

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

**Minutes of the Regular Meeting of the Board of Directors
August 9-10, 2011**

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**Basin Electric Power Cooperative
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August 9-10, 2011**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the Dry Fork Station, Gillette, Wyoming, on August 9-10, 2011 starting at 11:00 a.m. MDT.

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 & General Manager Ronald R. Harper and Assistant Secretary Claire M. Olson and Basin Electric staff members Wayne Backman, Mike Risan, Dave Sauer, Tom Stalcup, Paul Sukut and Linda Thomas. Also present were DGC Directors Heidi Heitkamp and Tom Owens. Present via iLink were Shawn Deisz, Steve Johnson, Brian Matthews and Michelle Wiedrich. Also present were Dakota Gasification Company (**DGC**) Board members Heidi Heitkamp and Tom Owens.

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

4. Approval of the Minutes

After discussing the language of the resolution in agenda item #3, Mr. Olson was asked to specifically list the rates approved and to note that these rates were the recommendation of the Rate Subcommittee to the Manager's Advisory Committee.

After discussion, it was moved, seconded and approved that approval of the minutes be tabled until tomorrow.

5. **General Manager's Report**

Mr. Harper reported that letters regarding the rate increase had been received from Corn Belt, NIPCO, Harrison County Rural Electric Cooperative and North West Rural Electric Cooperative. He then distributed the schedule of events for the meeting and dedication of the Dry Fork Station (**DFS**). He also reviewed recent visits with congressional delegations on the Berkshire/Hathaway rail premium issue. He also reviewed the proposed layout of the Headquarters Board Room and would proceed with that project.

a. **Western Fuels Update**

Mr. Harper reported that Director Ritthaler had been elected Chairman of Western Fuels Association (**Western Fuels**).

Mr. Ritthaler reported that the dust mitigation program of the BNSF railroad will involve top dressing the rail cars. This will cost the shippers approximately \$200 million per year and will only reduce dust emissions by ten percent. This mitigation begins on October 1. He reported that BNSF has agreed to allow seven and one-half hours to unload a coal train at the Laramie River Station (**LRS**) rather than six hours. This should greatly reduce detention charges.

All of the members of Western Fuels have more than the desired amount of coal in their stockpiles with the exception of the Southern Minnesota Municipal Power Association, which has 22 days of burn in its stockpile.

BNSF has experienced a number of washouts due to heavy rains and saturated soils.

Western Fuels held an energy expo during its annual meeting. Several directors then reported on attending the Western Fuels annual meeting.

6. **Recess and Reconvention**

At 12:00 noon, the Board recessed until 1:00 p.m. MDT, at which time the Board reconvened, President Gjellstad continuing to preside and Secretary Pearson continuing to keep the minutes.

7. **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 Risan, Dave Sauer, Tom Stalcup, Paul Sukut and Linda Thomas. Also present were DGC Directors Heidi Heitkamp and Tom Owens. Present via iLink were David Bangen, Shawn Deisz, Steve Johnson, Deborah Levchak, Brian Matthews, Jerry Menge, Mike Paul, Dave Raatz, Ron Rebenitsch, Myron Steckler, Kevin Tschosik and Michelle Wiedrich.

8. Office of General Counsel Report

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

9. Financial Report

Paul M. Sukut, Senior Vice President and Chief Financial Officer, reviewed current economic statistics, the Cooperative's capital expenditures and total liquidity through July. He also discussed the commercial paper program, the Member Investment Program balances, the downgrade of U.S. Government Treasuries and refinancing activities. Currently, 44 of the 134 eligible members are participating in the Member Investment Program.

a. Formal Approval of 2012-2021 Financial Forecast

Mr. Sukut stated there were no changes in the forecast from last month's presentation and recommended approval of the 2012-2021 Financial Forecast.

After discussion, on motion duly made by Director Ritthaler, seconded by Director Applegate and carried, the following Resolution was adopted:

R01.08-09-11 RESOLVED, that the Board of Directors adopt the Basin Electric Power Cooperative 2012-2021 Ten-Year Financial Forecast.

b. 2011 Margin Update

Mr. Sukut reviewed the effect of the July board action to increase rates beginning October 1, 2011 on the 2011 margin. He also reviewed the affect due to the delay of the DFS commercial operation date.

c. Duane Arnold Decommissioning Fund

Mr. Sukut reported that when Corn Belt became a member of Basin Electric, Basin Electric agreed to assume responsibility for the Duane Arnold Nuclear Facility Decommissioning Fund once this fund was deemed fully funded. This occurred on April 1, 2011. The agreement calls for 60% equity/40% debt and index fund investments or a mutually agreed upon investment strategy. Currently, 81% of the funds are in index funds or index fund equivalents. Corn Belt's percentage is 63% equity and 37% debt.

He compared the Dakota Coal Company (DCC) mine closing fund to the Duane Arnold fund and then recommended entering into a letter agreement with Corn Belt that: (1) Corn Belt continue management of the fund; (2) the fund be evaluated annually; (3) Basin Electric conduct due diligence reviews; (4) quarterly statements be provided to Basin Electric; and (5) Basin Electric meet with the Corn Belt Audit

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

R02.08-09-11

RESOLVED, that a letter agreement between Corn Belt Power Cooperative and Basin Electric Power Cooperative outlining the terms of the Duane Arnold Nuclear Facility Decommissioning Fund is hereby approved; and

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

d. CoBank Merger Vote & Increase of Preferred Stock

Mr. Sukut recommended that the Cooperative appoint a proxy and direct the proxy to vote in favor of the merger of the Bank and the U.S. AgBank, approve the adoption of new capitalization bylaws for CoBank and increase the aggregate amount of preferred stock outstanding at any one time from up to \$1.0 billion to up to \$1.5 billion.

After discussion, on motion duly made by Director Ritthaler, seconded by Director McCabe and carried, the following Resolution was adopted:

R03.08-09-11

RESOLVED, that Basin Electric Power Cooperative appoints Alan S. Kantrowitz or, in his absence, Susan D. McPhillips, as its proxy to vote at a special meeting of the stockholders of CoBank ACB on September 7, 2011; and

BE IT FURTHER RESOLVED, that the Cooperative direct the proxy to vote in favor of the merger of U.S. AgBank, FCB with and into CoBank, FCB, a wholly-owned subsidiary of CoBank, ACB; and

BE IT FURTHER RESOLVED, that the Cooperative authorize the proxy to vote in favor of: (1) the adoption of the Capitalization Bylaws Amendment for CoBank, ACB to increase the authorized amount of preferred stock from \$1.0 billion to \$1.5 billion to become effective upon approval; and (2) the Amended Preferred Stock Revolver to increase the authorization granted by CoBank, ACB's stockholders in September 2008 for CoBank, ACB to issue one or more series of preferred stock in an aggregate amount outstanding at any one time from up to \$1.0 billion to up to \$1.5 billion to become effective upon approval.

e. Accounting Report

Shawn Deisz, Manager of Accounting, reported that the July 2011 statement of operations reflected an estimated net margin of \$21.8 million compared to the forecasted net margin of \$7.9 million for a favorable variance of \$13.9 million. The net margin for the same period last year was \$10.0 million.

The year-to-date net margin is estimated to be \$26.2 million compared to a year-to-date forecasted net deficit of \$6.6 million. Last year through July the net deficit was \$4.1 million. She also reviewed changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio in July was 18.2 percent and the equity-to-capitalization ratio, using Moody's Rating Service's methodology was 20.6 percent, both without the Coteau consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distributions is 19.0%. The balance in the RUS Cushion of Credit account is \$265.2 million.

10. Generation Monthly Report

a. Project Funding Chart

Wayne Backman, Senior Vice President – Generation, reported that generation department funding requests totaling \$3.1 million would be presented this month.

b. LOS Scrubber

Myron Steckler, Generation Resource Project Manager, provided a status report on the investigation of the potential for corrosion in the 2205 alloy in the LOS Scrubber. While corrosion has been found mainly below the liquid lines, industry has recently found corrosion in the upper levels as well. He noted this could possibly have been caused when scaffolding brackets were either torched or cut off resulting in iron contamination. Alberici, the contractor at LOS, has come back, at its own cost, and cleaned this up and removed the iron contamination.

He noted that EPRI's study has not yet found the root common cause of this corrosion, which has been found in more than just the 2005 alloy. It appears to happen in most forced-oxidation limestone wet scrubbers. Many companies are dealing with this through the cathodic protection process or a coating in the liquid area. In both these cases, the results of the fixes is still questionable.

A decision to add a coating, cathodic protection or do nothing to the LOS scrubbers must be made by the end of 2011.

Mike Paul, Vice President of Engineering and Construction, noted the current schedule is to tie-in the Unit 2 scrubber in the fall of 2012 and so a decision must be made by the end of 2011 to provide time to order and receive the materials and apply the coating or cathodic protection.

Mr. Steckler noted that we've had success with coatings at LRS; however, more industry feedback would assist with the decision. Staff is working to ensure whatever we do regarding alloy 2205 works with the scrubber base material and adheres to it very well. Staff continues to update the ND Health Department on this matter.

c. Rates 101 Future Agenda

Mr. Backman noted that last month the Board asked for a series of presentations on the ratemaking process at Basin Electric. Mr. Backman noted that the presentations would start at the September Board meeting and conclude in February. He reviewed

the topics for each month and encouraged the directors to let him know if there are other topics they would like covered.

d. Independent System Operator (ISO) Study Status

Mr. Backman reported that the consultant continues work on the study analyzing the impacts to WAPA, Basin Electric and Heartland Consumers Power District if they become members of an ISO and the Integrated System (IS) transmission facilities are incorporated into the ISO. The current plan is to present the study to the Board of Directors at the October meeting.

The study looks at the market benefits of joining an ISO, sharing of transmission costs, administrative costs and related issues.

e. Possible Walter Scott #4 Pella Sale to Corn Belt

Mr. Backman reported that the City of Pella, Iowa, has notified the Participants in the Walter Scott #4 generating unit that it intends to sell its undivided ownership in the Unit. Under the Project Agreements, the other Participants have the right of first refusal to purchase a proportionate share of this unit.

As an existing Participant in this unit, Corn Belt has the right to purchase approximately 2.14 MW of Pella's share. It could be a somewhat higher amount if other Participants elect not to purchase their proportionate share.

Corn Belt is contemplating purchasing this generation and has asked Basin Electric if it is interested in purchasing this under a power purchase agreement. If not, Corn Belt could put it in MISO, use it to serve new municipal loads outside its service territory or possibly resell it to NIMECA.

He noted that the Walt Scott #4 is a relatively new unit with an excellent operating record. He noted that negotiating a price for this generation may provide an opportunity for taking another look at the coal adder for 2013, 2014 and 2015 in the existing contract.

Based on preliminary analysis, purchasing this approximately 2.14 MW would likely result in a slight loss in the early years, but would be a tremendous long-term asset.

After discussion, Mr. Backman noted that he would continue to discuss this matter with Corn Belt and bring it back to the Board for further consideration.

11. Recess and Reconvention

At 3:00 p.m., the Board recessed until 8:00 a.m. MDT, 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
 Gary Drost
 Clifford Gjellstad
 Dean McCabe
 Wayne Peltier
 Roberta Rohrer

Wayne L. Child
 Charles Gilbert
 Roy Ireland
 Kermit Pearson
 Reuben Ritthaler

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, Joel Dingman, Mike Eggl, Mike Murray, Mike Risan, Dave Sauer, Tom Stalcup, Terry Storbeck, Paul Sukut, Linda Thomas, Dennis Thorfinson and Kathy Yorek. Also present were DGC Directors Heidi Heitkamp and Tom Owens and retiree Clyde Bush. Present via iLink were Brian Matthews, Gavin McCollam, Dan Hagel, Mark Nygard, Mike Paul, Dave Raatz, Ron Rebenitsch, Kevin Tschosik and Michelle Wiedrich.

13. Presentation of Plaques

After discussion, it was moved by Director Pearson and seconded by Director Rohrer to present Clyde Bush with a plaque to commemorate his work on the DFS as construction manager and his years of service to Basin Electric. Motion carried.

14. Generation Plant Reports

Kevin Tschosik, Manager of Distributed Generation, reported there were no safety issues at any of the facilities in July. Coal-based generation for the month was 19.7% below budget and for the year actual generation was 12.2 million MWh compared to a budget estimate of 13.3 million MWh. This was approximately 8.4% below budget. The LRS coal inventory is at 1.6 million tons (69-day supply).

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

Unit	Availability	Capacity Factor
LRS #1	93.3%	92.4%
LRS #2	100%	93.9%
LRS #3	59.7%	86.5%
LOS #1	92.6%	74%
LOS #2	100%	57.1%
AVS #1	93.6%	84.8%
AVS #2	100%	90.7%
DFS	90.7%	78.6%

Testing of the DFS continues. Mr. Tschosik then reviewed the 24-month moving average forced outage rate trends.

a. Distributed Generation Report

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

Unit	Monthly Generation	Comments
Groton Unit No. 1	10,544 MWh	Record month for the station
Groton Unit No. 2	10,805 MWh	
Culbertson Combustion Turbine	19,539 MWh	28% capacity factor for the month
Wyoming Distributed Generation	1,516 MWh	Spinning reserve and PRECorp had 2-day outage
Spirit Mound Unit No. 1	7 MWh	7/23 hot day and WAPA in bind. Shortly after they found another resource, so shut down after ½ hour.
Spirit Mound Unit No. 2	Did Not Run	
Wisdom Unit No. 2	Did Not Run	

Current fuel inventory at Spirit Mound is 1,079,232 gallons. The east-side peak occurred on July 19 with the hour ending at 5:00 p.m. During that time, there was no wind generation in North Dakota. South Dakota wind generation was 121 MW during the east-side peak. The monthly capacity factor was 25%. It would have been 27% without the curtailments.

PrairieWinds ND 1 had 18 outage events. The estimated unproduced energy due to curtailments was 1,828 MWh, which equates to a 2% capacity factor. Installation of and training to operate and perform maintenance on the service lifts is complete. A new blade B26 was installed yesterday. Because there is a mar on the adjacent blade, Allen Fiberglass is on-site today to investigate whether there is structural damage to that blade.

Crow Lake had 16 outage events. The estimated unproduced energy due to curtailments was 2,654 MWh, which equates to a 2% capacity factor. Staff is beginning the six-month maintenance schedule. The crane to replace three gearboxes is on site and will be set up based on the wind factor. Wind generation loads were as follows:

Project	Capacity Factor	Load Factor	Project Total
PrairieWinds ND1	25%	0	123 MW
PrairieWinds SD 1	28%	121 MW	162 MW
Wilton Project	29%	0	99 MW
Baldwin Project	29%	0	99 MW
Edgeley Project	18%	3 MW	40 MW
Highmore Project	28%	20 MW	40 MW
Iowa Wind Projects	19%	15 MW	45.1 MW
Day County Project	39%	97 MW	99 MW
Other Wind Projects: Chamberlain, Rosebud & Pipestone	10%	1 MW	4.1 MW
TOTAL JULY WIND GENERATION		256 MW	712 MW
AVERAGE MONTHLY CAPACITY FACTOR	28%		

15. Approval of the Minutes, continued

Claire Olson reviewed the clarified rate resolution adopted in July, resolution R08.07-13-11. After discussion, it was moved by Director Ritthaler, seconded by Director McCabe and carried that the minutes be approved as revised.

16. Generation Plant Reports, continued

a. Dry Fork Station Plant Operations Report

Tom Stalcup, DFS Plant Manager, reported there were no DART cases for the month. Staff has worked 298,154 man-hours (1,382 days) without a DART or Lost Time Accident (LTA). Dr. Kaspari conducted safety training on heat stress, exhaustion and stroke in July. A Safety Committee has been developed and meets monthly and mandatory safety training is scheduled monthly.

DFS currently has 79 full-time employees, with a target of 83. He noted that the Maintenance Division has been very supportive of the DFS start-up and commissioning activities. A planned outage will begin the evening of August 14 for removal of the turbine valve fine-screens as these valves have never been taken apart before, and for other items. The unit is scheduled to fire back up on August 25.

Commissioning. A majority of the systems are running in automatic via the Distributed Control System (DCS). The unit reached full load (422 MW gross) on July 10, 2011. Eighty percent of the DCS final tuning and 100% of the Turbine Control System tuning is complete. The Activated Carbon Injection system initial startup is complete. The ash unloading system has been commissioned and tuned.

Station Operating Statistics:

Gross generation:	223,588 MW
Net generation:	202,985 MW
Coal burned:	130,297 tons
Unit availability:	90.67%
Running Plant Capacity Factor:	78.55%
Average gross generation:	331 MW
Average net generation:	391 MW
Average auxiliary use:	9.2% or 30.5 MW

He noted that 22% of the auxiliary use is the condenser.

There were three outages at DFS during July: (1) economizer tube leaks 48.28 hours from July 4-7; (2) black plant Generator Step-Up Transformer Instrumentation 15.3 hours on July 11; and (3) test turbine valves 5.02 hours on July 17.

Continuous Emission Monitoring System RATA and Certification is nearing completion with only the Hazardous Air Pollutants tests remaining. These will take place on August 26.

Mr. Stalcup then introduced Maintenance Superintendent Terry Storbeck, Operations Superintendent Joel Dingman, Plant Engineer Dennis Thorfinson, and Administrative Supervisor Kathy Yorek.

He then presented Mr. Harper and the directors with plaques commemorating their work on the DFS and to Clyde Bush and Mike Massey recognizing their leadership and support on DFS.

b. Deer Creek Station (DCS) Update

Gavin McCollam, Manager of Mechanical and Performance Engineering, presented an aerial photo of the DCS site taken August 4. There are currently 402 contractors on site. To date, staff has worked 461,065 hours without an LTA. Weather has been good. Procurement is 100% complete, engineering is 97% complete and construction is 56% complete.

He reviewed site construction activities and noted that Sioux Valley and East River recently held board meetings on site and toured the facility. Mr. McCollam reported that approximately \$258 million of the \$405 million project budget has been expended through July 31, 2011.

c. PrairieWinds Update

Ron Rebenitsch, Manager of Alternative Technologies, reported that final activities at the PrairieWinds North Dakota site include erosion repair, reseeding patches, road improvements/touch-ups and addressing rising water levels. The park is in the process of transitioning over to operations.

Final activities at the PrairieWinds South Dakota site include county road turnovers, turbine road and surface area turnovers, fencing and gates, final grading and seeding. He noted that the roads are in much better condition than when the project began. Weather delays continue, but he hoped to demobilize by the end of August.

In North Dakota, the original budget for the 77 turbines was \$240 million and the project came in at \$234 million or \$6 million under budget.

The budget for the Minot Wind Project 2 for the three additional turbines serving the Minot Radar Base but interconnected to the rest of the North Dakota wind project was \$10.9 million and the project came in at \$10.6 million or \$300,000 under budget.

The budget for the Crow Lake project, which includes the seven South Dakota Wind Partners turbines, was \$363 million and the project is coming in at \$331.5 million and may come down a little more. This would be \$31.5 million under budget pending the \$6 million South Dakota tax refund.

Cost increases that were not in the original budget include WindBoost, Condition-Based Monitoring, South Dakota tax increases, US Fish & Wildlife Offsets, environmental impact statement (EIS) delay costs (bigger laydown yard, double handling and schedule delay claims) and schedule acceleration costs.

Cost reductions include a significantly lower construction contract, takeover of GE's tower transportation, Hailo service lifts, lower Interest During Construction, WAPA substation interconnection credit and the unused 5.5% contingency fund.

Production is meeting or exceeding projections, after adjustments for curtailments and is comparable to the production of NextEra projects.

Mr. Rebenitsch estimated that the EIS delay cost \$5 to \$7 million in South Dakota and a comparable amount in North Dakota.

17. Contracts/Agreements

a. LRS Unit 1 – Replacement of Condensate Subcoolers

Dan Hagel, Mechanical Engineer, reported that the purpose of this project is to replace the four original condensate subcoolers in Unit #1 which have seen 32+ years of service and are at the end of their useful life. The percentage of plugged tubes in these subcoolers varies from 20.9% to 26.3%, with the average being 23.4%. The schedule for the project is for installation of the new condensate subcoolers during the scheduled maintenance outage on Unit #1 in the spring of 2012. The current tubing is admiralty brass and the new would be stainless steel. The benefits of stainless steel are improved subcooler reliability and reduced fouling.

The estimated cost of materials is \$397,266 and installation is \$248,421 for total estimated cost of \$645,687. This project has a three-year payback period.

The project schedule is for award of the fabrication contract no later than August 31, 2011, delivery no later than March 21, 2012 and installation in April or May 2012.

CPR 200104 has been approved by the Basin Electric management and the Return on Investment committee. He recommended approval of CPR 200104 for \$645,687. After discussion, it was moved by Director Pearson, seconded by Director Child, and carried that the following Resolution be adopted:

R04.08-09-11 BE IT RESOLVED, that Capital Project Request 200104, Replacement of Condensate Subcoolers in LRS Unit 1 in the amount of \$645,687 be approved; and

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

b. Authorization to Grant Pipeline Easements to Southwest Water Authority

Mike Murray, Property and Right-of-Way Supervisor, reported that the Southwest Water Authority is seeking permanent pipeline easements 30 feet in width with an additional 10 feet of temporary construction easement. This water line will serve rural water to the Antelope Valley Station, Leland Olds Station, the Synfuels plant and other end users. Construction is planned for the fall of 2011. This easement will cross Basin Electric property in the following Mercer County locations: The SE/4 of Section 14 and the E/2 of Section 23 in T145 N, R88W; the NE/4 of Section 31 in T145N, R87W; the SE/4 of Section 17, NE/4 of Section 20, E/2 of Section 21, SW/4 of Section 22, NW/4 of Section 26 and N/2 of Section 27 all in T144N, R84W. The Southwest Water Authority requests that Basin Electric waive any easement compensation.

Mr. Murray recommended the easements be granted. After discussion, it was moved by Director Child, seconded by Director Drost, and carried that the following Resolution be adopted:

R05.08-09-11

BE IT RESOLVED, that Basin Electric Power Cooperative hereby grants easements to the Southwest Water Authority to cross Basin Electric land with a water pipeline located in the following Mercer County locations: the SE/4 of Section 14 and the E/2 of Section 23 in T145 N, R88W; the NE/4 of Section 31 in T145N, R87W; the SE/4 of Section 17, NE/4 of Section 20, E/2 of Section 21, SW/4 of Section 22, NW/4 of Section 26 and N/2 of Section 27 all in T144N, R84W; and

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

c. Award of Contract No. 609552, Construction of the Blaisdell Substation

Chad Kuntz, Electrical Engineer, reported that this contract is for the placing of foundations, erection of steel structures and bus work and supply of the control building and ancillary equipment for the Blaisdell Substation. This is a joint project with Mountrail-Williams Electric Cooperative (MWEC). The estimated contract value is budgeted at \$3.7 million, with \$2.8 million being Basin Electric's share and \$900,000 being MWEC's share.

Mr. Kuntz presented a map of the general arrangement of substation, control building and equipment. . He noted that four bids were received and are in the process of being evaluated. He recommended that the Board authorize approval of a contract with the lowest evaluated bidder for the construction of the Blaisdell Substation.

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

R06.08-09-11

RESOLVED, that Contract No. 609552 for construction of the Blaisdell Substation be awarded to the low evaluated bidder; and

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

18. Transmission Monthly Report

Mike Risan, Senior Vice President – Transmission, reported that the Cooperative made the required filings in the cases pending at the FERC regarding our objections to MISO's NDEX re-definition and the proposed revision to the Seams Agreement.

Staff continues to explore pros and cons of membership or hybrid relationships with MISO or SPP. The Charles River study is expected to be completed in September or October.

Mr. Risan reviewed the recently released FERC Order 1000 which addresses transmission planning and cost allocations by transmission owners and operating public utilities. This order builds on the transmission reforms begun in Order No. 890.

He then presented a North Dakota Oil and Gas Department map of active drill rigs in North Dakota and reviewed the existing transmission build-out plan for western North Dakota.

He noted that Basin Electric and WAPA expect to receive approximately \$500,000 in royalty payments from General Electric (GE) for sales of variable frequency transformers. GE agreed to pay the royalties in a contract entered into a number of years ago. Basin Electric and WAPA will split the royalties 50%/50%.

He then referred the Directors to the TSM report in the Board book.

19. Executive Session

At 10:50 a.m., it was moved by Director Rohrer, seconded by Director Ireland and carried that the Board retire into executive session to discuss the manager search.

At 11:25 a.m., it was moved by Director Ritthaler, seconded by Director Drost and carried that the Board arise from executive session.

20. External Relations and Communications Report

Mike Ettl, Senior Vice President—External Relations and Communications, began his presentation with the recent Congressional activity extending the debt ceiling. He also reviewed the efforts underway to challenge the premium that BNSF is proposing to include in its tariff resulting from the Berkshire/Hathaway acquisition premium.

He also reviewed the schedule for the DFS dedication and discussed recommendations for the Cornerstone and Cooperative Spirit awards.

21. CFC District 6 Member Meeting

Mr. Harper noted that the CFC District 6 Member Meeting is scheduled for September 14, 2011 at the Hilton Minneapolis Hotel and that a delegate and alternate should be named. After discussion, it was moved by Director Drost and seconded by Director Ritthaler that Directors Applegate and Ireland serve as voting delegate and alternate, respectively, to the 2011 CFC District 6 Member Meeting. Motion carried.

22. CoBank Director

It was moved by Director Ritthaler and seconded by Director Gilbert that the Cooperative support and cast its vote for Everett Dobrinski as a director for CoBank. Motion carried.

23. Directors' Reports

Director Drost reported that Sioux Valley held its recent board meeting at the Deer Creek Station.

Director Ritthaler reported that Ron Harper will receive the Craig Thomas Award at the Wyoming Rural Electric Association annual meeting this fall.

Director Pearson invited the directors to attend the East River annual meeting on September 7.

24. Date and Place of Next Board Meeting

The next meeting of the Board of Directors will take place September 12-13, 2011 at Basin Electric's headquarters building in Bismarck, North Dakota.

25. Adjournment

It was moved by Director Drost, seconded by Director Gilbert and carried that the meeting adjourn at 12:15 p.m. MDT.

A handwritten signature in blue ink that reads "Kermit Pearson". The signature is written in a cursive style with a horizontal line underneath the name.

Kermit Pearson
Secretary-Treasurer