

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

**Minutes of the Regular Meeting of the Board of Directors  
May 15-16, 2012**

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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, Bismarck, North Dakota, on May 15-16, 2012 starting at 1:07 p.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, staff counsel Deborah Levchak and Basin Electric staff members David Bangen, Mike Eggl, Pius Fischer, Mike Fluharty, Daryl Hill, Curtis Jabs, Steve Johnson, Becky Kern, Rod Kuhn, Gavin McCollam, Mike Murray, Mark Nygard, Mike Paul, Dave Raatz, Mike Risan, Doug Rothe, Dave Sauer, Myron Steckler, Matt Stoltz, Paul Sukut, Linda Thomas, Steve Tomac, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present was Minnesota Rural Electric Association (**MREA**) general manager Mark Glaess.

**3. Approval of the Agenda**

The Directors considered the agenda for the conduct of the business of the meeting. Mr. Serri recommended that "Approval of the 31<sup>st</sup> Supplemental Indenture" be added under the Financial Services report. After an opportunity for addition and deletion of items, it was moved by Director Drost, seconded by Director McCabe and carried that the agenda be approved as revised.

**4. Approval of the Minutes**

The minutes of the April 11-12, 2012 Board and April 12, 2012 Board Audit Committee meetings were presented. After an opportunity for corrections, it was moved by Director Rohrer, seconded by Director Peltier and carried that the minutes be approved as presented.

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

Mr. Serri reported on meetings of the Manager's Advisory Committee (**MAC**), Lignite Energy Council, the Charitable Giving Committee, Gillette Chamber of Commerce luncheon honoring Governor Mike Mead, Western Fuels Association, the National Rural Electric Cooperative Association (**NRECA**) Legislative Rally, the construction group regarding planning and design for the new hangar building and the PRECorp open house for its key customers. He also toured the National Energy Center at Bismarck State College (**BSC**) and met with BSC president Larry Skogen. He noted that Basin Electric should be very proud of its participation in this project.

Main topics of discussion at the MAC meeting were rate impact from development in the Bakken and RTO participation.

Former Wyoming Governor James Geringer has accepted the Dakota Gasification Company (**DGC**) directorship position and will attend the May DGC board meeting. Mr. Serri noted that he has established a formal selection process for DGC outside directors and plans to submit three or four candidates to be considered for the 2012 to 2015 term on the DGC board of directors. DGC Director Tom Owens has stated that he would also like to be considered as a candidate for that position.

Mr. Serri noted that members of Basin Electric staff will assist Verendrye Electric with clean-up work at a Minot park on May 30.

On May 14, Mr. Serri took the mayor of Bismarck and the Bismarck Parks and Recreation manager to Gillette to tour the Gillette Recreation Center and Gillette Complex which were financed in part with coal impact funds. He encouraged the Bismarck office to tap into petroleum impact funds to construct similar facilities to aid in attracting and retaining qualified personnel in the Bismarck/Mandan area.

Mr. Serri noted that the new Vice President of Human Resources, Janet Blair, would start on June 11. She is currently working at King's Daughter Health System in Kentucky.

He noted that it is very challenging to bring personnel into the Bismarck area due to the housing shortage.

Mr. Serri reported that former human resources manager Sharon Klein will be present tomorrow morning so the board has a chance to wish her well in her retirement.

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

Director Ritthaler reported that sixty percent of Western Fuels' rail cars are being sprayed to reduce fugitive dust emission. This cost is 17 to 21 cents per ton. Two hundred thirty trains are parked due to low burn rates—which they designate as a force majeure event. Dry Fork Mine staff has worked 838 days without a lost-time accident. Detention charges, dust mitigation and train cycle times were also discussed.

## 6. **Minnesota Rural Electric Association Management Report**

Mark Glaess, general manager of MREA, addressed the Board and discussed various issues affecting rural electric cooperatives.

**7. Office of General Counsel Report**

Deborah Levchak, Staff Counsel, reviewed the status of legal matters affecting or of interest to the Cooperative.

**A. Confirmation of Business Practices Committee Members**

Ms. Levchak 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 to 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.

She recommended that the Board confirm the reappointment of Mark Thompson, Leland Olds Station (**LOS**) Plant Manager; Blaine Erhardt, Consulting Engineer; and Sharon Cerkoney, Senior Financial Analyst, to the Business Practices Committee. After discussion, it was moved by Director Peltier, seconded by Director Drost and carried that the following Resolution be adopted:

**R01.05-15-12**

BE IT RESOLVED, that Mark Thompson, Blaine Erhardt and Sharon Cerkoney each be reappointed and confirmed to an additional two-year term on the Business Practices Committee.

**B. Williston Basin Interstate Pipeline Company Easement**

Mike Murray, Supervisor of Property and Right-of-Way, reported that Williston Basin Interstate Pipeline Company (**Williston Basin**) has requested a gas pipeline easement 50 feet in width, 25 feet on either side of a pipeline, 1,928.1 feet long, to service the Pioneer Station. The total impact area is 2.1 acres.

Williston Basin is also requesting an easement and access to a gas metering station. The metering station will encompass 0.34 acres. This service was requested by Basin Electric.

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

**R02.05-15-12**

BE IT RESOLVED, that Basin Electric hereby grants easements to Williston Basin Interstate Pipeline Company to cross Basin Electric land with a natural gas pipeline and for a gas metering station and access to the gas metering station located in the SE/4 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.

C. **Kenaston Substation Site Purchase**

Mr. Murray reported that Basin Electric needs to purchase property for the Kenaston Substation site. The property is approximately 20 acres located in the NE/4NE/4 of Section 1, T159N, R89W in Ward County, North Dakota. The negotiated purchase price is \$7,500 per acre for a total of \$150,000.

Mr. Murray recommended this purchase be approved. After discussion, it was moved by Director Ritthaler, seconded by Director Rohrer and carried that the following Resolution be adopted:

**R03.05-15-12**

BE IT RESOLVED, that staff is authorized to purchase the Kenaston Substation site located in the NE/4NE/4 of Section 1, T159N, R89W in Ward County, North Dakota, for \$150,000 from York Properties LLP; and

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

8. **Marketing Report**

A. **Market Conditions/Power Plant Operations**

Dave Raatz, Vice President of Cooperative Planning, reviewed January through May eastern system market conditions, Integrated System (IS)/MISO operations and January to April member sales. January to April 2012 membership sales were 7.6% below budget.

B. **West-Side Operating Reserves Activities**

Mr. Raatz then reviewed Basin Electric's west-side operating reserve arrangements, noting that the Cooperative is currently a member of the Rocky Mountain Reserve Group (RMRG) which was formed in 1999 and is comprised of 11 utilities. RMRG was formed to provide its members protection from the loss of its largest generating facility. The largest generating unit of the membership group is an 800 MW coal plant owned by Public Service Company of Colorado (PSCO). Each member is required to have a share of 800 MW of generation that can be called on within 10 to 15 minutes. Basin Electric's share is currently 56 MW or slightly less than seven percent. If Basin Electric were to lose Laramie River Station (LRS) #2, LRS#3 or the Dry Fork Station (DFS), the reserve group members would provide reserves for up to one hour to allow time for Basin Electric to find replacement power.

From 1999 through March 2012, Basin Electric purchased its reserve obligation from PSCO for \$1.5 to \$2 million annually for a total of \$23 million.

When the contract was up for renegotiation two years ago, PSCO wanted to significantly increase its charge to continue the arrangement. Basin Electric reviewed its options and decided it would have sufficient surplus generation from DFS and Wyoming distributed generation to provide its own reserve generation. Therefore, effective April 1, 2012, Basin Electric began providing its own operating reserves as part of the RMRG. One of the requirements was the need for a 24/7 operations shop, which was established in the Distributed Generation Division.

Mr. Tschosik reported that, to date, there have been 15 reserve responses.

**C. RTO Analysis Update**

Mr. Raatz provided a status report on Basin Electric's ongoing RTO membership analysis. Active discussions continue with Bridge Strategy Group, Western and MISO/SPP. He reported there is a great deal of complexity in these issues and the study will take longer than originally anticipated.

**D. Integrated Resource Plan Request For Proposals (RFP) Response Update**

Becky Kern, Power Supply Engineer, reported that staff is currently preparing an Integrated Resource Plan and issued a RFP on March 12. Notices of Intent to Bid were due March 30 and Responses were due April 27. Eight proposals were for short to mid-term, 28 were for long-term and two others are pending.

Eight short-term proposals were received ranging from 2013 to 2019 and totaling just over 500 MW. Of the long-term proposals, 10 were wind proposals, two were equipment-type proposals (CT offering to sell equipment), 12 proposed to build a new facility for Basin Electric, and 10 were proposals from existing facilities.

The 10 wind proposals amounted to 1200 MW of wind generation, the bulk of which were for wind development in the IS. Twelve were for new generation facilities totaling 1500 MW, the bulk of which were to be within the IS. The 10 proposals for existing facilities totaled 1100-1200 MW, with the majority in the MISO region. Two proposals from existing facilities were within the IS or offering to deliver to the IS.

The next steps are to continue to evaluate the responses and create a short list by mid-June, with a decision on the short to mid-term proposals by September 1. Staff plans to make a decision on the long-term proposals by the end of 2012.

**E. Additional Western North Dakota Generation**

Ms. Kern reviewed the 2007 load forecast and 2012 load forecast from April. Staff has been planning for this magnitude of load growth for the last five years; however, the location of that load growth has changed. DFS was built in anticipation of PRECorp's growing loads, which have not developed. That additional generation is now needed in western North Dakota due to the oil growth. She discussed how the three most impacted Central Power members are forecasted to grow by 150 to 250 MW and Upper Missouri members' forecasted growth of 800 MW over the 2007 load forecast. As the areas of load growth are different from the previous forecast, transmission is now driving many issues.

**Resource Need.** Ms. Kern noted that if the IS is a stand-alone entity and Basin Electric does not join an RTO, Basin Electric will have to meet its actual obligations plus 70 MW of operating reserve. By 2019, the Cooperative is forecasted to have a 300 MW shortfall.

Staff is considering various options to bring an additional 180 MW into the system for western North Dakota, which include: (1) construction of two additional LM 6000 for operation in the fall of 2014, as well as an additional LMS 100 at Culbertson for the fall of 2015; (2) construction of an additional 90 MW at Pioneer and Lonesome Creek with LMS 100s, one for the fall of 2014 and one for the fall of 2015; or (3) continue with LM 6000 with an additional two more at both Pioneer and Lonesome Creek.

From a power supply and operational basis, the third option has the most appeal--similar units with the same technology for all units at one site, multiple shafts for outages which also allows for more operation within the optimal/most efficient loading on the units—resulting in four additional units for a total of three units at Pioneer and three at Lonesome Creek.

**Potential Options.** Matt Stoltz, Manager of Transmission Services, stated that option three is two additional units at each of Pioneer (2014) and Lonesome Creek (2015). This is more generation than had been anticipated.

Mr. Stoltz provided a detailed diagram and discussion of current and anticipated status of the adequacy of transmission in western North Dakota. He concluded noting that new generation will also require additional transmission.

**Transmission Need.** Mr. Stoltz reported that the Williston area winter peak load came back with much higher loads than forecast.

**Permitting Requirements.** Lyle Witham, Manager of Environmental Services, reviewed the various permitting issues associated with this additional generation.

**Engineering.** Myron Steckler, Generation Resource Project Manager, reviewed the performance of the various peaking simple cycle gas turbine models, noting that performance is based on generator terminal output. He then reviewed the performance and cost comparison of the LMS 6000 versus the LMS 100.

**Financing.** Steve Johnson, Treasury Services Manager, reported that financing options include the Farm Credit System, a U.S. Bank revolver and commercial paper. Those would fund through the bridge until long-term financing can be obtained.

In order of preference, Mr. Johnson first recommended \$200 million of commercial paper at .17%, then the U.S. Bank \$200 million revolver facility that terminates in November of 2013 with an option to extend for three to five years and lastly the undrawn Farm Credit System \$100 million facility at 4.5%. He noted that RUS is the preferred long-term option; however, that may not be available initially. If RUS financing could be drawn now, the rate would be 2.6% for 30 years. He hoped to have an indication from RUS on indenture changes by fall.

Staff believes financing through this new construction program would not be an issue.

## **9. Recess and Reconvention**

At 5:30 p.m., the meeting recessed until 8:00 a.m. May 16, 2012, at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

## **10. 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 and Basin Electric staff members David Bangen, Shawn Deisz, Mike Eggl, Mike Fluharty, Daryl Hill, Curtis Jabs, John Jacobs, Steve Johnson, Rod Kuhn, Deborah Levchak, Gavin McCollam, Mike Murray, Mark Nygard, Mike Paul, Dave Raatz, Mike Risan, Doug Rothe, Dave Sauer, Myron Steckler, Paul Sukut, Linda Thomas, Steve Tomac, Kevin Tschosik, Michelle Wiedrich, Lyle Witham and DGC staff member Mark D. Foss. Also present was Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Robert Leingang.

#### 11. **Environmental Report**

Mr. Witham reported on the status of the environmental matters of interest to the Cooperative.

He also reviewed the status of permits and environmental approvals for the Antelope Valley Station (**AVS**) to Neset Transmission line, Pioneer Generation Station and Lonesome Creek Generation Station.

He reported that permitting on the Pioneer and Lonesome Creek stations are complete except for the Alex Township Conditional Use Permit, which is scheduled for May 16.

#### 12. **Transmission Report**

Mike Risan, Senior Vice President-Transmission, reviewed and discussed recent NERC-related compliance activities, recent discussions with NPPD regarding proposed transmission expansion within the SPP footprint, the March 30 disturbance at LRS, the status of the transmission build-out in western North Dakota and the IS, CUS and BEPW transmission systems.

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

**NERC compliance.** Mr. Risan reported that last month, Mr. Serri had supported recommendations to strengthen the Cooperative's compliance program including establishment of an Executive Oversight Committee chaired by Claire Olson. A consultant was retained to perform a gap analysis to identify areas where we could strengthen the quality of our supporting compliance documentation. Training was held for subject matter experts, including member cooperatives.

He then reported on the LRS disturbance, which had the potential for NERC ramifications. No load was lost, but the event was larger than expected in terms of lost generation. An internal transmission study was conducted to verify system response was appropriate. Staff believes the protection system acted as designed.

**RTO.** Mr. Risan reported that staff continues to work with the other IS owners, Western and Heartland, on seams agreements with our neighbors and their impacts. The IS

partners unanimously elected to terminate the MISO seams agreement on April 30. Staff has been watching for a change in operations but so far hasn't noticed anything out of the ordinary.

The IS entered into a seams agreement with SPP that took effect on May 1, 2012.

Mr. Risan reported that he and Bob Harris recently attended an SPP board meeting.

Staff met with the CUS partners on May 4 regarding movement of the Teckla Substation, on which PRECorp has taken the lead. Other items of significance are contemplating inclusion of CUS facilities in the WestConnect Pricing Experiment, which is a discounted regional tariff, intended to optimize revenue. Internal discussions are required to determine if this is in Basin Electric's best interest.

### **13. Plant Operations Reports**

#### **A. Fossil Fuel Generation**

Mike Fluharty, Vice President of Plant Operations, reported that in April, there were three Days Away Restricted or Transferred (**DART**) cases, of which two were Office of Safety and Health Administration (**OSHA**)-recordable incidents.

He noted that April generation was 7.1% under budget. Year-to-date coal-based generation was 7.9 million MWh compared to the budget estimate of 8.6 million MWh or 8.1% under budget. The LRS coal inventory is at 1.43 million tons (a 60-day supply for all three units at full load). He then reviewed year-to-date bus bar costs.

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

<b>Unit</b>	<b>Availability</b>	<b>Capacity Factor</b>	<b>Unit Rating</b>
LRS #1	0.0%	0.0%	570 MW
LRS #2	100%	90.8%	570 MW
LRS #3	99.8%	76.6%	570 MW
LOS #1	100%	69.3%	221 MW
LOS #2	100%	58.8%	448 MW
AVS #1	100%	84.9%	450 MW
AVS #2	89.5%	85.7%	450 MW
DFS	100%	99.5%	386 MW

He then reviewed 24-month moving average forced outage rate trends. He also reviewed the snowpack reports for the Missouri River Basin.

#### **B. Antelope Valley Station Update**

John Jacobs, AVS Plant Manager, reported that as of April 21, 2012, the AVS staff had worked 15,212 hours (12 days) without a DART incident. An incident from late March was recently deemed a restriction.

Net generation in April was 487,505 MWh compared to the budget of 534,053 MWh. Year-to-date net generation is 2,157,970 MWh compared to the budget of 2,158,365 MWh.

Mr. Jacobs then showed photographs and discussed damage to and repair of the raw water intake structure velocity cap and issues with the Unit 1 resistive temperature device (RTD). GE has been investigating the RTD issues, but has found nothing wrong so far.

**C. Distributed Generation Report**

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

<b>Unit</b>	<b>Monthly Generation</b>
Groton Unit No. 1	11 MWh
Groton Unit No. 2	203 MWh
Culbertson Combustion Turbine	1,738 MWh
Wyoming Distributed Generation	6 MWh (for a spinning reserve event)
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 1.9 million gallons.

**PrairieWinds SD 1 (PWSD1)**. Semiannual maintenance is 85% complete.

Under the USF&WS's Biological Opinion, Basin Electric is required to have two biologists on-site during migration seasons. If a whooping crane is sighted, all turbines within two miles of the sighting must be shut down. The turbines can be restarted when whooping cranes are no longer in the area.

At approximately 12:00 noon on April 17, biologists confirmed the sighting of two whooping cranes near turbine 65 flying over the wind farm. Dispatch was notified and 16 turbines were immediately shut down. All wind farm staff and headquarters staff were then notified.

The biologist informed dispatch of the flight direction, so an additional nine turbines were shut down. When the biologists confirmed that the whooping cranes had left the area, all turbines resumed operation (approximately 3:00 p.m.). This was part of Basin Electric's environmental plan so we could move forward with the PWSD1 Crow Lake project.

**PrairieWinds ND 1**. The GE warranty blade repairs are complete. During the month, there were eight load changes resulting in the loss of 320 MWh.

**Nordex turbines**. Following letters and phone conversations, it appears that Nordex is willing to work with staff to keep these two turbines operating.

The east-side peak occurred on April 11, 2012, at hour ending at 8:00 a.m. At that time, wind generation was as follows:

Project	Capacity Factor for the month	Load Factor During the Peak	Project Total
PrairieWinds ND1	54%	68 MW	123 MW
PrairieWinds SD 1	54%	27 MW	162 MW
Wilton Project	54%	53 MW	99 MW
Baldwin Project	55%	51 MW	99 MW
Edgeley Project	44%	3 MW	40 MW
Highmore Project	48%	17 MW	40 MW
Day County Project	63%	4 MW	99 MW
Iowa Wind Projects	50%	3 MW	45.1 MW
Other Wind Projects (Chamberlain & Pipestone):	29%	0 MW	4.1 MW
<b>TOTAL APRIL WIND GENERATION</b>	<b>54%</b>	<b>226 MW</b>	<b>712 MW</b>
<b>AVERAGE 2012 YEAR-TO-DATE CAPACITY FACTOR</b>	<b>51%</b>		

#### 14. Project Updates

##### A. Project Funding Chart

Mike Paul, Vice President of Engineering and Construction, reported there will be funding requests of \$8.2 million this month for the Kenaston Substation land purchase and to amend the project scopes and budgets of Pioneer and Lonesome Creek Generating Stations.

##### B. Deer Creek Station Report

Gavin McCollam, Manager of Mechanical and Performance Engineering, reported there was one first-aid case, one OSHA recordable incident and no lost-time incidents at DCS in April.

He presented a photograph showing first fire on April 18, 2012 and temporary steam blows. On April 19, DCS was connected to the grid and generated a small amount of electricity during the four-hour test run. The test run information was then submitted to GE. GE reported the information looked fine and so released DCS for the next step, connecting to the grid (April 19).

Doug Rothe, Assistant Supervisor of Mechanical Engineering, reviewed commissioning activities in progress, commissioning milestones and reported that the project schedule remains on track. First fire on 4/18 and steam blows 4/19. Steam blows completed 5/12; first synchronization of the steam turbine generator is scheduled for May 28; commercial operation for June 5. first ct baseload operation 5/30; first steam to steam turbine 6/1; first STG synchronization 06/2; facility first base load 06/13; tuning for performance, compliance testing June 13-23.

Mr. McCollam then reported that approximately \$344.4 million of the \$405 million project budget has been expended through April 30, 2012.

**C. Pioneer Generation Station Update**

**SCR.** Mr. Steckler reviewed the addition of selective catalytic reduction (**SCR**). He reported that the current COR/stack configuration was already in fabrication but could be modified to include the SCR. Some additional equipment needed includes ammonia injection skid and 150 hp tempering air fans that are used to cool down the gas flow path for optimal SCR operation. Both the COR and SCR are designed for 90% removal of CO and NOx respectively. The SCR utilizes an anhydrous ammonia and a sacrificial catalyst that needs to be replaced. Schedule impact to add the SCR will be zero to two months. He reported it is important to get the gas path equipment on time; the auxiliary equipment can be delayed a bit if necessary.

The budget impact is \$3 million to \$4 million. Numbers have not been received from ATCO or GE on the changeup. There will also be changes from the Wanzek/Harris Group contract for engineering and installation, Foundation design is on hold until ATCO provides the SCR loading information.

**Pioneer Generation Station.** Engineering continues to move forward. The start of construction is scheduled for May 28.

To date, only verbal approval has been received from the Williams County Rural Water District. Williston Basin began crossing Cooperative land with the natural gas interconnection today.

To date, \$15.8 million of the \$60.0 million total project budget has been expended.

**D. Lonesome Creek Generation Station Update**

Mr. Steckler reported that permitting is complete except for Alex Township, which was meeting that evening. Engineering and equipment procurement are scheduled simultaneously with Pioneer. The start of construction is scheduled for just after July 4.

To date, only verbal approval has been received from the McKenzie County Water Resource District.

To date, \$12.34 million of the \$64.5 million total project budget has been expended.

**E. Authorization to Amend Lonesome Creek 1 Project Scope and Budget**

Mr. Steckler reported that in order to accommodate potential future generation options and to remove operating hour limitations at the Lonesome Creek Station, he recommended the Board consider moving forward with the addition of Selective Catalytic Reduction (**SCR**) to Lonesome Creek Station.

SCRs are used to reduce the amount of nitrogen oxide emissions from the flue gas by injecting an ammonia reagent and then passing the flue gas through a catalyst. Scope additions will include a large section of duct that includes an ammonia distribution header and catalyst, gas tempering fans, dilution fans, ammonia injection controls, ammonia storage and containment. Also included will be the associated foundation, electrical and mechanical piping additions and modification. The recent recommended change in scope has not allowed ample time to quantify the total

project impact but due to where we are with the current design, the procurement and construction divisions believe it is prudent to make this change as soon as possible to reduce the project impact and cost. The current high-level estimate is \$3 to 4 million.

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

**R04.05-15-12**

RESOLVED, that Selective Catalytic Reduction be added to the Lonesome Creek Station project scope at a not-to-exceed cost of \$4.0 million; and

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

**F. Authorization to Amend Pioneer 1 Project Scope and Budget**

Mr. Steckler reported that to accommodate potential future generation options and to remove operating hour limitations at the Pioneer Generation Station, he recommended Board consideration to move forward with adding Selective Catalytic Reduction (SCR) to the Pioneer project.

SCRs are used to greatly reduce the amount of nitrogen oxide emissions from the flue gas by injecting an ammonia reagent and then passing the flue gas through a catalyst. Scope additions will include a large section of duct that includes an ammonia distribution header and catalyst, gas tempering fans, dilution fans, ammonia injection controls, ammonia storage and containment. Also included will be the associated foundation, electrical and mechanical piping additions and modification. The recent recommended change in scope has not allowed ample time to quantify the total project impact but due to where we are with the current design, the procurement and construction divisions believe it is prudent to make this change as soon as possible to reduce the project impact and cost. The current high-level estimate is \$3 to 4 million.

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

**R05.05-15-12**

RESOLVED, that Selective Catalytic Reduction be added to the Pioneer Generation Station project scope at a not-to-exceed amount of \$4.0 million; and

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

**15. Financial Report**

Paul M. Sukut, Senior Vice President and Chief Financial Officer, responded to the board's earlier questions: 2011 was 2.5% under budget of 438,000 MWh; multiply by the average rate equals a \$20 million shortfall of revenue.

Basin Electric took action on the rate in October 2011 and sold just less than 4.5 million MWh at the additional 5 mills, which makes up about \$20 million of revenue.

Mr. Sukut then reviewed current economic statistics.

**A. Approval of Thirty-first Supplemental Indenture**

Mark D. Foss, General Counsel of Dakota Gasification Company, reviewed the financing structure and noted that the PWSD1 Board approved the qualifying securities indenture last month.

We expect to soon receive RUS approval of a \$204 million RUS loan for the PWSD1. Crow Lake Wind Project.

He recommended authority to: (1) enter into 31<sup>st</sup> supp indenture with Basin trustee; (2) issue a note to FFB in amount not to exceed \$204 million; (3) a note to RUS for the guarantee; (4) enter into amendment to the loan agreement with RUS; and (5) take necessary steps under the indenture to make the loan to PWSD1 which means pledging the PWSD1 stock and the PWSD1 note to the trustee.

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

**R06.05-15-12**

WHEREAS, the Board of Directors (the "Board") of Basin Electric Power Cooperative (the "Cooperative") desires to take the actions necessary to cause the Cooperative to execute and deliver First Mortgage Note PrairieWinds SD Project Series (FFB AG18) and First Mortgage Note PrairieWinds SD project RUS Reimbursement Series project Series (FFB AG18) in the aggregate principal amount of \$204,000,000 (collectively, the "Notes"), issued pursuant and subject to the terms and conditions of the Indenture dated as of January 1, 1998 between the Cooperative and U.S. Bank National Association, as trustee (the "Trustee") as heretofore amended and supplemented (as so amended and supplemented, the "Indenture"),

NOW THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD AS FOLLOWS: The Board approves the execution and delivery of the Notes. The Board also hereby empowers, authorizes and directs the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and the other proper officers of the Cooperative, or their respective designees, to execute and deliver, on behalf of the Cooperative, all documents, instruments, certificates, agreements, indentures and other documents necessary to complete the execution and delivery of the Notes. The authority conferred upon the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and such other officers of the Cooperative hereby specifically includes, but is

not limited to, the authority to execute, attest and deliver, or approve and accept, as the case may be, on behalf of the Cooperative, the following documents (drafts of all of which are before this meeting), with such changes, insertions and omissions as the person or persons executing or accepting the following may approve, the execution, approval or accepting the following being conclusive evidence of such approval by such person or persons:

1. Thirty-First Supplemental Indenture dated as of May 1, 2012 (the "Supplemental Indenture") supplementing the Indenture with the Trustee.
2. The Notes.
3. One or more amendments to loan agreement between the Cooperative and the Rural Utilities Service ("RUS") calling for the RUS to guarantee Federal Financing Bank loans for the PrairieWinds SD Project in an amount not to exceed \$240,000,000.

BE IT FURTHER RESOLVED, that the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and the other officers of the Cooperative, or their respective designees, are each hereby authorized and empowered to take such other action as might be required to complete the execution and delivery of the Notes. All actions hereby taken by the President, the CEO and General Manager, by the Secretary, by any Assistant Secretary, by the Senior Vice President and CFO or by any other officer of the Cooperative or by their respective designees, with respect to the Notes, the Supplemental Indenture, and the amendment(s) to the loan agreement and the other matters contemplated by this Resolution, are in all respects ratified and confirmed.

BE IT FURTHER RESOLVED, that this Resolution constitutes a resolution as required by Section 4.1(A) of the Indenture authorizing and requesting the Trustee (i) to authenticate and deliver the Notes (as Additional Obligations under the Indenture) under Section 4.4 and the other applicable provisions of the Indenture and (ii) to take all such other steps as are required by the Indenture to issue the Notes.

BE IT FURTHER RESOLVED, that the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and the other proper officers of the Cooperative, or their respective designees, are each hereby authorized and empowered to take any and all actions as may be required under the Indenture to effectuate the execution and delivery of the Notes.



**B. Accounting Report**

Shawn Deisz, Manager of Accounting, reported that the April 2012 Statement of Operations reflected an estimated net deficit of \$10.7 million compared to the budgeted net deficit of \$4.6 million for an unfavorable variance of \$6.1 million. The net deficit for the same period last year was \$3.9 million.

She also reviewed changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio at the end of April was 19.2% and at the end of March was 19.6%. The equity-to-capitalization ratio at the end of April using Moody's Rating Service's methodology was 23.1% and at the end of March was 23.6%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 17.6% at the end of April and 18.2% at the end of March.

**16. Ratification of IBEW 612 Contract (MBPP/LRS/TSM)**

Mr. Fluharty reported that the IBEW Local Union 612 contract expired on February 28, 2012. The Union will vote on this proposal on May 21, 2012. He reviewed the terms and conditions of the new contract and recommended it be ratified. After discussion, it was moved by Director Pearson, seconded by Director Gilbert and carried that the following Resolution be adopted:

**R07.05-15-12**

RESOLVED, that the Labor Agreement with the International Brotherhood of Electrical Workers Local 612, effective March 1, 2012, through February 28, 2015, be ratified; and

BE IT FURTHER RESOLVED, that the officers of the Cooperative be authorized to execute the same for and on behalf of the Cooperative.

**17. Wyoming State Implementation Plan**

Ms. Levchak reported EPA has issued its proposed decision on the Wyoming Regional Haze State Implementation Plan. EPA is proposing to approve portions of Wyoming's State Implementation Plan, but disapprove Wyoming's Best Available Retrofit Technology determinations and emissions for NO<sub>x</sub> for the Jim Bridger, Wyodak, Dave Johnston and LRS coal-fired plants.

**18. Recess and Reconvention**

At 12:00 noon, 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.

**19. 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 and Basin Electric staff members Mike Eggl, Daryl Hill, Curtis Jabs, Mary Klecker-Green, Deborah Levchak, Sally Meier, Dave Raatz, Mike Risan, Paul Sukut, Linda Thomas, Steve Tomac, Chris VandeVenter, Michelle Wiedrich and DGC staff member Mark D. Foss. Also present was Mor-Gran-Sou director Robert Leingang.

## **20. External Relations and Communications Report**

Curtis Jabs, Senior Legislative Representative, reported on the status of federal legislation of interest to the Cooperative, including the reauthorization bill on agriculture, coal ash, the TransCanada Keystone XL pipeline and the power marketing authority guidance memorandum.

Mike Eggl, Senior Vice President—external relations and communications, reviewed the Spotlight on Excellence Awards won by various members of the communications staff.

He reported on North Dakota Measure No. 2 to remove property tax.

He reported the BBC will tour on June 15 and Cenex representatives will tour on June 5.

**Dakota Air Sponsorship.** Mr. Eggl reported that Basin Electric is a sponsor of Dakota Air, a very popular program created by Merrill Piepkorn of North Dakota Public Radio. Mr. Piepkorn takes this radio show on the road, performing to packed houses and averaging 14 shows per season. Basin Electric created a video of one program.

## **21. Executive Session**

At 1:25 p.m., it was moved by Director Peltier and seconded by Director Ritthaler to recess into executive session to discuss environmental and right-of-way matters. At 2:55 p.m., it was moved by Director Peltier and seconded by Director Rohrer that the Board arise from executive session. Motion carried.

## **22. Directors' Reports**

Director McCabe invited the directors to McCone Electric's annual meeting on June 1.

## **23. Date and Place of Next Board Meeting**

The next meeting of the Board of Directors will take place June 12-14, 2012, at Basin Electric's headquarters building in Bismarck, North Dakota.

**24. Adjournment**

At 3:00 p.m., it was moved by Director Ritthaler and seconded by Director Rohrer that the meeting be adjourned. Motion carried.

A handwritten signature in black ink, appearing to read "Kermit Pearson", written over a horizontal line.

Kermit Pearson  
Secretary-Treasurer