Approved July 15, 2015

Basin Electric Power Cooperative
Bismarck, North Dakota

Minutes of the Regular Meeting of the Board of Directors
June 9-10, 2015

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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, Bismarck, North Dakota, beginning on June 9, 2015 starting at 11:10 a.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 McQuistion	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 Tracie Bettenhausen, Tom Christensen, Shawn Deisz, Tammy DeWitt, Matt Greek, John Jacobs, Casey Jacobson, Steve Johnson, Kerry Kaseman, Bryan Keller, Becky Kern, Sharon Lipetzky, Russ Mather, Dave Raatz, Ken Rutter, Myron Steckler, Steve Tomac, Kevin Tschosik, Valerie Weigel and Michelle Wiedrich. Also present were Dakota Gasification Company (**DGC**) director James Geringer, DGC Vice President David J. Sauer and East River Electric Power Cooperative (**East River**) director Verdon Lamb.

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 McQuistion, seconded by Director Applegate and carried that the agenda be approved as revised.

4. Approval of the Minutes

The minutes of the May 12-14, 2015 Regular Meeting of the Board of Directors and the May 12, 2015 Board Audit Committee were presented. After a question, it was decided to move this agenda item to the following day.

5. General Manager's Report

General Manager Sukut reported that on May 20, he hosted an appreciation dinner for the employees' working on the regional transmission organization (**RTO**) integration.

He noted that the number of candidates for the Western Fuels CEO position has been narrowed to three. Paul Baker and Bob Bartosh will participate in the candidate interviews on July 29.

6. Cooperative Planning Update

Dave Raatz, Vice President of Cooperative Planning, provided an outline of the matters he would address in his presentation, including an update on the transmission service policy implementation, member contract extensions, a possible proposal regarding Great River Energy (**GRE**)-Fixing member expanded all-requirements contracts, transmission cost sharing, power supply agreement options and power services agreement.

7. Recess and Reconvention

At 12:10 p.m., President Peltier recessed the meeting until 12:45 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

8. Roll Call

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

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charlie Gilbert
Mike McQuistion	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 and Assistant Secretary Mark D. Foss and staff members Tracie Bettenhausen, Shawn Deisz, Tammy DeWitt, Matt Greek, Steve Johnson, Dave Raatz, Ken Rutter, Kevin Tschosik and Michelle Wiedrich. Also present were DGC Vice President David J. Sauer, East River director Verdon Lamb and Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Robert Leingang.

9. Cooperative Planning Report, continued

Mr. Raatz reported that the Wyoming Municipal Power Agency (**WMPA**) has agreed to have Basin Electric act as its scheduling and dispatch agent for the term from October 2015 to September 2016. Staff has begun drafting the scheduling agreements and will meet with WMPA in June or early July. WMPA has retained Burns & McDonnell to review the economic analysis of joining Basin Electric and anticipates a report in 60 to 90 days. The WMPA board would then decide whether or not to request Basin Electric membership.

He then reviewed the pros and cons of Minnkota Power Cooperative, Inc. (**MPC**) joining Basin Electric, as well as the concept under which MPC could become a Class A member of Basin Electric with board representation. He noted more definitive economic analysis will be available when the 10-Year Forecast is presented in August.

Former Southern Montana Electric Cooperative members Mid-Yellowstone Electric Cooperative (**Mid-Yellowstone**), Fergus Electric Cooperative, Inc. (**Fergus**) and Tongue River Electric Cooperative (**Tongue River**) are seeking a new G&T home. Mid-Yellowstone has requested membership in Upper Missouri. Tongue River is moving toward Powder

River Energy Corporation (**PRECorp**). PRECorp manager Mike Easley spoke to the Basin Electric Board last month to ask that the "contiguous" requirement for the diversity credit be waived in this case. Fergus is interested in joining PRECorp; however, it is not contiguous to PRECorp. Staff has no opinion on this matter, but a decision will be required in July. After discussion, it was decided that this matter should be discussed with the Managers Advisory Committee at the July Managers Conference. It was then moved by Director Thiessen and seconded by Director Pearson that this matter be tabled until the August board meeting. The motion carried.

The Northern Tier Energy Center (**NTEC**) would be a combined-cycle unit with Basin Electric, Minnesota Power (**MP**) and Dairyland Power Cooperative (**Dairyland**). Basin Electric and MP would each take approximately 300 MW and Dairyland would take between 100 MW and 200 MW, leaving 50 MW available. This facility would be located on the Wisconsin side of the Minnesota/Wisconsin border approximately 10 miles from MP headquarters.

Dairyland plans to seek RUS financing. MP has asked if the Cooperative would finance its interest in NTEC, however, MP insists on managing the operation and development of the facility with oversight by the partnership. Mr. Sukut stated that he is not in favor of doing the financing for MP. Recent power purchases have provided some time but it would take approximately five years for Basin Electric to build a combined-cycle unit. Thus, by mid-2017, Basin Electric would have to find a new site and move forward in order to meet its power supply obligations if the NTEC project does not move forward. Staff will report to MP today that it should seek other financing options.

Since the last Board meeting, a new point-to-point application to reserve as much Miles City DC tie capability as possible was submitted.

A. Member Contract Amendment

Mr. Raatz reported that the Wholesale Power Contracts (**WPC**) are being revised due to a number of changes including changes in delivery points under the Transmission Service Policy, treatment of the GRE-Fixing Members and the power service agreement, as well as modifications to the contract that eliminate the resource adder, eliminate the special treatment of Corn Belt Power Cooperative (**Corn Belt**) due to the DGC Bill Credit and Patronage Allocation benefits, extending the term to 2075 (which extends the depreciation) and for debt service recovery.

He then reviewed an example of a Basin Electric delivery point located outside the Integrated System (**IS**) where Basin Electric is responsible for the Federal Energy Regulatory Commission (**FERC**) pro-forma wheeling tariff and an example of the delivery point language in the contract.

Mr. Raatz then discussed the timing and notification periods of the potential acquisition of four members from Southern Minnesota Electric Cooperative totaling 10,000 consumers and 46 MW, as well as the GRE-Fixing Members with expanded all-requirements contracts. Alliant will serve for five years and if Member gives notice of termination to Alliant, five years later a new power supply agreement can be implemented. This was discussed with the Board in 2013. If Member provides that notice to Basin Electric, the Cooperative would pick up that power supply in 2025.

The GRE-fixing member treatment applies to five members that have executed the expanded all-requirements contract. The Power Service Agreement determines how to split Basin Electric and Western Area Power Administration (**WAPA**) delivery costs.

The Basin Electric Board took action in December to eliminate the resource adders for Crow Wing and East River. The proposed new resolution addresses elimination of the Central Montana and Corn Belt resource adders. The Corn Belt parity and generation incorporation adder will be maintained.

The current contract term is through 2050 and is being extended to 2075. It would be prudent to begin the long-term planning process as there is a great deal of power supply planning to be done due to upcoming resource retirements due to the age of certain facilities.

Members who extend their wholesale power contracts through 2075 will pay the Base/Contract Rate of Delivery (**CROD**) rate set assuming no depreciation extension. The Base/CROD rate set assumes no depreciation extension. A credit will then be granted for depreciation extension to those members who have agreed to extend to 2075.

If all of the distribution members of the Class A members do not extend their contracts to 2075, the G&T discount will be prorated accordingly.

Debt service recovery language was revised to include: "or principal repayments of Seller".

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

R01.06-09-15 BE IT RESOLVED, that, upon due consideration of the facts presented and recommendations made by the Cooperative staff, the CEO and General Manager of the Cooperative, or his designee, is hereby authorized to execute and deliver all documents and instruments (including but not limited to new agreements and amendments to existing agreements), on such terms and conditions as he deems appropriate and in the best interests of the Cooperative, and to take all other actions he deems necessary or helpful to accomplish the following objectives in a manner consistent with the principles and concepts presented to the Board and discussed at this meeting:

1. Implement the Cooperative approved transmission services policy and transmission cost sharing arrangements;

2. Modify the GRE-Fixing Member all supplemental power supply contracts on the terms and conditions and subject to the contingencies presented to the Board;

3. Define and implement appropriate reimbursement to the Cooperative of costs, expenses and charges associated with the delivery of the Members' federal power allocations and all other costs not directly attributable to the delivery of the Cooperative's power supply obligations under the Cooperatives transmission service policy and approved transmission cost sharing arrangements;

4. Modify, amend or eliminate as appropriate the existing "Resource Adders" presently assessed against certain Members;

5. Modify, amend or eliminate as appropriate the existing DGC bill credit and patronage allocation provisions of the Corn Belt all-supplemental power requirements contract;

6. Include appropriate debt service recovery language in the Member Wholesale Power Contracts.

BE IT FURTHER RESOLVED, that the CEO and General Manager of the Cooperative, or his designee, is hereby authorized to take the following actions on behalf of the Cooperative:

1. Identify the terms and conditions upon which the Cooperative might be able to extend the depreciable life of Basin Electric assets and the probable consequences thereof;

2. Identify and make recommendations to the Board relating to likely impacts of such an extension of the depreciable lives upon the calculation of the Class A Rate for future periods;

3. Identify and make recommendations to the Board regarding the allocation or apportionment of discounts or other reductions of the Class A Rate, based upon the reduction of the rate base attributable to such an extension of the depreciable life of the assets described above, to those Cooperative members who extend the terms of their respective Wholesale Power Supply Contracts to the year 2075.

For clarity, the actions authorized in the resolutions set forth above do not apply:

1. To Members with contracts currently under development, those being: Tri-State, Wright-Hennepin, Minnesota Valley Electric Cooperative and L&O/Federated. When final contracts are ready for execution, staff will request appropriate authorization for the execution and delivery thereof or;

2. For purposes of clarity, this Board authorization does not pertain to power supply commitments to new potential members.

B. 2016 Load Forecast Update Work Plan

Becky Kern, Director of Utility Planning, reported that this is the second annual update to the 2014 Load Forecast. Under the Rural Utilities Service (RUS) guide to preparing load forecasts, Basin Electric is required to provide the RUS with a Board-approved load forecast work plan outlining the processes and procedures that will be used to develop the load forecast. She then reviewed the Work Plan for the 2016 Load Forecast and recommended that it be approved.

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

R02.06-09-15 BE IT RESOLVED, that the 2016 Load Forecast Update Work Plan is hereby approved, subject to the approval of the Administrator of the Rural Utilities Service.

C. Renville-Sibley Sugar Beet Plant Generation Purchase

Ms. Kern reported that the Southern Minnesota Beet Sugar Cooperative has been in operation since 1974 and that the sugar beet plant supplied its own electricity from 1974 through 1998. Renville-Sibley Cooperative Power Association (**Renville-Sibley**) currently supplies 14 MW to the plant and 6 MW to outlying loads. She discussed power outages that took place during the winter of 2013-2014. As a result of these outages, the sugar beet cooperative decided to install a new gas-fired boiler and new switchgear and controls to allow the plant to operate isolated from the electrical grid and utilize the original generator to provide emergency back-up electric supply in the event of a power outage. She discussed the timeline of sugar beet operations and noted that from April through June, Basin Electric could purchase up to 6 MW of generator output at the lesser of the Midcontinent Independent System Operator (**MISO**) Real-Time Locational Marginal Price or Base Energy Rate and the plant would become a Basin Electric point of delivery (value of approximately $80,000 per month). From August through March, Basin Electric could assess a 6 MW transmission service charge to offset the MISO behind-the-meter transmission assessment (value of approximately $18,000 per month).

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

R03.06-09-15 RESOLVED, that the CEO and General Manager, or his designee, is authorized to execute and deliver all documents and instruments, on such terms and conditions as he deems appropriate and in the best interests of the Cooperative, to accomplish the concepts concerning the Southern Minnesota Beet Sugar Cooperative as presented to the Board of Directors at this meeting.

10. Transmission Report

Tom Christensen, Manager of Transmission Rates, reported on the status of Basin Electric's integration into SPP, settlement update, Annual Transmission Revenue Requirement filing, Upper Missouri Rate Zone (**UMZ**), member facilities, SPP group organization chart, reliability coordinator for IS (was MISO and as of June 1 it switched over to SPP) and potential RTO activities on the western interconnection.

A. Transmission System Maintenance Update

Bryan Keller, Vice President of Transmission System Maintenance, reported that as of May 31, Transmission System Maintenance (**TSM**) staff had worked 260 days without a Days Away, Restricted or Transferred (**DART**) incident, and no personal injuries, vehicle incidents or property damage incidents.

He reported on protective relaying/control upgrades to the Laramie River Station (**LRS**)-to-Stegall 345 kV Line, LRS-to-Sidney 345 kV Line, Antelope Valley Station (**AVS**)-to-Leland Olds Station (**LOS**) 345 kV Line #2 and Sidney-to-Stegall 345 kV Line.

B. Land Purchase for New TSM Facility

Mr. Keller noted that he has been working with Property and Right-of-Way staff to locate a suitable property for a new TSM maintenance facility that would also provide additional offices, a heated shop, equipment storage and a material laydown area. The location requires non-congested access to Interstate 94 and access to the Joint Fiber System fiber optic system.

The proposed property is located east of Bismarck, south of Interstate 94 near Exit 170, the Menoken exit. He reviewed the cost of the three lots and recommended this purchase be approved.

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

R04.06-09-15 RESOLVED, that the purchase of three lots for a new Transmission System Maintenance facility presented to this meeting of the Board of Directors at a not-to-exceed budgeted cost of $1,841,667.95 is hereby approved; and

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

11. Office of General Counsel Report

Mr. Foss reviewed current litigation and matters of interest to the Cooperative. Today, a three-judge panel of the DC Circuit Court of Appeals turned down the challenge to the Environmental Protection Agency's (**EPA**) clean coal rules mainly because they are proposed and not final rules.

12. Operations Report

A. AVS MATS Rule CEMS Phase I Amendment

Chad Edwards, AVS Plant Manager, reported that this project includes installation of mercury analyzers to AVS Units #1 and #2 and upgrade of the continuous emissions monitoring (**CEM**) equipment as required by the EPA Mercury and Air Toxics Standards Rule. The original project budget was $981,394 which was below the threshold requiring Board approval. The addition of the analyzer and stainless steel piping will result in a 17% cost overrun. He recommended approval of an amendment for $166,650 due to increased installation costs for the CEM instrument air project, bringing the total project budget to $1,148,044. The project review committee approved this investment on May 26, 2015.

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

R05.06-09-15 RESOLVED, that CPR #100221A1 for the Antelope Valley Station Mercury and Air Toxics Standards Rule continuous emissions monitoring system project be amended to increase the amount of the project budget by $166,650 due to increased installation costs for the continuous emissions monitoring instrument air project; and

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

B. **Monthly Operations Report**

John Jacobs, Vice President of Operations, reported there was one DART incident, two medical treatments and no Office of Safety and Health Administration (**OSHA**) recordable incidents in May.

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 May generation totals. The LOS stockpile contains 850,000 tons. The target is 650,000 tons (52 days burn). The LRS stockpile contains 29 days burn at full load. He presented photographs of the Grayrocks Reservoir, which is currently 108% full.

He reported that generation for the owned and operated Basin Electric fleet came in 8.0% below budget in May and 4.1% below budget for year-to-date.

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

Unit	Availability	Capacity Factor	Unit Rating	Comments
AVS #1	98%	93.5%	450 MW	Partial loss of flame; Bad 1B BFP high-pressure valve; transmission took outage on Broadland line and when took out, unit restricted to 650 MW for AVS
AVS #2	100%	89.7%	450 MW	Outage on Broadland Line restricted AVS to 650 MW
DFS	100%	101.82%	386 MW	
LRS #1	0%	0%	570 MW	Scheduled triennial outage. Chemical cleaning of boiler. Back online by June 26.
LRS #2	52%	87.15%	570 MW	Generator circuit breaker repair.
LRS #3	100%	91.99%	570 MW	
LOS #1	100%	91.07%	221 MW	
LOS #2	0%	0%	448 MW	Scheduled triennial outage.

Approximately a year ago, Wyoming Governor Mead asked if Basin Electric was interested in participating in a project with the state and XPRIZE. Governor Mead would like to see a test center with five gas streams or tailpipes where up-and-coming technologies could be tested. Mr. Jacobs noted that the Dry Fork Station (**DFS**) has limited water with just three wells and that staff has been cautious as it wants to make sure nothing could result in an opening of the DFS air permit. This week, Messrs. Sukut and Jacobs will meet with Governor Mead to discuss this project.

Sargent & Lundy (**S&L**) believes a feed study would cost $200,000. We would need to move quickly as DFS's opportunity to install a damper to have a gas path available would be the 2016 spring outage. S&L's best estimate at this time is that it would cost approximately $400,000 to $500,000 to procure and install a 20 MW sidestream damper. Basin Electric's preference is not to return the gas stream to our gas stream at DFS. It is very important that the state get its permits for this project external to our DFS permit. We are trying to accommodate the Governor without jeopardizing DFS or Basin Electric's footprint at the facility. Anything would come back to the board.

C. Leland Olds Station Update

Jamey Backus, LOS Plant Manager, reported that LOS staff has worked 3,057 days since the last DART case. This includes six major and two minor outages and the scrubber startup. LOS continues to use the DuPont Safety, Training, Observation, Program (**STOP**) program in conjunction with the Our Power My Safety initiative. LOS recently received the 2014 "Safety Excellence Award" from the Lignite Energy Council.

Year-to-date, LOS produced 103.3% of budgeted generation. He reviewed station goals, presented photographs and reported on projects undertaken during the Unit #2 major outage, which included rebuild of burner fronts, generation inspection while the rotor was out, precipitator flow distribution improvement, air heater flow distribution improvement, sootblower isolation valve relocation, reheat element repairs, condenser inlet and outlet valves, reheat element repairs, condenser inlet and outlet valve replacement and rebabbiting of the turbine/generator bearings. The lignite coal inventory is at 711,354 tons and the Powder River Basin coal inventory is at 132,592 tons.

The oxidizer and activated carbon injection systems were installed for mercury environmental compliance and were commissioned on April 10. The 30-day rolling average requirement is less than 4.0 lb./tBTU. The current 30-day rolling average is 1.89 lb./tBTU.

For NO_x environmental compliance, bids for the Selective Non-Catalytic Reduction (**SNCR**) have been received and are being evaluated. The SNCR will be capable of taking dry or wet urea and will supply both units. Startup is expected in March of 2016.

The coal combustion residual (**CCR**) rule was published in the *Federal Register* on April 17, 2015, and sets requirements for all existing and new CCR impoundments. The LOS #2 ash pond will likely not meet the new requirements. Temporary solutions are being reviewed to avoid long-term testing and reporting costs. The permanent solution will probably be a zero-discharge system. The plan is to retain the ability to sell Unit #2 bottom ash.

Headwaters is our marketing agent for flyash and is looking at expanding the market in western North Dakota for gypsum. We are working to get samples to Headwaters. The landfill will last longer if less flyash has to be disposed of there.

D. Distributed Generation Update

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

The May generation at the distributed facilities was as follows:

Unit	Monthly Availability (%)	Monthly Generation (MW)	Unit Rating (MW)	Comments
Groton Unit #1	99%	896 MW	100 MW	Outage at #2 to replace high-pressure turbine, intermediate turbine and combustor (at GE's expense).
Groton Unit #2	99.74%	488 MW	100 MW	
Culbertson CT	81.28%	5,088 MW	100 MW	Ran for load. Outage to replace high-pressure turbine, intermediate turbine and combustor (at GE's expense).
WY Dist. Gen.		24 MW	54 MW	Did not run.
SMS Unit #1	33%	0 MW	60 MW	Ran 13 MW to test new control system.
SMS Unit #2	33%	0 MW	60 MW	
DCS	99.87%	56,265 MW	300 MW	Ran for load demand. No issues.
PGS Unit #1	90.26%	561 MW	45 MW	Ran for load and synchronous condensing.
PGS Unit #2	0%	0 MW	45 MW	
PGS Unit #3	77.55%	2,422 MW	45 MW	Unit #2 torn down and sent to vendor for repair and replacement parts were ordered. 45-60 days until engine back in ND. GE suspects a leaking valve but still investigating.

LCS Unit #1	23.32%	3,139 MW	45 MW	Ran for load and synch condensing. Generators released 5/16/15.
LCS Unit #2	50.4%	7,916 MW	45 MW	
LCS Unit #3	50.4%	3,389 MW	45 MW	
PWND	%	16 MW	123 MW	
PWSD	%	27 MW	162 MW	

During May, PGS ran in synchronous condensing mode 673 hours and the LCS for 14.65 hours. There were 17 west-side spinning reserve events at WDG during the month.

PrairieWinds ND 1. PWND was derated for eight hours due to icing. Tractel Tower Rescue Training was conducted during the month. Annual maintenance is now 30% complete.

PrairieWinds SD 1. Semi-annual maintenance at PWSD is now 53% complete.

The east-side peak occurred on May 19, 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	16 MW	44%	48%	99 MW
Day County	40 MW	51%	54%	99 MW
Edgeley	11 MW	35%	40%	40 MW
Highmore	5 MW	36%	38%	40 MW
Iowa Wind	4 MW	45%	47%	45.1 MW
Other Projects (Chamberlain & Pipestone)	1 MW	54%	47%	3.4 MW
PrairieWinds ND	16 MW	42%	50%	123 MW
PrairieWinds SD	27 MW	47%	53%	162 MW
Wilton	16 MW	41%	44%	99 MW
Total Monthly Wind Generation	135 MW	---	---	712 MW
Average Capacity Factor	---	44%	49%	n/a

13. Recess and Reconvention

At 4:10 p.m., President Peltier recessed the meeting until 8:00 a.m. on June 10, 2015, 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	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charlie Gilbert
Mike McQuistion	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 and Assistant Secretary Mark D. Foss and staff members Tracie Bettenhausen, Eric Carufel, Shawn Deisz, Tammy DeWitt, Jennifer Holen, John Jacobs, Steve Johnson, Keith Ketcherside, Mark Kinzler, Rod Kuhn, Jim Lund, Tracy McBride, Darla Miller, Faye Miller, Mary Miller, Shawna Piatz, Ken Rutter, Jean Schaffer, Tyler Schilke, Jim J. Sheldon, Steve Tomac, Kevin Tschosik, Valerie Weigel and Michelle Wiedrich. Also present were East River director Verdon Lamb and Mor-Gran-Sou director Robert Leingang.

15. Approval of the Minutes, continued

Mr. Foss presented the following additional language under the Cooperative Planning Update in the May 2015 minutes: "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".

The minutes of the May 12, 2015 Board Audit Committee and the revised minutes of the May 12-14, 2015 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Gilbert, seconded by Director Pearson and carried that the Board Audit Committee minutes be approved as presented and the Basin Electric board minutes be approved as revised.

16. Engineering & Construction Report

A. Project Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that contracts totaling $18.2 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. AVS Low NO_x Installation Contract

Jim Lund, Senior Project Manager, reviewed the project background, which was triggered by the EPA's Regional Haze Federal Implementation Plan (FIP) which required a NO_x target of 0.17 lbs./MMBtu and a compliance date of July 2016. Unit #1 was completed in 2014 and operates at 0.15 lbs./MMBtu NO_x. The Unit #2 project was approved in December of 2014 with a $19.3 million budget. Installation is scheduled for the spring of 2016. The technology scope calls for low NO_X burners and Advance Separated Over-Fire Air (**ASOFA**). Alstom has the contract for NO_X reduction equipment and engineering. EAPC has the contract for balance of plant engineering. He reviewed the project budget.

The project installation scope calls for replacement of existing dampers, actuators and air compartment tips; installation of ASOFA ductwork and furnace openings; new coal burner assemblies; pre-outage platform and piping modifications and electrical, insulation and scaffolding. Mr. Lund presented and reviewed a diagram of a typical ASOFA system.

A Request for Proposal was issued to Industrial Contractors, Inc. (**ICI**) for the Unit #1 Low NO_X Installation Performance contract as ICI has extensive knowledge of the AVS facility, available personnel and competitive labor rates.

The Unit #2 Installation proposal is for $5,194,950. This is a time-and-materials not-to-exceed price with a 50-50 cost share at plus or minus five percent of the base price and earned value curves for major work tasks.

Not included in the base price are subsistence or per diem (a decision is to be made by November of 2015) and the repair of existing or new equipment. The bid summary is $5.19 million for the Unit #2 ICI proposal; $5.70 million for the Unit #1 ICI cost; and $7.37 million for the Unit #2 installation budget.

Mr. Lund recommended the contract be awarded to ICI per the agreed terms. After discussion, it was moved by Director Applegate, seconded by Director Thiessen and carried that the following Resolution be adopted:

<u>R06.06-09-15</u> BE IT RESOLVED, that the AVS Low NO_X Equipment Installation contract be awarded to Industrial Contractors Inc. on a time-and-materials basis with a not-to-exceed amount of $5.2 million; and

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

C. LOS SNCR Installation Contract

Mr. Lund reviewed the project background, which was triggered by the North Dakota Regional Haze State Implementation Plan (**SIP**), which required a NO_X baseline of 0.27 lbs./mmBtu and a NO_X target of 0.19 lbs./mmBtu for Unit #1 and which required a NO_X baseline of 0.61 lbs./mmBtu and a NO_X target of 0.35 lbs./mmBtu using SNCR technology. The SNCR project was approved in July of 2014 with a target completion date of March 2016 and a SIP compliance date of April 2017.

Design is over 90% complete. Staff is now focusing on the equipment and installation contract progress and support. Twelve of the 15 project contracts have been awarded or are in the bid stage.

Injection port installation began on Unit #1 in the fall of 2014 (16 ports) and will begin on Unit #2 in the spring of 2015 (12 ports). The General Works contractor will be on-site in July of 2015. There have been no project-related safety incidents to date.

The installation scope of the SNCR contract includes SNCR building foundation and erection and SNCR process equipment (wet and dry urea storage and transfer, urea distribution skids and piping and furnace injection nozzles). The Balance-of-Plant equipment includes power supply and distribution, process water, compressed air and Distributed Control system controls hardware. He presented photographs and discussed the SNCR installation scope. The project budget is $12 million.

He reviewed the bids, which are still being evaluated, and recommended that the LOS SNCR Equipment Installation contract in the amount of $13 million be awarded pending resolution of final terms and conditions so the contract can be awarded and the contractor can begin work next month. Mr. Lund will provide an update to the Board on this contract next month.

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

R07.06-09-15 RESOLVED, that the LOS SNCR Installation Contract in the not-to-exceed amount of $13.0 million be awarded, subject to negotiations of final terms and conditions; and

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

D. Scanning the Horizons Update

Jim J. Sheldon, Senior Research and Development Engineer, reported that the Strengths, Weaknesses, Opportunities and Threats (**SWOT**) Committee was established in 2010 by former CEO Ron Harper to focus on those current and proposed regulatory actions which would diminish the Cooperative's ability to use fossil fuels in its production of energy. The group had weekly meetings to discuss the status of activity and compliance with existing and new regulations and provided monthly written reports to senior staff.

The CO_2 Work Group was established in June of 2014 by CEO Paul Sukut with the following objectives: understand proposed limits and effects of proposed rules to Basin Electric; communicate impacts of the proposed rule; determining meaningful changes to the proposed rule; propose compliance plan states could use; and prepare and submit written comments to the EPA.

In February of 2015, Mr. Sukut consolidated the two groups into the "Scanning the Horizons" committee and Engineering was assigned to lead the emerging technology work. The mission of this group is to monitor and communicate information regarding new technologies and major environmental issues; review current and proposed regulatory activities that may significantly impact the Cooperative; and screen new technologies and recommend support of those that are appropriate. Matt Greek is the executive sponsor and team members include Erin Fox Dukart (Environmental), Anine Lambert (Legal), Mike Just (DGC), Steve Tomac (Government Relations), Chris Gessele (Communications), Kevin Tschosik (Operations), Garrett Schilling (Cooperative Planning), J.P. Maddock (Transmission), Mike Zimmerman (Finance) and Jim Sheldon, Chair (Engineering).

The group generally continues the efforts of the former SWOT team, meets every other week to review new and existing environmental rule impacts and provides monthly reports to senior staff that are available to all employees. The group will evaluate EPA's final Section 111(d) rule once it has been released.

With respect to emerging technology, the group identifies and discusses technology, reports the team's recommendation, documents the outcome and stores the information. Technologies identified to date include the Allam Cycle, geothermal generation, coal betterment, Nalco mercury control additive and KleenScrub mercury control additive. He presented and reviewed the evaluation form and discussed next steps such as evaluation improvements and information sharing.

17. Marketing & Asset Management Report

A. Purchased Power & Non-Member Sales Report

Valerie Weigel, Manager of Marketing Financial Analytics, reported that power prices are at levels similar to last month. Despite plant outages, power prices remain soft with very few spikes. Natural gas prices rebounded, but fell back to the previous lows. May member energy loads were lower than forecasted. Non-member sales volumes are up. Basin Electric hedges continue to be positive versus the budget, but out-of-the-money versus the market. Staff continues to hedge to the approved plans.

B. RTO Operations and Market Trials Update

Ken Rutter, Vice President-Marketing & Asset Management, reported that three weeks into market trials, he is happy with the overall results, although there are still some SPP tagging issues and some internal system issues with the vendors.

Marketing has defined 40 success criteria for readiness categorized within 12 areas. Each will be measured through July 17 to ensure Basin Electric is ready for the "go live" on October 1, 2015.

Mr. Rutter reviewed market results, noting that prices started higher but have converged to more realistic market levels. Most generation energy awards are coming in as expected based on how we are offering the units. The regulation, spin and supplemental awards are not performing to expectations. Staff is working with SPP to understand how they are clearing the units.

Basin Electric, WAPA and SPP have conducted several generation unit deployment tests and regulation certification tests of LOS #1, AVS #1, Groton #1, LCS #1, #2 and #3 and PGS #1 and #2. He commended staff in Engineering, IS&T and at the plants for the successes to date.

Mr. Rutter then reviewed some key RTO questions. What is the optimal level for SPP market prices given the Cooperative's asset and load mix? Does Basin Electric prefer high or low prices? If this is out of Basin Electric's control, how does the Cooperative's generation offer strategy? If we can adjust the Cooperative's offer prices, would Basin Electric rather be buyers or sellers in SPP? Some key dependencies are natural gas prices, coal costs, variable maintenance costs and wind.

He then provided an overview of the RTO process. In SPP, Basin Electric is paid for its generation and pays to serve its load. A position where Basin Electric has more generation picked up than load to serve would create surplus sales. A position where Basin Electric has more load to serve than generation that gets picked up would create purchased power. The optimal position is what is better for Basin Electric's bottom line. Surplus sales benefits are similar to Basin Electric's current position outside of the RTO where Basin Electric benefits from margins created by non-member sales. Purchased power benefits are where Basin Electric can also benefit by purchasing from the market when it is more economic than generating from its units.

Mr. Rutter then discussed specifics of Basin Electric's generation costs, SPP market optimal prices and Basin Electric's generation stack versus market prices and load.

In conclusion, he noted that whether Basin Electric would rather be a buyer or a seller in SPP depends on the situation. Basin Electric does want to participate in the benefits of the market and potential low-priced market purchases. At the same time, Basin Electric must be cognizant of the impact on its semi-variable costs and adjust its generation offers accordingly. Basin Electric should not pursue a generation addition strategy simply to depress market prices without knowing the full impact to the market. If the Cooperative doesn't move prices far enough, it could actually do more harm to the organization and find itself with stranded mandatory maintenance costs.

Outstanding questions include the development of an appropriate hurdle rate for Basin Electric's semi-variable maintenance costs. What is the optimal coal production for Dakota Coal Company given expectations for forward market prices? Should Basin Electric burn more coal to reduce overall costs or burn less? How far do prices have to drop before the Cooperative looks at periodic short-term shutdowns? How does Basin Electric champion a larger transmission outlet south in SPP if it wants higher prices? How does it model capital projects going forward for all of the plants? With each plant now having a specific Locational Marginal Price, could it have its own return on investment price curve?

18. Communications & Administration Report

Steve Tomac, Senior Legislative Representative, discussed Senator Murkowski's proposed 2015 energy bill, key portions of that energy bill, as well as bills to counter the EPA and its Clean Power Plan. He reviewed matters in the state legislatures in Basin Electric's service territory.

The next steps with respect to the child care facility include finalization of the 10-year lease with the property owner; finalization of the operating details in the Memorandum of Understanding; and the hiring by the YMCA of more than 90 new employees to staff the childcare facility. There will be a total of 242 daycare slots, of which Basin Electric has committed to 50 and Sanford and Catholic Health Initiatives-St. Alexius have both committed to 75. The target operation date is January of 2016. Mr. Foss noted that the YMCA is the largest daycare facility in the city, state and nation. He also noted that we are still looking for potential additional partners, such as Bismarck Public Schools and other smaller employers.

Mary Miller, Manager of Communications, discussed the results of the public perception telephone survey of the general public conducted by Odney Advertising in the markets of Bismarck/Mandan, Brookings, Gillette, Hazen/Beulah/Stanton, Wheatland and Williston/Watford City.

She then discussed the 2015 Cooperative Plan, the employee opinion survey and strategic planning efforts. Employees want to hear about the Cooperative's major projects and issues from their supervisors. The question is how to do this and still convey a consistent message? Staff has been looking for ways to facilitate the engagement with employees. Managers and supervisors are key. It is important that a unified message is given throughout cooperative communications to highlight top areas of focus each week.

Ms. Miller reported that the summer 2015 G&T Communicators Association meeting will be hosted by Basin Electric in Bismarck and will include a tour of energy country and presentations from Vern Dosch of National Information Solutions Cooperative, Robert Timpany of the National Cybersecurity and Communications Integration Center and Mark Hayes from the National Rural Electric Cooperative Association.

She next reported on the employees' participation in the "Feeding Our Future" backpack program in support of United Way, Basin's Backyard Garden and safety communications. Seventy employees have volunteered to walk with the Basin Electric float in the Independence Day parade in Mandan, North Dakota.

Ms. Miller then asked the directors to consider nominations for Basin Electric's Cornerstone and Cooperative Spirit awards to be presented at the 2015 annual meeting.

19. Financial Services Report

A. Accounting Report

Darla Miller, Senior Accounting Analyst, reported that the May 2015 Statement of Operations reflected an estimated net deficit of $11.6 million compared to the budgeted net deficit of $13.2 million for a favorable variance of $1.6 million. The net deficit for the same period last year was $7.7 million.

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

Basin Electric's equity-to-asset ratio at the end of May was 20.9%; at the end of April it was 21.2%.

At the end of May, the equity-to-capitalization ratio using Moody's Rating Service's methodology (both without the consolidation entry for The Coteau Properties Company) was 24.8%; at the end of April it was 25.1%.

The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 22.4%; at the end of April it was 22.6%.

20. Recess and Reconvention

At 11:45 a.m., the meeting recessed until 1:00 p.m., at which time the meeting reconvened, President Peltier continuing to preside and Secretary-Treasurer Gary C. Drost keeping the minutes thereof.

21. 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 McQuistion	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, Lacey Brousseau, Eric Carufel, Shawn Deisz, Tammy DeWitt, Matt Greek, Steve Johnson, Tracy McBride, Mary Miller, Shawna Piatz, Jill Steinwand, Justin Weichel and Michelle Wiedrich. Also present were East River director Verdon Lamb and Mor-Gran-Sou director Robert Leingang.

22. Financial Services Report, continued

Steve Johnson, Senior Vice President & Chief Financial Officer, discussed current economic statistics, the U.S. Treasury yield curve and Moody's downgrading of Basin Electric's outlook to negative. He then reviewed the trip to meet with potential investors in 12 cities in four days. Mr. Johnson, Paul Sukut, Mark Foss and Susan Sorensen represented Basin Electric. He expects that bids will be received on June 15 and the deal to price on June 16. RUS has requested that the prepayment not be made before the July 4th holiday.

Mr. Johnson also reported that the current year-end estimated pre-tax margin is $65.8 million.

A. Thirty-Third Supplemental and Amendatory Indenture

Mr. Foss noted that the Board recently approved and staff executed and recorded the Amended and Restated Indenture dated as of May 5, 2015 with U.S. Bank National Association, as trustee. This Amended and Restated Indenture amended and restated the Cooperative's original Indenture dated as of January 1, 1998. As staff began working on the RUS buy-out financing documents, they discovered an error in the Amended and Restated Indenture which could preclude Basin Electric from issuing the notes to close this transaction. In our amendment, we failed to change the definition of "Additional Obligations" so that as amended, it currently refers to indenture notes issued **after** the date of the Amended Indenture (May 5, 2015), where it should refer to indenture notes issued after January 1, 1998 (the date of the original Indenture). We would like to fix this mistake in the supplemental indenture for this RUS buy-out financing and are requesting that the Board amend and restate the resolution authorizing the financing so that it covers amending this definition. Mr. Foss then reviewed the requested revisions and recommended the resolution be so amended.

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

R08.06-09-15 RESOLVED, that Resolution R12.05-12-15 adopted during the Board of Directors May 12-14, 2015 meeting be amended and restated in its entirety as follows:

WHEREAS, the Board of Directors (the **Board**) of Basin Electric Power Cooperative (the **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 the investors substantially in the form presented to this meeting (collectively, the **Loan Agreement**); and

(b) The Basin Electric Power Cooperative First Mortgage Obligations, 2015 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 the 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 and Amendatory 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 the 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 and Amendatory Indenture to be dated as of June 15, 2015 substantially in the form presented to this meeting supplementing the Indenture with the Trustee and amending the Indenture (the **Supplemental and Amendatory Indenture**), with such changes, insertions and omissions as the person or persons executing or accepting the Supplemental and Amendatory Indenture may approve, the execution, approval or accepting the Supplemental and Amendatory 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 and Amendatory Indenture and the Loan Agreement and the other matters contemplated by these resolutions, are in all respects ratified and confirmed.

23. Directors' Reports

Director Thiessen reported on the Upper Missouri board meeting, new member Mid-Yellowstone and the 2075 contract.

Director Applegate noted that North West Rural Electric Cooperative and Iowa Lakes Electric Cooperative estimate that the bird flu could decrease NIPCO's power sales by 2% to 3%.

Director Peltier thanked Basin Electric staff for their part in the District 9 information meeting. He noted that Agralite Electric Cooperative director Warren Rau has requested Basin Electric's support in his bid for election to the Minnesota Rural Electric Association (**MREA**) board of directors. Harlan Job is retiring from that board. Mr. Peltier noted that Minnesota Valley Cooperative Light & Power director Tim Velde also serves on the MREA board. Director Peltier noted that he plans to attend the MREA District 3 meeting.

Director Rohrer reported that Yellowstone Valley manager Brandon Wittman is running for CoBank director.

24. Date and Place of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place July 14-16, 2015, at The Westin Hotel, Westminster, Colorado.

25. Executive Session

At 2:20 p.m., it was moved by Director Baker, seconded by Director Drost and carried that the meeting retire into executive session for a briefing on the settlement of the Basin Electric, Western Fuels Association and BNSF Railway Co. case before the Surface Transportation Board and to discuss new membership issues.

At 3:40 p.m., it was moved by Director Drost, seconded by Director Gilbert and carried that the Board arise from executive session.

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

26. Approval of Revenue Deferral

R09.06-09-15 RESOLVED, that the Board of Directors elects to defer recognition of the Cooperative's share of BNSF Railway Co. reparations, net of expenses and amounts due to Public Service Company of Colorado, from 2015 revenue until no later than year-end 2015.

27. Adjournment

At 3:50 p.m., it was moved by Director Pearson, seconded by Director McQuistion and carried that the meeting be adjourned.

Gary C. Drost

Gary C. Drost
Secretary-Treasurer