

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

**Minutes of the Regular Meeting of the Board of Directors  
August 14-15, 2013**

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

**Minutes of the Regular Meeting of the Board of Directors  
August 14-15, 2013**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at Basin Electric headquarters in Bismarck, North Dakota on August 14, 2013 starting at 9:50 a.m. CDT with the Pledge of Allegiance.

**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	Arden Fuher
Charles Gilbert	Roy Ireland
Kermit Pearson	Wayne Peltier
Reuben Ritthaler	Roberta Rohrer
Allen Thiessen	

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, Kelly Bergquist, Tracie Bettenhausen, Mike Eggl, Pius Fischer, Matthew Greek, Ellen Holt, Steve Johnson, Rod Kuhn, Deborah Levchak, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Tom Stalcup, Darlene Steffan, Paul Sukut, Lucas Teigen, Linda Thomas, Shanda Traiser, Kevin Tschosik and Lyle Witham.

Also present were Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Bob Leingang and East River Electric Power Cooperative (**East River**) director Les Mehlhaff.

**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 Gilbert and carried that the revised agenda be approved.

**4. Approval of the Minutes**

The minutes of the July 10-11, 2013 Regular Board meeting were presented and after an opportunity for corrections, it was moved by Director Rohrer, seconded by Director Child and carried that the minutes be approved as presented.

**5. General Manager's Report**

Mr. Serri reviewed the schedule for board meetings and activities for the week, as well as meetings and events he attended during the month.

Mr. Serri reported that he attended the Manager's Advisory Committee (MAC) on July 18 in Deadwood. The meeting was well attended and he received positive feedback from a number of the members attending. He noted that he left the meeting early to testify at the EPA hearing in Cheyenne on the Wyoming Regional Haze Plan. The Missouri Basin Power Project (MBPP) Participants were in attendance and testified and the state of Wyoming presented excellent testimony supporting its Best Available Retrofit Technology (BART) determination for the Laramie River Station (LRS) and other Wyoming projects.

He also reported on attending the Mor-Gran-Sou annual meeting, a meeting with WAPA administrator Mark Gabriel in Denver on RTO issues and a conference call with NERCO to discuss solar energy.

He also reported that Dave Bangen is retiring and his last day of work is on Friday. Paul Sukut has restructured certain job responsibilities in his department and he reviewed those with the Board.

## **6. Office of General Counsel Report**

Claire Olson, Senior Vice President and General Counsel, reviewed the status of legal matters affecting or of interest to the Cooperative.

Deborah Levchak, Staff Counsel, reported on the status of the Wyoming BART Regional Haze matter.

### **A. Environmental Report**

Mr. Olson reported that Environmental staff continues evaluating the options and permitting strategies to meet the changes predicted in the 2013 load forecast. Preparation is underway for the hearing on the air permit for Phase II of the Lonesome Creek Station on August 22 in Watford City.

### **B. Property Management**

Mr. Olson reported on the status of easement acquisition on the Antelope Valley Station (AVS) to Tande 345 kV transmission project and the Blaisdell to Berthold 345 kV transmission project. AVS to Tande Public Service Commission siting hearings are being held on September 4 in Killdeer, September 5 in Tioga and September 12 in Williston.

### **C. Implications of Power Sector CO<sub>2</sub> Standards**

Lyle Witham, Environmental Manager, reported that the June 25 Presidential Executive Order has set the stage for the Administration to proceed with the addressing CO<sub>2</sub> emissions standards in the power sector. He noted the administrative plan on using the existing Clean Air Act and Executive Branch authority to implement the order.

By September 20, EPA will repropose new power plant CO<sub>2</sub> greenhouse gas performance standards and by June 2014, prepare standards for existing generating resources. By June of 2016, the state implementation plans are supposed to be completed.

He reviewed how these regulations would affect coal-based electrical generation and discussed strategies for influencing the development of regulations.

**D. Authorization to Open Banking and Investment Accounts with Tokyo-Mitsubishi UFJ, Ltd**

Mark D. Foss, DGC General Counsel, reviewed the background and ratings of Tokyo-Mitsubishi UFJ, Ltd and noted that BTMU has participated in Basin Electric's credit facilities with total commitments of \$150 million. As Basin Electric would like to nurture a relationship with this bank, he recommended that staff be authorized to open an account with them.

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

**R01.08-14-13**

**RESOLVED**, that Basin Electric Power Cooperative (the "Corporation"), authorizes each person holding any of the following officer positions: Roy Ireland, President; Wayne Peltier, Vice President; Kermit Pearson, Secretary-Treasurer; Andrew M. Serri, Chief Executive Officer & General Manager and Paul M. Sukut, Senior Vice President & Chief Financial Officer (each an "Authorized Representative"), acting alone, to: (1) establish now with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the "Bank") one or more deposit accounts and from time to time additional accounts; (2) to designate from time to time persons to manage, operate, or otherwise provide instructions regarding each account; and (3) contract for such other banking services as any Authorized Representative deems necessary or appropriate to manage this Corporation's deposit accounts;

**RESOLVED FURTHER**, that this Corporation adopts for each account (a) the Bank's Deposit Accounts and Services Agreement effective February 1, 2013, as those terms and conditions are added to, deleted from or otherwise amended from time to time, and as those terms and conditions are applicable to any account opened in accordance with these resolutions and (b) the Bank's agreement entitled Application and Agreement for Business & Non-personal Accounts (the "Signature Card") dated August 14, 2013, and any addendum thereto which is incorporated by this reference, for each deposit account it opens;

**RESOLVED FURTHER**, that the person(s) designated as Contacts have such powers as have been delegated to them by the persons who signed the Signature Card or as granted by an Authorized Representative or those person(s) designated as account signers and, in the future, any person who is authorized by an Authorized Representative to do so/are authorized to operate each account as specified on the Signature Card and/or by an Authorized Representative.

**RESOLVED FURTHER**, that the authority conferred is in addition to any other, including conflicting authorizations, in effect and shall remain in force until Bank receives written notice of its revocation at the office where the account is maintained or at such other location as Bank may direct.

**E. Third Amendment to Screened Coal Sales Agreement**

Mr. Foss reviewed the original 1988 contract and second amendment. With the adoption of the Second Amendment to the Screened Coal Sales Agreement, if Dakota Gasification Company (DGC) delivers more than the agreed-upon limits (13,500 or 10,500 tons) of coal fines to AVS in a 24-hour period, the excess tonnage is delivered to AVS without change. As a result, DGC has made a concerted effort to minimize this economic penalty which has resulted, from time to time, in accelerated deliveries of coal fines to AVS.

Following discussions between the facilities, staff is recommending to the Board of Directors that the Screened Coal Sales Agreement be amended a third time to expand the 24-hour period to a rolling seven day period and to multiply the applicable tonnage limits by seven. He recommended approval of the amendment.

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

**R02.08-14-13**

**RESOLVED**, that the Board of Directors approves Basin Electric's execution of the Third Amendment to Screened Coal Sales Agreement.

**7. Recess and Reconvention**

At 11:50 a.m. CDT, the meeting recessed until 1:00 p.m. CDT, at which time the meeting reconvened, President Ireland continuing to preside and Director Pearson continuing to keep the minutes.

**8. 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
Kermit Pearson	Wayne Peltier
Reuben Ritthaler	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Dave Bangen, Kelly Bergquist, Tracie Bettenhausen, Mike Eggl, Pius Fischer, Chris Goettle, Matthew Greek, Ellen Holt, Steve Johnson, Bryan Keller, Rod Kuhn, Deborah Levchak, Dawn Moore, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Tom Stalcup, Myron Steckler, Darlene Steffan, Paul Sukut, Lucas Teigen, Linda Thomas, Shanda Traiser, Kevin Tschosik and Lyle Witham.

Also present were Mor-Gran-Sou director Bob Leingang and East River director Les Mehlhaff.

**9. Marketing and Trading – Purchased Power Report**

Ken Rutter, Vice President, Marketing and Trading, reviewed the purchased power and short-term non-member sales for July. He also reviewed July weather and loads and SCADA data. He reviewed July purchased power and non-member sales, including revenues and expenses. He then reviewed natural gas market conditions, market opinions and hedge positions.

**10. Executive Session**

At 1:30 p.m., it was moved by Director Pearson, seconded by Director Ritthaler and carried to retire into executive session to discuss cooperative planning and human resources issues. At 3:50 p.m., it was moved by Director Drost, seconded by Director Rohrer and carried that the Board conclude the executive session.

**11. Generation Report**

**A. Fossil Fuel Generation Update**

Matt Greek, Senior Vice President, Generation, reviewed the Cooperative's safety performance for the month, noting that there had been two recordable incidents and no Days Away Restricted or Transferred (DART) incidents in July.

July generation was 2.5% above budget. Actual 2013 year-to-date generation was 14.4 million MWh and budgeted generation was 14.7 million MWh or 1.8% under budget.

He then reviewed the 24-month moving-average forced-outage rate trends and bus bar costs. The LRS coal inventory is 1.25 million tons or a 52-day supply for all three units at full load.

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

Unit	Avail-Ability	Capacity Factor	Unit Rating	Comments
LRS #1	97.7%	96.9%	570 MW	TSM testing & tube leak
LRS #2	89.0%	91.3%	570 MW	MFT signal, loss of power to GMW meter, tube leak, drum level trips, TSM testing
LRS #3	95.3%	95.8%	570 MW	Cooling tower fan breaker fault
LOS #1	90.5%	91.7%	221 MW	Switchyard line fault & tube leak
LOS #2	98.3%	89.7%	448 MW	Cont. wall and cyclone
AVS #1	100%	100%	450 MW	
AVS #2	83.2%	95.5%	450 MW	Tube leak, replace motor; repair pressure seal
DFS	100%	95.8%	386 MW	

Environmental compliance averaged over 99% for the month of July. There were two recordable incidents in July. There were no DART incidents reported for the month. Since the last DART incident on May 19, 2013, employees have worked approximately 502,045 hours without a DART.

**12. Recess and Reconvention**

At 4:55 p.m. CDT, the meeting recessed until August 15, 2013 at 8:00 a.m. CDT, at which time the meeting reconvened, President Ireland continuing to preside and Director Pearson continuing to keep the minutes.

**13. 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
Kermit Pearson	Wayne Peltier
Reuben Ritthaler	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Dave Bangen, Tracie Bettenhausen, Mike Eggl, Pius Fischer, Matthew Greek, Ellen Holt, Steve Johnson, Bryan Keller, Mark Kinzler, Rod Kuhn, Deborah Levchak, Sharon Lipetzky, Duey Marthaller, Sally Meier, Mary Miller, Dale Niezwaag, Deb Olafson, Mike Paul, Dave Raatz, Mike Risan, Susan Sorensen, Bill Stafford, Darlene Steffen, Paul Sukut, Lucas Teigen, Linda Thomas, Kevin Tschosik and Valerie Weigel. Also present were East River director Les Mehlhaff and Mor-Gran-Sou director Bob Leingang.

**14. Generation Update, continued**

**A. Distributed Generation Update**

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

Unit	Monthly Availability	Monthly Generation Net MWh	Unit Rating	Comments
Groton Unit #1	99.1%	1035.4	200 MW	
Groton Unit #2	100%	8602		
Culbertson CT	64.6%	7410	100 MW	
WY Distributed Generation	100%	63	54 MW	
SMS Unit #1	Did not run	---	120 MW	
SMS Unit #2	Did not run	---		
DCS		77464	300 MW	



**PrairieWinds SD 1.** Blade WTG-84 was damaged, possibly from a lightning strike.

**PrairieWinds ND 1.** Annual maintenance is at 75%.

The east-side peak occurred on July 18, 2013 at hour ending 1900. At that time, wind generation was as follows:

<b>Project</b>	<b>Load Factor During the Peak</b>	<b>Capacity Factor</b>	<b>Project Total</b>
PWND	105 MW	29%	123 MW
PWSD	26 MW	28%	162 MW
Wilton	55 MW	26%	99 MW
Baldwin	62 MW	27%	99 MW
Edgeley	11 MW	15%	40 MW
Highmore	0 MW	23%	40 MW
Day County	43 MW	33%	99 MW
Iowa Wind	34 MW	25%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	11%	3.4 MW
TOTAL JULY WIND GENERATION	---	27%	712 MW maximum
AVERAGE YTD CAPACITY FACTOR		41%	

**Culbertson Incident.** Mr. Tschosik then reported that during a routine inspection on June 2, 2013, the Culbertson turbine was discovered to be damaged, caused by a failed stator vane. The unit was last inspected in August of 2012 and found to be in good condition. GE parts are not available, so a rotor and case were taken from the GE production floor and traded with the Basin Electric rotor. The unit was back in service on July 12. The new stator vane has upgraded material—stainless steel. Engine inspections will be conducted again this fall. Discussions are still underway with GE regarding this failure.

**B. Dry Fork Station Update**

Tom Stalcup, DFS Manager, reviewed safety statistics through July 27, 2013 and noted there was one recordable injury in July. One hundred percent of the DFS employees participated in the CAT safety survey. DFS supervisors have completed the CAT S.T.A.R.T., 70E operator training (low voltage) and train the trainer is ongoing.

July net generation was 16.68% over budget; availability was 100%; the forced outage rate was 0.0% and the running plant capacity factor was 95.83% or 388 net MW.

The year-to-date net generation was 7.12% over budget, availability was 96.36%,

the forced outage rate was 1.28% and the running capacity factor was 94.78% or 384 net MW.

He reviewed environmental issues regarding the air quality permit, the year-to-date outages and the status of the air-cooled condenser.

An outage is scheduled for September 14 through October 14 to install layer catalyst in the SCR.

## **15. Engineering and Construction**

### **A. Funding Chart**

Mike Paul, Vice President of Engineering, reviewed projects funded over the past 12 months. There are no funding requests this month. In September, there will be a request for \$13.2 million for the Dickinson Substation. He then reported that a factory test has been conducted in Austin, Texas on the equipment for the ND/SD Microwave Project. This project is on-track to be completed in November of 2013.

Mr. Paul then presented photographs of construction and provided updates on the Pioneer Generation Station Phase II and III, Lonesome Creek Station II and III, Blaisdell to Berthold 115 kV line, Charlie Creek Substation, aircraft hangar, Neset Microwave Tower and the Montana Limestone Company operations and maintenance building.

### **B. LRS to Teckla Communications Upgrade Project Request (MBPP)**

Chris Goettle, Senior Electrical Engineer, reported that this project is a new route from Teckla to Sage Creek to the LRS area. He reviewed the map of the project and reported that project benefits include the changing out of obsolete equipment and providing another conduit for phone and computer services. He reviewed a map of the Advanced Communications Technology fiber network and provided a cost comparison of OPGW versus leased fiber and microwave spur. He then reviewed the budget and recommended that the \$3.3 million project be approved.

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

#### **R03.08-14-13**

RESOLVED, that the LRS to Teckla Communications Upgrade Project to support operations of the MBPP Laramie River Station and associated transmission facilities at an estimated cost of \$3.3 m to be approved subject to approval by the MBPP management committee.

### **C. Long-Range Engineering Plan**

Dawn Moore, Mechanical Engineer, presented and reviewed the 2014-2023 Long-Range Engineering Plan (LREP). Components of the LREP include major capital items and major maintenance items over and above routine outage-type maintenance, such as projects over \$100,000, all highway vehicles and tools and equipment over \$5,000. Significant new generation and transmission facilities for load growth are not included in this document. The purpose of the LREP is to

ensure safety, reliability, availability and environmental compliance to provide the best rate possible to the membership. The document is a planning tool for the financial forecast and is required by RUS.

The LREP for 2014-2023 reflects projects costing \$577 million and is broken down by facility as follows: \$17.6 million for DFS; \$5 million for wind; \$9.6 million for peaking plants; \$64.2 million for Headquarters; \$66 million for LRS; \$14.7 million for LOS; \$85 million for AVS and \$314.8 million for Transmission. After further review, she recommended that the LREP be approved.

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

**R04.08-14-13**

WHEREAS, in order to ensure continued reliable and efficient operation of Basin Electric's system and dependable and continuous delivery of power to the membership, Basin Electric Power Cooperative (**Basin Electric**) will need to make additional investments in the Cooperative's generating plants, transmission facilities, and headquarters facilities; and

WHEREAS, management has caused to be prepared a Long Range Engineering Plan (**LREP**) which outlines required spending for the 2014-2022 period, which has been presented to and reviewed at this meeting of the Board of Directors; and

WHEREAS, the LREP specifies and supports the major system additions, improvements, replacements and retirements needed for an orderly transition from the existing Basin Electric system to the system required in the future; and

WHEREAS, the planned future system is based on the most technically and economically sound means of serving the long-range loads of Basin Electric and its membership in a reliable and environmentally acceptable manner and ensures that planned facilities will not become prematurely obsolete.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors approves and adopts the LREP presented to this meeting of the Board of Directors, subject to the approval of the Administrator of the Rural Utilities Service; and

BE IT FURTHER RESOLVED, that the CEO & General Manager, or his designee, is hereby authorized and directed to take such steps as shall be necessary and in the best interests of the Cooperative to implement the same.

**D. Construction Work Plan**

Ms. Moore presented and reviewed the 2014-2016 Construction Work Plan (**CWP**) and noted that the CWP is a more detailed plan for capital and major maintenance for a three-year period. Approving the CWP is not authorization to proceed with the

projects, but is a planning tool that RUS requires for a loan application. In order to be constructed, the projects have to be authorized separately by the Board. The CWP is a road map for the next three years.

The CWP reflects total expenditures of \$765 million and of that total, \$623.1 million is for transmission, \$3.0 million is for peaking plants, \$1.2 million is for wind; \$13.3 million is for headquarters, \$26.8 million is for LRS, \$24 million is for LOS, \$67.9 million is for AVS and \$5.3 million is for DFS. She reviewed major items scheduled for each of the three years and noted that not included in the CWP are significant new generation and transmission for possible load growth. She then recommended approval of the 2014-2016 Construction Work Plan.

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

**R05.08-14-13**

WHEREAS, in order to ensure continued reliable and efficient operation of Basin Electric's system and dependable and continuous delivery of power to the membership, Basin Electric Power Cooperative (**Basin Electric**) will need to make additional investments in the Cooperative's generating plants, transmission facilities, and headquarters facilities; and

WHEREAS, management has caused to be prepared a Construction Work Plan (**CWP**) which outlines required spending for the 2014-2016 period, which has been presented to and reviewed at this meeting of the Board of Directors; and

WHEREAS, the CWP specifies and supports the major system additions, improvements, replacements and retirements needed for an orderly transition from the existing Basin Electric system to the system required in the future; and

WHEREAS, the planned future system is based on the most technically and economically sound means of serving the loads of Basin Electric and its membership in a reliable and environmentally acceptable manner and ensures that planned facilities will not become prematurely obsolete.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors approves and adopts the CWP presented to this meeting of the Board of Directors, subject to the approval of the Administrator of the Rural Utilities Service; and

BE IT FURTHER RESOLVED, that the CEO & General Manager, or his designee, is hereby authorized and directed to take such steps as shall be necessary and in the best interests of the Cooperative to implement the same.

**16. Transmission Report**

Mike Risan, Senior Vice President, Transmission, reported on the transmission projects underway to increase transmission capability and reliability in the Williston Load Pocket. He reported on a meeting with WAPA, Excel, Central Power and Verendrye regarding transmission and substation additions needed to serve new load in the Minot area. The parties agreed to work together to develop a comprehensive solution.

Staff from SPP will be in Bismarck for the August 22 meeting of the MAC RTO Committee. SPP is attending to provide a status report on its activities and discuss the potential for the members to include some of their transmission facilities in SPP.

Mr. Risan also reviewed the issues discussed at the NRECA Transmission Task Force meeting.

**17. Financial Services Report**

Paul Sukut, Senior Vice President and Chief Financial Officer, reported that the annual rating agency meeting is scheduled for October 9 – 11. He noted that Dave Bangen has announced his retirement and he thanked Mr. Bangen for his service to the Cooperative.

He reported on current economic statistics and discussed the Member Investment Program, cushion of credit balances, liquidity, commercial paper program outstanding balances and reviewed capital expenditures.

The end-of-year pretax margin estimate last month was \$58.6 million and the current estimate is \$34.8 million.

**A. Notes AE18 and AF18 Loan Rescission**

Steve Johnson, Vice President & Treasurer, reported that the RUS provided loan guarantees under the AE18 and AF18 loans for the North Dakota wind projects. The AE18 loan currently has \$707,000 that was not used and the AF18 loan has \$8,286,000 unadvanced. RUS requested and Mr. Johnson recommended that the Cooperative rescind the unadvanced portion of these loans.

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

**R06.08-14-13**

WHEREAS, the Administrator of the Rural Utilities Service (RUS) has informed Basin Electric Power Cooperative (the Cooperative) that \$707,000 remains in unadvanced guaranteed loan commitments from the AE18 loan guarantee and that \$8,286,000 remains in unadvanced guaranteed loan commitments under the AF18 loan guarantee; and

RESOLVED, the purpose of the AE18 and AF18 loan guarantees was to finance construction of wind generation facilities in North Dakota.

RESOLVED, construction of these facilities and projects has been completed; and

RESOLVED, RUS has required that a resolution be adopted requesting that RUS rescind the unused portion of such loan guarantees;

BE IT FURTHER RESOLVED, that the Cooperative herewith requests and agrees that the unadvanced loan commitments under Notes AE18 and AF18 in the amounts of \$707,000 and \$8,286,000, respectively, be rescinded.

**B. Duane Arnold Decommissioning Fund Performance**

Mr. Johnson reported on attending the quarterly Corn Belt meeting regarding the nuclear decommissioning trust for the Duane Arnold nuclear facility on July 31. He reviewed the Fund's performance as of June 30, 2013, the equity manager's performance, the fixed income/real estate/alternative manager performance and the total portfolio allocations.

**C. Accounting Report**

Susan Sorenson, Manager of Financial Reporting & Accounts Receivable, reported that the July 2013 Statement of Operations reflected an estimated net margin of \$7.2 million compared to the budgeted net margin of \$16.0 million for an unfavorable variance of \$8.8 million. The net margin for the same period last year was a net margin of \$48.4 million.

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

Basin Electric's equity-to-asset ratio at the end of July was 19.6% and at the end of June was 19.3%. At the end of July, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 23.7% and at the end of July was 23.7%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 18.0% at the end of July and 17.6% at the end of June.

**18. 2014 – 2023 Long-Range Financial Forecast**

Mr. Bangen reported the base forecast had no revenue adjustments from the draft forecast presented last month. He reported on the expense adjustments from the draft forecast, reviewed rate impact changes, explained financial metrics (equity versus debt) through Moody's ratings for Basin Electric and its subsidiaries.

He then discussed some forecast scenarios and there were discussions regarding rate impacts with and without joining an RTO. Mr. Bangen then recommended that the Long-Range Financial Forecast be approved.

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

**R07.08-14-13** RESOLVED, that the Board of Directors adopt the Basin Electric Power Cooperative 2014-2023 Long-Range Financial Forecast as presented.

**19. 2014 Rate Components**

Sharon Lipetzky, Supervisor of Rates and Revenue, reported there are no changes from the draft document. She reviewed projections for 2014, the components to set rates, sales rates, purchase rates and distributed generation rates. She then reviewed member power costs, energy rates, the 9- to 10-mill difference between members' rates, PURPA rates, standby rates, purchase rates, distributed generation purchase rate, wind rates and Load Data Incentive programs. She then recommended that the 2014 rate components be approved as presented.

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

**R08.08-14-13** RESOLVED, that the 2014 Rate Components be accepted as presented.

**20. Communications and Administration Report**

Mike Eggl, Senior Vice President, Communications and Administration, provided an update on Wyoming Regional Haze. He reiterated that the state's plan is better than the federal plan. He stressed the importance of media and presented video clips of media in Wyoming.

**Wyoming Regional Haze SIP Update.** Bill Stafford, Director of Wyoming Government Relations, reported that several entities are involved in media communications. He pointed out the stopEPAwy.com website and presented a video of Wyoming Governor Mead urging approval of the state's implementation plan rather than EPA's federal plan. He explained that there would be three hearings and stressed the need for coordination of all parties.

Deborah Levchak, staff counsel, reiterated the importance of coordination of all involved parties -- the Wyoming Department of Environmental Quality, Governor, Attorney General, staff and outside counsel -- and doing everything possible to get people involved. She thanked Bill Stafford for his work on this effort.

Mr. Eggl then reported on the South Dakota legislators tour and the energy tour video which includes the Freedom Mine, the Synfuels Plant and AVS.

**21. Western Fuels Association, Western Fuels-Wyoming and Western Fuels Service Corporation Annual Meetings**

Director Ritthaler reported that the annual meetings of Western Fuels Association, Western Fuels-Wyoming and Western Fuels Service Corporation will take place on August 29, 2013. After discussion, it was decided that Director Ritthaler would serve as Voting Delegate and Mr. Serri would serve as alternate.

Director Ritthaler noted that he was retiring from the Basin Electric board of directors. PRECorp will select a new director in September and his first Basin Electric board meeting will be in October.

**22. Mid-West Electric Consumers Association Annual Meeting**

Mr. Serri noted that the Mid-West Electric Consumers Association 2013 annual meeting will take place December 9-12, 2013 and that a delegate and alternate must be selected. After discussion, Director Thiessen was selected as the Voting Delegate and Director Drost as the Alternate.

**23. Directors' Reports**

The Directors reported on activities at their G&Ts and local cooperatives.

Director Pearson reported that East River's annual meeting, and general manager Jeff Nelson's last annual meeting, is September 4 in Watertown, South Dakota.

Director Fuher reported that the North Dakota Statewide's summer meeting was held in Grand Forks and hosted by Nodak and Minnkota. The meeting included a tour of the EERC at the University of North Dakota.


Director Child reported that Tri-State's members have selected Marshall Collins as the new District No. 5 director to the Basin Electric board of directors.

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

The next regularly scheduled meeting of the Board of Directors will take place September 9-10, 2013, at Basin Electric's headquarters building in Bismarck, North Dakota.

**25. Adjournment**

There being no further business to come before the meeting, President Ireland adjourned the meeting.

  
Kermit Pearson  
Secretary-Treasurer