

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

**Minutes of the Regular Meeting of the Board of Directors
July 10-12, 2012**

	<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. Election of District 3 Director Nominee	R01.07-10-12 1
6. Delegation of Authority to CEO & General Manager	R02.07-10-12 2
7. CEO & General Manager's Report	2
A. Western Fuels Update	
8. Office of General Counsel Report	2
A. Property Management	2
9. Marketing Report	3
A. 2013 Load Forecast Work Plan	R03.07-10-12 3
B. Energy Management System	R04.07-10-12 4
C. Phase II Resource Need/Justification for Pioneer and Lonesome Creek	4
D. Pioneer and Lonesome Creek Phase II Project Development	5
• Pioneer Phase II Project Authorization	R05.07-10-12 5
• Lonesome Creek Phase II Project Authorization	R06.07-10-12 6
• Pioneer GE Equipment Supply Contract Award	R07.07-10-12 6
• Lonesome Creek GE Equipment Supply Contract Award	R08.07-10-12 6
10. Recess and Reconvention	7
11. Roll Call	7
12. Transmission Report	7
13. Plant Operations Report	8

A.	Fossil Fuel Generation		8
	• LRS #1 Distributed Control System Project	R09.07-10-12	8
	• LRS #1 Low NO _x Burner Upgrade Electrical Installation Contract Award	R10.07-10-12	9
B.	Safety Update		10
C.	Distributed Generation Report		10
14.	Project Updates		11
A.	Project Funding Chart		11
B.	Deer Creek Station Report		11
	• DCS-Change Order #33 to Contract #540119, General Work	R11.07-10-12	11
C.	Updates on Pioneer Phase #1 & Lonesome Creek Phase #1		12
	• Pioneer Phase #1 Change Order #02 to Contract #615739, Materials	R12.07-10-12	12
	• Lonesome Creek Phase #1 Change Order #01 to Contract #620113	R13.07-10-12	13
D.	Dry Fork Station		13
	• DFS-Air-Cooled Condenser Update		13
E.	Kenaston Substation		14
	• Contract #615998, Materials for Kenaston Substation	R14.07-10-12	14
15.	Director to Wyoming Rural Electric Association Board		14
16.	Financial Report		14
A.	RUS Form 219 Approval for PrairieWinds SD Project	R15.07-10-12	14
B.	2012 Year-End Margin Estimate		15
C.	Draft 2013-2022 Long-Range Financial Forecast		15
17.	Recess and Reconvention		16
18.	Roll Call		16
19.	Financial Services Report, continued		16
	A. Accounting Report		16
20.	Executive Session		16
	NRECA Retirement & Security Plan IBEW 1593	R16.07-10-12	16
	NRECA Retirement & Security Plan IBEW 612	R17.07-10-12	17
	NRECA Retirement & Security Plan Administrative Employees	R18.07-10-12	17
	Authorization to Retain Peter Barron Stark	R19.07-10-12	18
21.	Communications and Administration Report		18
22.	Directors' Reports		18
23.	Recess and Reconvention		19

24. Roll Call	19
25. Rate Discussion	19
26. Date and Place of Next Board Meeting	20
27. Adjournment	20

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

**Minutes of the Regular Meeting of the Board of Directors
July 10-11, 2012**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the Headquarters Building, Bismarck, North Dakota, on July 10-11, 2012 starting at 1:00 p.m. CDT.

1. Call to Order

The meeting was called to order by President Roy Ireland, 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
Dean McCabe	Roy Ireland
Wayne Peltier	Kermit Pearson
Roberta Rohrer	Reuben Ritthaler

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Andrew M. Serri, Senior Vice President and General Counsel Claire M. Olson and Basin Electric staff members Tracie Bettenhausen, Jan Blair, Cliff Cogdill, Shawn Deisz, Jason Doerr, Mike Eggl, Mike Fluharty, Daryl Hill, Becky Kern, Jan Kubisiak, Rod Kuhn, Deborah Levchak, Jay Lundstrom, Gavin McCollam, Cris Miller, Mike Murray, Dale Niezwaag, Deb Olafson, Mike Paul, Dave Raatz, Mike Risan, Myron Steckler, Matt Stoltz, Paul Sukut, Lucas Teigen, Linda Thomas, Steve Tomac, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present was Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Robert Leingang.

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 Peltier, seconded by Director Drost and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the June 12-14, 2012 Board meeting were presented. After an opportunity for corrections, it was moved by Director Rohrer seconded by Director Gilbert and carried that the minutes be approved as amended.

5. Election of District 3 Director Nominee

General Counsel Claire Olson reported that Basin Electric's Amended and Restated Bylaws (**Bylaws**) provide that if a vacancy occurs at any time more than 90 days prior to the expiration of the term of the director, that district shall nominate an individual to fill the remaining term of that director.

District No. 3 caucused at Central Power Electric Cooperative's headquarters on July 20, 2012. At that meeting, the authorized representatives of the members of District No. 3 nominated Arden Fuher of Dakota Valley Electric Cooperative, Edgeley, North Dakota, to fill the vacancy for the unexpired term.

He therefore recommended that in accordance with the Bylaws, the remaining members of the Board of Directors adopt a resolution appointing Mr. Fuher to the unexpired term for District No. 3. After discussion, it was moved by Director McCabe, seconded by Director Pearson and carried that the following Resolution be adopted:

R01.07-10-12 RESOLVED, that Arden Fuher be appointed to fill the unexpired term of director for District 3 and serve until his successor shall be elected and qualified.

6. Delegation of Authority to CEO & General Manager

Mr. Olson recommended that Administrative Bulletin 02-010 be amended to include all of Basin Electric's subsidiaries and that his spending authority to approve purchases and all contractual arrangements involving the expenditure and commitment of operating funds be increased from \$1 million to "with no restrictions" and that his spending authority to approve purchases and execute all contractual arrangements involving the expenditure or commitment of capital funds and for the sale of property be increased from \$500,000 to \$3 million. He noted that this amendment only addressed the Board delegation to Mr. Serri. The remaining portion of the Bulletin needs to be rewritten and will be presented to the Board in September or October.

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

R02.07-10-12 RESOLVED, that Administrative Bulletin 02-010 – CEO & General Manager, be revised as presented.

7. CEO & General Manager's Report

Mr. Serri reported on activities and meetings he attended during the month including with Senator Johnson and other senators regarding the treatment of coal ash as hazardous waste. He also attended the KEM annual meeting and NRECA's planning meeting. Mr. Serri then discussed the Manager's Advisory Committee (MAC) meeting in Deadwood July 18-19 and reviewed the agenda for the meeting. He also asked that candidates for the Dakota Gasification Company (DGC) outside director position be referred to him by the August board meeting.

8. Office of General Counsel Report

Mr. Olson reviewed the status of legal matters affecting or of interest to the Cooperative.

A. Property Management

Mr. Olson reported that an option to purchase the Witten Substation site will be executed before the July 14 deadline. Easement acquisition along the AVS-Tande transmission line is off to a slow start. To date, 11 easements have been signed.

9. Marketing Report

Regional Transmission Organization (RTO) Evaluation. Dave Raatz, Vice President of Cooperative Planning, reported that the RTO evaluation group consisting of representatives from the MAC met on June 18, June 26 and July 9.

Major activities underway on the RTO analysis include updating economic analysis, third-party nodal analysis and RTO comparisons. Work continues on membership issues such as including membership transmission in an RTO, territorial integrity, risks to preference power, transmission access and control and curtailment issues.

Green Tag Distribution. In June 2011, the Board adopted a resolution that effective January 1, 2012, Basin Electric would distribute its available uncommitted renewable energy credits to its class A members on a patronage basis. Letters were sent to the members explaining that the renewable energy credits would be distributed based on 2011 revenue includable under the patronage formula, with a true-up at year-end based on 2012. He noted these credits start to lose their value when older than six months. The members were asked to inform Basin Electric by early August whether they wanted to keep the credits or turn them over to Basin Electric for marketing.

If the members chose to keep the renewable energy credits, they would be transferred to an M-RETS transfer account or could be retired. The cost for Basin Electric to administer this program is approximately \$55,000 per year.

Member Load Levels. At this time, the estimated peak billing is 2890 MW – a new all-time high and 280 MW higher than last year.

Bakken Load Development Activities. Jay Lundstrom, Senior Forecast Analyst, reported that the Williston Basin forecast is expected to reach last winter's peak by October. Load in this area has increased more than 130 MW from June 2011 to June 2012. The rig count as of July 13 was 212, a fairly sustainable number.

He then reported on four new proposed oil pipeline transportation projects.

A. **2013 Load Forecast Work Plan**

Mr. Lundstrom reported that under the Rural Utilities Service (**RUS**) guidelines on preparing load forecasts, Basin Electric is required to provide RUS with a Board-approved load forecast work plan outlining the processes and procedures which will be used to develop the load forecast. It is also required under the Indenture. Mr. Lundstrom then reviewed the Work Plan for the 2013 Load Forecast and recommended that it be approved.

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

R03.07-10-12

BE IT RESOLVED, that the 2013 Load Forecast Work Plan is hereby approved, subject to the approval of the Administrator of the Rural Utilities Service.

B. Energy Management System

Jason Doerr, Senior Marketing Engineer, reported that late last winter, the Missouri Basin Power Project (MBPP) participants requested pseudo-tie capability, RTO scheduling capability and multi-market interface for their share of Laramie River Station (LRS) #1. This requires the acquisition of Energy Management System (EMS) software. In April, an RFP was sent to four vendors. The low bidder for the software was Open System International (OSI).

The project cost estimate is \$472,000 for the software, \$182,000 for the hardware and \$45,000 for Basin Electric labor and overhead, bringing the total to \$699,700. He noted Basin Electric would use this software for non-MBPP activities and that approximately \$209,881 of the cost would be paid by the MBPP participants.

The project timeline provides for award of the contract in July and implementation at LRS #1 in early 2013.

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

R04.07-10-12

BE IT RESOLVED, that the Energy Management System procurement and installation for LRS Unit #1 of the MBPP be awarded to Open System International (OSI) in the amount of \$699,604; and

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

C. Phase II Resource Need/Justification for Pioneer and Lonesome Creek

Myron Steckler, Generation Resource Project Manager, noted staff would be presenting a plan for the construction of Phase II of the new generation to be constructed at the Pioneer Station and Lonesome Creek Station sites in western North Dakota.

Phase I, which consisted of one unit at each location, was approved and is now under construction. Phase II, if approved, would involve the construction of two 45 MW LM6000 units at each site. He noted that staff would make presentations on the resource need, transmission requirements, permitting requirements and financing, as well as the engineering and construction of the Projects.

Becky Kern, Power Supply Engineer, reviewed the IS system surpluses and deficits through 2025. She noted the need for additional peaking capacity on system by 2014. The Cooperative, as part of its recent RFP proposal, surveyed the market for peaking capacity, but after reviewing the proposals for peaking capacity within the IS, determined the self-build option was more economical.

She noted that based on generation and transmission needs, 90 MW of peaking capacity is needed in the fall of 2014 and an additional 90 MW by the fall of 2015. After reviewing options for the construction of this generation, she noted it was the staff's recommendation to proceed with the construction of two additional LM6000

units at the Pioneer Station for the fall of 2014 and two additional LM6000 units at the Lonesome Creek Station by the fall of 2015.

Transmission Need. Matthew Stoltz, Manager of Transmission, reviewed a map of the transmission facilities. He noted that the additional units at the Pioneer Station would not require any additional transmission. The system in the vicinity of Lonesome Creek is not at strong and may require the installation of faster relays for system protection under certain criteria. Studies underway will determine if the relaying will be adequate or if additional transmission is needed.

Permitting Requirements. Lyle Witham, Manager of Environmental Services, reported that both Phase 2 units at Pioneer and Lonesome Creek would obtain major source air permits. They will also require permitting from the North Dakota Public Service Commission, as well as local zoning. RUS financing will be used for the Lonesome Creek units, so they will require going through the NEPA process, which will likely entail an Environmental Assessment without scoping.

Engineering and Construction. Mr. Steckler noted that staff had received proposals from General Electric, Rolls-Royce, Pratt/Whitney and Siemens for the proposed simply-cycle combustion units. He reviewed the pricing presented by each manufacturer and noted that the staff recommendation is to purchase two LMS 6000 units for each location.

He then reviewed the layout for each location and the work needed to accommodate the additional generating resources. He also reviewed the construction schedules which reflect May 2014 commercial operation for the Pioneer Station units and May 2015 operation for the Lonesome Creek units.

He then presented and reviewed the budgets for these Projects. The total budget for the Pioneer Station is estimated at \$102 million and the Lonesome Creek Station at \$115 million.

Paul Sukut, Senior Vice President and CFO, reviewed the financing options for these Projects. He noted that currently, the plan is to obtain RUS financing for the Lonesome Creek units. The Pioneer Station units would likely be a combination of commercial paper, Farm Credit System, public markets and private placements. The Lonesome Creek project may utilize some of these sources until such time as RUS loan funds are available.

D. Pioneer and Lonesome Creek Phase II Project Development

- **Pioneer Phase II Project Authorization**

Mr. Steckler then recommended approval of the Pioneer Phase #2 project. After discussion, it was moved by Director McCabe, seconded by Director Gilbert and carried that the following Resolution be adopted:

R05.07-10-12

RESOLVED, that the Pioneer Generation Station Phase #2 Project presented to this meeting of the Board of Directors at a budgeted cost of \$102 million is hereby approved; and

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

- **Lonesome Creek Phase II Project Authorization**

Mr. Steckler then recommended approval of the Lonesome Creek Phase #2 project. After discussion, it was moved by Director Drost, seconded by Director Pearson and carried that the following Resolution be adopted:

R06.07-10-12

RESOLVED, that the Lonesome Creek Generation Station Phase #2 Project presented to this meeting of the Board of Directors at a budgeted cost of \$115 million is hereby approved; and

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

- **Pioneer General Electric Equipment Supply Contract Award**

Mr. Steckler then recommended approval of the General Electric Equipment Supply Contract for the Pioneer Phase #2 project. After discussion, it was moved by Director Gilbert, seconded by Director Fuher and carried that the following Resolution be adopted:

R07.07-10-12

RESOLVED, that the proposal of General Electric to supply the equipment for the Pioneer Generation Station #2 Project in the amount of \$45,352,422 be accepted and approved; and

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

- **Lonesome Creek General Electric Equipment Supply Contract Award**

Mr. Steckler then recommended approval of the General Electric Equipment Supply Contract for Lonesome Creek Phase #2. After discussion, it was moved Director Peltier, seconded by Director McCabe and carried that the following Resolution be adopted:

R08.07-10-12

RESOLVED, that the proposal of General Electric to supply the equipment for the Lonesome Creek Generation Station Phase #2 Project in the amount of \$46,531,478 be accepted and approved; and

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

10. Recess and Reconvention

At 4:45 p.m., the meeting recessed until 8:00 a.m., at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

11. Roll Call

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members David Bangen, Andrew Buntrock, Kelly Cozby, Shawn Diesz, Mike Eggl, Pius Fischer, Mike Fluharty, Daryl Hill, Becky Kern, Jon Klein, Jan Kubisiak, Rod Kuhn, Deborah Levchak, Sharon Lipetzky, Jim Lund, Jay Lundstrom, Gavin McCollam, Dave Muggli, Deb Olafson, Mike Paul, Dave Raatz, Mike Risan, Myron Steckler, Paul Sukut, Lucas Teigen, Linda Thomas, Steve Tomac, Kevin Tschosik, Michelle Wiedrich, Lyle Witham and Zane Zuther. Also present was Mor-Gran-Sou director Robert Leingang.

12. Transmission Report

Mike Risan, Senior Vice President-Transmission, reported that discussions continue regarding an evaluation of RTO membership by the Integrated System (IS). The Southwest Power Pool received a deficiency letter regarding its recently signed seams agreement with the IS. The IS partners will be involved in providing an answer. The response is due July 19.

Bakken activities involved preliminary transmission requirements for Pioneer and reviewing line ratings from the Western Area Power Administration (WAPA).

WAPA's conversion of the Charlie Creek to Williston line from 115 kV to 230 kV is complete, however, operation of the entire line at 230 kV will not be available until the Watford City substation is fully converted. The north section from Williston to Watford City, serving Watford City through a transformer, has been energized at 230 kV. The south section is scheduled for operation at 230 kV in August 2012 following completion of the Watford City substation.

He also discussed operating studies underway that are the basis for contingency plans in the event of certain events.

Transmission staff continues to work with a third-party consultant to implement all aspects of complying with NERC's reliability requests. There are 588 different NERC requirements for Basin Electric's registration process. There are approximately 100 left to review. The next audit will be with WECC on the western interconnection in 2015 and with the MRO on the eastern interconnection in 2016. The Internal Auditing staff will also be involved to improve compliance and reporting.

In 2009, a disturbance at Oahe involved the failure of a wave trap which resulted in the loss of load in western South Dakota. NERC and FERC initiated an investigation. Basin Electric owns none of the involved facilities.

A series of WAPA workshops to solicit input are being held in response to the Secretary Chu memo. Basin Electric will participate in the Rapid City July 17 and Sioux Falls August 2 workshops.

A fire in the Black Hills over the July 4 weekend resulted in a section of the Osage to Yellow Creek transmission line being taken out of service. Due to good vegetation management practices, there was only minimal damage to the line.

He then referred the Directors to the written Transmission System Maintenance report.

13. Plant Operations Reports

A. Fossil Fuel Generation

Mike Fluharty, Vice President of Plant Operations, reported there was one Days Away Restricted or Transferred (DART) case in June. There were no Office of Safety and Health Administration (OSHA)-recordable incidents.

Generation came in 12.9% below budget for June. The LRS #1 triennial outage continued to the end of June, accounting for the majority of the budget shortfall. Feedwater piping repairs due to corrosion/erosion, turbine bearing damage and new control system checkout were the major causes of delay.

Year-to-date coal-based generation was 11.6 million MWh compared to the budget estimate of 12.8 million MWh or 9.5% under budget. He then reviewed year-to-date bus bar costs.

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

Unit	Availability	Capacity Factor	Unit Rating
LRS #1	26.3%	83.8%	570 MW
LRS #2	100%	92.5%	570 MW
LRS #3	100%	88.3%	570 MW
LOS #1	65.6%	77.7%	221 MW
LOS #2	100%	80%	448 MW
AVS #1	100%	90.3%	450 MW
AVS #2	100%	89.8%	450 MW
DFS	87.6%	90.6%	386 MW

He then reviewed the 24-month moving average forced outage rate trends. The LRS coal inventory is 1.59 million tons or a 66-day supply for all three units at full load.

- LRS Unit #1 Distributed Control System Project

Mr. Fluharty reported that the Distributed Control System Project for LRS #1 was approved in January of 2011. Major contracts were awarded for the distributed

control system, consulting engineer and installation services. Installation work began in December 2011 during a scheduled outage. Full-load operation was achieved on June 28, 2012.

Project cost overruns totaled \$1.2 million. The Emerson DCS contract was \$420,000 over budget, the Sega Engineering Contract \$500,000 over budget and the ECA Installation contract \$280,000 over budget. After reviewing the reasons for these overages, he recommended the additional budget request of \$1.2 million, bringing the total project cost to \$9.67 million, be approved. He also recommended the ECA contract be increased by \$280,000. After discussion, it was moved by Director Peltier, seconded by Director Pearson and carried that the following Resolution be adopted:

R09.07-10-12

BE IT RESOLVED, that the LRS Unit #1 Distributed Control System Upgrade project budget increase of \$1.2 million from \$8.47 million to \$9.67 million be approved;

BE IT FURTHER RESOLVED, that the ECA contract increase of \$280,000 from \$1.9 million to \$2.2 million be approved; and

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

• **LRS Unit #1 Low NOx Burner Upgrade Electrical Installation Contract Change**

Mr. Fluharty reported that the electrical installation contract for the LRS #1 Low NO_x burner Upgrade was approved in March 2011. Major contracts were awarded for burner equipment, burner control system, consulting engineer, electrical installation and mechanical installation. The Electrical Installation contract was awarded to ECA in November 2011 and installation work began in December 2011.

Because of changes in the final design and additional work because of excess cable in the cable trays, he recommended the additional budget be increased by \$620,000 from \$1.21 million to \$1.83 million, bringing the total project cost to \$1.83 million.

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

R10.07-10-12

BE IT RESOLVED, that the LRS Unit #1 Burner Upgrade Electrical Installation contract increase of \$620,000 from \$1.21 million to \$1.83 million, is hereby approved; and

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

B. Safety Update

Kelly Cozby, Safety & Occupational Health Administrator, presented the 2012 Mid-Year Safety and Health Report. She reported that injuries 2012 to date total 33 compared to 32 at this time in 2011. While the numbers are similar, she noted that of the DART incidents, seven were classified as restricted or lost workday cases, meaning that the injury severity has increased. The DART Incident Industry Rate is 1.5 and Basin Electric's rate is 1.04.

Ms. Cozby reported that the numbers have increased because 24-hour incident reporting is becoming more accurate, the employees now have more information on the importance of reporting and facilities are doing a better job using OSHA-based reporting criteria. Better reporting allows more accurate measurements.

The Strategic Safety Business Plan has been adopted, the goals of which are to ensure regulatory compliance and increase employee communication.

Action items for 2012 include continue progress on the Cooperative Clearance Program and Confined Space Entry Program, improved incident investigation, update and implement the DuPont STOP program at generation facilities and TSM, continue development of an effective contractor safety qualification process and audit system, enhanced Corporate Safety Committee orientation program and training.

She also reported on activities of the Cooperative Safety Committee.

She reviewed the provisions of the Contractor Safety Access and On-Site Requirements program and the Learning Management System, which is an on-line training system software program that allows training at all facilities.

C. Distributed Generation Update

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

Unit	Monthly Generation (MWh)
Groton Unit No. 1	1315 (load demand & spinning reserve)
Groton Unit No. 2	2872 (load demand & spinning reserve)
Culbertson Combustion Turbine	3240 (four-day outage)
Wyoming Distributed Generation	118
Spirit Mound Unit No. 1	Did not run
Spirit Mound Unit No. 2	Did not run
Wisdom Unit No. 2	Did not run

The Spirit Mound current fuel inventory is 959,408 gallons.

PrairieWinds SD 1. During the month, oil samples were taken at all padmount transformers. The GE control system software upgrade was also completed. There was a nine-hour substation outage for inspection and cleaning of feeder breakers switch gear.

PrairieWinds ND 1. Annual maintenance is 24% complete. The GE control system software upgrade is complete. The annual emergency response meeting of local firemen, ambulance crews, first responders and staff to review the emergency response plan went very well.

The east-side peak occurred on June 28, 2012, at hour ending at 6:00 p.m. At that time, wind generation was as follows:

Project	Capacity Factor for the month	Load Factor During the Peak	Project Total
PrairieWinds ND 1	42%	21 MW	123 MW
PrairieWinds SD 1	48%	16 MW	162 MW
Wilton Project	47%	2 MW	99 MW
Baldwin Project	48%	3 MW	99 MW
Edgeley Project	41%	0 MW	40 MW
Highmore Project	44%	3 MW	40 MW
Day County Project	55%	0 MW	99 MW
Iowa Wind Projects	46%	2 MW	45.1 MW
Other Wind Projects (Chamberlain & Pipestone)	27%	3.4 MW	3.4 MW
TOTAL JUNE WIND GENERATION	43%	48 MW	712 MW Maximum
AVERAGE 2012 YEAR-TO-DATE CAPACITY FACTOR	49%		

14. Project Updates

A. Project Funding Chart

Mike Paul, Vice President of Engineering & Construction, reported there will be funding requests of \$224.2 million this month for the Pioneer Phase #2, Lonesome Creek Phase #2 and the LRS DCS and burner projects. There are no anticipated funding requests for the August board meeting.

B. Deer Creek Station Report

Gavin McCollam, Manager of Mechanical and Performance Engineering, reported there were no OSHA recordable incidents and no lost-time incidents at the Deer Creek Station (DCS) in June (either staff or contractors).

Performance tests start this weekend. Commercial operation of the unit is scheduled for August 1 and dedication is August 16 during the board meeting in Madison.

Mr. McCollam then reported that approximately \$357,800,800 of the \$405 million project budget has been expended through June 30, 2012. The official commercial operation date is scheduled for August 1.

- **DCS-Change Order #33 to Contract #540119, General Work Contract**

Mr. McCollam reported that the General Work contract was originally approved in January 2010 for \$90.4 million. The last true-up was in May 2012 bringing this

contract to \$114.5 million. Since that time, a number of small change orders for miscellaneous field work and requests for fast-track changes bring the current contract target amount to \$115,609,491.

He presented Change Order #33, General Work Contract, for Boldt's Commissioning and Start-Up Support in the amount of \$2,263,217 and recommended it be approved. After discussion, it was moved by Director Drost, seconded by Director Ritthaler and carried that the following Resolution be adopted:

R11.07-10-12 BE IT RESOLVED, that Change Order #33 to Contract 540119 with Boldt Construction for the General Work Contract in the amount of \$2,263,217 be approved; and

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

C. Updates on Pioneer Phase #1 and Lonesome Creek Phase #1

Mr. Steckler reported that there have been no safety incidents or issues on these projects. There are currently eight personnel on-site. He then presented photographs of dirt work for the pad and construction trailers.

Mr. Steckler noted that the Board has previously approved proceeding with the purchase of SCRs for Pioneer #1 and Lonesome Creek #1. These would accommodate moving forward with Phase 2.

- **Pioneer Phase #1-Change Order #02 to Contract No. 615739.** Mr. Steckler recommended approval of Change Order No. 02 to Contract No. 615739 with General Electric in the amount of \$2,364,875 to purchase an SCR scrubber for Unit #1 of the Pioneer Generation Station.

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

R12.07-10-12 WHEREAS, it has been recommended that the Pioneer Generation Station Material Contract #615739 be amended to incorporate Change Order #02 to include the addition of an SCR Scrubber to the original specification; and

BE IT RESOLVED, that Contract No. 615739 for an LM6000 Gas Turbine Generator at Pioneer Generation Station be amended to incorporate Change Order #02 in the amount of \$2,364,875; and

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

- **Lonesome Creek Phase #1-Change Order #01 to Contract #620113.** Mr. Steckler recommended approval of Change Order #01 to Contract #620113 with General Electric in the amount of \$2,500,000 to purchase an SCR scrubber for Unit #1 of the Lonesome Creek Generation Station.

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

R13.07-10-12

WHEREAS, it has been recommended that Lonesome Creek Station Material Contract #620113 be amended to incorporate Change Order #01 to include the addition of an SCR Scrubber to the original specification;

BE IT RESOLVED, that Contract #620113 for an LM6000 Gas Turbine Generator at Lonesome Creek Station be amended to incorporate Change Order 01 in the amount of \$2,500,000; and

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

D. Dry Fork Station

- **DFS-Air-Cooled Condenser Update**

Jim Lund, Senior Mechanical Engineer, reviewed the problems previously experienced with the fans on the air cooled condenser. One failure was caused by the loosening of the hub bolts. This resulted in the bolts shearing. Contributing factors were the fan installation and operating conditions in the spring.

DFS staff replaced hardware on all 45 fans and applied the OEM-recommended bolt torque procedures. The torque values for all fans were rechecked at three hours, 24 hours and one-month intervals.

After the one-month checks, the bolt torque readings are within recommended specifications. Staff continues to work with GEA on revised procedures and possible material upgrades.

There are also concerns with respect to excessive movement of the condensate return line near the turbine wall, vibration of the structural member supporting the return line and broken hangers along the return line route.

GEA agreed to provide revised pipe support analysis and components. DFS installed temporary pipe supports, performed an analysis to identify the vibration source and minimized air in-leakage. Staff is confident that the revised pipe supports from the contractor will be a long-term fix.

E. Kenaston Substation

Pius Fischer, Electrical Engineering Supervisor, reported there is a great deal of substation construction in northwestern North Dakota. Staff is deep into the design of a joint project with Burke-Divide to build a substation to serve the Enbridge load and provide capacitor banks for the transmission grid. The grading contract RFP came in yesterday and grading is scheduled to start the first week of August.

- **Contract No. 615998, Materials for Kenaston Substation**

Mr. Fischer reported that capacitor banks are needed at the Kenaston Substation to improve the voltage scenario in the region on the Logan to Kenmare line. He presented a contract for equipment and materials needed including steel, switches, bus work, insulators, capacitor banks, grounding, surge arresters and associated hardware. Mr. Fischer recommended the contract be awarded to Dis-Tran, which has been a quality supplier in the past and has been on time. Dis-Tran fabricates the steel and packages the rest of the equipment. This is a cost plus contract, which totals \$765,505.

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

R14.07-10-12

BE IT RESOLVED, that Contract No 615998 to provide the materials for the Kenaston Substation be awarded to Dis-Tran in the amount of \$765,505; and

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

15. Director to Wyoming Rural Electric Association Board

After discussion, it was moved by Director Child, seconded by Director Applegate and carried that Director Ritthaler serve as Basin Electric's representative on the Wyoming Rural Electric Association board of directors.

16. Financial Services Report

A. RUS Form 219, Approval for PrairieWinds SD 1, Inc. Project

Mr. Sukut recommended that staff be authorized to execute and submit Form 219, Inventory of Work Order No. 45, in the amount of \$212.2 million to RUS for the PrairieWinds SD 1, Inc. Project. Form 219 certifies costs of construction and is required by RUS prior to loan funds being advanced.

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

R15.07-10-12

RESOLVED, that RUS Form 219 – Inventory of Work Order No. 45 in the form presented to this meeting is hereby approved and that the Chairman of the Board of Directors and the CEO and General Manager are hereby authorized to execute the same for and on behalf of the Cooperative;

BE IT FURTHER RESOLVED, that the Board of Directors certifies to the Rural Utilities Service that the cost of construction shown in said Form 219 is the actual cost reflected in the general accounting records of the Cooperative and that the funds represented by the advances requested by said Form 219 has been expended in accordance with the (a) purposes of the loan; and (b) provisions of the: (i) loan contract; (ii) Indenture dated as of January 1, 1998; (iii) RUS Bulletins; and (iv) Code of Federal Regulations relating to the advance of funds for work order purposes.

B. 2012 Year-End Margin Estimate

Mr. Sukut reported the current 2012 year-end margin estimate is \$12.7 million, compared to the budgeted estimate of \$12.0 million. While power sales have been down, a \$4.9 million AVS baghouse project wasn't constructed and the commercial operation of DCS was delayed one month resulting in a \$3.8 million decrease to maintenance costs. These changes resulted in a \$3.6 million increase in the year-end projection.

C. Draft 2013-2022 Long-Range Financial Forecast

David Bangen, Manager of Financial Planning and Forecasting, presented the draft of the 2013-2022 Long-Range Financial Forecast. In addition to the base forecast, he noted that staff had prepared a "No Bakken Forecast" projecting financial performance if there was no load growth in the Bakken Oil Area.

Key Assumptions. Mr. Bangen reviewed the key assumptions used to prepare the forecast.

Base Forecast. Mr. Bangen then reviewed the base forecast focusing on the changes from the 2012 forecast. After a review of the member revenue and average member mill rate, he reviewed the effect of the forecast on key financial metrics.

Key Financial Metrics. Paul Sukut then reviewed proposed capital spending, cash flow and how the capital will be raised. He then discussed financial risks facing the Cooperative. Mr. Sukut concluded by noting that based on the forecast, the member rate for 2013 will be 54 mills which yields an estimated \$56 million margin.

No Bakken Scenario. Mr. Bangen then presented the scenario of what the financial forecast would look like if there had been no oil development in the "Bakken" area of North Dakota and Montana.

After reviewing the changed assumptions, he noted that the forecast projected that without the Bakken development, the member rate would be higher in all years of the forecast. The rate was approximately 4 mills higher in 2013 and 2014 and falling to 0.5 mills in 2022.

17. Recess and Reconvention

At 11:50 a.m., the meeting recessed until 12:45 p.m., at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

18. Roll Call

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Dave Bangen, Jan Blair, Shawn Deisz, Mike Eggl, Daryl Hill, Diane Paul, Dave Raatz, Mike Risan, Paul Sukut and Michelle Wiedrich.

19. Financial Services Report, continued

A. Accounting Report

Shawn Deisz, Manager of Accounting, reported that the June 2012 Statement of Operations reflected an estimated net margin of \$8.2 million compared to the budgeted net margin of \$10.5 million for an unfavorable variance of \$2.3 million. The net margin for the same period last year was \$10.8 million. The year-to-date (YTD) net margin is \$24 million compared to the budget of \$22 million.

She also reviewed member sales, surplus sales, operations expenses, maintenance expenses, YTD consolidated net income/loss, changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio at the end of June was 19.1% and at the end of May was 19.0%. The equity-to-capitalization ratio at the end of June using Moody's Rating Service's methodology was 22.9% and at the end of May was 22.9%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 17.7% at the end of June and 17.4% at the end of May.

20. Executive Session

At 1:00 p.m., it was moved by Director Child and seconded by Director Gilbert to move into executive session to discuss the RUS Cushion of Credit matter and workforce planning. At 2:00 p.m., it was moved by Director Ritthaler and seconded by Director McCabe that the Board arise from executive session. Motion carried.

After arising from executive session, it was moved by Director Pearson, seconded by Director Gilbert and carried that the following Resolution be adopted:

R16.07-10-12

WHEREAS, the Basin Electric Power Cooperative Board of Directors has adopted the National Rural Electric Cooperative Association Retirement Security Plan for its employees of the

International Brotherhood of Electrical Workers Local 1593; and

WHEREAS, effective July 1, 2012, the Retirement Security Plan was amended and restated by the National Rural Electric Cooperative Association to comply with legislatively mandated changes;

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors hereby authorizes the amendment, restatement and continuance of the Retirement Security Plan to conform in its entirety with all the provisions of the plan document of the Retirement Security Plan through the execution of an Adoption Agreement;

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes the CEO & General Manager to execute all necessary documents required for the amendment and restatement of Basin Electric Power Cooperative Retirement Security Plan for its employees of the International Brotherhood of Electrical Workers Local 1593.

After arising from executive session, it was moved by Director Drost, seconded by Director Peltier and carried that the following Resolution be adopted:

R17.07-10-12

WHEREAS, the Basin Electric Power Cooperative Board of Directors has adopted the National Rural Electric Cooperative Association Retirement Security Plan for its employees of the International Brotherhood of Electrical Workers Local 612; and

WHEREAS, effective July 1, 2012, the Retirement Security Plan was amended and restated by the National Rural Electric Cooperative Association to comply with legislatively mandated changes;

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors hereby authorizes the amendment, restatement and continuance of the Retirement Security Plan to conform in its entirety with all the provisions of the plan document of the Retirement Security Plan through the execution of an Adoption Agreement;

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes the CEO & General Manager to execute all necessary documents required for the amendment and restatement of Basin Electric Power Cooperative Retirement Security Plan for its employees of the International Brotherhood of Electrical Workers Local 612.

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

R18.07-10-12

WHEREAS, the Basin Electric Power Cooperative Board of Directors has adopted the National Rural Electric Cooperative

Association Retirement Security Plan for its employees; and

WHEREAS, effective July 1, 2012, the Retirement Security Plan was amended and restated by the National Rural Electric Cooperative Association to comply with legislatively mandated changes;

WHEREAS, the Board of Directors desires to amend the Plan to provide benefits to employees at Dry Fork Station who are represented by the International Brotherhood of Electrical Workers Local 415 (IBEW 415) and employees at Prairie Winds 1 who are represented by the International Brotherhood of Electric Workers Local 1593 (IBEW 1593).

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors hereby authorizes the amendment, restatement and continuance of the Retirement Security Plan to conform in its entirety with all the provisions of the plan document of the Retirement Security Plan through the execution of an Adoption Agreement;

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes the CEO & General Manager to execute all necessary documents required for the amendment and restatement of Basin Electric Power Cooperative Retirement Security Plan for its employees.

After arising from executive session, it was moved by Director Drost, seconded by Director Peltier and carried that the following Resolution be adopted:

R19.07-10-12 BE IT RESOLVED, that Peter Barron Stark be retained to assist the Board with employee evaluations for a cost of \$11,200; and

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

21. Communications and Administration Report

Mike Eggl, Senior Vice President—Communications and Administration, discussed the status of pending legislation, including the surface transportation bill, tax extenders, the debt ceiling and the farm bill.

22. Directors' Reports

Director Drost reported on the CoBank meeting.

Director Child reported that his High Plains has been working to renew its franchise with city of Cheyenne and that Cheyenne Light, Fuel & Power has been working to annex High Plains' loads. The city council suggested the two organizations work together and bring a proposal to the city council.

Director Gilbert reported that Corn Belt is working on its indenture.

Director Fuher reported that Central Power is also part of the indenture project.

Director Rohrer reported irrigation sales were up in Central Montana.

Director Ritthaler reported that the PRECorp study on moving the Teckla Substation due to coal mining activities has been released. He also reported on his first NRECA board meeting as a director.

Director Applegate reported on the CoBank meeting.

Director Pearson reported East River is looking forward to hosting the Basin Electric board of directors in Madison next month.

23. Recess and Reconvention

At 2:30 p.m., the meeting recessed until July 12, 2012 at 10:10 a.m., at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

24. Roll Call

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Mike Eggl, Dave Ratz, Mike Risan, Darlene Steffan and Paul Sukut.

25. Rate Discussion

Mr. Serri noted that the draft financial forecast would be presented and discussed at the MAC meeting and Managers Conference in Deadwood later this month. He noted that the draft financial forecast showed an average member rate of 53.2 mills.

He then noted that the current cost of electric service is projected to be \$1.2 billion and that the margin may be a bit thin for an operation of this size.

The Board then discussed the risks surrounding the Cushion of Credit, the projected 2013 loss at DGC, as well as the need to protect the Cooperative's bond rating.

It was also noted during the Board discussion that mid-year rate adjustments to make up revenue shortfalls are very unpopular with the members. If the revenues exceed requirements, they can be adjusted with a year-end bill credit.

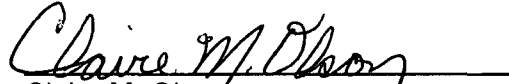
Mr. Serri noted that the Board will have to make a final decision at the August meeting. However, he noted that his recommendation will likely be the 54 mills.

26. Date and Place of Next Board Meeting

The next meeting of the Board of Directors will take place August 14-16, 2012, at the East River Electric Power Cooperative Headquarters Building in Madison, South Dakota.

27. Adjournment

It was then moved by Director Drost and seconded by Director McCabe that the meeting be adjourned. Motion carried.


Claire M. Olson
Assistant Secretary