

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

**Minutes of the Regular Meeting of the Board of Directors  
May 13-15, 2014**

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**Basin Electric Power Cooperative  
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May 13-15, 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, May 14, 2014 starting at 8:40 a.m. CDT.

**1. Call to Order**

President Wayne Peltier called the meeting to order on May 13, 2014, at 6:57 p.m. at Wingate Motel, Bismarck, North Dakota.

**2. Roll Call**

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.

**3. CEO and General Manager**

He stated the purpose of the meeting was to evaluate Paul Sukut's performance over the last four months as Interim CEO and General Manager of Basin Electric and to have a discussion on options for CEO going forward. The board all had an opportunity to discuss Mr. Sukut's performance with all responses being positive.

After further discussion, a motion was made by Director Applegate, seconded by Director Baker, and carried to offer Mr. Sukut the position of CEO & General Manager of Basin Electric at the compensation level discussed.

Mr. Sukut was called and asked to come and meet with the board. When he arrived President Peltier explained the purpose of the meeting and the offer was made to Mr. Sukut. Mr. Sukut accepted the offer.

The board had a short discussion on board policies and it was the consensus of the board to move forward with a complete review of board policies.

**4. Recess and Reconvention**

At 7:50 p.m., President Peltier recessed the meeting. At 7:30 a.m. Wednesday, May 14, 2014, the meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Gary C. Drost kept the minutes thereof.

## 5. **Roll Call**

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

Donald E. Applegate  
Marshall Collins  
Arden Fuher  
Mike McQuistion  
Wayne Peltier  
Allen Thiessen

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

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and staff members Jamey Backus, Tracie Bettenhausen, Shawn Deisz, Tammy DeWitt, Mike Eggl, John Frank, Robert Frank, Matt Greek, Ellen Holt, John Jacobs, Steve Johnson, Becky Kern, Mark Kinzler, Rod Kuhn, Deborah Levchak, Sharon Lipetzky, Gavin McCollam, Dale Niezwaag, Deb Olafson, Dave Raatz, Mike Risan, Ken Rutter, Myron Singleton, Myron Steckler, Steve Tomac and Kevin Tschosik.

Also present were Dakota Gasification Company (DGC) Chief Operating Officer David J. Sauer and General Counsel Mark D. Foss and Mor-Gran-Sou Electric Cooperative (Mor-Gran-Sou) director Pam Geiger.

## 6. **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.

## 7. **Approval of the Minutes**

The minutes of the April 14 & 15, 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 McQuistion, seconded by Director Rohrer and carried that the minutes be approved as presented.

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

General Manager Sukut reported that northwest North Dakota continues its rapid load growth and staff is working with the members to develop the needed generation and transmission.

Mr. Sukut called on Joe Leingang, Director of Fuel and Transportation, who reported on the matters discussed at the Western Fuels Association meeting.

## 9. **Office of General Counsel Report**

Claire Olson, Senior Vice President and General Counsel, introduced Deborah Levchak, Senior Staff Counsel, who provided an update on Laramie River Station (LRS) BART/Wyoming Regional Haze.

She also reported that Prelude Wind, a Wisconsin wind developer, filed a petition with the South Dakota Public Utilities Commission challenging the Basin Electric PURPA rate. Basin Electric will file a Motion to Dismiss for lack of jurisdiction over this matter.

Mr. Olson then reported on the STB remand case and distributed a memorandum from

John LeSeur of Slover & Loftus explaining the Missouri Basin Power Project's options.

Mr. Olson noted that the federal court in the *North Dakota vs. Minnesota* case found that it is unconstitutional for Minnesota to regulate interstate commerce. The state of Minnesota may appeal at a future date.

He reported the *Durrans v. Basin Electric* case was scheduled for non-binding mediation on May 13<sup>th</sup>.

He also reported Wanzek Construction has filed suit against Basin Electric alleging that it was not compensated for additional work performed and the construction of Phase I facilities at the Lonesome Creek (LCS) and Pioneer Generating Stations (PGS). The Cooperative has denied all of the claims.

He then presented an update on the project regulatory issues.

**A. SNG Pipeline Agreement and SNG Pipeline Easement**

Mark D. Foss, DGC General Counsel, reviewed the Great Plains Synfuels Plant (GPSP) to Antelope Valley Station (AVS) SNG Pipeline Project. Basin Electric and DGC are proposing to enter into a Pipeline Agreement and a pipeline Easement for the Project. He reviewed the terms and conditions of the agreements and recommended they be approved.

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

**R01.05-14-14**            **RESOLVED**, that the Board of Directors authorizes the Cooperative's execution of the GPSP to AVS SNG Pipeline Agreement and the SNG Pipeline Easement Agreement both dated as of May 1, 2014, and both by and between Basin Electric Power Cooperative and Dakota Gasification Company.

**10. Generation Report**

John Jacobs, Vice President of Operations, reviewed the Cooperative's safety performance for the month, noting that there had been two recordable incidents in April.

Overall plant operations were good in April. He discussed the AVS Unit #1 outage. Start-up is scheduled during the Memorial Day weekend.

He then reviewed the April 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 April and year-to-date.

Total generation for the month was 6.4 percent over budget with the year-to-date generation of 0.6 percent higher than budget.

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

Unit	Availability	Capacity Factor	Unit Rating	Comments
LRS #1	99.8%	78.9%	570 MW	False turbine bearing vibration
LRS #2	99.7%	95.3%	570 MW	MW meter maintenance
LRS #3	16.87%	12.2%	570 MW	Triennial maintenance outage
LOS #1	95.9%	86.4%	221 MW	Wall tube leak
LOS #2	100%	71.6%	448 MW	Circulating water pump out of service
AVS #1	0%	0%	450 MW	Triennial maintenance outage
AVS #2	99.9%	80.2%	450 MW	Master fuel trip 2B PA Fan
DFS	100%	96.2%	386 MW	

**A. Distributed Generation Update**

Kevin Tschosik, Distributed Generation Manager, reviewed natural gas prices and noted that April 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 mode in April.

He reported he met with representatives of General Electric (GE) and went through all the PGS and LCS units regarding corrective actions. GE committed to accept liability to correct anything that did not meet the contract specifications. The final report on these sites is due at the end of May.

PrairieWinds SD 1. The Western Area Power Administration (WAPA or Western) curtailments resulted in the loss of 547 MWh. Five load curtailments were due to whooping crane sitings with lost generation totaling 408 MWh. There were two WAPA curtailments for transmission work resulting in lost generation of 547 MWh.

PrairieWinds ND 1. Mr. Tschosik reported the annual maintenance is 9 percent complete.

The east-side peak occurred on April 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	20 MW	51%	123 MW
PrairieWinds SD	108 MW	57%	162 MW
Wilton	41 MW	51%	99 MW
Baldwin	31 MW	54%	99 MW
Edgeley	16 MW	39%	40 MW
Highmore	14 MW	49%	40 MW
Day County	60 MW	60%	99 MW
Iowa Wind	42 MW	56%	45.1 MW
Other Projects (Chamberlain & Pipestone)	1 MW	38%	3.4 MW
Total April Wind Generation	335 MW	53%	712 MW maximum
Average Monthly Capacity Factor	n/a	53%	n/a
Average YTD Capacity Factor	n/a	54%	n/a

**B. Leland Olds Station Plant Update**

Jamey Backus, Leland Olds Station (LOS) Plant Manager, reported as of April 19, LOS employees worked 2,329,000 hours without a Days Away, Restricted or Transferred (DART) incident. The Safety & Wellness Committee is reviewing job tasks and continuing the DuPont STOP program. He reported on the personnel changes since January 1, 2014. He reviewed the station performance and detailed limiting factors. He reviewed the coal supply situation and there are 406,000 tons in the stockpile. Deliveries of Powder River Basin coal have started. He then reviewed the list of Unit #1 fall outage tasks. The fall outage has been extended to 10 weeks instead of eight due to extended scope of work needing to be completed.

**C. LRS Unit #3 Turbine Repair**

Myron Singleton, LRS Mechanical Engineer, noted that prior to the Unit #3 outage, GE had advised staff to examine the LP section for possible cracking. The review showed there were cracks and both of the low pressure rotors have been shipped to Schenectady, New York, for repair.

He then reviewed the timeline for the repairs and noted the projected total repair cost of \$4.2 million. He concluded by reviewing the schedule for the inspection of the Unit #1 and Unit #2 rotors.

**11. 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 energy requirements for the month were 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 staff believes is the true variable dispatch price for the units. Backing down the units and making market purchases may be more economic.

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.

**12. Recess and Reconvention**

At 11:55 a.m., the meeting recessed until 1:00 p.m. at which time the meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

**13. 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 CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Don Boehm, Tracie Bettenhausen, Gary Christenson, Shawn Deisz, Tammy DeWitt, Pius Fischer, John Frank, Robert Frank, Matt Greek, Ellen Holt, John Jacobs, Casey Jacobson, Steve Johnson, Becky Kern, Mark Kinzler, Chad Kuntz, Deborah Levchak, Sharon Lipetzky, Gavin McCollam, Dave Raatz, Aaron Ramsdell, Mike Risan, Ken Rutter, Jim Sheldon, Myron Steckler, Matt Stoltz, Shanda Traiser, Steve Tomac, Kevin Tschosik and Amanda Wangler.

Also present were DGC Chief Operating Officer David J. Sauer and Mor-Gran-Sou director Pam Geiger.



#### **14. Cooperative Planning Report**

Dave Raatz, Vice President of Cooperative Planning, noted that staff continues to be very busy working on the many aspects of RTO membership. The current plan is to present a review of SPP membership to the Board in June and have action taken in July.

Mr. Raatz reported that by early June, staff will have defined the staffing needs for prior to the October 2015 start date for SPP as well as the post 2015 dates. The budget estimate for the integration process should also be ready in June.

Manager's Advisory Committee (MAC) discussions. Mr. Raatz noted that at the last meeting of the MAC, there was discussion on the need to accommodate the development of solar generation throughout the membership. He noted that in an effort to accommodate solar and other renewables, staff has developed two rates to accommodate solar as well as wind, hydro and biomass. The first is called the Solar Renewable Energy rate and it is for member- or consumer-owned facilities from 0 kW to 150 kW. The second is the Solar Pass-through Rate with a 150 kW size limit. After reviewing the terms, he noted that Sharon Lipetzky would be presenting these rates for approval later in the meeting.

Mr. Raatz also discussed the possibility of constructing up to two 1 MW solar projects in each of the 11 Districts. Basin Electric would pass these costs through to each district. Staff is reviewing ownership economics of these projects to see if we can capture the tax benefits associated with their construction.

PPA Update. Mr. Raatz reported that staff has been working on two contracts for power purchases in the 2017–2020 time frame. He provided a status update on the four PPAs that were approved by the board in April.

GRE Fixing Members. Mr. Raatz reported that Great River Energy's (GRE) eight fixing members, who are members of Basin Electric, were notified by GRE that they were eligible to purchase up to 35 MW of power elsewhere because of changes in GRE's power supply. He noted that these members have an interest in additional solar power so staff is working to develop a power supply proposal for solar energy. Staff is looking at pricing, ability to provide ownership versus power purchase agreements, and several other issues. If favorable terms can be developed, a proposal will be brought back to the board.

Participation in Combined-Cycle Generation Unit. Mr. Raatz noted that a group of area utilities (Minnesota Power, Minnkota Power, Dairyland Power Cooperative and Wisconsin Public Power) are participating in a study group known as the Northern Tier Energy Center (NTEC) examining the feasibility to build a combined-cycle generating unit in the MISO footprint in the 2020-2025 time frame. Basin Electric has been invited to participate in discussions with this group. He reviewed the structure of the group and the information they have developed to date. If the Cooperative decides to participate, it would involve spending approximately \$40,000 for the Phase II study and \$28,900 for access to Phase I materials.

**A. Renewable Energy Purchase and Solar Pass-Through Rates**

Renewable Energy Purchase Rate. Sharon Lipetzky, Supervisor of Rates & Revenue, Proposed a new renewable energy purchase rate. The purchase rate will be 50 mills/kWh with a participation cap of 7 MW. The rate will be effective retroactive to January 1, 2014, after RUS approval period.

Solar Pass-Through Rate. Ms. Lipetzky Presented a second new purchase rate. The rate has a maximum limit of 150 kW, and the rate is exclusive of contractual adders, and will match the member's output cost. This rate is also effective retroactive to January 1, 2014. After further discussion, Mr. Raatz proposed the addition of a 7 MW cap for the Solar Pass-Through Rate.

After discussion, it was moved by Director Gilbert and seconded by Director Applegate, that the resolution presented be approved. The motion carried, with Director Marshall voting "no".

**R02.05-14-14** RESOLVED, that the Renewable Energy Purchase Rate and the Solar Pass-Through Rate presented to this meeting of the Board of Directors are hereby approved both effective as of January 1, 2014, subject to RUS approval; and

BE IT FURTHER RESOLVED, that the existing Small Renewable Energy Purchase Rate will terminate effective August 1, 2014, and all purchases pursuant to that rate, or priced pursuant to that Rate, shall be purchased pursuant to the Renewable Energy Purchase Rate; and

BE IT FURTHER RESOLVED, that the cumulative purchases made pursuant to the Renewable Energy Purchase Rate shall not exceed a total of 7 MW; and

BE IT FURTHER RESOLVED, that the cumulative purchases made pursuant to the Solar Pass Through Rate shall not exceed a total of 7 MW; and

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

**B. Infinity Wind Contract Modification**

Mr. Raatz noted that in November of 2013, the Cooperative entered into a contract with Infinity Wind to purchase the output of the 172 MW Antelope Hills Wind Project to be constructed by Infinity. He noted that problems have arisen with the routing of the 345 kV line that Infinity has to construct from their project to the Antelope Valley Station. The problems are associated with the Coteau mining plans west of the Antelope Valley Station. Under the contract, they made a \$1 million security payment on January 4, 2014 with an additional payment of \$4 million due April 1, 2014. Infinity requested and received a delay for the April payment to be due mid-July. This will provide an opportunity to work out the issues associated with this transmission line.

He reviewed the economics of this project and noted certain modifications to the PPA may be necessary to preserve the economic benefits of this project.

**C. End-Use Survey**

Robert Frank, Load Forecaster, reported that every four years, the Cooperative prepares and submits to RUS an end-use survey. This survey of the membership details what is behind the meter, supports the load forecast and contributes to the Integrated Resource Plan. Mr. Frank then reviewed the data compiled in the 2013 end-use survey.

**15. Engineering & Construction Report**

**A. Funding Chart**

Matt Greek, Senior Vice President-Engineering and Construction, reported that projects totaling \$23.5 million would be presented this month, including \$3 million for the LRS SCR project, \$10 million for the conductor contract and \$10.5 million for the 333 MVA transformer project. He then reviewed the approved major project budgets and total committed and scheduled completion dates for all of the current major projects.

**B. LRS Potential Selective Catalytic Reduction Project**

Gavin McCollam, Engineering Services Director, reported that unless the appeal of the LRS BART is successful or a settlement is worked out, LRS will have to be in compliance by 2019. That requires the installation of an SCR on each LRS unit. Mr. McCollam noted that in order to comply by 2019, Phase I FEED studies must be started. Four proposals were received for the Phase I engineering work and are being evaluated. He recommended that a work order for this selective catalytic reduction project in the amount of \$3 million be established.

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

**R03.05-14-14 RESOLVED**, that the PS&I work order for the LRS selective catalytic reduction project in the estimated amount of \$3 million is hereby approved; and

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

Mr. McCollam then presented an update on the AVS low NO<sub>x</sub> burners and reviewed the cost breakdown of \$14 million.

**C. ND/SD Microwave Project**

Chris Goettle, Senior Electrical Engineer, presented a status report on the ND/SD microwave project, reviewing the microwave paths and sites map. This project was approved in December with a budget of \$11.2 million. He reported on the three major contracts with Aviat Networks, Loop Telecom & Dupont and presented photographs of old and new radios and reported on radio technology. He reported this expansion is due to the transmission build-out in northwestern North Dakota. He reported on the major effects of the scope change and

reviewed the current configuration. He then noted that the final cost estimate for the project is \$10.4 million which is \$800,000 under budget.

**16. Transmission Report**

Mike Risan, Sr. Vice President of Transmission, reviewed the load growth in the Williston Basin Load Pocket in northwestern North Dakota and provided an update on the transmission and generation facilities under construction and being planned to serve the load.

He introduced Staff Counsel Casey Jacobson who presented an update of the permitting and right-of-way acquisition for the AVS-to-Neset 345 KV transmission project.

**A. Conductor Contract Award**

Gary Christenson, AVS-to-Neset transmission line Project Manager, reported that the Cooperative received three bid proposals for the conductor for the AVS-to-Judson Substation segment of the line. He noted that 2.4 million feet of conductor cable is required for the AVS-to-Charlie Creek and Charlie Creek-to-Judson sections of the line. After reviewing each bid, he recommended that the contract be awarded to General Cable for an estimated \$9,468,000.

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

**R04.05-14-14** RESOLVED, that the conductor required for the AVS-to-Judson Substation 345 kV Transmission Project be awarded to General Cable for the estimated amount of \$9,700,000; and

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

Mr. Christenson then reviewed the status of the budget for the AVS-to-Neset and the North Killdeer Loop projects.

**B. 333 MVA Power Transformers Contract**

Chad Kuntz, Senior Electrical Engineer, reported that four 333 MVA 345/115 kV power transformers are required at the Roundup Substation (1), Kummer Ridge Substation (1) and Patent Gate Substation (2). He reviewed the three bids and recommended the contract be awarded to the low bidder, Hyundai, for \$10,480,169. Hyundai is an industry-recognized quality manufacturer that is located in South Korea. The transformer consultant has recommended Hyundai as a quality manufacturer of transformers.

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

**R05.05-14-14** WHEREAS, four 333 MVA 345/115 kV power transformers are required to support the 345 kV transmission project; and

BE IT RESOLVED, that the contract for four 333 MVA 345/115 kV Transformers be awarded to Hyundai Heavy Industries in the amount of \$10,480,169; and

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

**C. Spare 230/115 kV Transformer #2**

Mr. Risan reported that the transmission build-out in northwestern North Dakota includes a number of 230/115 kV transformers. Similar transformers are located at other substations on the transmission system. Mr. Risan recommended the purchase of a spare transformer.

The purpose for a spare transformer is to provide risk mitigation to keep the lights on in the event of a long-term outage of an existing load-serving transformer and due to the long lead time to procure a replacement. The cost of the transformer is estimated at \$2 million. Installation costs will be requested in the future. Cost recovery will be requested from the IS.

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

**R06.05-14-14** RESOLVED, that the purchase of a spare 200 MVA, 230/115 kV transformer at a cost not to exceed \$2 million is hereby approved.

**D. Re-Conductoring Logan-to-Southwest Minot 115 kV Line**. Mr. Risan reported that the western North Dakota load studies identified load growth around Lake Sakakawea that requires the re-conductoring of the Logan-to-Southwest Minot 115 kV. This was confirmed by a subsequent SPP analysis. Basin Electric is responsible for this work, which must be done prior to joining SPP. This re-conductoring will increase the line's rating from 141 to 200 MVA. He estimated the cost to be \$1.44 million.

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

**R07.05-14-14** RESOLVED, that staff be authorized to proceed with the Logan to Southwest Minot Re-conductor Project at an estimated cost of \$1.44 million.

**E. General**. Mr. Risan reported on the April 28 SPP/RSC board meeting.

**Front Range Joint Open Access Tariff Discussion**. He noted that WAPA (LAP and CRSP), Tri-State, Public Service Company of Colorado, Platte River Power Authority, Black Hills Power, City of Colorado Springs Utilities and Basin Electric have initiated discussions on the possibilities of establishing a Front-Range Joint Open-Access Tariff. This tariff would be similar to the IS on the east. The group plans to hire a rate consultant to perform a more thorough rate design analysis, the costs of which would be shared among the transmission providers.

**17. Communications & Administration Report**

Mike Egl, Senior Vice President of Communications and Administration, reported on the 2014 Legislative Rally, FERC commissioner Tony Clark's upcoming tour of the synfuels plant and other legislative issues.

He also reported on the effort to improve communications to enhance the building of the Cooperative. He also discussed activities associated with developing Cooperative leadership.

Charitable Giving Report. Jen Holen, Charitable Giving Coordinator, reported that 2013 charitable giving totaled \$1.3 million, including surplus assets of \$67,000. She reviewed the major donations, as well as the funds raised for the St. Baldrick's Day event. She also noted that Basin Electric was the largest fundraiser for the Bismarck United Way Program. She reported on other fundraising efforts, including the Great Strides Walk, Autism Awareness Walk, Rebuilding Together, the Walk to End Alzheimers and the Great American Bike Race.

IS&T Report. Mark Kinzler, Vice President and Chief Information Officer, reported the Microsoft Cooperative software audit continues. Staff is supporting Upper Missouri's new SCADA project. BTI is evaluating its services in order to determine which are cost effective to continue after the dissolution of BTI. Citrix, the new remote-access software has been deployed for employees and vendors. With this deployment, working from an iPad will be like working from your desk computer.

He also reviewed the projects underway to support participation in an RTO.

**18. Recess and Reconvention**

At 5:15 p.m., the meeting recessed until Thursday, May 15 at 8:00 a.m. The meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

**19. 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 CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Robert J. Bartosh, Tracie Bettenhausen, Eric Carufel, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Greek, Deb Haga, Ellen Holt, John Jacobs, Steve Johnson, Becky Kern, Rod Kuhn, Jeanne Masseth, Darla Miller, Dave Raatz, Mike Risan, Ken Rutter, Darlene Steffan and Shanda Traiser. Also present were DGC Chief Operations Officer David J. Sauer and Mor-Gran-Sou director Pam Geiger.

**20. Cooperative Planning Report, continued**

**A. Strategic Planning**

Shanda Traiser, Business Strategies Planner, reported that efforts are underway to complete the written strategic plan in September. As a part of that effort, last month the board reviewed the draft strategy map, pared objectives from 21 to 16 and reviewed themes. This month's effort included a review of the Point-of-View,

three additional objectives and the review of feedback from the Corn Belt Managers. Ellen Holt, Vice President of Human Resources reviewed the three objectives covering employee and workforce issues.

Ms. Traiser then reviewed upcoming items on the June, July, August and September board agendas.

## **21. Financial Services Report**

Steve Johnson, CFO, reviewed the RUS reorganization. He presented the CoBank first quarter 2014 results and compared them to 2013 and noted that CoBank has loan losses of less than one percent.

He reviewed the Cooperative's liquidity, noting that as of April 30, 2014, total liquidity was \$1.36 million. He then reported on the U.S. economic news and projected future interest rates.

### **A. Accounting Report**

Darla Miller, Senior Accounting Analyst, reported that the April 2014 Statement of Operations reflected an estimated net loss of \$20.9 million compared to the budgeted net loss of \$19.5 million for an unfavorable variance of \$1.4 million. The net loss for the same period last year was \$10.3 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 21.6 percent and at the end of March was 21.3 percent. At the end of April, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 25.9 percent and at the end of March was 25.6 percent, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 21.0 percent at the end of April and 21.4 percent at the end of March.

## **22. Directors' Reports**

Director Fuher reported on attending the dinner honoring the North Dakota cooperatives' contributions to the North Dakota Heritage Center. He also commented on Basin Electric's discussions with the Minnkota Board.

Director Thiessen echoed Director Fuher's comments and thanked Mike Risan for his participation in the weekly meetings with Upper Missouri members.

Director Gilbert reported on the legislative rally, where he attended a meeting with Montana Senator Walsh.

Director Drost commented on Basin Electric's meeting with the Minnkota board.

Director Peltier reported that the District 9 information meeting is scheduled for June 9 at Basin Electric's headquarters.

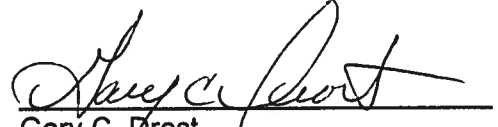
## **23. Date and Time of Next Board Meeting**

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

Dakota.

**24. Adjournment**

There being no further business to come before the meeting, it was moved by Director Drost, seconded by Director Baker and carried that the meeting be adjourned.

  
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Gary C. Drost  
Secretary-Treasurer