

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

**Minutes of the Regular Meeting of the Board of Directors  
May 14-15, 2013**

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May 14-15, 2013**

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 May 14-15, 2013 starting at 1:00 p.m. CDT with the Pledge of Allegiance.

**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	Arden Fuher
Charles Gilbert	Roy Ireland
Kermit Pearson	Wayne Peltier
Reuben Ritthaler (via phone)	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 Don Boehm, Shawn Deisz, Mike Eggl, Pius Fischer, Matt Greek, Daryl Hill, Jerry Horner, Steve Johnson, Becky Kern, Rod Kuhn, Brian Larson, Deborah Levchak, Brian Matthews, Gavin McCollam, Deb Olafson, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Myron Steckler, Paul Sukut, Linda Thomas, Shanda Traiser, Steve Tomac, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present were Dakota Gasification Company (DGC) director James Geringer and Upper Missouri G&T Electric Cooperative manger Claire Vigesaa.

**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 April 9-10, 2013 Regular Board meeting were presented and after an opportunity for corrections, it was moved by Director Rohrer, seconded by Director Gilbert and carried that the revised minutes be approved.

## 5. General Manager's Report

Mr. Serri reviewed the schedule for board meetings and activities this week. He then reviewed meetings and events he attended during the month and introduced Matt Greek, the new Senior Vice President of Generation.

Basin Electric's power plants operated flawlessly during the April 14-15 blizzard. Power plant operations staff remained at their work sites until other employees were able to travel to the facilities. The Bismarck area received 22 inches of snow during this storm.

On April 15, Mr. Serri met with CF Industries to discuss options and potential partnering with DGC on fertilizer sales. DGC and CF Industries are executing a confidentiality agreement.

Mr. Serri attended the April 17 Lignite Energy Council (LEC) board meeting. Basin Electric hosted the first round of interviews for the new LEC CEO on April 18-19.

Basin Electric hosted the Manager's Advisory Committee meeting on April 23. Due to service area snowstorms, 17 members utilized Basin Electric's webcast and conference facilities, which worked well.

On April 24-25, Messrs. Serri, Ritthaler, Bartosh and Leingang attended the Western Fuels board meeting.

On April 25, Mr. Serri was invited by North Dakota Governor Dalrymple to witness his signing of a tax bill recently passed by the North Dakota Legislature.

On April 26, Mr. Serri met with the Burlington Northern Santa Fe (BNSF) to discuss the demurrage issue. A number of logistic, operational and record-keeping issues were identified. The parties are working on a comprehensive settlement agreement.

He reported that next week he and Bob Harris of the Western Area Power Administration (**WAPA** or **Western**) will attend the Southwest Power Pool board meeting in Kansas City.

He reported on the CFC annual client meeting and the Standard and Poors market conference.

On May 8, Mr. Serri met with IPP developer Badlands LLC, which has a plan to develop a system of gathering flare gas and use it to power a combined-cycle generating unit. Badlands LLC wants Basin Electric to purchase the output of this 600 MW combined-cycle plant.

He also attended the Bismarck State College commencement ceremony, during which former Basin Electric CEO Ron Harper received an award for community service.

## **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. Environmental Report**

Mr. Olson reported that Environmental staff is evaluating the options and permitting strategies to meet the changes predicted in the 2013 load forecast. The Division has submitted annual solid waste reports to the North Dakota Health Department for all North Dakota generation facilities and landfills.

### **B. Property Management**

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

## **7. Marketing and Trading**

Ken Rutter, Vice President of Marketing and Trading, reviewed April weather and loads, WAPA hydro conditions and market prices. Temperatures in the service area were colder than seasonal averages.

### **A. Short-term Marketing Report for April, 2013**

Mr. Rutter reported that short-term purchased power volumes were lower than anticipated but this was offset by higher power market costs. Overall, short-term purchased power costs were estimated to be \$378,000 over budget, excluding the prior month adjustments.

Short-term non-member sales volumes were higher than anticipated. In addition, the stronger market power costs resulted in higher short-term revenues. Overall, short-term non-member sales were estimated to be \$1.5 million higher than the budget, excluding the prior month adjustments.

Natural gas prices ran up during the month and have come back down. Both runs up and down have been attributed to a set of bullish and bearish storage injections.

Temperatures were below normal in most service area territories. Snow and rain in April helped provide some relief to the drought conditions. He then reviewed the U.S. Drought Monitor.

Balance-of-year market price moves are estimated to have a positive impact to margins.

### **B. Energy Transmission & Risk Management (ETRM) System Project Request**

Mr. Rutter reported that Basin Electric's real-time position is currently managed by

three distinct organizations: Basin Electric, WAPA-Montrose and WAPA-Watertown. No single area has the ability to make short-term decisions looking at the entire Basin Electric membership portfolio.

West-side 24-hour real-time operations and position management is currently managed by WAPA-Montrose. They indicated they would have to hire additional personnel to continue providing this service, so the Cooperative elected to bring those operations in-house. WAPA-Montrose has been very supportive of this effort—even offering to cross-train new Basin Electric employees.

Marketing has categorized the sub-optimization into several different strategies: economic dispatch; spread management; forward hedging; arbitrage; dynamic hedging; load management; RTO/ISO management; ancillary services; and transmission utilization. Based on external bids, a minimum \$9 million per year will be captured through coordinated management of Basin Electric's positions.

In order to capture this value, four alternatives were considered. Basin Electric's Senior Management Risk Committee evaluated the alternatives and landed on full internal management.

1. Full internal management: Internal 24-hour real-time position desk (systems, people, FO/MO/BO processes).
2. Full external management: external 24-hour real-time position desk (systems, FO people).
3. Partial Management: manage position internally through prompt month outsource position management from prompt month through delivery.
4. Partial management: Manage position internally through day-ahead, outsource position management for real-time.

Basin Electric is planning to increase the focus on the optimization of its assets via the expansion of the commodity management organization. This will require investment in more modern and scalable technology and leading business processes.

He then reviewed the current and future state architecture and a summary of vendor and project pricing.

For Marketing and Trading to establish a 24-hour real-time desk, certain business processes and system infrastructure must be in place. He reviewed Marketing and Trading's position for a capital project to purchase an enterprise application for commodity transactions and risk management; discussed potential risks and benefits associated with the project; and recommended the project be approved.

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

**R01.05-14-13**

RESOLVED, that the Capital Project for Implementation of an ETRM System for Basin Electric be approved for \$3,960,000 inclusive of \$744,000 of internal labor costs; and

BE IT FURTHER RESOLVED, that the contracts for the ETRM systems and implementation of Basin Electric's Front, Middle and Back Office support of the 24-hour scheduling desk be awarded to Allegro, MCG and Structure for the current target price of \$3,150,000, inclusive of \$355,000 of travel expenses; and

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

**8. Cooperative Planning Report**

Dave Raatz, Vice President of Cooperative Planning, reviewed the status of the studies underway analyzing the merits of joining a Regional Transmission Organization (RTO). He also reviewed the schedule for the WAPA public process.

Wind Project Discussions. Mr. Raatz reported that quite a number of proposed small wind turbine projects have surfaced among the membership. He reviewed those projects and the applicable rates.

Grandfathered Member Agreements. East River has a load in the XCEL/NSP area. XCEL/NSP has provided notice that it plans to terminate the grandfathered transmission service agreement on December 31, 2014. XCEL has been the market participant for this load, but would like Basin Electric to pick up the market participant obligations starting June 1, 2013.

Central Power and East River have a load in the Otter Tail Power area that could potentially expire at the end of 2015.

Rushmore and Tri-State both have loads in Nebraska Public Power District's (NPPD) area for which NPPD provides transmission service. He noted that staff is working with the members to develop a plan for delivering the power if these grandfathered agreements expire.

Mr. Raatz then reviewed April member activities and contacts.

**A. Balanced Scorecard Development**

Mr. Raatz introduced Shanda Traiser, Business Strategies Planner, who reported on the progress of the development of the balanced scorecard.

She noted that Phase I, which is expected to be completed in September 2013, involves the development of scorecards for each department or division. Phase 2, which will continue into 2014, is to incorporate the Cooperative's

strategic plan and initiatives into the process.

Ongoing activities include working with plant managers and the new Senior Vice President of Generation to finalize plant metrics so there is a common scorecard at each plant level, and completing meetings with distributed generation facilities. Working sessions are also being held with support areas at Headquarters.

#### **B. Wisdom Unit #1 Update**

Becky Kern, Manager of Utility Planning, reported that last month the Board adopted a resolution authorizing a capital project to restore Wisdom Unit #1 to its original capability to burn natural gas at a cost not to exceed \$3 million. This original plan involved the use of coal as a back-up fuel.

Since that time, the Iowa Department of Natural Resources changed its interpretation of the Industrial Boiler Maximum Achievable Control Technology (MACT) for Mercury and Air Toxics Standards (MATS) (IB MACT). This interpretation precludes the use of coal as a back-up fuel.

Based on this new information, fuel oil has been identified as a more economic back-up fuel source for Wisdom #1. The estimated capital cost of the project is now \$4.5 million, which will be partially offset by the lower operations and maintenance expense which is estimated to be \$243,000 per year less than the baseline.

As this unit has a very long start-up time, this would be a capacity resource. The project would be completed by June 2014. A plan to burn the current coal pile is being developed. She recommended this modified project be approved.

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

#### **R02.05-14-13**

BE IT HEREBY RESOLVED, that the CEO and General Manager of the Cooperative, or his designee, 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 with fuel oil backup in Wisdom Unit #1 at a not-to-exceed cost of \$4.5 million, with the provision that the projected operations and maintenance savings will be achieved.

#### **9. Transmission Report**

Mike Risan, Senior Vice President, Transmission, reported on the transmission projects underway to increase transmission capability and reliability in the Williston Load Pocket.

On April 18, FERC issued a Notice of Proposed Rulemaking regarding the disposition of cyber standards which indicates it intends to adopt CIP Standard Version 5.



He noted that WECC will decide on the establishment of a separate Reliability Coordination Company and governance at its annual meeting in June.

Basin Electric is preparing a petition for filing at the FERC to true-up the Schedule 2 tariff estimates used in the previous filing made when the Dry Fork Station (DFS) came online.

He then presented a photograph of a golden eagle nest in a tower on the AVS to Charlie Creek line. Staff worked with the U.S. Fish & Wildlife Service to move the nest.

**10. Recess and Reconvention**

At 4:20 p.m., the meeting recessed until 8:00 a.m., at which time the meeting reconvened with President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes.

**11. Roll Call**

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	Roy Ireland
Kermit Pearson	Wayne Peltier
Reuben Ritthaler (via phone)	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 Ompy Adams, David Bangen, Andrea Blowers, Don Boehm, Shawn Deisz, Jason Doerr, Mike Eggl, Rod Kuhn, Brian Larson, Lori Leier, Brian Matthews, Gavin McCollam, Sally Meier, Mary Miller, Dale Niezwaag, Deb Olafson, Mike Paul, Dave Raatz, Mike Risan, Doug Rothe, Ken Rutter, Myron Steckler, Matthew Stoltz, Paul Sukut, Linda Thomas, Steve Tomac, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Other staff members were present for various portions of the meeting. Also present were DGC directors James Geringer and Tom Owens.

**12. Plant Operations Report**

**A. Fossil Fuel Generation Update**

Brian Larson, Laramie River Station (LRS) Plant Manager, reviewed the Cooperative's safety performance for the month. He noted there was one Days Away Restricted or Transferred (DART) incident in April. Year to date, there have been eight OSHA recordable incidents.

Generation came in 1.9% below budget for April. LRS #2 was out of service for the month for its triennial maintenance outage. AVS #2 was taken out of service on April 19 for its triennial maintenance outage.

Individual April availability and capacity factors for the coal-based generation stations were as follows:

Unit	Avail-Ability	Capacity Factor	Unit Rating	Comments
LRS #1	97.7%	85.7%	570 MW	Essential MCC loss of power; loss of BFP controls
LRS #2	0%	0%	570 MW	Continued triennial maintenance outage; scheduled to return to service 05/24/13
LRS #3	88%	87.7%	570 MW	Main steam safety valve was lifting; Stegall line ground fault; boiler water pH level below 8.0
LOS #1	100%	82.1%	221 MW	
LOS #2	99.7%	88.0%	448 MW	Low Drum Level
AVS #1	71.5%	95.1%	450 MW	Air heater cleaning; master fuel trip
AVS #2	63.2%	92.5%	450 MW	Taken out of service 4/19/13 for triennial maintenance outage
DFS	99.2%	94.6%	386 MW	Boiler feed pump tripped; low back pressure; auxiliary boiler tripped; low drum level

He then reviewed the 24-month moving-average forced-outage rate trends, bus bar costs and fuel mix. The LRS coal inventory is 1.47 million tons or a 61-day supply for all three units at full load.

Groton Generating Station (GGS) Units #1 and #2 had availabilities of 100% with April generation of 5,600 net MWh for Unit #1 and 3,602 net MWh for Unit #2. The Culbertson Generation Station had 99.9% availability for the month and generated 13,743 net MWh. Arvada, Hartzog Unit #1 and Barber Creek all had 100% availability and generated 52 net MWh for the month of April. Hartzog Units #2 and #3 were unavailable for the month. The Spirit Mound Station units had availabilities of 100% but were not called upon to run.

PrairieWinds ND generated 39,179 net MWh with an overall 45% capacity factor for the month. PrairieWinds SD generated 62,532 net MWh with an overall 54% capacity factor for the month of April.

Environmental compliance averaged over 99% for the month of April.

**B. Laramie River Station Update**

Mr. Larson reviewed the 2012 performance data for LRS. For the month of April, 2013, budgeted generation was 727,802 MWh, compared to the actual generation of 660,675 MWh, or 9.2% under budget. Year-to-date budgeted generation was 4,061,579 MWh compared to actual generation of 3,780,295 MWh or 6.9% under budget.

Grayrocks Reservoir storage is presently at 66,512 acre-feet or 64% full. This is 11.9 feet below normal. Inflows averaged 24 cubic feet per second (cfs) during April. Releases from Grayrocks were 53 cfs to maintain the required 40 cfs at the mouth of the Laramie River. LRS usage was approximately 18 cfs with 0 cfs of that coming from supplemental groundwater and 18 cfs from the station's wells and Grayrocks Reservoir. He also reviewed the storage history of the Grayrocks Reservoir and the Snowpack Report.

He reported that projects scheduled for the March 30-May 26 Unit #2 triennial outage include: burner replacement at \$17.8 million per unit; Distributed Control System (DCS) \$9.5 million; generator circuit breaker replacement \$3.3 million; and circulating water pipe lining \$7.6 million. He then presented a video showing the process of coating the inside of the 108-inch circulating water pipe.

Replacement of the Unit #2 boiler slope was planned for this outage; however, delay of the materials has resulted in the postponement of this project until 2016.

He then reported that no one was injured in the fire that occurred on May 14 in the LRS #1 and #2 surge bin and coal system. Fire protection did come on in each of these areas. The cause of the fire is yet to be determined, although he speculated that it was due to the ignition of coal dust by an unknown ignition source. After the event, staff continued to operate Unit #1 at low loads to use up the coal in the bunkers.

**13. Visit by RUS Acting Administrator**

John Padalino, Rural Utilities Service (RUS) Acting Administrator, provided an update on USDA and RUS. He noted that RUS was just about to reach \$1 billion in loan obligations for 2013 and he expects to approve an additional \$1.3 billion between now and December.

**14. Plant Operations Report, Continued**

**A. Distributed Generation Update**

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

Unit	Monthly Generation	Unit Rating	Comments
Groton Unit #1	5,580 MW	200 MW	For demand only
Groton Unit #2	3,593 mw		
Culbertson CT	13,728 MW	100 MW	Couple events for reliability but mainly for demand. An outage will be taken later this month for routine maintenance.
WY Distributed Generation	51 MW	54 MW	22 west-side reserve calls in April
SMS Unit #1	Did not run	120 MW	
SMS Unit #2	Did not run		
DCS	11,764 MW	300 MW	

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

PrairieWinds SD 1. Mr. Tschosik reported that the South Dakota wind farm had 11 partial and two complete shut-downs due to whooping cranes. A total of 5,272 MWh here lost due to whooping cranes being in the area for 28 days. Semi-annual maintenance is at 39%.

PrairieWinds ND 1. He reported that the North Dakota wind farm had one load curtailment at 50 MW. Annual maintenance is at 24%.

The east-side peak occurred on April 9, 2013 at hour ending 0900. At that time, wind generation was as follows:

Project	Load Factor During the Peak	Capacity Factor (%)	Project Total
PWND	41 M	44%	123 MW
PWSD	158 MW	54%	162 MW
Wilton	53 MW	44%	99 MW
Baldwin	48 MW	45%	99 MW
Edgeley	19 MW	33%	40 MW
Highmore	1 MW	42%	40 MW
Day County	98 MW	59%	99 MW
Iowa Wind	42 MW	47%	45.1 MW

Other Projects (Chamberlain & Pipestone)	2 MW	36%	3.4 MW
TOTAL APRIL WIND GENERATION	461 MWS	48%	712 MW maximum
AVERAGE 2013 YEAR-TO-DATE CAPACITY FACTOR	---	45%	---

**15. Engineering and Construction**

**A. Funding Chart**

Pius Fischer, Manager of Electrical Engineering, reported that the Pioneer Phase II air permit was received yesterday. The contractor will mobilize on May 20.

The scrubber will be tied-in during the LOS Unit #2 outage which begins on May 18 and is scheduled to end on June 3.

Funding requests totaling \$2.0 million for the LRS Unit #2 Distributed Control System would be presented this month. June preliminary requests total \$12.7 million.

**B. Laramie River Station Unit #2 Distributed Control System (DCS)**

Jerry Horner, I&C Engineering Supervisor, reported that the Board had approved the Unit #2 DCS project in November of 2011. Unit #2 is currently in its triennial outage. At the November 2012 board meeting, it was reported that the current \$9.5 million budget for this project would be insufficient based upon the actual costs associated with the Unit #1 DCS project. The Unit #2 and #3 DCS projects are similar in scope, but larger than the Unit #1 DCS project.

He provided an overview of the Unit #2 DCS project and reviewed the original and final costs of the DCS project at each unit. The requested Unit #2 budget increase is for \$2.0 million, of which \$1 million is to ECA for increased scope in the coal handling system and an increase in supervision and \$475,000 is for scaffolding, fiber testing, etc. Mr. Horner then recommended the \$2.0 million budget increase be approved.

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

**R03.05-14-13**

RESOLVED, that the budget for the Laramie River Station Unit #2 Distributed Control System be increased \$2.0 million to a new total of \$11.5 million.

**16. Financial Services**

Mr. Sukut reported on current economic statistics. He also reviewed the change in policy regarding the use of single-source vendors. He noted that in the fourth quarter of 2012, the Procurement Group began reducing the number of single-source contracts and required more competitive bidding. This has resulted in estimated year-to-date savings of \$3.5 million.

**A. Accounting Report**

Shawn Deisz, Manager of Accounting, reported that the April 2013 Statement of Operations reflected an estimated net deficit of \$10.3 million compared to the budgeted net deficit of \$11.1 million for a favorable variance of \$800,000. The net margin for the same period last year was a net deficit of \$10.7 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 April was 19.2% and at the end of March was 19.5%. At the end of April, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 23.8% and at the end of March was 24.0%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 17.3% at the end of April and 17.5% at the end of March.

**B. Risk Management Steering Committee**

Mr. Sukut noted that as part of the program to manage the commodity risk at Basin Electric and its subsidiaries, a Risk Management Steering Committee was established. The Committee's role is to allocate risk limitations by commodity based on the risk tolerances and the budget/forecasts approved by the Board of Directors.

Voting members of the RMSC are: Chief Financial Officer (chair), CEO, Vice President of DGC, Vice President of DCC, General Counsel, Senior Vice President-Transmission, Senior Vice President-Generation, Treasury Services Manager, Vice President of Cooperative Planning and Vice President-Marketing & Trading.

Members presenting proposed transactions will not vote on their own proposals. In the event of a tie, the chair will cast the deciding vote.

The RMSC will meet at least monthly to ensure adequate segregation of duties, provide oversight of credit and market risk measurement methodologies, authorize hedge and non-hedge strategies, authorize products, tactics, market and limits.

He reviewed proposed strategies and transactions requiring Board approval in the risk policy and required communications with the Board.

Annually, the Board will approve the overall commodity risk tolerance in the form of financial dollars-at-risk by year. No outright speculative strategies may be pursued. The policy lists specific types of instruments that may be utilized in execution of the approved strategies. Development and refinement of the list will be done over the course of 2013 through monthly reports to the respective boards.

**C. Refined Coal Update**

Rod Kuhn, Manager of Tax and Insurance, noted that the projects for utilizing refined coal at LRS, LOS and AVS are proceeding on schedule. He noted that these projects become feasible due to the tax credits available under Section 45(c)(7) of the Internal Revenue Code.

The refined coal is produced on-site by private contractors and then utilized at the generating stations. Basin Electric receives a "host fee" for the use of the site. The refined coal results in reduced emissions from each facility.

He reviewed the economics of using this refined coal at each generating station and the reduction in emissions.

Mr. Kuhn reported that the AVS transaction documents were executed on February 13, 2013 with Coal Emissions Reduction Technologies (CERT)/Marquis Industrial Company, LLC. The LRS transaction documents were executed on February 20, 2013 with CERT/Cottbus Associates, LLC. Staff is currently negotiating with Clean Coal Solutions/RC206, LLC on the LOS documents.

Doug Rothe, Supervisor of Mechanical Engineering, presented photographs of the facility construction locations and construction schedules for the three locations. At this time, construction is two to three weeks behind schedule.

**D. Multistate Tax Report**

Don Boehm, Supervisor of Multistate Tax, reported that Basin Electric and its subsidiaries pay many different types of taxes: property, sales/use, contractors excise, "in lieu of", Canadian Goods & Service and other. Some taxes have exceptions, abatements and incentive refunds. Mr. Boehm then reviewed the multistate taxes paid, other than payroll and income taxes, in 2012 by entity and by state.

He noted that in 1991, the consolidated Basin Electric family paid multistate taxes of \$13.2 million in eight states for four entities. In 2012, the consolidated Basin Electric family paid multistate taxes of \$42.7 million in 11 states and Canada for nine entities.

He reviewed various tax abatements and exemptions received over the past two years. With the adoption of North Dakota House Bill 1413, DGC was granted the same tax exemption as other gas processing facilities in North Dakota. The effect

of this bill is increasing the tax exemption from 1.3% to 2.5% on all future DGC expansion projects.

**17. Communications and Administration Report**

Mike Eggl, Senior Vice President, Communications and Administration, reviewed the events associated with the May NRECA Legislative Rally. He presented a video news clip in which Daryl Hill discusses electrical load growth in the Bakken. He also reviewed a summary of legislative actions in the states served by the membership.

The 2012 annual report is available for distribution. It was published by Andrea Blowers, designed by Julie Ness and photographed by Steve Crane and Chelsy Ciavarella.

**18. Executive Session**

At 11:00 a.m., it was moved by Director Drost, seconded by Director Peltier and carried that the Board retire into executive session.

At 12:20 p.m., it was moved by Director Peltier, seconded by Director Thiessen and carried that the Board arise from executive session.

**19. Recess and Reconvention**

At 12:20 p.m., the meeting recessed until 1:20 p.m., at which time the meeting reconvened, President Ireland continuing to preside and Director Pearson continuing to keep the minutes.

**20. 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
Kermit Pearson	Wayne Peltier
Reuben Ritthaler (via phone)	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Andrew M. Serri and Assistant Secretary Claire M. Olson. Other staff members were present for various portions of the meeting. Also present were DGC directors James Geringer and Tom Owens.

**21. Directors' Reports**

Director Applegate reported on wind projects in Iowa.

Director Rohrer reported that Linda Thomas had distributed the schedule for the July board meeting with Central Montana.



Director Fuher reported on the Legislative Rally and the North Dakota Statewide meeting.

Director Thiessen reported that Upper Missouri recently held a strategic planning session.

Director Gilbert distributed Corn Belt's annual meeting brochure.

Director Child reported that Tri-State held a strategic planning session last week. The Colorado Legislature has passed legislation that requires Tri-State to have a 20% renewable energy mandate.

Director Drost reported that Sioux Valley and L&O cooperatives were both declared disaster areas due to last month's storm. He expressed his gratitude to the cooperatives that came to their aid.

Director Peltier expressed his gratitude for the plants, cards and calls received during the loss of his mother-in-law. He noted that a District 9 information meeting will take place on June 10 at Basin Electric's Headquarters Building.

**22. Meeting with Environmental Attorney**

At this time, Mr. Olson introduced Pat Day, attorney with Holland & Hart. Mr. Day attended the oral arguments in the Court of Appeals for the 8<sup>th</sup> Circuit on the North Dakota BART case yesterday and will attend the EPA hearing today. Mr. Day then reported on the status of the Basin Electric environmental legal cases.

**23. Date and Time of Next Board Meeting**

The next regularly scheduled meeting of the Board of Directors will take place June 11-13, 2013, at the Basin Electric Headquarters Building in Bismarck, North Dakota.

**24. Adjournment**

At 1:55 p.m., there being no further business to come before the meeting, it was moved by Director Pearson, seconded by Director Child and carried that the meeting be adjourned.



Kermit Pearson  
Secretary-Treasurer