

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

**Minutes of the Regular Meeting of the Board of Directors
May 12-14, 2015**

	<u>Page</u>
1. Call to Order	1
2. Roll Call	1
3. Approval of the Agenda	1
4. Approval of the Minutes	1
5. Operations Report	2
A. Antelope Valley Station Update	2
B. Leland Olds Station Mixed-Bed Contract Change Request R01.05-12-15	2
6. Recess and Reconvention	2
7. Roll Call	2
8. General Manager's Report	3
9. Office of General Counsel Report	3
10. Operations Report, continued	3
A. Distributed Generation Report	3
11. Marketing & Asset Management Report	6
A. Purchased Power & Non-Member Sales Report	6
12. Cooperative Planning Update	7
13. Recess and Reconvention	8
14. Roll Call	8
15. Cooperative Planning Update, continued	9
A. Resource Development	9
B. Power Purchase Agreement R03.05-12-15	10
C. Strategic Planning Quarterly Update	10
16. Engineering & Construction Report	10
A. Project Funding Chart	10
B. 345 kV Transmission Projects Update	11

	C. Patent Gate Material Package	R04.05-12-15	11
	D. Pioneer Generation Station Phase III Update & Mechanical Installation Contract Award	R05.05-12-15	12
	E. Lonesome Creek Station III Update		12
	F. AVS SDA Pond Settling Weirs	R06.05-12-15	12
	G. LRS Cooling Tower Fire Protection Project	R07.05-12-15	13
	H. LRS Autowash System Infrastructure	R08.05-12-15	13
	I. LRS Mercury Emission Control Amendment	R09.05-12-15	14
17.	Transmission Report		14
	A. Transmission System Maintenance Report		15
18.	Communications & Administration Report		16
	A. Headquarters Building Expansion		16
	1. East Blunt-Front Building Expansion	R10.05-12-15	16
	2. East Blunt-Front Building Expansion Contract Award	R11.05-12-15	16
	3. East Parking Lot		16
19.	Recess and Reconvention		17
20.	Roll Call		17
21.	Communications & Administration Report, continued		17
	A. IS&T Quarterly Update		18
22.	Financial Services Report		18
	A. Authorization to Issue First Mortgage Obligations, 2015 Series A Notes	R12.05-12-15	18
	B. Authorization to Enter into Interest Rate Hedges	R13.05-12-15	20
	C. Accounting Report		20
23.	Directors' Reports		21
24.	Date and Time of Next Board Meeting		21
25.	Executive Session		21
26.	Adjournment		22

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May 12-14, 2015**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the Great Plains Synfuels Plant, Beulah, North Dakota, beginning on May 12, 2015 starting at 3:40 p.m. CDT.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Gary C. Drost kept the minutes thereof.

2. Roll Call

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

Donald E. Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Jamie Backus, Andy Buntrock, Tammy DeWitt, Chad Edwards, John Frank, Matt Greek, John Jacobs, Steve Johnson, Kasey Kaseman, Rod Kuhn, Dave Raatz, Ken Rutter, Myron Steckler and Valeree Weigel. Also present were Dakota Gasification Company (DGC) Vice President David J. Sauer and DGC staff members Dale Johnson and Steven Liebelt.

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 Baker, seconded by Director Pearson and carried that the agenda be approved as revised to note that Peter Stark would meet with the Board at 11:00 a.m. on Thursday, May 14 during executive session.

4. Approval of the Minutes

The minutes of the April 14-15, 2015 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Brekel, seconded by Director Drost and carried that the minutes be approved as presented.

5. Operations Report

A. Antelope Valley Station Update

Chad Edwards, Antelope Valley Station (AVS) Plant Manager, reported that April generation was 505,248 MWh compared to the budget of 523,770 MWh. Year-to-date actual generation was 2,263,650 MWh compared to the budget of 2,119,620 MWh. He reviewed operating statistics by unit and 2015 plant targets. As of April 18, 2015, the AVS employees worked 196 days without a Days Away, Restricted or Transferred (DART) case. Mr. Edwards then reported on AVS projects and events. Approximately 320,000 tons of coal were reclaimed in the past year, resulting in no AVS stockpile for the first time in 12 years. He then presented photographs and discussed the AVS Unit #1 RH tube leak, installation of the AVS Unit #1 activated carbon silo and the potential transformer (PT) explosion in the AVS switchyard. All PTs have been removed and will be returned to the Alstom factory in Georgia.

B. Leland Olds Station Mixed-Bed Contract Change Request

Jamie Backus, Leland Olds Station (LOS) Plant Manager, reported that the LOS mixed bed replacement project began in 2010 when the 1975 demineralizer trains were in need of serious repair. An engineering firm was hired to evaluate options for replacement. During installation, it was determined that this was a capital project and a Capital Project Request (CPR) was completed. The unit was installed, but the manufacturers supplied the wrong actuators. While waiting for new actuators so the unit could be commissioned, the interest charges exceeded the approved CPR amount and the contingency. The Unit is currently commissioned and working. The original CPR amount was \$968,909 of which \$750,000 was for the equipment and \$268,000 was for installation. Delays due to incorrect equipment from the manufacture caused over \$25,000 in interest charges to accumulate. Mr. Backus then recommended approval of the revised CPR amount.

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

R01.05-12-15 RESOLVED, that an increase in the capital budget be approved in the amount of \$153,699 for the mixed bed replacement at LOS.

6. Recess and Reconvention

At 4:45 p.m., President Peltier recessed the meeting until 8:00 a.m., at which time the meeting reconvened at Basin Electric's headquarters building, Bismarck, North Dakota, with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

7. Roll Call

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

Don Applegate
Leo Brekel
Arden Fuher
Mike McQuiston
Wayne Peltier
Allen Thiessen

Paul Baker
Gary C. Drost
Charlie Gilbert
Kermit Pearson
Roberta Rohrer

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Mark D. Foss and staff members Maria Barnhardt, Tracie Bettenhausen, Andy Buntrock, Eric Carufel, Shawn Deisz, Tammy DeWitt, Mike Eggl, Pius Fischer, Matt Greek, John Jacobs, Casey Jacobson, Steve Johnson, Kasey Kaseman, Bryan Keller, Becky Kern, Matt Kolling, Rod Kuhn, Sharon Lipetzky, Tracy McBride, Gavin McCollam, Curt Pearson, Dave Raatz, Mike Risan, Josh Rossow, Ken Rutter, Myron Steckler, Steve Tomac, Shanda Traiser, Kevin Tschosik, Amanda Wangler, Val Weigel and Michelle Wiedrich. Also present were DGC Vice President David J. Sauer, Powder River Energy Corporation (PRECorp) director Phil Habec, PRECorp manager Mike Easley and Mor-Gran-Sou Electric Cooperative (Mor-Gran-Sou) director Chad Harrison.

8. General Manager's Report

General Manager Sukut reported that Basin Electric had signed the BNSF Railway Company (BNSF) Transportation Agreement, which was then sent to Western Fuels Association (WFA) for execution.

Western Fuels Update. Director Baker reported that the applicants for the WFA) manager position had been received and all are very qualified. Tri-State Generation & Transmission Association (Tri-State) has decided to purchase coal from an entity other than WFA. Staff is studying whether Western Fuels-Wyoming (WF-WYO) should continue to provide both coal and rail services. The financial impact of such a change would not be large. At the current time, it appears that WF-WYO will likely continue as only a rail service provider. Director Baker also reported that the audit had gone well.

9. Office of General Counsel Report

Mr. Foss reviewed current litigation and matters of interest to the Cooperative. He noted that updates on the BNSF case and Laramie River Station (LRS) Best Available Retrofit Technology (BART) litigation would be given during executive session.

10. Operations Report, continued

John Jacobs, Vice President of Operations, reported on the two DART incidents on March 28. A stand-down was called to re-emphasize safety. There were no medical treatments and no Office of Safety and Health Administration (OSHA) recordable incidents in April.

He provided bus-bar costs for the coal-fired fleet and reviewed the equivalent forced-outage rate trends for the past 24-month period on the solid fuel units. He reviewed April generation totals. Last week, the LOS stockpile contained 750,000 tons. On May 4, the LRS stockpile contained 31.7 days burn at full load. Grayrocks Reservoir is currently 107.3% full with 113 cfs coming in and 750 cfs going out. The reservoir is two feet above what is deemed "full". Another five feet can be taken in before a release via the emergency overflow is required.

He presented photographs and reviewed issues with the LRS Unit #2 turbine bearing locations, Grayrocks Reservoir and maintenance activities at LOS.

He reported that generation for the owned and operated Basin Electric fleet came in 3.9% below budget for April. Year-to-date fleet generation is 3.3% below budget.

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

Unit	Availability	Capacity Factor	Unit Rating	Comments
AVS #1	82.19%	89.7%	450 MW	Forced boiler tube leak repair on April 5.
AVS #2	100%	87.6%	450 MW	All market driven.
DFS	100%	100.71%	386 MW	
LRS #1	0%	0%	570 MW	Major maintenance outage. Rotor repairs. Rotor delivery return delayed as LP turbine required replacement of another row of blades. One rotor shipped 5/15 and second one to ship on 5/29. Preparing for high-velocity oil flush.
LRS #2	100%	93.83%	570 MW	Turbine bearing vibration issues.
LRS #3	100%	93.59%	570 MW	
LOS #1	100%	87.42%	221 MW	Market driven dips.
LOS #2	15.81%	92.53%	448 MW	Major maintenance outage. Turbine bearing issues won't affect schedule. The unit will be back at the end of May.

A. Distributed Generation Update

Kevin Tschosik, Distributed Generation Manager, reported on natural gas prices at Groton, Deer Creek Station (DCS), Lonesome Creek Station (LCS), Pioneer Generation Station (PGS) and Wyoming Distributed Generation (WDG) and noted that there were no OSHA recordable safety incidents in April.

The April generation at the distributed facilities was as follows:

Unit	Monthly Availability (%)	Monthly Generation (MW)	Unit Rating (MW)	Comments
Groton Unit #1	100%	1,575	100 MW	

Groton Unit #2	99.38%	Didn't run	100 MW	
Culbertson CT	99.17%	8,929	100 MW	Ran for load demand.
WY Dist. Gen.	93%	24	54 MW	There were nine spinning reserve calls during the month.
SMS Unit #1	100%	0	60 MW	Did not run.
SMS Unit #2	100%	0	60 MW	Did not run.
DCS	87.33%	30,932	300 MW	One-week outage. Boroscopes on this engine are done twice a year.
PGS Unit #1	95.58%	3,362	45 MW	PGS #2 engine failure.
PGS Unit #2	20.12%	756	45 MW	
PGS Unit #3	99.75%	4,569	45 MW	
LCS Unit #1	27.39%	280	45 MW	Site not available because of McKenzie. May get some back this week.
LCS Unit #2	27.39%	7,050	45 MW	
LCS Unit #3	27.39%	1,997	45 MW	

Mr. Tschosik presented photographs and discussed the PGS #2 engine failure last month. He noted that this is the second time this engine has been studied.

After inspection of the PGS #3 engine, every fuel nozzle had to be replaced due to significant wear past allowed tolerances. He noted that this is the second time these nozzles have been replaced, which resulted in lengthy discussions with GE. GE paid for this replacement under warranty which was set to expire at the end of May. GE issued a service bulletin recalling a batch of nozzles when it discovered that the wrong coating materials were used and is replacing the bad nozzles with an upgraded set. He noted other members of the LMS100 and LM6000 user group were having similar problems with these nozzles.

The inspection of PGS #3 showed nothing wrong with the combustor.

He noted that LCS was not operational due to the transmission outage at McKenzie Electric Cooperative.

Spirit Mound Station will operate later this month to test updates in the control systems so it can send and receive signals from the Southwest Power Pool (SPP).

During April, PGS ran in synchronous condensing mode 471.08 hours and the LCS for 12.55 hours. There were nine west-side spinning reserve events at WDG during the month.

PrairieWinds ND 1. PWND had a 52% capacity factor for the month.

PrairieWinds SD 1. PWSD had a 56% capacity factor for the month. There was one almost two-hour load curtailment due to the siting of a whooping crane. This was the only whooping crane sited and the migration season officially ends on May 15.

The east-side peak occurred on April 3, 2015 at 9:00 a.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor		Project Total
		Month	YTD	
Baldwin	14 MW	51%	50%	99 MW
Day County	4 MW	60%	55%	99 MW
Edgeley	0 MW	42%	42%	40 MW
Highmore	3 MW	41%	39%	40 MW
Iowa Wind	40 MW	47%	47%	45.1 MW
Other Projects (Chamberlain & Pipestone)	21 MW	70%	46%	3.4 MW
PrairieWinds ND	53 MW	52%	52%	123 MW
PrairieWinds SD	37 MW	56%	55%	162 MW
Wilton	16 MW	48%	45%	99 MW
Total Monthly Wind Generation	169 MW	52%	52%	712 MW
Average Capacity Factor		52%	50%	n/a

11. **Marketing & Asset Management Report**

A. **Purchased Power & Non-Member Sales Report**

Ken Rutter, Vice President-Marketing & Asset Management, reported that power prices are at similar levels to last month. Despite plant outages, power prices remain soft, especially on the east, with very few spikes. Natural gas prices seem to be testing a bottom. April member energy loads were lower than the forecast. Non-member sales volumes were up, but revenues were off due to soft pricing. Basin Electric hedges continue to be positive versus the budget, but out-of-the-money versus the market.

SPP market trials begin this week, which is a very big effort. He observed that the Western Area Power Administration (**WAPA**) marketing desk appears to be up and ready, though it is difficult, if not impossible, to evaluate their back office. Hedging to the approved plans continues.

12. Cooperative Planning Update

Dave Raatz, Vice President of Cooperative Planning, reported that, from a demand perspective, April was down about 89 MW from budget (about 3.9% reduction) and 197 MW lower than last year at this time as early April 2014 was extremely cold. Even though overall Basin Electric's demand sales were down by 197 MW from April 2014, Upper Missouri Power Cooperative (Upper Missouri) demand was up 125 MW from last year. The balance of the membership was down approximately 320 MW.

Mr. Raatz reported that Basin Electric is starting to transition, from a cooperative planning perspective, from SPP registration to SPP operational processes. Northwest Iowa Power Cooperative (NIPCO), Corn Belt Power Cooperative (Corn Belt) and East River Electric Power Cooperative (East River) anticipate becoming SPP members as of October 1, 2015. The SPP registration must be updated to reflect all the new delivery points. Because of that delay, the Federal Energy Regulatory Commission (FERC) filing will be done after June 1 for the Network Integration Transmission Service (NITS) agreements. The Cooperative and member systems are staffing up to take on more of the responsibilities that were historically provided by WAPA.

When NIPCO, Corn Belt and East River join SPP, Basin Electric rather than WAPA will work with the members on meters. Staff has begun working with Upper Missouri on how to read the meters. There is concern that WAPA staff will not be in a position to support Basin Electric in the billing process. It currently takes until May 20 to get all the final April meter readings. As we move into SPP, estimated meter data will have to be submitted significantly earlier and there is concern that WAPA cannot support that process.

Basin Electric staff is also working on the negotiation and development of other contractual arrangements required to support its transition into SPP. One such agreement is its existing long-term contract with WAPA, which will need to be terminated, and four new agreements will be executed: a firm peaking service agreement, an interconnection agreement, a coordinated facilities agreement and a merchant services agreement.

Mr. Raatz updated the Board on activities related to the new Transmission Service Policy and Member contract amendments.

The Board discussed whether Basin Electric should phase-in recovery of its return on investment. There was considerable discussion, which resulted in the Board members agreeing that this should not be pursued.

Mr. Raatz reported that Basin Electric will submit MidContinent Independent System Operator (MISO) transmission service applications for all cooperative load that needs to take Montana-Dakota Utilities Co. (MDU) and Otter Tail Power Company (OTP) transmission service. We are assuming that we will take MISO transmission service for any load in the OTP control area and will serve those loads from resources within MISO. We will serve loads in the MDU control area from MISO as well, but only have to pay for MDU transmission service. These arrangements need to be in place by January 1, 2015.

He anticipated no issues with Northwestern Energy at the May 28 meeting in Butte, Montana to discuss the Central Montana NITS assignment to Basin Electric.

Staff is looking at alternatives for the transmission service for Great River Energy (GRE)-fixing members. GRE declined to allow Basin Electric to get direct assessments from MISO for its GRE-fixing members. GRE only said they would represent the Cooperative with MISO.

Staff from Tri-State and Basin Electric met on April 29 and confirmed the contract structure that Basin Electric will cover the SPP transmission assessments starting October 1, 2015 for load on the eastern interconnection.

Extension of the Tri-State contract term to 2075 is not likely. The contract currently runs through 2050. There was much discussion on how a two-step rate would work. Basin Electric's concept is if the depreciation is extended, reducing our depreciation expense by \$35 million, a credit of approximately 1.5 mills would be granted to those members with contracts through 2075.

Mr. Raatz reviewed the timeline if Minnkota Power Cooperative requests membership in Basin Electric.

There will be a discussion at the May 21 Wyoming Municipal Power Agency (WMPA) board meeting and WMPA will select its scheduling agent for the period of October 2015 to September 2016. Mr. Raatz expressed his belief that WMPA is interested in a Basin Electric Class A membership proposal (as part of District 9) and will likely hire a consultant for an independent assessment of the economics of becoming a member.

Fergus Electric Cooperative, Mid-Yellowstone Electric Cooperative and Tongue River Electric Cooperative are all considering becoming Class C members of the Cooperative and signing an all-requirements contract with either Upper Missouri or PRECorp.

Mr. Raatz introduced PRECorp General Manager Mike Easley, who discussed PRECorp's outreach strategy and requested that the Basin Electric Board allow Fergus and PRECorp to receive diversity benefits even though they are not contiguous.

Mr. Raatz reviewed historical discussions with the Great River Energy (GRE)-fixing members related to their power supply options from GRE when GRE resource retirements occur. He reviewed a possible proposal that could be made to three of these Members that did not enter into new arrangements with Basin Electric in 2014 and requested authorization to negotiate with these GRE-fixing members regarding a proposal for member consideration subject to further board consideration and approval. The Board of Directors directed him to proceed with negotiations.

NextEra informed staff that it won't have the Dickinson wind farm up and running by year-end and there will be a 160-day delay to June of 2016. He noted that the success of this project is yet to be determined.

He reviewed the Cooperative's average wind pricing, which has decreased considerably and reported on new wind PPA opportunities. It is staff's belief that the Cooperative has enough wind power and should not increase its wind portfolio unless and until the Environmental Protection Agency (EPA) finalizes its Clean Power Plan rules.

13. Recess and Reconvention

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

14. Roll Call

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

Don Applegate
Leo Brekel
Arden Fuher
Mike McQuiston
Wayne Peltier
Allen Thiessen

Paul Baker
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Roberta Rohrer

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Mark D. Foss and staff members Maria Barnhardt, Chris Bauer, Tracie Bettenhausen, Tanner Broderick, Andy Buntrock, Eric Carufel, John Ciz, Shawn Deisz, Tammy DeWitt, Mike Eggl, Bruce Ellwein, Pius Fischer, Matt Greek, John Jacobs, Dan Job, Steve Johnson, Bryan Keller, Becky Kern, Mark Kinzler, Matt Kolling, Janet Kubisiak, Rod Kuhn, Sharon Lipetzky, Brian Matthews, Gavin McCollam, Sally Meier, Melissa Munson, Curt Pearson, Dave Raatz, Mike Risan, Josh Rossow, Ken Rutter, Myron Steckler, Shanda Traiser, Amanda Wangler, Val Weigel, Kyle Weisbeck, Michelle Wiedrich and Scott Wiseman. Also present were DGC Vice President David J. Sauer, PRECorp manager Mike Easley and Mor-Gran-Sou director Chad Harrison.

15. Cooperative Planning Update, continued

A. Resource Development

Becky Kern, Director of Utility Planning, reviewed recent resource development discussions with the board. She reported that the shortlisted proposals had been factored into power supply models, along with cost estimates for self-build, existing facilities, load forecasts, market price forecasts and the lowest cost determination. She then reviewed the base-case forecast assuming great oil prices and 200 rigs; the recovery case which assumed lower oil prices and a reduced number of rigs for a couple of years; and the alternative case which removed the TransCanada Pipeline (**TransCanada**) and assumed low oil prices and reduced rigs operating throughout the forecast period. It was decided to use the recovery case – lower prices for a couple years and then a slow increase coming back to 150 operating rigs, as well as assuming no TransCanada.

Ms. Kern noted that we are getting closer to understanding what transmission service is required for use of the MDU and OTP facilities. There will be pancaked transmission service on at least part of the load. With the MDU load, there is some load that requires MISO only, some requiring SPP only and some loads that will require both MISO and SPP. Staff assumed that the load that requires MISO service only, will be sourced from MISO. Where the load requires SPP or both MISO and SPP, Basin Electric has assumed the current pseudo-tie would remain in place and Basin Electric would source the power from SPP.

With respect to OTP, there is some load requiring MISO only, some requiring SPP only and some requiring both MISO and SPP. For the load that requires only SPP service or only MISO, we plan to source from that RTO. For the load that requires both MISO and SPP, we will look at the current load control boundary points whereby most of this load is anticipated to be sourced from MISO and not incorporate a pseudo-tie to move the load to the SPP balancing area.

Recommendations for Montana are to reduce the Miles City DC Tie point-to-point reservation; purchase 50 MW from October 2017 through December 2021; make a

decision on peaking by the end of 2016 to meet a commercial operation date of 2020, which allows additional time to monitor TransCanada and issue the next Request for Proposal (RFP). If the three Montana cooperative members don't join Basin Electric, it is possible that we would be long on power in Montana.

We are projected to be short power in MISO Zone 1. She recommended moving forward with a 75 MW purchase for 2019-2023, a 50 MW purchase for 2018-2020 and a 100 MW purchase for 2016-2018. Staff continues to investigate the Northern Tier Energy Center. This also assumes that Minnkota comes to Basin Electric as a Class A member.

For SPP, she recommended RFP purchases of 150 MW of capacity from 2017-2023. We don't need the power in 2017, so if we can avoid it, we will. This would allow the delay of resource development to monitor load growth, time to issue the next RFP and time to join SPP and see how it really works.

Ms. Kern showed the Cooperative's projected surplus and deficit within SPP.

B. Power Purchase Agreement

Ms. Kern reviewed the proposed power purchase agreements with Cargill, Minnesota Power, Manitoba Hydro, Dairyland and Missouri River Energy Services. She noted that these purchases are less than the cost of self-building and are significantly less than the cost of a combustion turbine or combined cycle. She then recommended the CEO be authorized to execute and deliver agreements for 425 MW of purchased capacity and/or energy.

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

R03.05-12-15 BE IT HEREBY RESOLVED, that the CEO and General Manager, or his designee, is hereby authorized to execute and deliver agreements to purchase capacity and/or energy in the approximate aggregate amount of 425 MW as presented, on such terms and conditions as he deems in the best interests of the Cooperative.

C. Strategic Planning Quarterly Update

Shanda Traiser, Director of Strategic Planning, reported that Mike Eggl is the theme owner for "Commitment to Cooperative Philosophy and Business Model", as well as "Workforce is a Valuable Asset". Mr. Eggl noted that he would discuss the plan and present the updates, changes and recommendations tomorrow, as well as present the results of the employee survey. He then reviewed the initiatives to support the Commitment to Cooperative: ensure transparent two-way communication within the membership and employee base; publish a structured communications calendar; and provide quarterly email updates from the CEO.

16. Engineering & Construction Report

A. Project Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that contracts totaling \$308.2 million would be presented for approval this month. He then

presented the listing of major projects including the approved budget amounts, total amounts committed and completion dates.

B. 345 kV Transmission Projects Update

Amanda Wangler, Project Manager, reviewed the status of the 345 kV Transmission Project and provided an update on construction and budget. There were no OSHA recordable or DART incidents during the month. As the project is struggling with environmental compliance, an environmental inspector was added, who is in the field daily and has proven to be beneficial to the project.

An endangered species, Sprague's Pipits, were found along the line. That area is now off limits until August 1. This will cost a bit but will not affect the overall schedule. The North Killdeer Loop Phase 2 completion date is undetermined due to the need to determine the east or west route.

The AVS-to-Judson portion of the transmission line is 55% complete, which is six weeks behind schedule. Sixty-nine structures were set in April; the recovery schedule called for 140 structures to be set in April. Thirteen miles of line were strung and staff is working with the contractor to bring in more linemen to help in the stringing process. Another crew may be brought in to work on the Charlie Creek-to-Judson section. The AVS-to-Charlie Creek section is targeted for completion by July 31, 2015. This line must be completed to continue substation work. A construction manager whose main focus is schedule has been retained. Stage 2 work is being completed at the AVS Switchyard with an expected completion in July.

There was a catastrophic failure of the PT at the AVS Substation on April 23, 2015. The PT was destroyed and there was substantial damage to the cables to the 345 kV lines to LOS, the Synfuels Plant and the Roundup line. All cabling to those terminals will need to be replaced. There was also damage to a breaker and one disconnect switch. The initial repair estimate is over \$1 million.

A call with Alstom on May 1, 2015 revealed that the wrong stem cross brace was installed in the PT that exploded. The AVS Stage #2 PTs will be removed from service as soon as possible and sent to the factory for inspection and testing. Options are to reject all Alstom units and procure new units through an alternate vendor; reuse CCVTs until a new PT can be purchased; or return Alstom units for fixing and testing, then return to service. It was decided to reuse CCVTs.

The Charlie Creek Substation is on schedule with Stage 1 to be completed in July.

She reported on the work at the Judson Substation and the targeted completion date is October 1.

C. Patent Gate Material Package

Ms. Wangler reviewed project costs to date for the AVS-to-Neset and North Killdeer Loop projects. She then reviewed the bids for the Patent Gate Material Package and recommended that the contract be awarded to Dis-Tran for \$3,506,000. After discussion, it was moved by Director Gilbert, seconded by Director Drost and carried that the following Resolution be adopted:

R04.05-12-15

RESOLVED, that the Material Package Contract for Patent Gate Substation be awarded to Dis-Tran in an amount not-to-exceed \$3.6 million; and

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

D. Pioneer Generation Station Phase III Update and Mechanical Installation Contract Award

Josh Rossow, Project Manager, reported that all permits required to start construction have been received. Procurement is 70% complete, 38 packages have been awarded and five are out for bid or in review. Board approval will be requested for electrical installation in July or August. He reported that construction of PGS III began after the siting permit was received from the North Dakota Public Service Commission (PSC). As of this week, topsoil stripping is nearly complete and the storm sewer is being installed. He then reviewed project costs.

The scope of the Mechanical Installation Contract includes structural steel erection, process piping, fire protection piping, engine and auxiliary assembly. Three of the six bidders responded. The most experienced contractor bidding was Casey Industrial at an evaluated bid of \$11.8 million.

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

R05.05-12-15

RESOLVED, that the PGS III Mechanical Installation Contract be awarded to Casey Industrial in an amount not-to-exceed \$11.8 million; and

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

E. Lonesome Creek Station III Update

Mr. Rossow reported that while we expect to receive an air permit for the project in late May, all permits required to start construction on LCS III have been received. AZCO began mobilization last week. Earthmoving is expected to begin on May 11. He then reviewed LCS III project costs.

F. AVS SDA Pond Settling Weirs

Maria Barnhardt, Senior Civil Engineer, reported that the settling weirs prior to the spray dryer and AVS ash water pond are undersized and, as a result, the pond fills with sediment requiring dredging approximately every three years. New weirs will add over four times the existing storage and settle out approximately 90% of the total solids.

The pond is half full of sediment and will be dredged this summer. Two new sets of weirs will provide for longer flow path for increased settling time and thus more solids will settle out prior to entering the pond. This will eliminate the need to dredge the pond and the potential for dredging to damage the pond. The scope of work includes

concrete containment, piping and electrical. She reviewed the project schedule and noted the cost estimate is \$1,949,928.

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

R06.05-12-15 RESOLVED, that the AVS SDA Pond Settling Weirs project presented to this meeting of the Board of Directors at a budgeted cost of \$1,949,928 is hereby approved; and

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

G. LRS Cooling Tower Fire Protection Project

Dana Jensen, Electrical Engineer, reported that the scope of this project includes replacing the fire detection and suppression piping for all three units because the current detection system devices do not meet the National Fire Protection Association 72 requirements and because the existing detection and suppression piping is deteriorated due to age and the cooling tower environment. He presented photographs and noted that the equipment supply and installation contracts would be awarded in May 2015; installation was scheduled for June 2015 through February 2016; and completion of commissioning for March 31, 2016, a nine-month installation period. He reviewed the cost summary (Class 2 estimate) and recommended the project be approved.

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

R07.05-12-15 RESOLVED, that the LRS Cooling Tower Fire Protection Project with a budget of \$3,851,289 is hereby approved; and

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

H. LRS Autowash System Infrastructure

Kyle Weisbeck, Mechanical Engineer, reported that this project is part of the initiative to reduce coal dust. The original scope was for a standalone system for wash-down in the coal pile and coal handling areas with expansion capability. To date, \$2.9 million of the \$3.3 million approved amount has been spent or committed. The approximate cost to complete the project is \$400,000. He presented photographs and reviewed project work completed.

An explosion in the cascades of the main plant occurred in May 2013. A task force was formed to evaluate the whole system to cover the coal conveyor system, as well as the power plant itself. The task force determined that a new design scope was required. The project schedule calls for the project to be complete and in service in December 2015.

Mr. Weisbeck recommended that the budget for the LRS Autowash system infrastructure project be increased \$1,102,863.

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

R08.05-12-15 RESOLVED, that the budget for the LRS Autowash System Infrastructure Project, as presented, be increased \$1,102,863 to a new contract total of \$4,434,917, of which Basin Electric's share is \$504,823; and

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

I. LRS Mercury Emission Control Amendment

Tanner Broderick, Mechanical Engineer III, reported that delivery of the silos for LRS #1 and #2 mercury emissions control project are running late. AVS is experiencing similar delays.

This project is required to meet EPA's Mercury Air Toxics Standards (MATS) Rule. LRS and AVS received a one-month compliance extension to June 1, 2015. The original project was approved in March 2014 for \$9,832,466.

He reported that the Unit 3 silo has been delivered and set and startup and commissioning is scheduled this month. Silo foundations, balance-of-plant piping and electrical are nearly complete on Units #1 and #2. We are awaiting delivery of the Unit #1 and #2 silos. He presented photographs and reviewed the Unit #3 lift.

Mr. Broderick presented project scope changes of \$1,659,816, silo delay impacts of \$1,100,000, the external stair tower of \$350,000 for an amendment total of \$3.11 million to a new contract total of \$12.94 million. He recommended approval of the amendment.

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

R09.05-12-15 RESOLVED that the budget for the LRS Mercury Control Project be increased by \$3,114,126 (of which Basin Electric's share is \$1,334,887) to a new contract total of \$12,935,373 (of which Basin Electric is responsible for \$5,563,898) is hereby approved; and

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

17. Transmission Report

Mike Risan, Senior Vice President - Transmission, reported on the status of Basin Electric's integration into SPP.

Settlement discussions with MDU and OTP are ongoing. Discussions with MDU are close in principle. There are still differences to be resolved with OTP. The Administrative Law Judge handling our case retired and a new one has been assigned. The next settlement conference is scheduled for June 10.

Basin Electric is ready to submit its costs for the Upper Missouri rate zone (UMZ) within the SPP tariff. A number of other transmission owners in the UMZ are in the same position. WAPA's submittal will follow. It will be another month or two before we know what the actual UMZ transmission rate will be. Some members are bringing facilities into the rate zone and that will be part of the rate calculation, as well as qualifying MDU facilities. It is envisioned that the inclusion of member and MDU facilities in SPP will supersede the need for the Interconnection and Common Use Agreement.

Corn Belt, NIPCO and East River are coming into SPP on October 1. Central Power just approved joining SPP as a Transmission Owner on January 1, 2016. Upper Missouri and some of its larger members are going to Little Rock, Arkansas next week to research SPP membership as a Transmission Owner. Several Basin Electric staff will also participate.

Mr. Risan reported that he and Bob Harris from WAPA had been seated on the SPP Members Committee. He then reported that the tour of the Bakken with SPP staff, North Dakota PSC commissioner Brian Kalk, a Nebraska Power Review Board member, Dave Raatz, Curt Pearson and himself had gone very well. Dale Haugen from Mountrail-Williams provided an excellent tour in the Williston area.

SPP staff presented at the North Dakota PSC meeting, which was intended to be educational for the PSC, including how the PSC can engage in the SPP process. Also in attendance were MDU, OTP, Xcel and Minnkota.

The MAPP board approved its dissolution plan on April 30.

A. Transmission System Maintenance Report

Bryan Keller, VP of Transmission System Maintenance (TSM), reported that TSM staff have worked 229 days since the last DART incident. He noted that there are many new staff members and the division is heavily involved in new construction and upgrades.

TSM is working with Property and Right-of-Way staff to locate a suitable property for a new maintenance facility to provide additional office, a heated shop and equipment storage space (approximately 15 acres) in a non-congested area with access to Interstate Highway 94. The current facility has been outgrown and contains no storage space. A site east of Bismarck has been located and a recommendation will be brought to the board in June or July.

In Williston, TSM is presently sharing office space with Mountrail-Williams Electric Cooperative (MWEC) and its contractors in the 16-plex that was moved from DFS. MWEC has allotted warehouse space to TSM in its building; however, it has minimal indoor vehicle parking until MWEC's parking garage is completed during the first quarter of 2016.

He then reported on the LRS/Stegall 230 kV line emergency rating increase, the Williston/Wheelock 230 kV line structure replacement, routing the AVS/LOS 345 kV Lines #1 and #2 into new line terminals at the AVS 345 kV Switchyard, a lightning strike damaged a structure on PRECorp's Teckla/Reno 230 kV line, the MBPP East 345 kV line relay upgrade project and the protective relay upgrades at the Sidney 345/230 kV Substation.

18. Communications & Administration Report

A. Headquarters Building Expansion

1. East Blunt-Front Building Expansion

Chris Bauer, Senior Structural Engineer, presented an artist's rendering and reviewed the bids for the east side of the headquarters building, which includes 20 offices, three mothers' rooms, three conference/work rooms, additional restrooms and Americans with Disabilities Act (ADA)-compliant restrooms, a main entrance to the building to facilitate construction of the west-side addition and the correction of drainage issues on the east side of the building. The expansion will add 4,160 square feet and will remodel 4,770 square feet. He reviewed the layout for the first three floors and reviewed the project costs which total \$1,799,755.

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

R10.05-12-15 RESOLVED, that the Blunt-Front Headquarters Building-East Side project at a budgeted cost of \$1,800,000 is hereby approved; and

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

2. East Blunt-Front Building Expansion Contract Award

Mr. Bauer reviewed the four bids and recommended the contract be awarded to Kraus-Anderson for \$1,476,755. After discussion, it was moved by Director Applegate, seconded by Director Brekel and carried that the following Resolution be adopted:

R11.05-12-15 RESOLVED, that the Headquarters East Blunt-Front Addition Project be awarded to Klaus-Anderson in an amount not to exceed \$1,476,755; and

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

3. East Parking Lot

Dan Job, Facilities Director, reviewed the timeline and plan for construction of the east parking lot. The plan includes storm water, sanitary sewer and domestic water for fire protection and fire hydrants. The plan also includes new entrances and exits for safety and traffic flow--which will be done whether construction takes place or not.

In order to secure a spot on the construction company's calendar, bids for the blunt front and the parking lot areas were solicited in April. The bids were 25% lower than anticipated.

Overall project costs for the east blunt-front addition were \$1.8 million; for the west addition (including the east parking lot, northwest parking lot and the upper

parking lot repair) were \$31 million to \$35 million; and for the shop/warehouse were \$1.5 million to \$2 million for a total of \$35.5 million to \$39 million.

Remodeling of the existing building will be \$8 million to \$10 million or \$98 per square foot, which includes demolition, fire protection and limited mechanical and electrical work.

He then reviewed the schedule for bids, board approval, construction start and completion for the East Addition, East Parking, West Addition and the Shop/Warehouse and answered questions.

19. Recess and Reconvention

At 4:45 p.m., the meeting recessed until 8:00 a.m., at which time the meeting reconvened, President Peltier continuing to preside and Secretary-Treasurer Gary C. Drost keeping the minutes thereof.

20. Roll Call

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

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and staff members Tracie Bettenhausen, Andy Buntrock, Effie Carr, Eric Carufel, Tammy DeWitt, Mike Eggl, Matt Greek, Chad Heck, Jennifer Holen, John Jacobs, Glynda Janz, Steve Johnson, Mark Kinzler, Brenda Kraft, Rod Kuhn, Anine Lambert, Brian Matthews, Shawnel Maxwell, Tracy McBride, Sally Meier, Darla Miller, Diane Paul, Dave Raatz, Mike Risan, Jean Shaffer, Susan Sorensen and Michelle Wiedrich. Also present was DGC Vice President David J. Sauer.

21. Communications & Administration Report, continued

Mr. Eggl reported that Government Relations staff, six directors and Mr. Sukut participated in the 2015 Legislative Rally. NRECA's talking points for Capitol Hill visits addressed the Ratepayer Protection Act, Regulatory Integrity Protection Act and Coal Combustion Residuals Regulation Act.

Mr. Eggl discussed the redundancy of certain board policies with other Cooperative policies and recommended that a review team be organized to meet monthly. He suggested that a board representative participate and that three to four policies per month be reviewed and redlined to be presented to the entire Board for approval at the following month's board meeting. Once all policies have been reviewed and approved by the board, he recommended a review process similar to that of the Resolutions Committee.

Mr. Eggl then reported that retired employee Diane Paul has been helping in Human Resources on a short-term basis.

He reported on the DGC community breakfast, leadership development (recent graduates of the Women's Leadership Program are Tracie Bettenhausen and Tammy Langerud and

of the Leadership Bismarck-Mandan Program was Chris Gessele), Spotlight on Excellence award winners, DGC 2014 Responsible Care Report, Rebuilding Together efforts, Backpack Program, upcoming tours, South Dakota Freshman Impact exercise, public perception survey and cooperative messaging.

A. IS&T Quarterly Update

Mark Kinzler, VP-Information Systems & Technology, reviewed the 2015 Information Systems & Technology (IS&T) Work Plan, reported on work associated with joining SPP, the North American Energy Reliability Commission (NERC) Critical Infrastructure Protection (CIP), CIP project schedule, software consolidation, software, standardization, challenges, key business processes, governance change, existing software consolidation and enterprise software. He proposed implementation of a three-tier software governance structure: IS&T management team will make a recommendation to the IT Steering Committee which, in turn, will make a recommendation to the Executive Review Board, which will make a decision on whether to proceed with the software. He then discussed efforts with respect to consolidating existing hardware and the need to resist efforts to customize off-the-shelf software.

22. Financial Services Report

Steve Johnson, Senior Vice President & Chief Financial Officer, discussed the Cooperative's liquidity, current economic statistics, U.S. Treasury yield curve and RUS refinancing.

He then discussed the status of the RUS Buy-Out and visits with the rating agencies on April 27-28. He noted that the Basin Electric Amended and Restated Indentures were filed last week. The rating agencies are being asked to issue their ratings of the First Mortgage Series 2015 A Notes the week of May 11.

A. Authorization to Issue First Mortgage Obligations, 2015 Series A Notes

Mr. Johnson asked for authority to proceed with the RUS buy-out financing. After discussion, it was moved by Director Applegate, seconded by Director Brekel and carried that the following Resolution be adopted:

R12.05-12-15

WHEREAS, the Board of Directors (the **Board**) of Basin Electric Power Cooperative (then **Cooperative**) desires to take the necessary action to cause the Cooperative to borrow up to one billion five hundred million dollars (\$1,500,000,000.00) from numerous institutional accredited investors (collectively, the **Investors**) to be used to refinance Rural Utilities Service-guaranteed Federal Financing Bank debt and for other general corporate purposes;

RESOLVED, that the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and any other officer of the Cooperative is authorized, on behalf of the Cooperative, to execute and deliver under its corporate seal, which an Assistant Secretary of the Cooperative is directed to affix and attest;

(a) As many counterparts as shall be deemed advisable of one or more note purchase agreements with investors substantially in the

form presented to this meeting (collectively, the **Loan Agreement**); and

(b) The Basin Electric Power Cooperative First Mortgage Obligations, 2015 A Series Notes substantially in the form presented to this meeting in an aggregate principal amount not to exceed one billion five hundred million dollars (\$1,500,000,000.00) with a term not to exceed forty (40) years (collectively, the **Notes**).

RESOLVED, that the President, the CEO an General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and any other officer of the Cooperative be, and each of them is authorized in the name and on behalf of the Cooperative, to execute and deliver and cause the Cooperative to perform its obligations under, the Notes and the Loan Agreement and all related instruments and documents, agree to the interest rate that the Notes shall bear, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions.

RESOLVED, that the Board authorizes the Cooperative to take any and all steps which may be necessary or desirable to issue to Investors, and execute and deliver the Notes under and in accordance with the Amended and Restated Indenture dated as of May 5, 2015 between the Cooperative and U.S. Bank National Association, as trustee (the **Trustee**) as supplemented by the Supplemental Indenture (as defined below) (the **Indenture**) including making a request to the Trustee to authenticate the Notes and making the necessary filings and certificates which must be filed with, or otherwise delivered to, the Trustee to support a request to the Trustee to authenticate the Notes as "Additional Obligations" under the Indenture. The Board hereby empowers, authorizes and directs each of 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 which may be necessary or desirable to complete the execution, authentication and delivery of the Notes and the issuance thereof to Investors. The authority conferred upon each of 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 Thirty-Third Supplemental Indenture to be dated as of June 1, 2015 substantially in the form presented to this meeting supplementing the Indenture with the Trustee (the **Supplemental Indenture**), with such changes, insertions and omissions as the person or persons executing or accepting the Supplemental Indenture may approve, the execution,

approval or accepting the Supplemental Indenture being conclusive evidence of such approval by such person or persons.

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 Sections 4.2, 4.3 and 4.5 and the other applicable provisions of the Indenture and (ii) to take such other steps as are required by the Indenture and/or the Loan Agreement 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 officers of the Cooperative are each hereby authorized and empowered to take such other action as might be required to complete the execution, authentication and delivery of the Notes and the Cooperative's performance of its obligations thereunder and under the Loan Agreement. All actions heretofore taken by the President, by 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 with respect to the Notes, the Supplemental Indenture and the Loan Agreement and the other matters contemplated by these resolutions, are in all respects ratified and confirmed.

B. Authorization to Enter into Interest Rate Hedges

Mr. Johnson requested authority to enter into interest rate hedges. After discussion, it was moved by Director Brekel, seconded by Director Thiessen and carried that the following Resolution be adopted:

R13.05-12-15

RESOLVED, that the Board of Directors amends and restates Board Resolution R15.04-14-15 adopted by the Board of Directors at its April 2015 meeting in its entirety as follows:

RESOLVED, that as an exception to the limitations on the authority granted to the CEO and General Manager pursuant to Board Resolution R01.02-11-14, the Board of Directors of the Cooperative authorizes the CEO and General Manager, or his designee, to negotiate and execute interest rate hedging transactions for up to \$1.5 billion of the Cooperative's 2015 Series First Mortgage Notes.

C. Accounting Report

Darla Miller, Senior Accounting Analyst, reported that the April 2015 Statement of Operations reflected an estimated net deficit of \$15.5 million compared to the budgeted net deficit of \$19.2 million for a favorable variance of \$3.7 million. The net deficit for the same period last year was \$20.9 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 21.2%, the same as at the end of March.

At the end of April, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 25.1%, the same as at the end of March, both without the consolidation entry for The Coteau Properties Company.

The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 22.6, the same as at the end of March.

23. Directors' Reports

Director Baker reported on today's WFA conference call.

Director Fuher noted that Central Power now accepts that Basin Electric will buy out of RUS, but stressed the need to continue to support the RUS program for the distribution cooperatives.

Director Thiessen reported on Upper Missouri's annual meeting and expressed his appreciation to Mr. Sukut and staff for their participation. The guest speaker was Cathy Nessel, who gave a presentation on oil drilling that was very interesting. The new Upper Missouri chair is Travis Thompson from McKenzie Electric. The previous chairman retired.

Director Gilbert reported that approximately 20 million of the 60-some million turkeys and poultry in Iowa had died from the avian bird flu and they don't know when they can repopulate. He noted that 6% to 7% of Corn Belt's load is from concentrated turkey and poultry facilities.

Director Brekel reported that the MECA summer meeting will be at Sylvan Lake, South Dakota on June 23-24.

Director Drost noted that poultry containment facilities need to continue ventilation even when there are no birds, so the load will decrease but not completely.

Director Peltier noted there will be a District 9 information meeting on June 8.

24. Date and Place of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place June 9-10, 2015, at Basin Electric's headquarters building in Bismarck, North Dakota.

CEO Sukut noted that the tentative plan for the July Board meeting is to attend the CoBank, ACB meeting until noon on Wednesday, July 15, 2015, and then go to Tri-State headquarters and start with the DGC board meeting at approximately 2:00 p.m. The plan would be to fly to Denver on Monday, July 13 and fly back on Friday, July 17, at noon. Tammy DeWitt will distribute detailed information when it is available.

25. Executive Session

At 10:20 a.m., it was moved by Director Drost, seconded by Director Gilbert and carried that the meeting retire into executive session for reports on the meeting with the EPA and the mediator from the 10th Circuit Court of Appeals regarding the LRS BART matter, human resources matters, the pulsed electron beam technology intellectual property, the BNSF settlement, discussions with the Three Affiliated Tribes regarding locating a seven-mile segment of the AVS-to-Neset transmission line and discussions with Minnkota.

At 11:00 a.m., Peter Stark joined the meeting to discuss the results of the employee surveys.

At 12:08 p.m., it was moved by Director Drost, seconded by Director Applegate and carried that the Board arise from executive session.

It was then moved by Director Pearson and seconded by Director Gilbert that the salary recommendation for the CEO and General Manager be adopted. Motion carried.

26. Adjournment

At 12:10 p.m., it was moved by Director Baker, seconded by Director McQuiston and carried that the meeting be adjourned.



Gary C. Drost
Secretary-Treasurer