

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

**Minutes of the Regular Meeting of the Board of Directors  
June 10-11, 2014**

		<u>Page</u>
1.	Call to Order	1
2.	Roll Call	1
3.	Approval of the Agenda	1
4.	Approval of the Minutes	1
5.	General Manager's Report	2
6.	Executive Session	2
7.	Generation Report	2
	A. Distributed Generation Report	3
	B. Dry Fork Station Update	4
8.	Marketing and Asset Management	4
9.	Cooperative Planning Report	5
10.	Recess and Reconvention	6
11.	Roll Call	6
12.	Cooperative Planning Report, continued	6
	A. Strategic Planning	6
	B. Basin Electric Strategic Resource Mix	7
	C. RTO Update	7
	• CPR Amendment Approval: Energy Management System RTO for East-Side Generation Facilities	R01.06-10-14 8
	• CPR: Generation Optimization System	R02.06-10-14 8
	• CPR: RTO Transaction System	R03.05-10-14 9
	D. 2015 Load Forecast Update Work Plan	R04.06-10-14 9
	E. Security & Response Services Overview	9
	F. Merger/Consolidation Assistance	R05.06-10-14 10
13.	Recess and Reconvention	10
14.	Roll Call	10

15.	Executive Session		11
16.	Engineering & Construction Report		11
	A. Funding Chart		11
	B. 2016 Peaking Generation Update		11
	C. AVS-to-Neset 345 kV Transmission Project Update & Judson Substation Materials Contract Approval	R06.06-10-14	11
	D. Mechanical Engineering Update		12
	E. Wyoming X-Prize Initiative		12
17.	Transmission Report		12
18.	Communications & Administration Report		13
	A. Building Update	R07.06-10-14	13
19.	Financial Services Report		14
	A. Accounting Report		14
	B. 2014 Liability and Directors & Officers Insurance Renewal	R08.06-10-14	14
	C. Proposed Enterprise Risk Management Board Policy	R09.06-10-14	15
20.	Recess for Board Audit Committee Meeting		15
21.	Directors' Reports		15
22.	Date and Time of Next Board Meeting		15
23.	Adjournment		16

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The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at Basin Electric's headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, on Tuesday, June 10, 2014 starting at 1:00 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
Marshall Collins	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Tracie Bettenhausen, Eric Carufel, Shawn Deisz, Tammy DeWitt, Matt Greek, Ellen Holt, John Jacobs, Steve Johnson, Becky Kern, Deborah Levchak, Gavin McCollam, Dale Niezwaag, Deb Olafson, Curt Pearson, Dave Raatz, Chad Reisenauer, Mike Risan, Ken Rutter, Tom Stalcup, Myron Steckler, Steve Tomac, Kevin Tschosik, Troy Tweeten, Amanda Wangler, Michelle Wiedrich and Lyle Witham.

Also present were Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Robert Leingang, East River Electric Power Cooperative (**East River**) director Isabel Trobaugh and Dakota Gasification Company (**DGC**) Vice President David J. Sauer.

**3. Approval of the Agenda**

The Directors considered the agenda for the conduct of the business of the meeting. After an opportunity for addition and deletion of items, it was moved by Director Drost, seconded by Director Baker and carried that the revised agenda be approved as presented. The revision was that the Office of General Counsel report be presented during executive session.

**4. Approval of the Minutes**

The minutes of the May 13-15, 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 Rohrer, seconded by Director Gilbert and carried that the minutes be approved as presented.

**5. General Manager's Report**

General Manager Sukut reported that Basin Electric and Minnkota Power Cooperative hosted the National G&T Managers meeting in Jackson Hole, Wyoming, in May.

He reported on a meeting with Matt Rose of BNSF, who was in Bismarck speaking at the Williston Basin Petroleum Conference.

On June 2, Mr. Sukut, Reuben Ritthaler and Mike Easley attended a fundraiser for Wyoming Governor Mead. Over 100 people attended.

On June 5, Mr. Sukut and Mike Eggl met with North Dakota Governor Dalrymple to discuss issues. Governor Dalrymple was very appreciative of Basin Electric's activities to address growth in northwestern North Dakota.

**6. Executive Session**

At 1:10 p.m., it was moved by Director Gilbert, seconded by Director McQuiston that the board retire into executive session for the General Counsel report and to hear an update on EPA's Emission Guidelines for Existing Stationary Sources. The motion carried.

At 2:35 p.m., it was moved by Director McQuiston, seconded by Director Gilbert and carried that the board arise from executive session.

**7. Generation Report**

John Jacobs, Vice President of Operations, reviewed the Cooperative's safety performance for the month, noting that there had been no recordable incidents at any of the Basin Electric facilities in May.

He noted he and Ken Rutter are in the process of meeting with employees at the generating facilities to explain plant operations in an RTO environment. He also reviewed the actual generation for the solid fuel plants, oil and gas plants and wind facilities for May and year-to-date.

Total generation for the month was 0.5% over budget. Inflows into the Grayrocks Reservoir were at 1300 cubic feet per second and the Reservoir is expected to fill this summer. Due to the rotor repair, Laramie River Station (LRS) Unit #3 is scheduled back on-line on July 15.

Staff is receiving weekly updates on the pulsed-beam technology from the testing laboratory. LRS flue gas has not yet been tested; however, some LRS flue gas was run through the facility. Study results should be available in late July. The Leland Olds Station (LOS) coal pile is at 500,000 tons.

Due to the delays in rail deliveries, lime is being trucked to the Antelope Valley Station (AVS), which increases the lime cost by \$30-\$40 per ton.

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

Unit	Availability	Capacity Factor	Unit Rating	Comments
LRS #1	91.78%	79.16%	570 MW	Repair #7 main steam safety
LRS #2	89.00%	84.07%	570 MW	Tube leak in boiler penthouse
LRS #3	0.00%	0.00%	570 MW	Triennial maintenance outage
LOS #1	97.17%	87.27%	221 MW	Water seeped in relay room

				DCIS cabinets during Unit #2 washdown
LOS #2	100%	67.11%	448 MW	
AVS #1	10.73%	78.6%	450 MW	Triennial maintenance outage
AVS #2	100%	97.7%	450 MW	
DFS	99.14%	95.92%	386 MW	

**A. Distributed Generation Update**

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

Unit	Monthly Availability %	Monthly Generation MWh	Unit Rating MW	Comments
Groton Unit #1	95.23	1843	100 MW	For load demand
Groton Unit #2	99.58	1272	100 MW	For load demand
Culbertson CT	89.04	2412	100 MW	For load; scheduled outage to boroscope engine
WY Dist. Gen.:	88.61	42	54 MW	
SMS Unit #1	93.25	769	60 MW	
SMS Unit #2	99.78	802	60 MW	
Deer Creek	75.94	16,652	300 MW	
PGS Unit #1	100	3360	45 MW	Ran for load & voltage support
PGS Unit #2	100	0	45 MW	Did not run
PGS Unit #3	97.60	4486	45 MW	Ran for load
LCS Unit #1	83.19	4207	45 MW	Ran for load control
PWND 1	95.70	37,135	123 MW	
PWSD 1	97.34	52,726	162 MW	

He reported on the meeting held at Lonesome Creek Station (LCS) to coordinate with the emergency response group in the area. He then reported that LCS ran 234 hours in synchronous condensing mode in May and Pioneer Generating Station (PGS) #1 ran 158 hours in that configuration. There were 18 west-side reserve events during the month.

PrairieWinds SD 1. Staff performed blade repairs on eight towers and started road blading, graveling and weed spraying.

PrairieWinds ND 1. Mr. Tschosik reported that annual maintenance is 37% complete at the facility. Wind Turbine Generator #60 experienced problems in a gear box and will be replaced; the (CMS) instrumentation alerted technicians to the developing problems on a couple of other turbines, so damage was limited and up-tower repairs were made.

The east-side peak occurred on May 29, 2014 at 6:00 p.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak (MW)	Capacity Factor (%)	Project Total
Baldwin	89 MW	46%	99 MW
Day County	52 MW	53%	99 MW
Edgeley	19 MW	29%	40 MW
Highmore	22 MW	37%	40 MW
Iowa Wind	5 MW	40%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	17%	3.4 MW
PrairieWinds ND	108 MW	41%	123 MW
PrairieWinds SD	68 MW	44%	162 MW
Wilton	90 MW	42%	99 MW
Total May Wind Generation	455 MW	43%	712 MW maximum
Avg Monthly Capacity Factor	n/a	43%	n/a
Avg YTD Capacity Factor	n/a	52%	n/a

## B. Dry Fork Station Update

Tom Stalcup, Dry Fork Station (DFS) Plant Manager, introduced Troy Tweeten, DFS Operations Superintendent. He then reported that year-to-date (YTD), there has been one OSHA recordable case and zero DART cases at DFS.

May generation was 286,553 MWh, which was over budget by 11.23%. YTD availability was 98.07%. The unit tripped on May 31 during a monthly turbine valve test.

Annual HAPS and RATA tests were completed the week of May 12. Mr. Stalcup then reviewed the two outages in 2014 and derates.

On May 24, 2014, the plant site received six inches of rain in two hours. Storm water ponds #1 and #2 overflowed. He presented photographs of the damage to 50 feet of the perimeter security fence, as well as erosion at various locations around the plant site.

Mr. Stalcup then reported on the vibration problems and alarms caused by cast blasting at the Eagle Butte Mine. Basin Electric's engineering staff is evaluating damage to an on-site coal silo. Eagle Butte Mine staff is modifying some of its blasting procedures to reduce the impacts to DFS.

## 8. Marketing and Asset Management

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

Day-ahead and hourly power pricing dropped throughout May. Member energy requirements for the month were estimated higher than forecast by roughly 35,000 MWh. Non-member energy sales for the month were estimated 104,000 MWh higher than forecast. The differential energy was supplied from a combination of market purchases, higher baseload operation and natural gas generation. Expenses for the replacement energy were lower than forecast and overall Basin Electric revenues were in excess of additional expenses.

He then reviewed the RTO impacts for marketing and discussed regional carbon initiatives.

Purchased power volumes and natural gas burns were higher than expected for the month, whereas wind generation came in lower than anticipated. The higher purchased power volumes were offset by lower-than-expected market prices. Owned generation produced roughly 50,000 MWh more than budgeted. This additional volume was from a mix of coal and natural gas.

Both east and west market prices were in excess of forecasted amounts, contributing to a positive variance in short-term non-member sales.

## 9. **Cooperative Planning Report**

Dave Raatz, Vice President of Cooperative Planning, reported that by July 1, IRP submittals are due in Minnesota, North Dakota and South Dakota. The Western Area Power Administration (**WAPA**) IRP is due by November 1. The Integrated System (**IS**)/Southwest Power Pool (**SPP**) five-year action plan will become public in these submittals.

He reported staff is working with Minnesota Power, Minnkota, WPPI Energy and Dairyland studying the feasibility of partnering in a resource in MISO in the 2020-2025 time frame and is looking at a potential site probably on the east side of the river where it can connect into backbone transmission.

**NextEra Wind Proposal.** Mr. Raatz reported receiving a proposal from NextEra whereby they would sell the output of two projects: one in North Dakota and one in South Dakota. Staff is reviewing the proposal.

He also reviewed a proposal from Wyoming Wind & Power on a project they want to develop one mile north of LRS. That proposal is also under review.

**Solar.** Mr. Raatz noted that last month the board approved two new solar rates. We've received one application on a project moving forward. Some members have also asked how they could build larger projects.

He discussed an option to accommodate larger solar project for each Membership Districts so that there is no subsidy from the balance of the membership. It would be treated like a special rate, and the power would be priced to the Membership District at the cost of the solar.

He noted that discussions were held with Geronimo Energy, HelioSage and NextEra Energy about the cost of constructing/purchasing these types of projects. Mr. Raatz noted that he would send a letter to the managers to see if they are interested in solar projects structured in this fashion.

**New Member Possibilities.** Mr. Raatz noted that PRECorp continues to have discussions with members of Southern Montana on future power supply. Basin Electric and PRECorp will respond to the RFP sent out from Big Horn Electric Cooperative for power supply. This would take effect in the 2017-2018 time frame.

Several member cooperatives are proposing to acquire portions of the rural service territory of Alliant. The sale has to be approved by the FERC, as well as state commissions. The applications were submitted to the Minnesota PUC in mid-April, but nothing has yet been filed with FERC.

**GRE-Fixing Members.** Mr. Raatz noted that Great River Energy has the ability to reduce its sales to its members under certain circumstances, and they have advised the fixing members that they will be pulling back 35 MW in the summer and 1 MW in

the winter. The fixing members have asked Basin Electric for a proposal to serve this load and we need to respond by September. He discussed some options for the proposal, including a substantial solar component.

**New Initiatives.** Mr. Raatz noted that staff has completed the studies to justify the extension of the depreciation periods for DFS and AVS. These requests will be submitted to RUS very soon. With these life extensions and other upcoming financings, staff is looking at a proposal to ask the members to extend their contract term from 2050 to 2075.

**10. Recess and Reconvention**

At 5:20 p.m., the meeting recessed until 8:00 a.m. at which time the meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

**11. Roll Call**

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

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

Said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Kim Badenhop, Tracie Bettenhausen, Effie Carr, Eric Carufel, Gary Christensen, John Ciz, Shawn Deisz, Tammy DeWitt, Pius Fischer, Matt Greek, Chad Heck, Ellen Holt, John Jacobs, Casey Jacobson, Steve Johnson, Becky Kern, Mark Kinzler, Chad Kuntz, Gavin McCollam, Dale Niezwaag, Deb Olafson, Dave Raatz, Tom Radenz, Chad Reisenauer, Josh Rossow, Ken Rutter, Tyler Schilke, Jim Sheldon, Myron Steckler, Steve Tomac, Shanda Traiser, Kevin Tschosik, Amanda Wangler and Michelle Wiedrich. Also present were East River director Isabel Trobaugh, Mor-Gran-Sou director Robert Leingang and DGC Chief Operating Officer David J. Sauer.

**12. Cooperative Planning Report, Continued**

**A. Strategic Planning**

Shanda Traiser, Business Strategies Planner, reported that last month, the group received a Point-of-View update, heard feedback from the Manager's Advisory Committee (MAC) and Corn Belt and also reviewed three additional objectives: (1) be the employer of choice; (2) develop and maintain a well-trained workforce; and (3) implement succession planning and knowledge transfer programs.

The MAC expressed concern with the measurement of F1-Managed Wholesale Power Rates and felt the definition was good, but the measurement was too removed from the definition. After discussion with the board and senior staff, two revisions were made to F1, which were distributed.



Ms. Traiser then led the group discussion on M2-Reliable Wholesale Power; P5-Optimize Operation and Use of Cooperative Assets; P6-Effectively Manage Costs; and an action item follow-up-Cooperative Planning to report on study regarding options for long-term generation assets.

She concluded with a review of the strategic planning activities planned for the July through September board meetings.

**B. Basin Electric Strategic Resource Mix**

Ms. Traiser reported this is an action item from the March 2014 Strategic Planning Session, which called for Cooperative Planning to review the mid- to long-range plan for Basin Electric's strategic resource plan.

Mr. Raatz began by reviewing the Cooperative's three resource planning areas: (1) west of the electrical divide; (2) the IS/SPP; and (3) MISO. There will be no change in power supply capacity planning as a result of joining an RTO; however, there will be major changes in power supply energy planning.

He reviewed the Cooperative's loads and resources in each planning area, as well as the planning reserve margin in each. He also discussed the total resource mix in each planning region.

Mr. Raatz then reviewed the proposed new generating projects Basin Electric has underway or seriously considering in the IS/SPP planning region for the 2016-2019 time frame.

He then noted that staff is in the process of updating the Cooperative's Integrated Resource Plan, which will provide further definition to the types of generating resource. He introduced Matt Greek, who discussed studies underway to look at advanced coal and nuclear generating options. These studies will all be incorporated into the IRP which should be completed later in the year.

**C. RTO Update**

Mr. Raatz reported that the SPP board has approved the proposed tariffs and bylaw amendments. Staff continues to work on planning for the integration process. Staff is planning to provide the board an update in July on the economics of joining SPP and will ask for the Cooperative to commit to joining SPP contingent upon FERC approval.

Staff is in the processing of coordinating a FERC briefing toward the end of July or early August. He noted that staff is also working on modifications to the numerous different contractual arrangements between Basin Electric and Western. The three major areas under review are: (1) transmission and operations; (2) scheduling of power; and (3) support service arrangements with Western.

He introduced Kimberly Badenhop, Cooperative Planning Project Coordinator, who spoke on the Internal RTO Transition. She reviewed the Impact Assessment Summary from the Structure Group consultants. A large number of areas at Basin Electric will be significantly impacted by the RTO Transition. The bulk of the work for the transition needs to be completed between now and April 2015. The largest increased staffing need is between now and April 2015. There will be additional staff needed long term, at a lower level than required to complete work before April 2015. Work will continue with SPP and Structure Group to develop

specific timeline and requirements. The overall budget for RTO Transition is estimated at \$16.7 million.

- **CPR Amendment: Energy Management System RTO for East-Side Generation Facilities**

Mr. Tschosik reported that previously the board had approved a budget of \$962,799 for an Energy Management System (EMS) for the east-side generation facilities. This authorized the purchase of the hardware, software licenses and data tags the EMS needed for participating in an RTO.

He noted that if Basin Electric joins SPP and participates in the SPP Ancillary Services Market, the east-side generation facilities will require Automatic Generation Control (AGC) equipment to meet the SPP guidelines. He reviewed the hardware and software required for the installation of AGC and recommended that the budget for the EMS on the east-side generation facilities be increased by \$4,270,795 to a new total of \$5,233,594. He noted that this project must be completed by April 1, 2015, so we need to begin acquisition and installation now.

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

**R01.06-10-14** RESOLVED, that the budget for the East-Side Energy Management System (EMS) for the Regional Transmission (RTO) project be increased \$4,270,795 to a new total of \$5,233,594, and is hereby approved; and

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

- **Capital Project Request: Generation Optimization System**

Mark Kinzler, Vice President & Chief Information Officer, presented a capital project request for the purchase of software for a Generation Optimization System. This software is a tool for developing short-term and real-time bids and dispatch decisions in an RTO market. The cost is \$1,781,335. This cost includes software, hardware, installation and configuration and was included in the IS&T budget. He recommended approval.

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

**R02.06-10-14** BE IT RESOLVED, that the CPR to purchase new software to develop short-term and real-time ISO bids and dispatch decisions for \$1,781,335 presented to this meeting of the Board of Directors is hereby approved; and

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

- **Capital Project Request: RTO Transaction System**

Mr. Kinzler reported that this capital project request is for software that is a tool that will be used by marketing and accounting staff for all bidding, scheduling and settlement transactions in an RTO environment and will cost \$1,922,370. This was included in the IS&T budget and will replace an existing piece of software. He recommended approval of the CPR.

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

**R03.06-10-14** RESOLVED, that the CPR to purchase new software to use as a tool for all bidding, scheduling and settlement transactions for \$1,922,370 as presented to this meeting of the Board of Directors is hereby approved; and

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

**D. 2015 Load Forecast Update Work Plan**

Becky Kern, Manager of Utility Planning, reported that under the Rural Utilities Service (RUS) guide to preparing load forecasts, Basin Electric is required to provide RUS with an approved load forecast work plan outlining the processes and procedures that will be used to develop the load forecast. It is also required under the Indenture. She then reviewed the Work Plan for the 2015 Load Forecast and recommended that it be approved.

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

**R04.06-10-14** BE IT RESOLVED, that the 2015 Load Forecast Update Work Plan is hereby approved, subject to the approval of the Administrator of the Rural Utilities Service.

**E. Security & Response Services (SRS) Overview Update**

Chad Reisenauer, Manager of Member Support & Services, reported that the core services offered by SRS include line crew dispatch, outage handling/customer care, daytime operations, TSM tracking and security.

SRS' service territory has grown from 39 cooperatives with 323,025 meters in 2004 to 68 cooperatives with 602,509 meters in 2014. Of that number, nine cooperatives with 57,000 meters were added in the last 12 months. In addition, two cooperatives totaling 45,000 additional meters are planning to come online in the third quarter of 2014.

Mr. Reisenauer reported that the number of calls has increased 91% and the number of outage calls has increased by 73% over the last 10 years. The SRS strategic plan is to maintain the level of service, continue growth, add employees as growth dictates and to look for value-added products to offer.

**F. Merger Consolidation Assistance**

Mr. Reisenauer reviewed the merger/consolidation assistance program services provided by Basin Electric to the membership. Staff is currently involved in one study, but has had several recent inquiries.

In 1996, the Cooperative adopted a policy of providing staff support and a \$7,500 payment per merging cooperative. The amount was raised to \$10,000 per merging cooperative in 2003 and to \$15,000 per merging cooperative in 2010. Staff support includes meeting facilitation, planning, financial analysis and technical support. To date, Basin Electric has contributed \$310,000 in financial assistance to merged/consolidated entities.

Mr. Reisenauer recommended the current merger/consolidation assistance program be extended through December 31, 2018. After discussion, it was suggested to include in the policy the payment of the stipend to cooperatives that take the process to a membership vote, regardless of the outcome of the vote.

After discussion, it was moved by Director Drost and seconded by Director Baker, that the resolution presented be approved.

**R05.06-10-14** BE IT RESOLVED, that effective January 1 2015, Basin Electric's Merger/Consolidation Assistance Program be extended through December 31, 2018; for all cooperatives that take the merger to a membership vote; that the per-member payment be maintained at \$15,000; and that Basin Electric continue to provide staff support for mergers/consolidations and alliances; and

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

**13. Recess and Reconvension**

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.

**14. 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 Tracie Bettenhausen, Gary Christensen, John Ciz, Steve

Colberg, Tammy DeWitt, Steve Ellefson, Pius Fischer, John Frank, Matt Greek, Deb Haga, Chad Heck, Jennifer Holen, John Jacobs, Casey Jacobson, Dan Job, Steve Johnson, Becky Kern, Mark Kinzler, Marie Klein, Chad Kuntz, Gavin McCollam, Sally Meier, Darla Miller, Mary Miller, Dale Niezwaag, Deb Olafson, Curt Pearson, Shauna Piatz, Dave Raatz, Mike Risan, Josh Rossow, Kelly Schafer, Tyler Schilke, Susan Sorensen, Myron Steckler, Steve Tomac, Amanda Wangler, Michelle Wiedrich and Roxanne Woeste. Also present were DGC Chief Operations Officer David J. Sauer, East River director Isabel Trobaugh and Mor-Gran-Sou director Robert Leingang.

**15. Executive Session**

At 12:52 p.m., it was moved by Director Collins, seconded by Director Thiessen and carried that the board retire into executive session, ~~to hear an LRS Update from John Jacobs.~~

At 1:11 p.m., it was moved by Director Gilbert, seconded by Director Collins and carried that the board arise from executive session.

**16. Engineering & Construction Report**

**A. Funding Chart**

Matt Greek, Senior Vice President-Engineering and Construction, reported that the Judson Substation Materials contract totaling \$3.4 million would be presented this month. He then reviewed the major projects currently underway.

**B. 2016 Peaking Generation Update**

Josh Rossow, Project Manager II, reported that the initial project objectives were to develop 100 MW of peaking north of and 100 MW of peaking south of Lake Sakakawea, both to be online by June of 2016. Sites under consideration were Epping and Stanley north of Lake Sakakawea and Patent Gate and Garden Creek south of Lake Sakakawea, as well as the existing Pioneer and Lonesome Creek sites.

He reviewed the constraints of each of the sites evaluated and noted that staff concluded that the Pioneer and Lonesome Creek locations were the most favorable.

Staff is nearing completion of the technology selection process and after reviewing the technologies considered, he noted that staff is leaning toward 12 reciprocating engines (112 MW) at Pioneer and an LM6000 (90 MW) at Lonesome Creek.

He then reviewed the project schedule, noting that the project will be presented to the board for approval in July of 2014. Construction will start in May of 2015 provided all permits are in hand.

**C. AVS-to-Neset 345 kV Transmission Project Update & Judson Substation Materials Contract Approval**

Amanda Wangler, Project Manager II, presented a project overview of the AVS-to-Neset transmission line and the North Killdeer Loop.

Casey Jacobson, Attorney II, reported on the progress of the easement acquisition, as well as the status of the permits for the project.

**Judson Substation Material Contract.** Chad Kuntz, Senior Electrical Engineer, presented a proposed contract for the purchase of materials for the Judson Substation Project. This contract is for steel structures, switches, insulators,

surge arrestors, bus and cable and hardware. He reviewed the bids received for the contract and recommended that the contract be awarded to Dis-Tran for \$3,205,000.

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

**R06.06-10-14** WHEREAS, the Judson Material Package is required to support the 345 kV Transmission Project; and

BE IT RESOLVED, that the contract for the Judson Material Package be awarded to Dis-Tran in the amount of \$3,205,000; and

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

Ms. Wangler then reviewed the budget and spent/committed to date.

**D. Mechanical Engineering Update**

John Ciz, Manager of Mechanical Engineering, reported on the status of the LRS Low NOX Burner and Over-Fire Air installation project, the LOS Low NOX Burner installation project and the AVS-to-DGC natural gas pipeline.

He thanked Tyler Schilke, Jim Lund and Jesse Folk for their hard work on these projects.

**E. Wyoming X-Prize Initiative**

Mr. Greek reported that the Wyoming X-Prize Initiative is an effort by the state of Wyoming, concerned citizens and interested parties to enable and induce research and investment into capturing and storing CO<sub>2</sub> from coal-based generation facilities. The approach calls for the establishment of a flexible test facility co-located at a Wyoming generation plant. The X-Prize Foundation is an educational nonprofit organization whose mission is to bring about radical breakthroughs for the benefit of humanity. The foundation would raise the funds for the prize to be awarded to the company or person that demonstrates the best project for carbon capture and storage from the flue gas.

He noted that state officials have inquired about establishing a test facility at the Dry Fork Station. He noted that staff is reviewing the suitability for such a test facility at DFS.

**17. Transmission Report**

Mike Risan, Senior Vice President of Transmission, reported that the SPP board met on Monday in a special meeting and approved modification to the Bylaws, tariff and membership agreement that would accommodate Basin Electric joining SPP.

He reported that as the RTOs have grown, many of the members of MAPP have left that organization for the RTOs. Core members are IS parties and Minnkota. We had conversations with MAPP CEO and Minnkota noting that Basin Electric will be phasing out of MAPP upon joining and integration with SPP.

Mr. Risan reviewed the process for obtaining the approval and cost sharing for constructing new transmission facilities in SPP. Under their procedures, there is an open bidding process for the construction of new facilities (there is an exception if the

project is needed within three years, the host facility gets to build that.) That process will have to be followed if we build the Patent Gate-to-Judson transmission line.

Mr. Risan 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 noted that on May 25, the new Watford City transformer tripped out. Fortunately, it was only a relaying issue and load levels were low enough to accommodate the loss of that transformation.

He also reported on the transmission improvements in the Minot area and that Xcel has committed to the facilities to serve their loads in this area.

He noted that WAPA, Tri-State, PSCO, Basin Electric, Black Hills, City of Colorado Springs and the Platte River Power Authority have invited discussions on the feasibility of a joint tariff on the west side.

## **18. Communications & Administration Report**

Dale Niezwaag, Senior Legislative Representative, reviewed the activities of the Government Relations group for the month.

Mr. Kinzler reported that staff is working to increase bandwidth at Montana Limestone Company's quarry. He also reported on the selection and acquisition of software required for RTO integration.

Mary Miller, Manager of Communications, then provided the Communications report.

### **A. Building Update**

Dan Job, Building Superintendent, began the report by reporting on the need for additional office space at headquarters. He introduced Brett Donat from EAPC Architects and Sam Wilke from Advanced Engineering & Environmental Services, Inc., who reviewed plans for the construction of additions to the headquarters building that would provide for 225 offices. This enables bringing the Cooperative Planning group and the Transmission group back to the headquarters building and provides additional room for growth.

He presented an artist's rendering and reviewed the project timeline, noting that construction would be completed by September 2016. Estimated costs for the addition are \$20.5 million.

Mr. Job recommended proceeding with the project design phase, which will provide a more detailed analysis of the project costs and schedule. The costs for the design phase are \$1.5 million. That project will be presented to the board in October or November for construction approval.

After discussion, it was moved by Director Pearson, seconded by Director Thiessen and carried that the following Resolution be adopted, Director Drost voting "no":

**R07.06-10-14** RESOLVED, that staff be authorized to proceed with the design phase of an addition to the Headquarters Building at a cost not to exceed \$1.5 million.

## 19. Financial Services Report

Steve Johnson, Senior Vice President and Chief Financial Officer, reviewed the Cooperative's liquidity, noting that as of May 31, 2014, total liquidity was \$1,365.0 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 May 2014 Statement of Operations reflected an estimated net loss of \$7.7 million compared to the budgeted net loss of \$13.9 million for a favorable variance of \$6.2 million. The net loss for the same period last year was \$19.2 million.

She also reviewed member sales, surplus sales, operations expenses, maintenance expenses, year-to-date consolidated net income/loss, changes to the balance sheet and month-end cash.

Basin Electric's equity-to-asset ratio at the end of May was 21.0% and at the end of April was 21.3%. At the end of May, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 25.3% and at the end of April was 25.6%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 20.6% at the end of May and 21.0% at the end of April.

### B. 2014 Liability and Directors & Officers Insurance Renewal

John Frank, Director of Risk & Insurance, reviewed large losses for generation, transmission and distribution of electricity and gas from 2004 to present. He then reviewed existing coverage and limits of the Basin Electric and subsidiary Casualty and Directors & Officers (D&O) insurance, as well as what allegations might trigger a D&O claim. These insurances are due for renewal July 1, 2014.

He noted that the estimated premium for renewal of these policies would be approximately \$3,191,120, while the premium last year was \$3,051,872. Factors that affect the premium include the rating for Pioneer Station and Lonesome Creek Station which will be added during this policy period, the 5.3% increase in operating revenues, the 2.3% increase in payrolls and the 2.5 % increase in electric KWh.

He reviewed the coverages contained in the policies, but noted that some terms and conditions remain to be negotiated. He recommended that the Board authorize the staff to finalize the details and authorize the CEO & General Manager to expend the premium for renewal.

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

**R08.06-10-14** WHEREAS, Basin Electric's Liability and Directors & Officers insurances are due to be renewed on July 1, 2014; and

WHEREAS, final terms and conditions of the policies remain to be negotiated;

BE IT RESOLVED, that the CEO & General Manager, or his designee, is authorized to take all actions necessary, including



but not limited to, execution and delivery of all policies, documents and instruments and payment of all policy premiums, commissions and other fees to complete the renewal of Basin Electric's Liability and Directors & Officers Insurance program for an amount not to exceed \$3.25 million.

**C. Proposed Enterprise Risk Management Board Policy**

Rod Kuhn, Chief Risk Officer, reported that Basin Electric and its subsidiaries will use an enterprise-wide portfolio approach and framework for the management of enterprise-wide risk through the formalization of enterprise risk governance, policy and framework, as well as improvements in risk measurement, mitigation planning and ongoing reporting of risk.

The objective of the ERM is to mitigate negative risks, while taking advantage of, and acting upon, opportunities that will ensure Basin Electric achieves its strategic, financial, and operational goals.

He then reviewed the scope of the ERM program and recommended that this new Board Policy be approved.

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

**R09.06-10-14** RESOLVED, that the Enterprise Risk Management board policy presented to this meeting is hereby approved.

**20. Recess for Board Audit Committee Meeting**

At 4:30 p.m., the board recessed to hold the quarterly meeting of the Board Audit Committee. The regular meeting continued at 4:35 p.m.

**21. Directors' Reports**

Director Fuher reported he represented Basin Electric on the North Dakota Statewide Committee for Rural Development. A one-day meeting was held to study different viewpoints on cooperative housing.

Director Thiessen reported that Lower Yellowstone recently joined SRS and is very pleased with the service

Director Gilbert reported that Corn Belt elected to continue to support the engineering program at Iowa State as a number of cooperatives will be needing engineers.

Director Collins reported that Mike McInnes is the new CEO & General Manager at Tri-State. He previously was the Vice President of Generation and before that was with Plains G&T, which merged with Tri-State in 2000.

Director Drost reported on Sioux Valley's annual meeting.

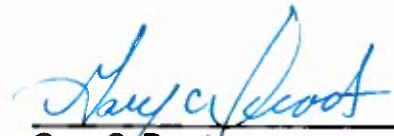
Director Peltier reported on the District 9 information meeting held at Basin Electric on Monday and expressed his appreciation to Mr. Sukut and staff for their participation. He also reported he will attend the Minnesota Rural Electric Association District 3 meeting on July 9.

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

The next regularly scheduled meeting of the Board of Directors will take place July 15-17, 2014, in Deadwood, South Dakota.

**23. Adjournment**

There being no further business to come before the meeting, President Peltier adjourned the meeting at 4:45 p.m.



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Gary C. Drost  
Secretary-Treasurer