

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

**Minutes of the Regular Meeting of the Board of Directors
August 12-14, 2014**

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The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building, Bismarck, North Dakota, beginning on Tuesday, August 12, 2014 at 3:15 p.m. CDT.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Gary C. Drost kept the minutes thereof.

2. Roll Call

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

Donald E. Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Tracie Bettenhausen, Andy Buntrock, LaDonna Carpenter, Tammy DeWitt, Matt Greek, Deb Haga, Ellen Holt, John Jacobs, Steve Johnson, Rod Kuhn, Anine Lambert, Mike Murray, Dave Raatz, Mike Risan, Ken Rutter, Michelle Wiedrich and Lyle Witham. Also present were East River Electric Power Cooperative (**East River**) director Ervin Fink, Dakota Gasification Company (**DGC**) board member Jim Geringer and DGC Vice President David J. Sauer.

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

4. Approval of the Minutes

The minutes of the July 15-17, 2014 Regular Meeting of the Board of Directors and the audit committee were presented and after an opportunity for corrections, it was moved by Director Rohrer, seconded by Director Thiessen and carried that the minutes be approved as corrected.

5. General Manager's Report

General Manager Sukut reported that the annual member managers' conference held in Deadwood, South Dakota was well attended. He noted that the Manager's Advisory Committee (**MAC**) Rates Subcommittee will meet in September and review

the rate structure, including demand/energy charges, special rates and adders and the electric heat rate.

He reported on the Southwest Power Pool (SPP) board meeting, where he and Mike Risan met with the CEO, COO and board chair, as well as staff. They are very positive about the Integrated System (IS) participants coming into SPP.

Mr. Sukut also discussed the upcoming Western Fuels Association annual meeting.

6. Office of General Counsel Report

Claire Olson, Senior Vice President and General Counsel, reviewed the status of litigation affecting the Cooperative.

He introduced new attorney Anine Lambert, a graduate of the University of North Dakota School of Law.

A. Property Management Report – Sale of Land in Hazen, ND

Mike Murray, Property & Right-of-Way Supervisor, reported that in 1979, Basin Electric acquired 81.03 acres in Hazen, North Dakota, for impact alleviation. Of those acres, 39.95 were sold to ANG in 1980, 12.90 acres were sold to Northstar, Inc. in 1982; 0.95 acres were dedicated to the City of Hazen for Divide Road in the mid-1990s; 2.0 acres were sold to United Pentecostal Church in 1987 and the remaining property consists of 25.11 acres.

He presented a map of the area showing the remaining 25.11 acres and reviewed the amounts of each of the previous sales. In December 2011, the Board directed that the remaining acres be offered for public sale on a bid basis, with Basin Electric retaining the right to accept or reject any and all bids.

The property was offered for sale via sealed bids with the three highest bidders being invited to participate in a live auction. Six sealed bids were received. The property was successfully sold to a developer for \$102,000 (\$4,062 per acre) at the live auction. The closing took place on August 11.

B. Human Resources Update

Ellen Holt, Vice President, Human Resources, reported that, for the second year in a row, Basin Electric was selected as the Bismarck Tribune's readers' choice award for "Best Large Company to Work for (75 or more employees)".

She reported that the Human Resources report this quarter would focus on Learning & Development. Thirty-seven employees are pursuing degrees, the majority of which are in Business Management. Year-to-date reimbursements for tuition, books and fees total \$131,470.50 for Basin Electric and \$211,251.98 for DGC.

LaDonna Carpenter, Learning Management Systems Coordinator, reported on the Learning Management System (LMS), a software system that tracks all aspects of training and the participating employees. Over 3,000 active courses exist in the Basin Electric Learning Central system today. A more user-friendly version of the portal will be installed later this month. She then described the future roadmap for Learning Central.

Ms. Carpenter reported that 125 employees attended Basin Electric's first professional development fair. Ms. Holt then described other opportunities included in Basin Electric's Learning & Training Program.

7. Recess and Reconvention

The meeting recessed at 4:00 p.m. CDT and was reconvened at 8:00 a.m. CDT on Wednesday, August 13.

8. Roll Call

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

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Claire M. Olson and staff members Bob Bartosh, Tracie Bettenhausen, Andy Buntrock, LaDonna Carpenter, John Ciz, Kelly Cozby, Tammy DeWitt, Chad Edwards, Pius Fischer, Matt Greek, Deb Haga, Ellen Holt, John Jacobs, Steve Johnson, Becky Kern, Anine Lambert, Deborah Levchak, Sharon Lipetzky, Dale Niezwaag, Deb Olafson, Michael Petera, Dave Raatz, Mike Risan, Ken Rutter, Jim J. Sheldon, Susan Sorensen, Myron Steckler, Shanda Traiser, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present were East River director Ervin Fink and DGC Vice President David J. Sauer.

9. Office of General Counsel Report, continued

A. Human Resources Update, continued

Ms. Holt reviewed the succession planning underway at the Cooperative, as well as the training for supervisors and managers in developing a plan for their key positions.

Ms. Holt then compared retirements to date in 2014 compared to 2013 and discussed retention rates and job opening statistics.

B. Amendments to the Basin Electric ND/SD, Basin Electric, WY/NE 401(K) Plans

Ms. Holt presented and reviewed three amendments to the Cooperative's 401(K) Plans and recommended approval of the amendments.

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

R01.07-12-14 RESOLVED, that Amendment No. 2 to the Basin Electric Power Cooperative ND/SD 401K Plan be approved; and that the officers of the Cooperative be authorized to execute the same for and on behalf of the Cooperative.

R02.08-12-14 RESOLVED, that the Amendment No. 3 to the Basin Electric Power Cooperative 401K Plan be approved; and that The officers of the Cooperative be authorized to execute the same for and on behalf of the Cooperative.

R03.08-12-14

RESOLVED, that Amendment No. 2 to the Basin Electric Power Cooperative WY/NE 401K Plan be approved; and that the officers of the Cooperative be authorized to execute the same for and on behalf of the Cooperative.

10. Operations Report

John Jacobs, Vice President of Operations, reviewed the Cooperative's safety performance, noting that there had been no DART incidents or recordable incidents for the month. He reviewed the 24-month moving average Equivalent Forced-Outage Rate Trends for the facilities, Equivalent Availability factor and Equivalent Forced-Outage Rate of the Basin Electric coal fleet versus the GADS Industry Average.

He reported that generation came in 14.3% under budget for July. July individual availability and capacity factors for the coal-based generation stations were as follows:

Unit	Availability (%)	Capacity Factor (%)	Unit Rating	Comments
AVS #1	82.02%	99.3%	450 MW	High vibration on #9 bearing on turbine; boiler tube leak repair
AVS #2	99.73%	94.2%	450 MW	High furnace pressure
DFS	100%	95.06%	386 MW	
LRS #1	100%	88.9%	570 MW	
LRS #2	100%	95.5%	570 MW	
LRS #3	71.88%	0%	570 MW	Triennial outage
LOS #1	91.42%	87.64%	221 MW	Wall tube leak; high drum level
LOS #2	99.51%	86.83%	448 MW	Control system

Staff continues to monitor the Leland Olds Station (LOS) coal pile. He then reviewed actual generation of the solid fuel plants, oil/gas plants, wind and the fleet.

A. Distributed Generation Update

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

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Groton Unit #1	100%	5,047 MWh	100 MW	
Groton Unit #2	99.76%	3,330 MWh	100 MW	
Culbertson CT	83.30%	2,819 MWh	100 MW	
WY Dist. Gen.:	87.99%	229 MWh	54 MW	
SMS Unit #1	100%	0 MWh	60 MW	
SMS Unit #2	94.92%	0 MWh	60 MW	
Deer Creek	100%	76,372 MWh	300 MW	For load demand
PGS Unit #1	94.85%	418 MWh	45 MW	
PGS Unit #2	83.79%	969 MWh	45 MW	

PGS Unit #3	91.19%	449 MWh	45 MW	
LCS Unit #1	97.26%	663 MWh	45 MW	For load demand & synchronous condensing
PWND 1	29%	26,174 MWh	123 MW	
PWSD 1	38%	46,396 MWh	162 MW	

He then reported that Lonesome Creek Station (LCS) ran 623.07 hours in synchronous condensing mode in July and Pioneer Generation Station (PGS) #1 ran 0.92 hours in that configuration. There were 36 west-side reserve events during the month. The LM6000s are scheduled for winterization by GE (at their expense) during September.

PrairieWinds ND 1. Mr. Tschosik reported that the WTG-60 gearbox was replaced, "D" collector line fault was repaired and that staff is currently performing blade inspections. He presented photographs of the "C" phase ground fault, gearbox change-out and blade repair and replacement.

PrairieWinds SD 1. Mr. Tschosik reported that tower rescue training has been completed and that gearbox oil changes have been completed at 15 turbines. He presented photographs of the gearbox oil changing process.

The east-side peak occurred on July 21 2014 at 2:00 p.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak (MW)	Capacity Factor (%)	Project Total
Baldwin	6 MW	33%	99 MW
Day County	71 MW	43%	99 MW
Edgeley	14 MW	22%	40 MW
Highmore	14 MW	29%	40 MW
Iowa Wind	21 MW	29%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	8%	3.4 MW
PrairieWinds ND	48 MW	29%	123 MW
PrairieWinds SD	34 MW	38%	162 MW
Wilton	31 MW	31%	99 MW
Total June Wind Generation	211 MW	33%	712 MW maximum
Avg. Monthly Capacity Factor	---	33%	n/a
Avg. YTD Capacity Factor	n/a	48%	n/a

B. Antelope Valley Station (AVS) Plant Update

Chad Edwards, AVS Plant Manager, reported that July Station generation was 547,938 MWh compared to budgeted generation of 549,670 or 99.68% of budget. He reviewed 2014 plant targets and presented photographs of the separated over-fire air (SOFA) system, work to fix the vibration on #9 turbine bearing and of the AVS 2014 family night.

As of July 26, 2014, AVS employees worked 876 days or 949,072.5 hours without a DART case. The Total Case Incident Rate year-to-date is zero.

An URGE test was done on Unit #2 on July 9. During the month, Unit #2 was restricted to repair a seal trough. Unit #2 was restricted to 425 net MW due to high air heater differential pressure causing the ID fans to max out.

On July 20, Unit #1 experienced a step-up on number nine vibrations that worsened when the load was dropped. The Siemens representative to the site and determined there was a rub. The unit was taken off-line to investigate and Siemens tore down the exciter but had found nothing as of August 5. Two tube leaks, one water wall leak and a leak in the inlet header of the primary superheater were repaired during the Unit #1 exciter repair outage.

C. LRS Pulsed-Beam Technology for NO_x Mitigation

Michael Petera, Laramie River Station (LRS) Plant Engineer, presented photographs of The Naval Research Laboratory's Electra Pulsed Electron Beam System NO_x removal optimization equipment and reviewed the test results on LRS flue gas. NO_x was reduced from 107 ppm to 5 ppm. As part of the Regional Haze Reduction directive, the EPA requires NO_x levels to be at 25 ppm. Typical LRS NO_x concentration is 100 ppm.

He then reviewed Phase 2 activities which would demonstrate NO_x removal on a small reaction chamber. Phase 2 should be done by the end of the year. Phase 2 is estimated to cost \$2.2 million. If Phase 2 testing is successful, the next phase would involve constructing a truck-mounted unit which would test NO_x removals at LRS. He estimated that this would cost \$10 million. Mr. Petera also discussed the possibility of using this technology for removal of CO₂ from the gas stream. He asked that the Board approve \$250,000 for further study of the CO₂ removal at Naval Research Laboratory, for a total Phase 2 cost of \$2.2 million. He then recommended that the Board approve Phase 2 of the project.

After discussion, it was moved by Director Applegate and seconded by Director Baker, the following Resolution was adopted:

R04.08-12-14

RESOLVED, that the Board of Directors authorizes the President & CEO, or his designee, to approve and execute all contracts for Phase 2 of the Pulsed Electron Beam Project with an overall project cost not to exceed \$2.2 million.

D. CAT Safety Continuous Improvement Team 1 Report

Mr. Jacobs introduced Jonivan Stanley, mechanic at LRS, who participates on the CAT Safety Continuous Improvement (C.I.) Team at LRS. He reviewed the continuous improvement activities underway at the Station and reviewed the responsibilities of employees, supervisors and management to conduct safety inspections and provide positive feedback.

The directors then divided into teams and inspected the board room and lobby, using inspection sheets provided by Kelly Cozby, after which the groups shared the results of their inspections. He then presented videos of employee interviews regarding the C.I. program.

11. Marketing & Asset Management Report--Purchased Power & Non-Member Sales Report

Mr. Rutter reported that July member energy usage was below forecasted levels due to the mild weather. The LRS #3 outage impacted purchased power needs. Natural gas burns came in significantly lower than budgeted levels. The Rate Management Steering Committee approved Marketing's 2015 Basin Electric hedge plan.

Marketing & Asset Management is putting more emphasis on coordination with the Western Area Power Administration to facilitate transmission across the DC Ties to maximize returns.

Under the draft SPP NITSA, we anticipate a net cost of keeping current network transmission service for East-to-West tie utilization to be between \$4 million to \$6 million. To pay for this service, we need to leverage the market when prices are lower on the East.

Marketing has set a goal of 55% West-to-East and 20% East-to-West utilization with specific price targets and thresholds.

In July, the Deer Creek Station (DCS) ran 437 of the 744 possible hours. Marketing and Asset Management executed a number of natural gas purchases for the balance of 2014 and target months in 2015 in line with the Risk Management Steering Committee-approved hedge plan. Total volumes purchased were approximately 2.8 million mmbtu.

12. Cooperative Planning Report

Wisdom #1. Dave Raatz, Vice President of Cooperative Planning, noted that the retrofit of Wisdom Unit #1 from coal to natural gas is complete.

CO₂/Wind Discussion. Mr. Raatz noted that with the load growth in the membership and the prospect of CO₂ emission reductions coming, staff has reviewed the merits of additional wind generation in our portfolio. Mr. Raatz reviewed the economics of four proposals received from developers. One of the projects is contingent on an extension of production tax credits in 2015. After discussion, he noted that in September he would propose approval of a project which would go commercial in 2015 and further discuss a 2016 project contingent on extension of production tax credits.

Load/Resource Update. Mr. Raatz reviewed Basin Electric's SPP surpluses/deficits from 2014 through 2030 using the 2014 load forecast. One significant event occurred recently when SPP changed its method for calculating the accredited capacity for wind generation. Under this calculation, Basin Electric has approximately 150 MW of additional capacity in SPP. This additional capacity coupled with the delay in the construction of the TransCanada XL Pipeline will require re-evaluation of the timing and magnitude of the peaking projected to be on line by 2018 and the combined-cycle facility scheduled for May of 2019.

RTO Activities. Mr. Raatz reported that staff continues working on the activities associated with the integration into SPP. He also reviewed the timeline for integrating

the transmission policy, and discussed working with the Class A members on agreements needed for integration. He also discussed proposals for performing dispatch services for Heartland and North Iowa Municipal Electric Cooperative Association.

Rate Structure Review Timeline. Mr. Raatz reported that the MAC Rates Committee will begin a review of the rate structure in September, with a goal of having recommendations in April of 2015.

A. Fixing Member Power Supply Proposal

Mr. Raatz reported that due to resource retirements by Great River Energy (GRE), the GRE-Fixing Members of Basin Electric will need approximately 35 MW of additional power supply starting in May of 2015. The proposals for power supply are due at the end of August.

He reviewed the member forecasted load from 2014 through 2050 and then presented two rate pricing options for supplying this power.

Option 1: Provide the approximate 35 MW at the Class A rate plus five mills for 15 years through 2050.

Option 2: Provide the 35 MW with solar (pass-through rate) plus the supplemental at the Class A rate plus five mills for 15 years through 2050.

Mr. Raatz then reviewed Options 3 and 4, which would require changes in Basin Electric's resource adder policy and Option 4 would also require a change to the transmission policy. Mr. Raatz recommended that before moving forward with Options 3 or 4, these proposals should be discussed with the MAC Rate Committee.

13. Recess and Reconvention

The meeting recessed at 12:10 p.m. CDT and was reconvened at 1:30 p.m. CDT on Wednesday, August 13.

14. Roll Call

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

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Claire M. Olson and staff members Bob Bartosh, Tracie Bettenhausen, Andy Buntrock, Eric Carufel, Ted Cash, John Ciz, Shawn Deisz, Tammy DeWitt, Pius Fischer, Matt Greek, John Jacobs, Steve Johnson, Becky Kern, Mark Kinzler, Rod Kuhn, Anine Lambert, Deborah Levchak, Sharon Lipetzky, Gavin McCollam, Darla Miller, Dale Niezwaag, Deb Olafson, Dave Raatz, Mike Risan, Josh Rossow, Jim J. Sheldon, Susan Sorensen, Myron Steckler, Shanda Traiser, Michelle Wiedrich and Lyle Witham. Also present were East River director Ervin Fink and DGC Vice President David J. Sauer.

15. Cooperative Planning Report, continued

A. Fixing Member Power Supply Proposal, continued

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

R05.08-12-14 WHEREAS, Basin Electric entered into the following Wholesale Power Contracts as a supplemental power supplier for certain rural electric cooperatives, as follows:

1. Wright-Hennepin Cooperative Electric Association-Wholesale Power Contract dated April 20, 2005
2. Minnesota Valley Electric Cooperative-Wholesale Power Contract dated April 20, 2005
3. Crow Wing Cooperative Power and Light Company-Wholesale Power Contract dated May 30, 2007
4. L & O Power Cooperative, Inc.-Amendment to Wholesale Power Contract dated October 31, 2006 (federated cooperative)
5. East River Electric Power Cooperative, Inc.-Supplement and Amendment to Wholesale Power Contract dated March 17, 2008 (Agralite, Meeker, Redwood and South Central);

WHEREAS, Great River Energy pursuant to the Amended & Restated Power Purchase Contract dated August 1, 2004, has notified these certain cooperatives that there will be a reduction in their Baseline Quantities, as defined in the PPC;

WHEREAS, pursuant to the Wholesale Power Contracts, noted above, Basin Electric wishes to provide options to these certain cooperatives for future power supply;

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, is hereby authorized to offer to these certain cooperatives Options 1 and 2 as discussed in this Board of Directors meeting;

BE IT FURTHER RESOLVED that the CEO and General Manager, or his designee, shall return to the Board of Directors for approval of any Amendments to the Wholesale Power Contracts, noted above, consistent with this Resolution.

B. RTO Integration

Mr. Sukut reported that he had appointed an executive committee consisting of Dave Raatz, Mike Risan, Ken Rutter, Steve Johnson and Mike Eggl to direct the various committees working on the SPP integration.

C. CO₂ Work Group Update

Jim J. Sheldon, Power Supply Engineer, reported that the focus of this group the past month has been on national and statewide discussions and review and preparation of written comments to EPA on the proposed regulations for existing sources.

The five main points made during EPA hearings on July 30 in Denver and Washington, DC were: (1) Basin Electric supports a regional approach; (2) EPA

should ensure that efficiency improvements should not trigger New Source Review; (3) early action to reduce CO₂ should be given credit; (4) EPA should recalculate the state targets assuming combined-cycle plants will run at a more realistic capacity factor less than 70%; and (5) do renewable energy credits stay within the state they are generated or go beyond boundaries to other states for purposes of calculating CO₂ emissions compliance?

He reported on meetings hosted by the Wyoming Department of Environmental Quality (DEQ)/Wyoming Public Service Commission, the South Dakota Department of Environment and Natural Resources and the South Dakota Public Utilities Commission. The North Dakota Public Service Commission has scheduled a meeting on August 19 to obtain feedback on the proposed rule and whether North Dakota should consider joining in a regional compliance strategy. A meeting has been scheduled in mid-September by the Iowa Statewide. The Montana Statewide is leading this effort in Montana.

Mr. Sheldon then reviewed the timeline for written comments to the proposed rule.

D. Strategic Planning

Shanda Traiser, Director of Strategic Planning, reviewed last month's activities and noted that this month, the final two objectives from the strategy map will be reviewed: (1) P3-Enhance the Culture of Safety throughout the Cooperative; and (2) P4-Establish a Culture of Continuous Improvement. Steve Johnson will present an action item from the March session regarding decommissioning fund needs and Gavin McCollam will present additional information regarding long-term base-load generation assets.

Ms. Traiser then reviewed and discussed P3 and P4 with the Board. She noted that in September, she will provide a recap and review of all themes and objectives, provide a draft organization balanced scorecard for 2015, present a proposed process for ongoing strategy implementation and scorecard review process and present a schedule for the subsidiary strategic planning process.

E. Asset Retirement Obligations

Steve Johnson, Senior Vice President and Chief Financial Officer, noted that as an offshoot of the strategic planning session in March, staff was asked to review the existing asset retirement obligations. Mr. Johnson noted that the Cooperative currently has funded mine closing costs for Basin Cooperative Services and Dakota Coal Company.

He introduced Shawn Deisz, Vice President & Controller, who reviewed the accounting standards applicable to asset retirement and noted the need to establish an asset retirement program when a party has a legal obligation to retire long-lived assets.

Basin Electric's asset retirement obligations were identified as solid waste disposal facilities, ponds and groundwater monitoring facilities, transmission lines, Chamberlain wind turbines, Deer Creek Station, Groton Units 1 and 2, as well as the Culbertson and Lonesome Creek Generating Stations. There is currently no legal obligation to retire, decommission or reclaim the other generating stations. The current asset retirement obligation is \$23.7 million.

16. Engineering & Construction Report

A. Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that contracts totaling \$22.5 million would be presented this month.

B. Major Project Update

Myron Steckler, Project Management and Construction Director, reported on the status of the AVS-to-Neset and North Killdeer Loop transmission line project and LCS Phase II.

C. PGS Phase III Engineering & Construction Management Contract

Josh Rossow, Project Manager, reported that the Air Permit Application for Phase III of the project was submitted to the North Dakota Department of Health last week.

Staff plans to sole-source the detailed engineering contract to Burns & McDonnell as they performed the front-end engineering and design and worked on nine of the last 12 reciprocating engine plants in the U.S. This contract accounts for 2.4% of the project budget. He reviewed the engineering scope of work. Staff is focused on getting engineering started and haven't worked out the details of construction management. The contract will be split into engineering and construction management. At this time, staff is seeking approval only for the detailed engineering portion.

Power plant engineering is budgeted at \$3,521,538 and \$365,000 for switchyard engineering with a \$200,000 contingency for a total budget of \$4,086,538. He recommended that the contract be awarded to Burns & McDonnell for this service.

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

R06.08-12-14 RESOLVED, that the Detailed Engineering for the Pioneer Generation Station Phase III be awarded to Burns & McDonnell in an amount not to exceed \$4,086,538; and

 BE IT FURTHER RESOLVED, that the CEO & General Manager, or his designee, be authorized to execute the contract.

D. Long-Term Baseload Alternatives

Gavin McCollam, Engineering Services Director, noted that Basin Electric's long-term resource plan indicates the need for baseload generation sometime in the mid to late 2020's. Considering the long lead time needed for permitting and building baseload generation, staff has begun preliminary studies to evaluate the technologies that might be used in that time frame. Burns & McDonnell did some very preliminary work on advance pulverized coal and IGCC and Sargent & Lundy provided a very high-level analysis of nuclear technology.

He reviewed the high-level capital cost, schedule comparisons and resource comparisons for each of these technologies.

Conclusions. Basin Electric's load growth supports a large-capacity addition over the next decade in addition to the current natural gas additions planned. For a coal or nuclear fleet addition, early implementation of initial study work will maintain these options as viable alternatives. Economics of baseload alternatives depend on cost and valuation of risk and what Basin Electric aspires to be 20 years from now.

The next steps are to determine milestones to allow for future decisions; survey possible partners for nuclear projects, including possible SMR certification; go out for bids for a detailed technology assessment; and create an Integrated Resource Plan which leads to Phase I work on the selected alternative.

Mr. McCollam recommended approval of a PS&I work order for a 2025 baseload generation project in the amount of \$2 million. Very little will be expended in 2014.

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

R07.08-12-14 RESOLVED, that a PS&I work order for a 2025 baseload generation project in the estimated amount of \$2 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.

E. Electrical Engineering Update

Pius Fischer, Manager of Electrical Engineering, reported that the major activities of the Electrical group are the LRS #3 Distributed Control System upgrade; substation activities, ND/SD Microwave Communications project; and cybersecurity.

LRS #3 was the final coal unit control system to be upgraded to the latest technology. The project required three contractors, 16 workstations with 51 control screens, 87 DCS cabinets; 7,796 points (control, status, analog), 10,932 electrical terminations, 2,808 sheets of logic and 84 miles of cable.

He then reported on the status of the LRS Spare 345 kV transformer installation, Squaw Gap Substation addition, Dry Creek Substation and ND/SD Microwave Upgrade.

Mr. Fischer then discussed cybersecurity engineering. To combat vulnerabilities, operations, engineering and IS&T staff are working together to establish best practices to protect our systems. There is also a compliance component with a great deal of required reporting.

F. 2014-2023 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, major mobile equipment 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 682 million and is broken down by facility as follows: \$382 million for LRS; \$9.0 million for LOS; \$80 million for AVS; \$43 million for Transmission; \$35 million for DFS; \$5 million for Wind; \$10 million for peaking plants; and \$118 million for headquarters. After further review, she recommended that the LREP be approved.

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

R08.08-12-14 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.

G. 2014 – 2016 Construction Work Plan

Ms. Moore presented and reviewed the 2015-2017 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 \$749 million and of that total, \$440 million is for Transmission, \$3 million is for peaking plants, \$1 million is for wind; \$39 million is for headquarters, \$178 million is for LRS, \$26 million is for LOS, \$52 million is for AVS and \$10 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 Gilbert, seconded by Director Applegate and carried that the following Resolution be adopted:

R09.08-12-14 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 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.

17. Transmission Report

Mike Risan, Senior Vice President-Transmission, reported that Basin Electric staff and SPP staff met with staff of the FERC to discuss and answer questions from the FERC staff about the integration of the IS into SPP. These discussions went well.

Work continues on the operating guides for winter season in the Williston Load Pocket. It appears that transmission and generation assets are adequate for the winter peak.

With the IS transitioning to SPP, the members of MAPP have discussed dissolution of that organization or possible transition to an LLC.

Basin Electric has been notified by WECC that it will conduct a spot check of our records with respect to NERC compliance. We self-certify regarding NERC compliance and then periodically they spot check. We were notified that our formal WECC audit will be September 8-10, 2015.

He reported that a group of utilities on the west side, including Basin Electric, are investigating the feasibility of developing a joint transmission tariff. A consultant has been hired to assist with tariff development.

Mr. Risan then presented a photograph and reviewed the efforts of TSM personnel to repair a transmission structure on the Osage to Yellow Creek line that was damaged by sloughing of the soil around the base.

18. Communications & Administration Report

Dale Niezwaag, Legislative Representative, reported on the Department of Energy's Quadrennial Energy Review held in Bismarck on August 8 and attended by Secretary of Energy Dr. Ernest Moniz. During this meeting, Mr. Eggl, along with Matt Rose, BNSF Executive Chair, Robert Steede, director of Enbridge, Mindi Schmitz of the Environmental Law and Policy Center, and George Boyajian from Primus Green Energy, participated in a panel discussion on Bakken Infrastructure Constraints and Solutions. He presented a video of the synfuels plant tour in which Dr. Moniz participated, along with North Dakota Senators Heidi Heitkamp and John Hoeven.

Mr. Niezwaag then reviewed several bills of interest to the Cooperative that were drafted for consideration by the North Dakota legislature during the 2015 session.

He reported on the North Dakota Energy Development and Transmission Legislative Interim Committee meeting, where presentations from the ND Public Service Commission and the Department of Health highlighted the EPA 111(d) proposed rule as a top priority for those agencies.

He noted that staff is conducting a review of all of the policies and procedures at Basin Electric. This would include the Articles of Incorporation, Bylaws, Board Policies, Resolutions Committee, Records Plan, Corporate Standards, Employee Guidelines, Administrative Bulletins and Business Practices.

Mark Kinzler, Chief Information Officer, reported that the RTO Structure Group is developing a detailed project schedule and timeline and that software selections are complete for ISO settlements/communications and generation optimization.

Upper Missouri G&T has moved to a shared exchange hosted email at BTI. There are currently 18 software upgrade projects in process and four network upgrades.

Ted Cash, Manager of Media Services, reported that Touchstone Energy will conduct a "Basin 101" brand camp on September 9 at the BCS National Center of Excellence in Bismarck. The second day is dedicated to Touchstone Energy staff.

He then reported on the 2014 Norsk Hostfest to be held September 30 to October 4, 2014 in Minot, North Dakota, and the St. Baldrick's Volunteer Event Organizers Summit August 16-17.

The theme for the 2014 annual meeting is "Member Owned, Member Driven". The main session of the annual meeting will be held in the newly constructed area of the civic center. The social will be held at the Governor's Gallery of the North Dakota Heritage Center. Bussing will be provided.

19. Recess and Reconvention

At 5:10 p.m., the meeting recessed until 8:00 a.m. on August 14, 2014, at which time the meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

20. Roll Call

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

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Arden Fuher	Charles H. Gilbert
Mike McQuiston	Kermit Pearson
Wayne Peltier	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Tracie Bettenhausen, Andy Buntrock, Eric Carufel, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Greek, Deb Haga, John Jacobs, Steve Johnson, Rod Kuhn, Anine Lambert, Deborah Levchak, Sharon Lipetzky, Deb Olafson, Dave Raatz, Mike Risan, Jim J. Sheldon, Susan Sorensen, Valerie Weigel and Michelle Wiedrich. Also present was DGC Chief Operations Officer David J. Sauer.

21. Financial Services Report

A. End-of-Year Margin

Andy Buntrock, Manager of Financial Planning and Forecasting, noted that the Basin Electric pre-tax, end-of-year margin as of today is \$48.5 million compared to the budget of \$38.8 million.

B. Accounting Report

Darla Miller, Senior Accounting Analyst, reported that the July 2014 Statement of Operations reflected an estimated net margin of \$15.3 million compared to the budgeted net margin of \$17.7 million for an unfavorable variance of \$2.4 million. The net margin for the same period last year was \$7.2 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 21.3% and at the end of June was 21.1%. At the end of July, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 25.4% and at the end of June was 25.3%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 21.2% at the end of June and was 20.9% at the end of June.

C. Approval of 2015-2024 Long-Range Financial Forecast

Mr. Buntrock 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 using the Moody's rating methodology for Basin Electric and its subsidiaries. He also reviewed five alternative case studies using different margin levels each year for the Cooperative. Mr. Buntrock then recommended that the Long-Range Financial Forecast be approved.

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

R10.08-12-14 RESOLVED, that the Board of Directors adopts the Basin Electric Power Cooperative 2015-2024 Ten-Year Financial Forecast as presented.

D. 2015 Rate Components

Sharon Lipetzky, Supervisor of Rates and Revenue, began the presentation with a review of the Cooperative's revenue requirements for 2015 and the forecast of member sales. She then presented the proposed demand and energy and fixed-charge components of the rates, which are the same as 2014.

Ms. Lipetzky then reviewed the special rates, PURPA rates, standby rates, purchase rates, distributed generation purchase rate, consumer energy purchase rate, renewable energy purchase rate, solar pass-through rate, community-based energy development tariffs (CBED), environmental attributes purchase rate and the load data incentive program. After responding to questions, she recommended that the rate components be approved.

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

R11.08-12-14 RESOLVED, that the 2015 Rate Components be accepted as presented.

22. Date and Time of Next Board Meeting

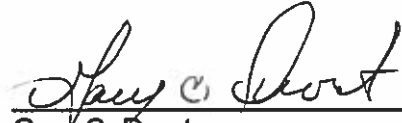
The next regularly scheduled meeting of the Board of Directors will take place September 8 -9, 2014, at the headquarters building in Bismarck, North Dakota.

23. Executive Session

At 9:30 a.m., the board retired into executive session to discuss LRS BART litigation. At 10:00 a.m., it was moved by Director Fuher, seconded by Director Thiessen and carried that the board arise from executive session.

24. Adjournment

There being no further business to come before the meeting, President Peltier adjourned the meeting at 10:00 a.m.



Gary C. Drost
Secretary-Treasurer