

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

**Minutes of the Regular Meeting of the Board of Directors
July 13-14, 2011**

			<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.	Office of General Counsel Report		2
7.	Financial Report		2
8.	2011 Year-End Margin Estimate		2
9.	2012-2021 Long-Range Financial Forecast		3
10.	Rate Subcommittee Report		3
11.	Recess and Reconvention		4
12.	Roll Call		4
13.	Rate Subcommittee Report, continued	R01.07-13-11	4
14.	2012 Rate Design		5
15.	2011 Intra-Year Rate Increase		6
16.	MISO Update		6
17.	Generation Monthly Report		6
18.	Walter Scott #4		7
19.	William J. Neal Plant Site	R02.07-13-11	7
20.	Sale of Dragline A to Dakota Coal Company	R03.07-13-11	7

21.	Accounting Report		7
22.	Fossil Fuel Generation Report		8
23.	Transmission Report		9
	• MISO		
	• ND Transmission Development		
24.	Wheelock Substation-Authorization to Proceed with Development of a 230/115 kV Substation Near Wheelock, ND	R04.07-13-11	9
25.	Mid-Year Safety & Health Report		10
26.	Distributed Generation Report		10
27.	Recess and Reconvention		11
28.	Roll Call		12
29.	Executive Session		12
30.	Dry Fork Station Operations Report		12
31.	Dry Fork Station Construction Update		12
32.	Deer Creek Station Report		12
33.	DCS-Change Order #7 to Contract #540119, General Works Contract-Boldt Construction	R05.07-13-11	13
34.	Deer Creek Station Construction Report		13
35.	PrairieWinds Project Report		13
	• North Dakota Wind Project		
	• Crow Lake Project		
36.	Blaisdell Substation Materials Contract Award	R06.07-13-11	13
37.	AVS#1-Change Vendor for Capital Project 100103 (Phase 2) – SDA Chamber Metal Spray Application	R07.07-13-11	14
38.	External Relations and Communications Report		14
39.	Electric Heat Discussion/2012 Possible Rate Structure	R08.07-13-11	14
40.	Wyoming Department of Environmental Quality Request		15
41.	Date and Place of Next Board Meeting		15
42.	Adjournment		15

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

**Minutes of the Regular Meeting of the Board of Directors
July 13-14, 2011**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at Bismarck, North Dakota on July 13-14, 2011 starting at 8:00 a.m. CDT.

1. Call to Order

The meeting was called to order by President Clifford Gjellstad, who presided, and Secretary-Treasurer Kermit Pearson kept the minutes thereof.

2. Roll Call

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Charles Gilbert
Clifford Gjellstad	Roy Ireland
Dean McCabe	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	

said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Ronald R. Harper and Assistant Secretary Claire M. Olson and Basin Electric staff members Wayne Backman, David Bangen, Bob Bartosh, Shawn Deisz, Mike Eggl, Mike Fluharty, Daryl Hill, Steve Johnson, Rod Kuhn, Deborah Levchak, Sharon Lipetzky, Mike Massey, Faye Miller, Mike Paul, Dave Raatz, Ron Rebenitsch, Mike Risan, Dave Sauer, Myron Steckler, Paul Sukut, Linda Thomas, Steve Tomac, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present were Upper Missouri G&T Association (**Upper Missouri**) manager Tom Barnett, Upper Missouri directors David Sigloh and Alan Thiessen, Dakota Gasification Company (**DGC**) director Tom Owens and DGC staff member Gary Loop.

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 Child, seconded by Director Drost and carried that the agenda be approved as revised.

4. Approval of the Minutes

The minutes of the June 14-16, 2011 Regular Board and June 16, 2011 Board Audit Committee meetings were presented. After an opportunity for corrections, it was moved by Director Pearson seconded by Director Gilbert and carried that the minutes be approved as revised.

5. **General Manager's Report**

Mr. Harper reported on a meeting with Wyoming Governor Mead, with FERC staff to discuss MISO issues and the Rate Subcommittee. He then reported on upcoming meetings of the Member Managers and the annual meeting of Western Fuels Association and its subsidiaries. He also reviewed the schedules for the joint meeting with PRECorp in August and the Dry Fork Station (DFS) dedication.

Mr. Harper noted that resolutions in response to the intra-year rate increase have been received from Sioux Valley Energy and Traverse Electric. After discussion, it was moved by Director Ritthaler and seconded by Director Peltier to accept the resolutions from Sioux Valley Energy and Traverse Electric. Motion carried.

6. **Office of General Counsel Report**

Mr. Olson reviewed the status of litigation involving the cooperative and reviewed comments filed with respect to the new proposed guidelines/regulations from EPA and the Corps of Engineers which expand the federal jurisdiction over virtually all waters.

7. **Financial Report**

Paul Sukut, Senior Vice President and Chief Financial Officer, reviewed economic statistics and interest rates.

Steve Johnson, Treasury Services Manager, discussed the Cooperative's liquidity. He reviewed the existing debt that has bullet maturities. Staff is currently reviewing options available for retiring this debt in order to limit the impact of the bullet maturities.

He reported that, as of April 30, 2011, Corn Belt's nuclear decommissioning fund is considered to be fully funded. Based on the Power Purchase Agreement, Corn Belt has met the funding threshold for Basin Electric to assume all future funding required for this fund. Basin Electric retains certain rights to direct the investment of the trust funds.

As of June 30, the Member Investment Program was at \$112.3 million with 44 of the 134 total eligible members participating. The commercial paper program is currently at \$515 million and on July 8 it was at \$430 million. At the end of June, the Rural Utilities Service (RUS) Cushion of Credit account was \$230 million. As of today, it is at \$265.2 million.

8. **2011 Year-End Margin Estimate**

Mr. Sukut noted that Basin Electric's pre-tax year-end projected deficit is estimated to be (\$11.5 million). He noted that based on the current projections, the Cooperative would not earn sufficient margins to meet the Margins for Interest (MFI) requirements of the Indenture. The Cooperative would also not meet the three percent margin requirement set forth in current Board Fiscal Policy.

He then reviewed the options available for the Cooperative to meet its year-end objectives. He noted that it was the recommendation of staff that there be a five-mill rate adjustment. There would also be an adjustment to the commercial operation date of the DFS. Based on projections and the parameters set forth by the Board, staff is recommending a five-mill rate increase effective October 1, 2011.

Mr. Sukut noted that while it is unlikely that the revenue will make a dramatic turnaround before October 1, 2011, the Cooperative could always delay the October 1, rate increase by a month if it appears that the year-end margin projections would be met. He also noted that the Board would have the option to do a bill credit if they deemed it appropriate. He noted that no action was needed at this time, as this presentation was for the Board to consider and take action later.

9. 2012-2021 Long-Range Financial Forecast

David Bangen, Manager of Financial Planning and Forecasting, began the presentation noting that the draft forecast was presented to the Board in July and the information was subsequently presented to the Class A Managers. The forecast would be summarized today with changes highlighted and the draft forecast presented to the Manager's Advisory Committee (**MAC**) at the meeting in Deadwood July 20-21. The Board could then approve the forecast in a conference call on or about July 25th, when action is proposed to be taken on an intra-year rate adjustment.

Mr. Bangen reviewed the average member mill rate for the forecast. He then introduced Dave Raatz, Manager of Marketing and Power Supply Planning, who reviewed the projected loads and resources for the forecast period as well as the costs of purchase power. He noted that member sales were reduced by 50 MW in the months of July and August of 2011 for estimating the 2011 year-end margin from the load forecast approved by the Board in June 2011. The forecast reflects an increase of 1320 MW of oil-related commercial load growth.

Mr. Bangen then reviewed the capital expenditures for the forecast period, the average member mill rate and the cost of electric service. He concluded with a review of the key financial metrics for the Basin Electric consolidated group as well as the metrics for Basin Electric only using the three percent margin policy.

10. Rate Subcommittee Report

Wayne Backman, Senior Vice President-Generation, reported that the Rate Subcommittee of the MAC had met and had approved a series of recommendations to the MAC with respect to the rates.

He noted that the Cooperative currently has a Large Gas Compression Rate for applications 1000 hp or greater. The Rate Subcommittee recommended that the Basin Electric staff develop the concept. He noted that the combination of reduced natural gas prices and the 15-mill adder make it difficult for the members to be competitive with other options, and that only one consumer is using the rate. PRECorp, via discussions with their compression consumers, indicated there is interest in a dual fuel compression concept where a gas driver would be used for peak periods and an electric driver for all other times.

The Rate Subcommittee also recommended that the Load Data Incentive Program be retained for 2012 and that the Small Renewable Energy Purchase Rate, the Commercial Wind Purchase Rate and the Distributed Generation Purchase Rate remain as is for 2012. He noted that the Subcommittee also recommended that for 2012, the member power cost be capped at 150% of the average cost, and that the electric heat rate increase not be implemented until January.

Director Ritthaler noted the complexities of the ratemaking process and inquired about learning more about the specific details of developing rates. This would enhance the Board's ability to develop the policy framework for rate development. Director Drost noted that perhaps an outside entity should be hired to perform a rate study.

Mr. Backman reviewed the Basin Electric ratemaking process, noting it is a combination of policy, politics and mechanics.

Mr. Harper noted that he understood that the Board was trying to better understand the mechanics of ratemaking in order to better formulate overall rate policy for the Cooperative. In order to accomplish this he suggested that the Board set aside some time each month for the next few months for presentations and discussions on rate structure and ratemaking. He noted that he would present a proposal to the Board after the noon break.

11. Recess and Reconvention

At 11:45 a.m., the Board recessed until 1:00 p.m., at which time the Board reconvened, President Gjellstad continuing to preside and Secretary Pearson continuing to keep the minutes.

12. Roll Call

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Charles Gilbert
Clifford Gjellstad	Roy Ireland
Dean McCabe	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Ronald R. Harper, Assistant Secretary Claire M. Olson and Basin Electric staff members Wayne Backman, David Bangen, Andy Buntrock, Kelly Cozby, Shawn Deisz, Mike Ettl, Mike Fluharty, Daryl Hill, Steve Johnson, Mary Klecker-Green, Jon Klein, Chad Kuntz, Shawna Laber, Deborah Levchak, Sharon Lipetzky, Mike Massey, Faye Miller, Mike Murray, Mark Nygard, Dave Raatz, Ron Rebenitsch, Mike Risan, Dave Sauer, Paul Sukut, Linda Thomas, Steve Tomac, Kevin Tschosik, Chris VandeVenter, Michelle Wiedrich, Bob Williams and Lyle Witham. Also present were Upper Missouri manager Tom Barnett, Upper Missouri directors Dave Sigloh and Alan Thiessen, DGC director Tom Owens, DGC staff member Gary Loop and Carol Langley, Langley and Associates.

13. Rate Subcommittee Report, continued

Mr. Harper distributed a draft resolution setting forth a program for the Board to review rate policy, design and structure. After a full discussion, it was moved by Director Drost, seconded by Director Peltier and carried that the following Resolution be adopted:

R01.07-13-11

BE IT RESOLVED, that the General Manager develop a program for presentation to the Board of Directors of the basic rate structure and ratemaking philosophy of the Cooperative; and

BE IT FURTHER RESOLVED, that this presentation include, but not be limited to:

- A. A discussion of the basic ratemaking methodology;
- B. Development of and policy behind the Cooperative's demand and energy rate split and the financial impact to the Cooperative of this rate;
- C. Development of and policy in designing specific rates and their financial impacts on the Cooperative; and
- D. Impact of capital expenditures on the base rate and specific rates; and

BE IT FURTHER RESOLVED, that:

- A. The Board set aside one hour per month at Board meetings for the next six to eight months for the presentation and discussion of this information; and
- B. Consider the possibility of retaining a consultant at a later date to review rates.

14. 2012 Rate Design

Sharon Lipetzky, Revenue Analyst, began her presentation by noting that the 2012 member revenue requirement is \$956 million. This revenue is derived through the Fixed Charge, the Fixed CROD Rate and the Base Rate and she reviewed the methodology of calculating each.

She then reviewed the special rates. Director Ritthaler noted that the Electric/Dual Heat Rate for 2012 is calculated on the basis of production cost plus four (4) mills. With changes to the demand, he asked if the benefit associated with the rate stayed the same for the members for 2012 or did it increase? After discussion she noted that the electric heating rates are not increasing as much as the Base Rate levels.

She also discussed the PURPA rate and presented the avoided costs for the Eastern System and Western System. Ms. Lipetzky then presented the Standby Rate and the following Purchase Rates: Distributed Generation, Renewable Energy Credit, Small Renewable Energy, Consumer Wind Energy, C-Bed Purchase Rate and the new Environmental Attributes Purchase Rate.

15. 2011 Intra-Year Rate Increase

Mr. Sukut noted that the Financial Forecast and the intra-year rate increase will be discussed with the MAC in Deadwood on July 20-21. At a Board conference call on July 22 or 25, staff will, unless something new develops, recommend a five (5)-mill rate increase effective October 1.

Mr. Harper noted that when determining how to deal with the 2011 revenue shortfall, the Board will have to decide whether the target of the year-end margin is to meet MFI, the three (3) percent of revenue, or somewhere in between. He noted that the two resolutions received from the members suggest using the bare minimum revenue requirement.

He also noted that the Board has taken the position that the electric side of the business stand on its own and that DGC dividends should not be used unless Basin Electric cannot meet its MFI. This intra-year rate increase has generated substantial discussion among the membership and will be a difficult decision for the board.

16. MISO Update

Mr. Backman noted that the members of the Integrated System (IS) (Basin Electric, the Western Area Power Administration and Heartland Consumers Power District) are increasingly becoming isolated from the power markets due to the growth and strength of MISO to the east and SPP to the south.

The combination of extraordinary runoff in the Missouri River System, the associated high hydro generation, and transmission constraints has resulted in significant backdowns/shutdowns of Basin Electric's coal generation. He noted that the recent FERC decision supporting MISO's management of transmission constraints suggest market access may not improve. He noted that while we can operate in an isolated mode, it introduces costs associated with lost surplus sales revenue, increased gas turbine operation, and that related issues such as reserves and resource development are a consideration.

He noted the Cooperative has hired Charles River Associates to analyze the costs and benefits associated with maintaining our present operation, transferring additional loads and resources to MISO (hybrid option), and joining either MISO or SPP. FERC staff recently met in Bismarck with Basin Electric staff to more fully understand the concerns that the IS participants have with MISO or SPP. He noted that the hybrid option would require a change in Basin Electric's transmission cost socialization philosophy and the concurrence of those members with applicable load. The full membership option in MISO or SPP would require that a consensus be reached by Basin Electric, Western, IS, and the preference customers.

A more detailed report will be presented to the Board when the Charles River Associates study is complete.

17. Generation Monthly Report

Wayne Backman, Senior Vice President – Generation, reported that generation department funding requests totaling \$12,464,000 would be presented this month.

18. Walter Scott #4

Mr. Backman noted that Corn Belt has partial ownership in Walter Scott Unit #4, which is an 800 MW unit that was completed in 2007. The City of Pella is planning to sell its 10.64 MW of Walter Scott #4 to Missouri River Energy Services (**MRES**); however, the existing owners have the right of first refusal. He reported that a commitment is required by August 1.

19. William J. Neal Plant Site

Shauna Laber, Property and Right-of-Way Specialist, noted that FEMA has requested the free use of the fenced area (45.5 acres) of the William J. Neal plant site for staging and retrofitting living units for flood victims. The area is currently being hayed for free. A lease agreement will be reviewed by Legal Department staff prior to execution and will require restoration of the site to the conditions before the lease. After discussion, it was moved by Director Ritthaler, seconded by Director Gilbert and carried that the following Resolution be adopted:

R02.07-13-11

RESOLVED, that a lease agreement between the Federal Emergency Management Agency (**FEMA**) and Basin Electric for FEMA's use of the fenced area of the William J. Neal plant site as a staging area for the mobile homes be approved;

BE IT FURTHER RESOLVED, that the lease require that the site be restored to the condition prior to FEMA's use; and

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

20. Sale of Dragline A to Dakota Coal Company

Faye Miller, Dakota Coal Company (**DCC**) Director of Financial Services, reported that Basin Electric recently made its final payment on Dragline A and recommended that Basin Electric sell Dragline A to DCC, as that is the entity actually using it, for four million dollars.

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

R03.07-13-11

RESOLVED, that the Cooperative sell Dragline A, the 105 cubic yard Model 2570-W Walking Dragline Serial No. 136510 manufactured by Bucyrus Erie Company, to Dakota Coal Company for four million dollars (\$4,000,000.00) effective July 1, 2011 and that the CEO and General Manager, or his designee, be authorized to execute and deliver a bill of sale to effectuate such sale.

21. Accounting Report

Shawn Deisz, Manager of Accounting, reported that the June 2011 statement of operations reflected an estimated net margin of \$10.8 million compared to the forecasted net margin of \$4.3 million for a favorable variance of \$6.5 million. The net deficit for the same period last year was \$4.5 million.

The year-to-date net margin is estimated to be \$4.4 million compared to a year-to-date forecasted net deficit of \$14.5 million for a favorable variance of \$18.9 million. The year-to-date net deficit last year was \$14.1 million.

She also reviewed changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio in June was 17.7%; the equity-to-capitalization ratio, using Moody's Rating Service's rating methodology was 20.6%, both without the Coteau consolidation entry; and the equity to capitalization ratio based on indenture requirements for patronage distribution was 18.5%.

22. Fossil-Fuel Generation Report

Mike Fluharty, Vice President of Plant Operations, reported that June generation was 27% under budget due to evening and night back-downs.

The Leland Olds Station was kept off-line and generation at the AVS and LRS units were all under budget due to excessive hydro generation combined with low demand. DFS startup continued through the month of June. DFS achieved 360 MW on June 30 and has met all of its environmental goals to date. Year-to-date, actual generation was 10.5 million MWh compared to budgeted generation of 11.2 million MWh or 6.3% below the budget.

Individual availability, capacity factors and unit rating for the generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Net Generation	Unit Rating
LRS #1	99.8%	71.3%	291,980 net MWh	570 MW
LRS #2	99%	87.1%	354,050 net MWh	570 MW
LRS #3	100%	85.3%	350,165 net MWh	570 MW
LOS #1	80%	0%	0 net MWh	221 MW
LOS #2	100%	0%	0 net MWh	448 MW
AVS #1	100%	73.6%	180,478 net MWh	450 MW
AVS #2	100%	79.3%	239,189 net MWh	450 MW
DFS	Startup	Startup	Startup	386 MW

At the end of June, the elevation of Grayrocks Reservoir was 91,781 acre-feet or 88% of capacity.

The elevation of Lake Sakakawea was at 1,853.84 feet Mean Sea Level which is 76.04 feet above the intake.

IBEW Local 1593 voted down the proposed labor contract. A meeting will be held to establish the ground rules for some type of arbitration. IBEW Local 415 at DFS has submitted a request to begin negotiations. We are in the process of negotiating with IBEW Local 1593 for the PWND wind farm employees.

23. **Transmission Report**

Midwest Independent System Operator (MISO). Mike Risan, Senior Vice President – Transmission, reported that the Cooperative had objected to and intervened at FERC with respect to two MISO filings initiated on April 1st. The first was a compliance filing which defined the NDEX. The second involved revisions to the Seams Agreement. This past month, FERC approved the revisions to the Seams Agreement. These revisions, among other things, would allow any utility with a contract path to a load use surplus capacity in the IS for no charge. Staff is reviewing options for dealing with this adverse decision.

Staff met with Mike McLaughlin from the FERC Office of Energy Market Regulation at headquarters on June 30. Discussions were held regarding TLR relief operating reserves and defining the impediments that Basin Electric sees in joining MISO.

ND Transmission Development. Mr. Risan noted that development of a 345 kV loop around Lake Sakakawea is the next planned transmission reinforcement and will increase capacity to serve new load in the area. Basin Electric may also be able to take advantage of the 115 kV system being developed by its members in the area provided issues can be resolved.

Mr. Risan then presented a photograph showing the problems with hill sloughing this year due to the saturated soil conditions. He then referred the Directors to the printed Transmission System Maintenance report in the board book.

24. **Wheelock Substation-Authorization to Proceed with Development of a 230/115 kV Substation Near Wheelock, North Dakota**

Mr. Risan reported that Mountrail-Williams is proposing to build a substation near Wheelock which will tap the Basin Electric Williston to Tioga 230 kV line. This substation is a clone to the Blaisdell Substation. Because of the time constraints, Mountrail-Williams has asked Basin Electric to build the substation. Mountrail-Williams will advance funds for the construction of the facility to Basin Electric.

Mountrail-Williams is receiving financing from its customers and the project is on a fast track. Staff believes it can be finished to meet Mountrail-Williams' time schedule.

Mr. Risan noted that Basin Electric will design, procure and construct the substation using pricing from the Blaisdell project. Mountrail-Williams will fund the entire project, which is estimated at \$15.1 million, and is responsible for the operations and maintenance. Ownership of the 230 kV facility is yet to be determined. This will provide a delivery point for member loads. Completion is estimated for October 1, 2012.

He recommended the Wheelock Substation project with an estimated project cost of \$15.1 million be approved pending legally binding financial assurance of funding.

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

R04.07-13-11

BE IT RESOLVED, that the Wheelock Substation Project, as presented, with an estimated project cost of \$15.1 million be approved;

BE IT FURTHER RESOLVED, that legally binding financial assurance of funding be received by Basin Electric before proceeding;

BE IT FURTHER RESOLVED, that all Wheelock Substation Project contracts be based on Blaisdell contract pricing; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, be authorized to enter into the necessary contracts to complete the project with no further Board action.

25. Mid-Year Safety & Health Report

Kelly Cozby, Safety and Occupational Health Administrator, reviewed the Cooperative's 2011 mid-year safety and health report which showed a decrease in personal injuries and illnesses:

	2010	2011	Industry Rate
Injury/illness	38	32	
OSHA Recordable	21	14	
Doctor Care/Workers Comp	35	19	
Total Case Incident Rate	3.29	2.0	3.2
DART Cases	5	4	
DART Rate	0.78	0.57	1.7

OSHA's new crane and derrick regulations have been issued. She reported that crane operators will become certified to teach the qualified signal person and rigger training in order to bring real-world examples into the classroom and reduce the cost of outside trainers.

Safety programs in progress include arc flash, fire retardant clothing purchasing, fall protection, respiratory protection, lockout/tagout clearance program, confined space entry and hot work. Development of the Cooperative's safety program, which details the safety program approval process, has been finalized.

26. Distributed Generation Report

Kevin Tschosik, Distributed Generation Manager, reviewed natural gas prices and reported that distributed generation in June was as follows:

Unit	Monthly Generation
Groton #1	5,498 net MWh
Groton #2	3,707 net MWh
Culbertson Combustion Turbine	6,403 net MWh
Wyoming Distributed Generation (Arvada, Hartzog & Barber Creek)	70 net MWh
Spirit Mound #1	Did not run
Spirit Mound #2	Did not run
Wisdom Unit #2 Combustion Turbine	Did not run

Some changes were made on Groton Unit 1 to allow automatic generation control (AGC). Staff has been working with WAPA so that WAPA can operate that generator remotely.

He noted that PWND experienced 24 outage events for the month. The estimated unproduced energy due to curtailments is 5,710 MWh, which equates to a 7% capacity factor. The WTG-26 turbine blade has not yet been repaired due to 18 inches of water blocking the road. Service lift installation should be completed in North Dakota this week.

Crow Lake experienced 22 outage events. The estimated unproduced energy due to curtailments is 9,069 MWh which equates to an 8% capacity factor. The WindBoost installation has been completed. The same planetary gear failed on a second gearbox and wind turbine A15 has a damaged blade tip and is down for inspection.

Mr. Ratz noted that curtailments in May and June resulted in lost revenue of \$900,000.

The east-side peak occurred between 4:00 p.m. and 5:00 p.m. on June 30.

Project	Capacity Factor	Load Factor at the time of the east-side peak	Project Total (MW)
PrairieWinds ND1	29%	49 MW	123 MW
PrairieWinds SD1 (Crow Lake)	35%	0 MW	162 MW
Wilton Project	41%	25 MW	99 MW
Baldwin Project	39%	28 MW	99 MW
Edgeley Project	32%	14 MW	40 MW
Highmore Project	37%	0 MW	40 MW
Day County Project	46%	12 MW	99 MW
Iowa Wind Projects	36%	29 MW	45.1 MW
Other Wind Projects:	13%	0 MW	4.1 MW
Total June Wind Generation	37%	157 MW	712 MW

27. Recess and Reconvention

At 5:00 p.m., the meeting recessed until 8:00 a.m., at which time the meeting reconvened, President Gjellstad continuing to preside and Secretary Pearson continuing to keep the minutes.

28. Roll Call

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Charles Gilbert
Clifford Gjellstad	Roy Ireland
Dean McCabe	Kermit Pearson
Wayne Peltier	Reuben Ritthaler
Roberta Rohrer	

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Ronald R. Harper, Assistant Secretary Claire M. Olson and Basin Electric staff members Wayne Backman, Mike Eggl, Pius Fischer, Daryl Hill, Curtis Jabs, Mark Kinzler, Mary Klecker-Green, Jon Klein, Rod Kuhn, Chad Kuntz, Deborah Levchak, Sharon Lipetzky, Sally Maier, Mike Massey, Gavin McCollam, Mark Nygard, Dave Raatz, Ron Rebenitsch, Dave Sauer, Pat Spilman, Mitch Stafford, Paul Sukut, Linda Thomas, Steve Tomac, Chris VandeVenter, Amanda Wangler, Michelle Wiedrich, Bob Williams, Lyle Witham and Mike Zimmerman. Also present was Carol Langley, Langley and Associates.

29. Executive Session

At 8:00 a.m., it was moved by Director Pearson, seconded by Director Applegate and carried that the Board retire into executive session to discuss the general manager search with the consultant.

It was then moved by Director Ritthaler, seconded by Director Ireland and carried that the Board arise from executive session.

30. Dry Fork Station Operations Report

Mike Massey, DFS Project Manager, reported that engineering is 99.3% complete, procurement is 99.9% complete, construction is 99.6% complete and overall, the project is 99.6% complete. Total costs to date are \$1,243,715,843.19 and the projected cost is \$1.345 billion. He then reviewed the commissioning schedule.

31. Dry Fork Station Construction Update

Mr. Massey reported that to date, construction staff has worked over 6,670,000 total man-hours with only three lost-time accidents, 39 recordable accidents and 184 project first aid incidents. In June, there were no lost-time or recordable accidents and one first aid incidents. There were 190 construction personnel on site in June. He presented photographs and reviewed June activities and the three-month look-ahead. The DFS dedication is scheduled for August 11, 2011. Main activities include the final site work-paving and topsoil spreading. Fagen is on site doing carpeting and painting the turbine deck. Staff began hauling waste ash to the landfill during the month. He noted that DFS is within the 30-day window for meeting certification testing of its air emission control system.

32. Deer Creek Station Report

Gavin McCollam, Manager of Mechanical and Performance Engineering, presented photographs and reviewed the monthly activities at the Deer Creek Station.

Procurement is 100% complete, engineering is 96% complete and construction is 48% complete. There currently are 353 personnel on site. There were no recordable incidents, DART or first aid cases during the month.

Through June 30, 2011, approximately \$238 million of the \$405 million project budget has been expended.

33. DCS – Change Order #7 to Contract 540119, General Works Contract - Boldt Construction

Mr. McCollam presented Change Order #7 to Contract 540119, General Works Contract, with Boldt Construction. The majority of Change Order #7 is for heavy wall pipe and bigger piping which was not included when the contract was let. The balance of the costs are related to changes in design, an additional water tank, larger tanks and piping that was moved to underground to simplify operations.

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

R05.07-13-11

BE IT RESOLVED, that Change Order No. 07 to Contract No. 540119 with Boldt Construction for Deer Creek Station materials not included in the original bid in the amount of \$9,811,467 to a new contract total of \$102,798,107.37 is hereby approved; and

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

34. Deer Creek Station Construction Report

Mr. McCollam then presented photographs and reviewed site construction progress and June site activities.

35. PrairieWinds Project Report

North Dakota Wind Project.

Ron Rebenitsch, Manager of Alternative Technologies, reported that all the Hailo service lifts have been installed and only cleanup and punchlist work remains.

Crow Lake Project.

Mr. Rebenitsch reported that the remaining four Hailo service lifts will be installed tomorrow. There have been numerous weather delays and some material delays. Wanzek continues working on site reclamation which is hampered by wet conditions. Water continues to block access to some areas. The county roads must be left in as good as or better than pre-construction condition. Some areas have been seeded several times due to washouts.

36. Blaisdell Substation Materials Contract Award

Chad Kuntz, Electrical Engineer, reviewed the bids received for the materials contract for the Blaisdell Substation. This materials contract includes instrument transformers, steel structures, switches, insulators, surge arresters, bus and cable and associated

hardware. He reviewed the bids and recommended the contract be awarded to the low evaluated bidder, Dis-Tran, for \$1,961,748. Completion is scheduled for June of 2012.

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

R06.07-13-11 BE IT RESOLVED, that Contract No. 607577 for the Blaisdell Substation materials be awarded to Dis-Tran in the amount of \$1,961,748; and

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

37. AVS #1-Change Vendor for Capital Project 100103 (Phase 2) – SDA Chamber Metal Spray Application

Jon Klein, Contract Administrator, reviewed the bids received on the proposal to provide protective coating in the interior of the SDA Chambers at AVS Unit #1. He recommended the contract be awarded to the low evaluated bidder, Integrated Global Services, for \$1,364,000.

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

R07.07-13-11 RESOLVED, that Capital Project #100103 (Phase 2), SDA Chamber Metal Spray Application, is hereby awarded to Integrated Global Services, Inc. in the amount of \$1,364,000; and

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

38. External Relations and Communications Report

Mike Eggl, Senior Vice President—External Relations and Communications, discussed the Minnesota coal moratorium and EPA regional haze, the August 11 DFS dedication and appropriations.

Mary Klecker-Green, Supervisor of Publications and Member Communications, then presented a video of the Bismarck/Mandan flood areas and reviewed the financial, physical and news gathering and sharing support provided by Basin Electric, area cooperatives and employees. She then presented a video of the Crow Lake Wind Project dedication and discussed plans for Basin Electric's 50th anniversary annual meeting.

39. Electric Heat Discussion/2012 Possible Rate Structure

Mr. Harper reported that staff has spent a considerable amount of time communicating with all of the members on the intra-year rate increase. He noted that the communication plan would continue at the Manager's Conference and MAC Meeting in Deadwood on July 20-21. This would provide additional member input. He then

recommended that the Board consider the intra-year rate increase in a conference call on either July 22 or 25th.

He noted that yesterday there were a number of questions regarding the calculation of the electric heat rate. He introduced Sharon Lipetzky, who reviewed how the electric heat rate is calculated and how the 2012 rate compared to 2011. She also provided examples of how the rate would change if the goal was to maintain a uniform member demand discount from year to year.

Director Ritthaler then noted that after this comprehensive presentation by the staff he saw little need for the Board to postpone making a decision on the intra-year rate increase and the 2012 rates.

Director Pearson suggested that the Board should give further consideration to all of the options for reducing or eliminating the need for the intra-year rate increase. President Gjellstad suggested that the Board wait until after the Manager's Conference and the MAC meeting for making a decision on the rates.

After discussion, it was moved by Director Ritthaler, seconded by Director Child and carried that the following Resolution be adopted, with Directors Gilbert, Pearson, Drost and Gjellstad voting "no":

R08.07-13-11

BE IT RESOLVED, to approve the 2012 rate components as presented at the July 13, 2011 board meeting and noted below, to be effective October 1, 2011, except for the Electric and Dual Heat Rate, PURPA Rate and Environmental Attributes Rate, which will go into effect on January 1, 2012; and

BE IT FURTHER RESOLVED, that the implementation date may be changed by the Board if, in its opinion, the year-end margin will be greater than needed for the prudent operation of the Cooperative; and

BE IT FURTHER RESOLVED, that the following are the rates adopted incorporating the recommendations of the Rate Subcommittee:

- Fixed Charge (Fixed Charge #1 at \$2,900/member month and \$1500/Class A/month)
- Fixed CROD Rate (56%/44% split demand and energy component)
- Base Rate (50%/50% split demand and energy component)
- Interruptible Rate
- Electric & Dual Heat Rates (31 mills in 2012, 29 mills October-December 2011)
- Large Compression Rate including the dual fuel provision
- Large Commercial Rate
- MISO Wind Resource Rate
- PURPA Rate
- Standby Rate

- Distributed Generation Purchase Rate
- Small Renewable Energy Purchase Rate
- Consumer Wind Energy Purchase Rate
- Environmental Attribute Purchase Rate
- CBED Rate

AND BE IT FURTHER RESOLVED, that the Load Management Incentive Policy be continued, the Green Tag Rate be eliminated in 2012 and the member power cost for 2011 and 2012 be capped at 75 mills/kWh.

40. Wyoming Department of Environmental Quality Request

Mr. Olson reported that Basin Electric has received a request from the Wyoming Department of Environmental Quality for a description of work done on LRS #3 during the spring maintenance outage. The letter appears to be an inquiry to determine if the work consisted of more than "routine maintenance and repair". If work is deemed a major modification, it could trigger PSD review. Staff will make further inquiries of DEQ and prepare a response.

41. Date and Place of Next Board Meeting

The next meeting of the Board of Directors will take place August 8-10, 2011 at the Dry Fork Station in Gillette, Wyoming.

42. Adjournment

The Chairman adjourned the meeting at 12:25 p.m.



Claire M. Olson
Assistant Secretary