation	6
	D. Data Center at LRS	6
8.	Marketing and Asset Management	6
9.	Cooperative Planning Report	7
10.	Recess and Reconvention	8
11.	Roll Call	8
12.	Cooperative Planning Report, continued	8
	A. Approval of 2014 Load Forecast R02.04-15-14	8
	B. RTO Internal Activities	9
	C. Power Purchase Agreement Authorization R03.04-15-14	9
	D. Strategic Planning	10
13.	Engineering & Construction Report	10
	A. Funding Chart	10
	B. AVS-to-Judson 345 kV Transmission Line Construction Contract Award R04.04-15-14	10
14.	Transmission Report	10

	A. Consent to Membership in Peak Reliability	R05.04-15-14	11
15.	Communications & Administration Report		11
	A. Request for September Resolutions Committee Meeting	R06.04-15-14	12
	B. IS&T Report		12
16.	Recess and Reconvention		12
17.	Roll Call		12
18.	Financial Services Report		13
	A. Authorization to Open Bank Account	R07.04-15-14	13
	B. Accounting Report		15
	C. 2015-2026 Financial Forecast Assumptions		16
19.	Directors Reports		16
20.	Date and Time of Next Board Meeting		16
21.	Executive Session		16
22.	Adjournment		16

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

**Minutes of the Regular Meeting of the Board of Directors
April 15-17, 2014**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at Basin Electric's headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, on Wednesday, March 12, 2014 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
Marshall Collins	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 interim CEO & General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and staff members Tracie Bettenhausen, Eric Carufel, Shawn Deisz, Tammy DeWitt, Mike Eggli, Matt Greek, Lanette Hellman, Ellen Holt, John Jacobs, Steve Johnson, Becky Kern, Brian Larson, Deborah Levchak, Gavin McCollam, Darla Miller, Kimberly Miller, Mike Petera, Shawna Platz, Dave Raatz, R.J. Reimers, Mike Risan, Ken Rutter, Susan Sorensen, Myron Steckler, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present were Dakota Gasification Company (**DGC**) Chief Operating Officer David J. Sauer, East River Electric Power Cooperative (**East River**) director James Ryken and Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Robert Leingang.

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 Pearson and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the March 12-13, 2014 Regular Meeting of the Board of Directors and the audit committee were presented and after an opportunity for corrections, it was moved by Director Rohrer, seconded by Director Thiessen and carried that the minutes be approved as presented.

5. General Manager's Report

Interim General Manager Sukut reported that staff had attended seven member annual

meetings during the month. All were very well attended. Last week, senior management met with Peter Stark on the action plan to address issues identified from the employee survey. A plan is being worked out and should be completed in the next 30 to 60 days, which will be followed by education and training. These efforts will be combined with the strategic plan.

Mr. Sukut reported that escalating medical costs were a main topic of discussion at the North Dakota Statewide Managers meeting last week. He had been asked to participate to discuss Basin Electric's self-insured medical plan, which is administered by Blue Cross/Blue Shield. Statewide is considering a similar program and he suggested there could be economies of scale if Statewide were to join the Basin Electric plan.

He concluded with a review of the agenda for the Manager's Advisory Committee (MAC) meeting next week.

6. Office of General Counsel Report

A. Confirmation of Business Practices Committee Members

Claire Olson, Senior Vice President and General Counsel, reported that at the August 1999 meeting, the Board approved a number of programs relating to Basin Electric business practices. One of those involved the establishment of a Business Practices Committee.

The Business Practices Committee is comprised of two standing members, the General Counsel and the Vice President of Human Resources, and three at-large employees below the level of Senior Vice President who are appointed by the General Manager and confirmed by the Board of Directors.

He recommended that the Board confirm the reappointment of Blaine Erhardt, Consulting Engineer in the Transmission Department, and confirm the appointment of Andy Buntrock, Manager of Financial Planning & Forecasting, and Chad Edwards, Antelope Valley Station (AVS) Plant Manager. After discussion, it was moved by Director Fuher, seconded by Director Gilbert and carried that the following Resolution be adopted:

R01.04-15-14 BE IT RESOLVED, that Blaine Erhardt be reappointed to an additional two-year term and that Andy Buntrock and Chad Edwards each be appointed and confirmed to a two-year term on the Business Practices Committee.

B. Legal Department Report

LRS BART. Deborah Levchak, Senior Staff Counsel, reviewed the EPA's decision on Wyoming Regional Haze with respect to the Laramie River Station (LRS). She reported on the filing of the appeal to the 10th circuit, and the preparation of the Motion for Reconsideration that will be filed with the EPA. After reviewing the legal strategy she reviewed other matters being pursued including the study of possible alternatives and the efforts underway to comply with the Order. She noted that one of the different technologies being looked at is pulse beam technology and noted that Gavin McCollam would present more information on this technology later in the meeting.

Other alternatives being reviewed include life of plant scenarios, operating

modifications, economics and alternative technologies.

Ms. Levchak then reported that the Halverson v. BEPC/ PrairieWinds ND 1, Inc. (PWND) case had been settled via mediation for a cash amount plus a non-participatory easement, under which Basin Electric and PWND have protection from future claims by future owners of this property.

Mr. Olson then reported on the status of the permitting activities associated with the Antelope Valley Station (AVS)-to-Neset 345 kV Transmission Project.

Mr. Olson then reported on other litigation and matters of interest to the Cooperative.

7. Generation Report

John Jacobs, Vice President of Operations, reviewed the Cooperative's safety performance for the month, noting that there had been no recordable incidents and two Days Away Restricted or Transferred (DART) incidents in March.

He then reviewed the March forced outage rates, equivalent forced outage rates and bus-bar costs. He also reviewed the actual generation for the solid fuel plants, oil and gas plants and wind facilities for March and year-to-date. Environmental compliance averaged over 99 percent for the month.

Total generation from Basin Electric's resource portfolio in March was estimated to be 2.5 million MWh. Generation came in 7.1 percent below budget for March. Year-to-date actual generation at the solid fuel plants is 3.0 percent below budget.

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

Unit	Availability	Capacity Factor	Unit Rating	Comments
LRS #1	58.0%	86.7%	570 MW	Desuperheater/attemperator valves, economizer and secondary superheater tube leaks, circuit breaker
LRS #2	92.7%	93.0%	570 MW	480 volt load center 2C; furnace wall leak
LRS #3	99.7%	95.0%	570 MW	Contractor working on turbine generator
LOS #1	92.0%	78.6%	221 MW	Pump repair; wall tube leak
LOS #2	89.7%	82.6%	448 MW	General maintenance
AVS #1	93.6%	93.6%	450 MW	Triennial maintenance outage
AVS #2	78.9%	88.9%	450 MW	Boiler circ water pump repair
DFS	100%	97.2%	386 MW	

Mr. Jacobs noted that coal blasting at the Eagle Butte Mine has caused vibration that shakes the Dry Fork Station (DFS) facility enough to set off major equipment alarms. Continued blasting could damage equipment, foundations and buildings on the site. Blasting practices will be discussed with Eagle Butte Mine management.

A. Distributed Generation Update

Kevin Tschosik, Distributed Generation Manager, reported that he will meet with students in Bismarck State College's Instrument and Control program to explain who Basin Electric is, what facilities we have and the job skills required for various positions to promote Basin Electric as an employer of choice. He noted that he plans to expand to speak at other schools as well.

He then reviewed natural gas prices and noted that March distributed generation at the facilities was as follows:

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Groton Unit #1	100%	824 MWh	100 MW	Ran for load
Groton Unit #2	78.45	4 MWh	100 MW	Repaired high pressure compressor
Culbertson CT	99.25	2,460 MWh	100 MW	Ran for load
WY Dist. Gen.:	99.46%	64 MWh	54 MW	
SMS Unit #1	100%	0 MWh	60 MW	Did not run
SMS Unit #2	99.89%	0 MWh	60 MW	Did not run
Deer Creek	83.91%	4,422 MWh	300 MW	
PGS Unit #1	86.5%	1,801 MWh	45 MW	
PGS Unit #2	92.4%	2,324 MWh	45 MW	
PGS Unit #3	9%	6 MWh	45 MW	Making progress on frozen pipelines
LCS Unit #1	78.0%	5,090 MWh	45 MW	
PWND 1	96.89%	40,893 MWh	123 MW	
PWSD 1	96.12%	64,618 MWh	162 MW	

He reviewed the number of hours that LCS 1 and PGS 1 ran in synchronous condensing and noted that DCS ran one day in March.

Mr. Tschosik reported there had been 20 west-side reserve events during the month.

PrairieWinds ND 1. Mr. Tschosik reported that the PWND high-speed gear and bearing were replaced on Tower 75 and that annual maintenance has begun.

PrairieWinds SD 1. The Western Area Power Administration (WAPA or Western) curtailments resulted in the loss of 315 MW. Seventeen whooping cranes arrived in White Lake, South Dakota, on April 11, resulting in the shutdown of all 94 South Dakota wind turbines for nearly two hours that day. There are still seven whooping cranes on site, so several turbines are still shut down.

The east-side peak occurred on March 1, 2014 at 8:00 p.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor	Project Total
PrairieWinds ND	68 MW	45%	123 MW

PrairieWinds SD	28 MW	54%	162 MW
Wilton	27 MW	44%	99 MW
Baldwin	35 MW	47%	99 MW
Edgeley	9 MW	35%	40 MW
Highmore	9 MW	45%	40 MW
Day County	42 MW	53%	99 MW
Iowa Wind	19 MW	50%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	32%	3.4 MW
Total March Wind Generation	238 MW	48%	712 MW maximum
Average Monthly Capacity Factor	n/a	48%	n/a
Average YTD Capacity Factor	n/a	54%	n/a

B. Laramie River Station Plant Update

Brian Larson, LRS Plant Manager, reported that John Jacobs, the new Vice-President of Operations has attended several meetings at the LRS to meet the staff and visit with them concerning plant operations

Safety. Year-to-date, the LRS has had seven injuries, six OSHA recordables, three DARTs and 30 near-misses. As of March 22, 2014, LRS employees had worked 45,589.7 hours without a DART case. The Total Case Incident Rate is 8.15.

Environmental. Environmental compliance was 99.0 percent the first quarter of 2014. Stack emissions monitoring was 100% for NO_x, 97.07% for Opacity and 98.65% for SO₂.

Production. March Station budgeted generation was 1,151,971 MWh compared to actual generation of 979,181 MWh, which was 85.0 percent of budget. He reviewed the LRS 2014 plant targets for heat rate, net generation, availability, forced-outage rate, station service, number of starts, scrubber compliance, safety, sick leave and overtime.

Mr. Larson reported that year-to-date (YTD) actual generation was 3,037,744 net MWh compared to 3,303,237,744 budgeted generation, which is 92% of budgeted generation. He then reviewed YTD statistics for net heat rate, forced outage rate and equivalent forced outage rate.

Mr. Larson then presented photographs and described the economizer inlet tube replacement.

Water. As of March 31, 2014, the level of Grayrocks Reservoir was 4388.9 feet compared to 4385.8 feet on February 28, 2014. The current lake level is 15.1 feet below normal high-water line and storage is at 55.7% full. Currently, the river is at 120 cubic feet per second into Grayrocks.

Coal. The coal inventory totaled 857,122 tons which is a 35.7-day supply operating at full load. He also reviewed the snowpack report and items scheduled for the Unit #3 triennial maintenance outage which began on April 5.

He also discussed the Combustion Emission Reduction Technologies (CERT)

Project, which began December 18, 2013. The treatment of the coal has resulted in a visible decrease of mercury emissions of approximately 20 percent and could have contributed to small decreases in NO_x emissions as well.

He then reviewed the railroad expansion project, which enables Track #9 to hold a full 136-car train. The project also included the addition of new switch and extension of Track #1 prior to entering the south side of the dumper building and will allow two loaded trains to sit side-by-side, if needed. Expansion of the bridge on the north side of the existing tracks was done to accommodate the new outbound track.

CAT Safety Continuous Improvement Team 1 rolled out the pilot inspection log on March 27, 2014. The Coal System Focus Team was founded in August of 2013 to meet combustible dust NEP standards and to improve coal system safety and reliability by utilizing a combination of technology and cleaning while reducing operational and maintenance costs to an acceptable level. Major projects in 2014 include hazardous gas monitoring in coal bunkers; dust suppression at two locations; and engineered chute installation at nine transfer points.

He then reviewed the revised LRS hierarchy structure, the mission of which is to restructure LRS' asset hierarchical structure to improve equipment history, facilitate asset location, streamline work management procedures and account for all individual plant equipment and components. The expected completion date is the summer of 2016.

C. Pulsed Electron Beam Technology for NO_x Mitigation

Mike Petera, Electrical Engineer, described pulsed electron beam technology being explored by the U.S. Naval Research Laboratory, which could possibly be used for NO_x mitigation. This was being examined as a possible alternative to the installation of SCR's as required by the recent decision of the EPA.

D. Data Center at LRS

Mr. Petera reported on the possibility of upgrading the LRS data management in conjunction with the development of a commercial data center at LRS. He reviewed the existing data facilities and how they might be upgraded and incorporated into a data center. He noted that work continues looking at the feasibility of such a project and no action is contemplated at this time.

8. Marketing and Asset Management

Ken Rutter, Vice President of Marketing and Asset Management, reviewed the March membership loads, purchased power estimates and estimates of non-member sales. He also reported on the production of the Cooperative's gas-fired facilities.

He noted that power pricing is reverting back to more seasonal norms. Member demand for March was again higher than forecast. Member energy requirements for the month are estimated higher than forecast by roughly 150,000 MWh. The differential energy was supplied from a combination of market purchases, higher natural gas generation and wind generation. Expenses for the replacement energy were higher than forecast, but overall Basin Electric revenues were in excess of additional expenses due to non-member sales, member energy and overall member demand.

Marketing is reviewing all dispatch pricing for the coal-based units. Some off-peak hours are dropping below what we believe is the true variable dispatch price for the units. Backing down the units and making market purchases may be a more viable alternative for the membership.

Purchased power volumes were up, as well as natural gas burns and wind energy. The higher purchased power expenses and fuel expenses will be offset with cost-plus 10 percent sales to WAPA and non-member sales revenues. Owned generation produced roughly 9,000 MWh more than budgeted. This additional volume was driven significantly by the natural gas units.

Estimated March short-term non-member sales volumes were higher than anticipated. Prices on the East were stronger than forecast and the overall gains largely offset the increased purchase power expense.

A 50 MW ATC product was purchased from TEA at \$40/MWh for the month of April. Several potential hedges are in development for the next 12 months. The start-up of the Southwest Power Pool (SPP) Day-2 market will provide new opportunities for the Cooperative. The SPP Day-2 LMP marketing pricing appears to have stabilized. More data is needed to begin true statistical analysis but trends are starting to develop.

9. Cooperative Planning Report

Dave Raatz, Vice President of Cooperative Planning, introduced Mike Risan, Senior Vice President of Transmission, who reported on the discussions underway within the SPP to modify the SPP bylaws, membership agreement and tariff to accommodate the concerns of the Integrated System (IS) members when they join the SPP. He reviewed the issues concerning these agreements that required changes to these documents.

Mr. Raatz then reported there is a meeting with WAPA in Billings on May 7 which will include discussions on transmission operations, scheduling and dispatching, billing aspects and meter reading requirements for the SPP membership. Staff is working to get everything in place so the SPP can make a decision in early June and Basin staff to request board authorization to join the SPP at the June 2014 board meeting. However, there could be delays in the SPP process that could delay Board Action. Work continues on the RTO economic update.

Load Growth Expectations. Mr. Raatz reviewed the 2014 Load Forecast. He noted that the forecast reflects that through 2035, the member annual peak demand is projected to grow by 2460 MW. Over the next five years, peak demand is scheduled to grow by 943 MW.

Mr. Raatz noted that to meet this load growth, staff, over the next six months, will bring to the Board for approval approximately 400 MW of peaking capacity, as well as additional purchases from the market and participation in a combined-cycle unit.

Value of Wind. Mr. Raatz noted that the Cooperative has approximately 700 MW of wind generation in its generation portfolio. He reviewed the economics of the operation of this amount of generation in conjunction with the other assets. He noted the positive economics of this wind portfolio and noted that its value will be enhanced in future years because of the load growth, increases in fuel prices and likely costs associated with carbon emissions.

2013 Renewable Energy Credit (REC) Distribution. Mr. Raatz reported that the

membership was notified of the 2013 REC allocations based on 2013 member patronage. They were asked if Basin Electric should transfer them to the membership or sell those RECs into the Market Pool. He then reviewed the 2013 REC distribution, as well as the REC payment timeline. He recommended that the current REC distribution policy be maintained for 2015.

MAC Agenda. Mr. Raatz then reviewed agenda items for the April 22-23, 2014 MAC meeting.

10. Recess and Reconvention

At 12:15 p.m., the meeting recessed until 9:30 a.m. on April 16, 2014, at which time the meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

11. Roll Call

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

Don Applegate	Paul Baker
Marshall Collins	Gary 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 Interim CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Kimberly Badenhop, Cory Bauer, Tracie Bettenhausen, Don Boehm, Andrew Buntrock, Gary Christenson, Shawn Deisz, Tammy DeWitt, Mike Ettl, Matt Greek, Chad Heck, Ellen Holt, John Jacobs, Steve Johnson, Becky Kern, Mark Kinzler, Gavin McCollam, Kimberly Miller, Mike Murray, Deb Olafson, Dave Raatz, Robert Reimers, Mike Risan, Ken Rutter, Mitch Stafford, Myron Steckler, Shanda Traiser, Kevin Tschosik, Amanda Wangler, Valerie Weigel, Michelle Wiedrich and Roxanne Woeste.

Also present were DGC Chief Operating Officer David J. Sauer, East River director James Ryken and Mor-Gran-Sou director Robert Leingang.

12. Cooperative Planning Report, continued

A. Approval of 2014 Load Forecast

Mr. Raatz reported that staff prepares a Load Forecast that is the basis for the Cooperative's power supply planning, rate development, transmission planning and financial planning. This forecast covers the period 2014-2035.

The 2013 Load Forecast Update was completed one year ago. Since then, the national economy and employment picture are improving, the GDP has increased, manufacturing and services are increasing and consumer spending is increasing.

Growth in the membership is 2.5 times the national average and 18 percent over last winter.

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, total member annual peak demand, member energy requirements by sales classification, comparison to national average and the projected loads of each of the members by sector. Mr. Raatz then recommended that the load forecast be approved.

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

R02.04-15-14 WHEREAS, Basin Electric Power Cooperative and its member systems have completed a detailed econometric forecast for the period of 2013 through 2035;

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 2014 Load Forecast as a reasonable forecast of Basin Electric's future deliveries to its member systems.

B. RTO Internal Activities

Kimberly Badenhop, Cooperative Planning Project Coordinator, reviewed the internal teams that were organized to work on the activities for transitioning into the SPP. In the next three months, impact statements will be gathered to determine where we are today, and what needs to be done by October 2015. Detailed timelines, as well as capital and expense budgets, will be established for each team. She reviewed the staffing requirements for each team.

RTO External Activities

Mr. Raatz reported staff is working on the RTO Economic Update and will meet with Western on May 7 to discuss our future relationship.

C. Power Purchase Agreement Authorization

Becky Kern, Manager of Utility Planning, noted that overall, the Cooperative's peak demand is expected to grow 900 to 1000 MW over the next five years. She reviewed the loads and resources in the IS/SPP planning area and in the MISO planning area. She then reviewed how the load growth would be served in each area through a combination of purchased power and construction of peaking and possibly combined-cycle generation.

Ms. Kern then noted that staff has conducted negotiations with three entities in the IS/SPP region and two in the MISO region regarding power purchase agreements. She reviewed the terms and conditions of each and recommended that the CEO and General Manager be authorized to enter into agreements to purchase up to 250 MW upon completion of the final negotiations.

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

R03.04-15-14 BE IT RESOLVED, that the CEO and General Manager of the Cooperative, or his designee, is hereby authorized and empowered, on behalf of the Cooperative, to negotiate, execute

and deliver agreements to purchase capacity and/or energy in the approximate aggregate amount of 250 MW, on such terms and conditions as he deems in the best interests of the Cooperative.

D. Strategic Planning

Shanda Traiser, Business Strategies Planner, reviewed strategic planning efforts to date. She reviewed the next steps to establish a formal written strategic plan by September 2014. The strategic plan will include: strategic themes, strategy map showing strategic goals for each section of the balanced scorecard; objective worksheets, including definitions, metrics to measure/track, reporting responsibility; targets; and a narrative summarizing key elements of the plan.

Monthly discussions will be held with the board and senior staff for updates on current and future action items and review of remaining strategic objectives. She reviewed items to be discussed month-by-month.

13. Engineering & Construction Report

A. Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that a request of \$35 million would be made this month for the AVS-to-Judson 345 kV transmission line construction contract. He then reviewed the approved budgets, totals committed and scheduled completion dates for all of the current major projects.

B. AVS-to-Judson 345 kV Transmission Line Construction Contract Award

Myron Steckler, Project Management and Construction Manager, introduced Gary Christenson, the project manager for the project, who reviewed the route of the AVS-to-Neset transmission line, the status of the permitting and the timeline for construction. He noted that the Cooperative requested proposals for the construction of the AVS-to-Judson segment of the Project. Five proposals were received and after reviewing each bid, he recommended that the contract be awarded to Great Southwestern Construction for an estimated \$35 million, with the final contract price adjusted by the CEO and General Manager upon conclusion of negotiations. After discussion, it was moved by Director Thiessen, seconded by Director Drost and carried that the following Resolution be adopted:

R04.04-15-14

RESOLVED, that a contract for the construction of the Antelope Valley to Judson 345 kV Transmission Line Project be awarded to Great Southwestern Construction for the currently estimated amount of \$35 million with the final contract price adjusted by the CEO & General Manager when negotiations have concluded; and

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

14. Transmission Report

Mr. Risan reported that the capacitor installation that was approved last month had proved advantageous, particularly with respect to the McKenzie area. He reported there are weekly calls with Upper Missouri to accommodate the changing

environment.

He then reviewed several proposed transmission line projects and transformer additions being contemplated in northwest North Dakota.

ICCUA losses. Mr. Risan noted that WAPA recently agreed to reduce the MDU losses on its system to four percent. As a result, MDU has agreed to reduce the Basin Electric member losses to four percent under the Interconnection and Common Use Agreement.

NERC. Mr. Risan noted that staff continues to work on the implementation of the NERC reliability requirements. Currently they are working with WAPA, the members and other utilities to sort out responsibilities for facilities that have joint ownership.

A. Consent to Membership in PEAK Reliability

Mr. Risan reported that WECC is splitting and spinning off its reliability coordinator function. This has already been done on the east where MAPP was the old planning and reliability region and with the advent of mandatory reliability standards, it spun off MRO so that separate entities are doing the standards and the policing. The utilities in WECC are being asked to consent to join this new reliability coordinator function called PEAK Reliability. He recommended that the Cooperative execute the Consent to Membership in Peak Reliability.

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

R05.04-15-14 RESOLVED, that the "Consent to Membership in Peak Reliability" be approved and that the officers of the cooperative be authorized to execute.

15. Communications & Administration Report

Mike Eggl, Senior Vice President, Communications and Administration, reported that 54 industry representatives, 42 state environmental officials, 22 states and representatives from the EPA are attending the Energy-Producing States Summit at Bismarck State College April 16-17. This summit provides an opportunity for the 22 energy-producing states to provide input to the EPA on the proposed regulation on greenhouse gases for existing resources.

Senator Heitkamp recently introduced S 2152, Advanced Clean Coal Technology in our Nation Act (ACCTION) that includes \$2 billion worth of loan guarantees, a 30% carbon sequestration tax credit, capture carbon price supports and clean coal bonds. The bill has received support from the Lignite Energy Council, Minnkota, Basin Electric, MDU and Great River Energy.

He then presented a video news clip on the Lonesome Creek Station.

Andrea Blowers (editor), Julie Ness (designer) and Steve Crane (photographer) received a "Spotlight on Excellence" award for Best Annual Report. Basin Electric's "Energize Blog" (internal wellness blog by Nicole Perrault) received a Silver Award for Best Use of Social Media.

Mr. Eggl reported that, to date, the 2014 St. Baldrick's fundraiser has raised \$320,000.

He reported that nearly 400 people from cooperatives throughout the state will attend the appreciation dinner for sponsors of the North Dakota Heritage Center addition. The Center's "Governors' Gallery" has been sponsored by the Touchstone Energy

Cooperatives of North Dakota. The 2014 annual meeting social will be held at the Heritage Center Governors' Gallery.

A. Request for September Resolutions Committee Meeting

Mr. Eggl recommended that the 2014 Resolutions Committee be authorized to convene in September. After discussion, it was moved by Director Drost, seconded by Director Baker and carried that the following Resolution be adopted:

R06.04-15-14 BE IT HEREBY RESOLVED, that the 2014 Basin Electric Power Cooperative Member Resolutions Committee be convened in September and that Director Thiessen represent the Board of Directors on the 2014 Resolutions Committee.

B. IS&T Report

Chad Heck, Manager of Key Business Processes, reported on the IS&T work plan involving governance, BTI, scorecard, project prioritization, business planning and "minding the store".

Mark Kinzler, Vice President & Chief Information Officer, reported that the Infor and Asset Suite disaster recovery tests had been successful. The Energy Trading Risk Management (ETRM) software will go live for gas trading and settlements on May 1.

With respect to the RTO integration, IT staff is working with the Business Units to determine application and IT needs. A structure group is developing request for proposal documents and a structure group is working on business impact assessments.

Microsoft notified Basin Electric that it has been selected for a Microsoft software audit. All sites and networks are included, both administrative and process. The audit covers all operating systems and applications. The first step is to provide an inventory, then provide proof of purchase.

The "Heartbleed" bug recently uncovered vulnerability in Open SSL, which affects half to two-thirds of all encrypted traffic on the internet. It is a big deal as what is exposed is the actual encryption keys. Numerous Basin Electric systems were affected; however, all systems were patched and security certificates were reissued by Monday. A review of logs has revealed no malicious activity.

16. Recess and Reconvention

At 11:47 a.m., the meeting recessed to hold the Basin Telecommunications, Inc. annual shareholder and quarterly board meetings. At 12:05 p.m., the meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

17. Roll Call

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

Don Applegate
Marshall Collins
Arden Fuher
Mike McQuiston
Wayne Peltier
Allen Thiessen

Paul Baker
Gary Drost
Charles H. Gilbert
Kermit Pearson
Roberta Rohrer

Said persons being all of the Directors of the Cooperative. Also present were Interim CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Tracie Bettenhausen, Andrew Buntrock, Eric Carufel, Shawn Deisz, John Frank, Matt Greek, John Jacobs, Steve Johnson, Rod Kuhn, Darla Miller, Kimberly Miller, Dave Raatz, Mike Risan, Susan Sorensen, Valerie Weigel, Michelle Wiedrich and Roxanne Woeste.

Also present were DGC Chief Operations Officer David J. Sauer, East River director James Ryken and Mor-Gran-Sou director Robert Leingang.

18. Financial Services Report

Steve Johnson, Interim Senior Vice President & Chief Financial Officer, reported on the following items:

Member Investment Program. The March month-end Member Investment Program balance was \$175,035,826 which was an increase of \$17 million over the February balance.

Liquidity. Liquidity continues to be strong. The Rural Utilities Service (RUS) Cushion of Credit account balance was \$228.8 million at the end of March, which includes \$2.8 million of interest earned in the first quarter of 2014. The balance is the equivalent of six quarters of FFB debt-service payments. The commercial paper program outstanding balance at the end of March was \$195 million. The US Bank/Farm Credit Revolver had an available balance of \$400 million at the end of March.

First Quarter Update. First quarter net margins and earnings was \$40.1 million compared to the budget of \$15.9 million for variance of \$24.2 million. Basin Electric experienced the two highest months of member billing ever in January of 3,558 MW and again in February of 3,423 MW.

RUS Reorganization. Mr. Johnson reported that, as proposed, there will no longer be a power supply division at RUS. The proposed reorganization would have all distribution and G&T loans handled by five loan specialists. These five specialists would report to the current head of the distribution section for the northern region.

A. Authorization to Open Bank Account

Mr. Johnson recommended that Basin Electric open an account with Branch Banking and Trust Company, which has indicated it is potentially interested in participating in Basin Electric's future financing needs.

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

R07.04-15-14 RESOLVED, that Branch Banking and Trust Company

(the Bank) is hereby designated as depository for the funds of Basin Electric Power Cooperative (the Cooperative) and that the officers and other persons of the Cooperative are authorized to open or continue an account or accounts with the Bank and to execute and deliver to the Bank signature card or cards supplied by the Bank containing specimen signatories of the officers and other persons hereinafter named, and that the officers and other persons hereinafter named are hereby authorized for and on behalf of the Cooperative to sign (either in original form or by facsimile), make, draw, accept, endorse or cause to be endorsed and to deposit or cause to be deposited in such account or accounts from time to time checks, notes, drafts, bills of exchange, acceptances, orders and other instruments for the payment of money to the Cooperative or withdrawal of funds held by the Cooperative;

RESOLVED, that the Bank is hereby authorized and directed to honor, pay and charge any of the accounts of the Cooperative, without inquiry to or responsibility for the application of the proceeds thereof, all checks, drafts or other orders for the payment, withdrawal or transfer of money in the accounts of or to the credit of the Cooperative, and to honor any authorization for the transfer of funds between different accounts whether oral, by phone or electronic means without inquiry as to the circumstances related thereto and for whatever purpose or to whomever payable, including requests for conversion into cash as well as for deduction from and payment of cash out of any deposit, and whether or not payable to, endorsed or negotiated by or for the credit of any person signing same or any other officer, agent or employee of the Cooperative, when signed or endorsed by an original or facsimile signature if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Bank by the Secretary-Treasurer or other officer of the Cooperative;

BE IT FURTHER RESOLVED, that checks, notes, drafts, bills of exchange, acceptances, orders and other withdrawal orders and any and all other directions and instructions of any character with respect to funds of the Cooperative now or hereafter with the Bank may be signed by any one person holding the following offices or positions with the Cooperative: President, Vice President, Secretary-Treasurer, Chief Executive Officer & General Manager and Senior Vice President & Chief Financial Officer and said Bank is hereby fully authorized to pay, cash or otherwise honor or charge to such account or accounts any checks, notes, drafts, bills of exchange, acceptances, orders and other deposits or withdrawal orders so signed;

BE IT FURTHER RESOLVED, that any person then holding one of the offices or positions herein named

and their designees (in writing) be and they hereby are, authorized to give written or verbal instructions by telephone, telegraph, or otherwise, as they deem proper; and the Bank is authorized to accept instructions from any such person herein named or their designee (in writing) as to the delivery of checks, notes, drafts, bills of exchange, acceptances, orders and other instruments for the payment of money or temporary investment of money from the account or accounts of the Cooperative; and any such person shall have the fullest authority at all times with reference to any such person shall have the fullest authority at all times with reference to any transaction deemed by him to be proper to make or enter into for or on behalf of the Cooperative with the Bank: President, Vice President, Secretary-Treasurer, Chief Executive Officer & General Manager and Senior Vice President & Chief Financial Officer.

BE IT FURTHER RESOLVED, that the following persons presently occupy the respective offices and positions designated in this resolution and that the same are duly qualified as such officials:

Wayne Peltier, President
Kermit Pearson, Vice President
Gary C. Drost, Secretary-Treasurer
Paul M. Sukut, Chief Executive Officer & General Manager
Steven P. Johnson, Senior Vice President
& Chief Financial Officer

BE IT FURTHER RESOLVED, that these resolutions shall remain in full force and effect and the Bank shall be entitled to rely upon a certified copy of these resolutions until written notice of modification or rescission has been furnished to and received by the Bank.

B. Accounting Report

Shawn Deisz, Vice President & Controller, reported that the March 2014 Statement of Operations reflected an estimated net margin of \$7.5 million compared to the budgeted net margin of \$3.0 million for a favorable variance of \$4.5 million. The net margin for the same period last year was \$7.2 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 21.6 percent and at the end of February was 21.3 percent. At the end of March, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 26.1 percent and at the end of February was 25.50 percent, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 21.4 percent at the end

of March and 21.00 percent at the end of February.

C. 2015-2026 Financial Forecast Assumptions

Andrew Buntrock, Manager of Financial Planning & Forecasting, reported that the purpose of the assumptions is to establish Cooperative-wide assumptions to be used in the Basin Electric and subsidiaries 2015-2024 financial forecasts.

He then reviewed the assumption for commodity prices, natural gas price, WTI oil price, #2 diesel price, Gulf Coast 3% price, Benzene price and interest rates.

19. Directors' Reports

Director McQuiston, Fuher, Thiessen, Gilbert, Collins, Applegate, Drost and Peltier thanked staff for participating in their annual meetings.

Director Peltier noted that Basin Electric had made a donation to the medical cancer clinic under construction in Marshall, Minnesota, and was much appreciated. He reported that he had been re-elected to the board at Minnesota Valley's annual meeting. District 9 has scheduled an information meeting in June.

20. Date and Time of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place May 13-15, 2014, at the Basin Electric headquarters building in Bismarck, North Dakota.

21. Executive Session

At 2:20 p.m., it was moved by Director Drost and seconded by Director Applegate that the Board retire into executive session. At 3:00 p.m., it was moved by Director Gilbert, seconded by Director Thiessen and carried that the Board arise from executive session.

22. Adjournment

There being no further business to come before the meeting, President Peltier adjourned the meeting at 3:00 p.m.



Gary C. Drost
Secretary-Treasurer