

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

**Minutes of the Regular Meeting of the Board of Directors
September 12-13, 2011**

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**Minutes of the Regular Meeting of the Board of Directors
September 12-13, 2011**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the Headquarters Building, Bismarck, North Dakota, on September 12-13, 2011 starting at 8:45 a.m. CDT.

1. Call to Order

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

2. Roll Call

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

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

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Ronald R. Harper and Assistant Secretary Claire M. Olson and Basin Electric staff members Wayne Backman, Chris Baumgartner, Mike Eggl, Mike Fluharty, Daryl Hill, Bryan Keller, Mary Klecker-Green, Deborah Levchak, Sally Meier, Mike Paul, Dave Raatz, Mike Risan, Kathi Risch, Dave Sauer, Myron Steckler, Matthew Stoltz, Paul Sukut, Linda Thomas, Kevin Tschosik and Michelle Wiedrich. Also present was Mor-Gran-Sou director Vern Frederick and consultant Carol Langley.

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

4. Approval of the Minutes

The minutes of the August 9-10, 2011 Regular Board meeting were presented. After an opportunity for corrections, it was moved by Director Gilbert, seconded by Director Pearson and carried that the minutes be approved as revised.

5. General Manager's Report

Mr. Harper reported that staff has been working with the members for a solution to meeting the growing oil development and associated electrical loads in western North Dakota. He reported on his meeting with the North Dakota Governor and Lt. Governor to discuss the proposed electrical infrastructure plan for this load.

He reported that the decision whether or not to join MISO is such a critical issue for the entire membership that a preconference forum has been scheduled for the morning of the first day of Basin Electric's annual meeting. A timeline for meetings with the Rate Subcommittee, Basin Electric Board, Manager's Advisory Committee and Charles River Associates was discussed.

During the Basin Telecommunications, Inc. (BTI) board meeting in October, Dave Sauer and staff will provide a new BTI business plan that will discuss changes in how that subsidiary operates. Mr. Harper noted he will try to get a preview to the Board prior to the October BTI meeting.

Anne Banks, a speaker on a proposed coal gasification facility in Texas at the Western Fuels Energy Conference, called Mr. Harper with questions about the operations of Dakota Gasification Company (DGC) as to how they compare to the proposed plant in Texas.

Mr. Harper thanked the Directors for their participation in the Dry Fork Station (DFS) dedication. Recognition and comments from elected officials and the membership speaks very highly of Basin Electric.

Dave Sauer, Senior Vice President-Administration, reported that two employees had nominated Basin Electric for the Army National Guard and Reserve's Freedom Award. A total of 4,050 companies nationwide were nominated and Basin Electric finished in the top 10.

A. Western Fuels Update

Director Ritthaler reported that BNSF dust mitigation rules become effective October 1, 2011. He noted that it is estimated that dust mitigation may cost Western Fuels \$3.5 to \$4 million annually.

There is much concern among Western Fuels' members that the EPA regulations will require some coal-based plants to add Selective Catalytic Reduction (SCR) which may force the shut down of these older units because they can't justify investing the \$400 to \$500 million investment required to meet proposed new regulations. Mr. Harper noted that EPA's regulations are causing many challenges within the industry.

Mr. Ritthaler also reported that a purchase of ultra-low sulfur coal by China is driving up the prices of Powder River Basin coal.

6. Office of General Counsel Report

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

He reported that notice has been received of the proposed Federal Implementation Plan (FIP) over the ND State Implementation Plan (SIP). An October 13 public hearing in Bismarck will give interested parties an opportunity for comment; however, the hearing is scheduled for only four hours. Basin Electric is in the process of creating written comments and will be supplementing the record to support the state of North Dakota. He estimated that EPA's final decision would be issued in mid to late February.

The state of North Dakota has distributed a draft complaint in its case against the state of Minnesota and a conference call has been scheduled.

The Basin Electric directors from District 2, L&O; District 4, NIPCO; District 6, Central Montana; and District 10, PRECorp, are up for election this year. District 10 has nominated Director Ritthaler.

7. External Relations and Communications Report

Mike Eggl, Senior Vice President—External Relations and Communications, began his presentation with the recent Congressional activity on entitlements, defense spending and taxes.

He reported that staff met with North Dakota Governor Dalrymple and the Health Department regarding the FIP. As a result of the FIP notice, Partners for Affordable Energy began its public relations campaign which has the theme “Can you see the difference?” This campaign stresses that for the \$700 million cost of a FIP, there will be no difference in visibility. The EPA's desire to force a federal implementation plan has nothing to do with health; it is purely a visual issue. Mr. Eggl then presented television and radio spots that stress a federal takeover is not right for North Dakota. North Dakota Governor Dalrymple has been asked to request additional time for comment at the public hearing on the North Dakota FIP.

Mary Klecker-Green, Supervisor of Publications & Member Communications, then reviewed the agenda for the 2011 annual meeting and 50th anniversary celebration.

After a discussion of nominees for Basin Electric's Cooperative Spirit and Cornerstone awards, it was moved by Director Drost and seconded by Director McCabe that Wally Beyer and Dave Freudenthal receive the 2011 Cornerstone Award and Jim Headley receive the 2011 Cooperative Spirit award. Director Pearson moved to amend the motion to include Jim Berg in the Cooperative Spirit award. Director Ritthaler seconded the motion to amend. The motion to amend the resolution failed. The original motion carried.

Ms. Klecker-Green then presented photographs of the Black Eyed Peas concert that was held as a fundraiser for the "Minot Rising" fund. The concert was a sell-out with more than 16,000 in attendance. The concert was jointly sponsored by Touchstone Energy members Verendrye Electric, Central Power and Basin Electric. The concert raised more than \$1.3 million for flood victims.

She then presented a video of the DFS dedication.

Kathy Risch, Senior Staff Writer/Editor, then reported that the 240-page hardcover Basin Electric 50th anniversary history book *Generation for Generations: A Vision for Giant Power* was submitted to the printer (8,000 books) on August 25 and will be available at the annual meeting. Staff began discussing a history book in 2005. In 2007, Basin Electric retiree Stan Stelter was hired to write the book.

8. Transmission Monthly Report

Mike Risan, Senior Vice President-Transmission, reported on the MISO FERC Compliance filing on the NDEX redefinition and MISO's revision to the Seams Agreement.

He noted that Dave Rudolph will participate in a panel at the upcoming G&T Managers Association and discuss implementing the NERC Compliance Program.

He also reviewed the events leading to the recent major outage in southern California and Arizona. He noted that the Western Area Power Administration (**WAPA**), primarily on the western interconnections, has had pressure from west-side wind interests to participate in an imbalance market. In response, the WAPA administrator assembled WAPA customers to discuss how WAPA should respond. WAPA customers want to ensure that wind interests pay their proportionate share of costs.

A. Oil Load Serving Study Update

Matthew Stoltz, Manager of Transmission Services, reviewed the results of the Oil Load Serving Study.

He presented a map of the load-serving region and noted that the Watertown operators will be provided with an operating guide to follow when the system is in a reliability situation.

He reviewed the study assumptions and noted that the study reflects a need for capacitor additions at a number of substations for local voltage support. He then reviewed proposed system improvements commencing with a networking of the members' existing 115 kV facilities. Discussions are currently underway with the membership on this proposal.

He then reviewed proposed 345 kV additions with the first of these being the AVS/Williston/Tioga segment which is needed by 2015. If loads develop, another 345 kV line going around the east side may be needed. Timing of some of those projects may change somewhat if any generation is constructed in northwestern North Dakota.

9. Recess and Reconvention

At 12:00 noon, the Board recessed until 1:00 p.m. CDT, at which time the meeting reconvened, President Gjellstad continuing to preside and Assistant Secretary Olson continuing to keep the minutes thereof.

10. 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, Pius Fischer, Mike Fluharty, Daryl Hill, Bryan Keller, Becky Kern, Rod Kuhn, Duey Marthaller, Mike Murray, Mike Paul, Dave Raatz, Mike Risan, Josh Rossow, Dave Sauer, Dick Shaffer, Myron Steckler, Matthew Stoltz,

Paul Sukut, Linda Thomas, Mark Thompson, Kevin Tschosik and Michelle Wiedrich. Also present were Mor-Gran-Sou director Vern Frederick and various members of the 2011 Resolutions Committee.

11. Transmission Report, continued

A. Oil Serving Study Update, continued

Wayne Backman, Senior Vice President-Generation, reported that staff was investigating options for constructing a combustion turbine in northwestern North Dakota adjacent to a planned gas processing plant. He reported that this unit would have a clutch which would enable the generator to operate as a synchronous condenser, thereby displacing the need for a static var system in the area. He noted that installing another unit at Culbertson may be an option, depending on permitting issues.

B. Logan Capacitor Additions

Mr. Risan reported that, due to continued load growth, additional voltage support is needed on the transmission system in the Minot area. He recommended the construction of two 15 MVAR capacitor banks at Logan with an estimated cost of \$1.7 million. Costs are eligible for recovery in the Integrated System (IS) tariff. It was then moved by Director Peltier, seconded by Director Ritthaler and carried that the following Resolution be adopted:

R01.09-12-11 RESOLVED, that Capital Project Request (CPR) 250024, construction of the Logan Capacitor Project, as presented, with an estimate of \$1.7 million be approved; and

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

C. Dickinson Capacitor Additions

Mr. Risan reported that due to continued load growth and as originally identified as part of the required additions for the Keystone XL Pipeline, additional voltage support is needed on the 115 kV transmission system in the Dickinson area. He recommended the construction of two 15 MVAR capacitor banks, along with modifications to the Dickinson 230 kV bus, at an estimated cost of \$2 million. Costs are eligible for recovery in the IS tariff. After discussion, it was moved by Director Drost, seconded by Director McCabe and carried, the following Resolution was adopted:

R02.09-12-11 RESOLVED, that CPR 250026, construction of the Dickinson Capacitor Project, as presented, with an estimate of \$2 million be approved; and

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

D. Amendment to Stegall DC Tie Loss Compensation Agreement.

Mr. Risan reported that Basin Electric and the Nebraska Public Power District (NPPD) have a Loss Compensation Agreement that has been in place since 1990 with a termination date of September 16, 2011. The agreement recognizes that West to East operation of the DC tie will increase losses on the NPPD system and that East to West operation of the DC tie will decrease losses on the NPPD system. The agreement provides for a method of compensating one another for such increased or decreased transmission losses. He recommended that the General Manager be authorized to execute the amendment to extend the term by 2 years. After discussion, it was moved by Director Applegate, seconded by Director Pearson and carried, the following Resolution was adopted:

R03.09-12-11 RESOLVED, that the CEO and General Manager, or his designee, be authorized to execute the Amendment to the Stegall DC Tie Loss Compensation Agreement with the Nebraska Public Power District.

E. Transmission System Maintenance Report

Bryan Keller, Manager of Transmission System Maintenance, noted that the existing microwave equipment building near New Salem was relocated and the foundation for the new building is being prepared.

Mr. Keller requested authorization to replace the failed 345 kV 50 MVAR shunt reactor on the Fort Thompson 345 kV line terminal at the Leland Olds Station (LOS) 345 kV switchyard. The shunt reactor is used to control the system voltage while switching the 244-mile long 345 kV line and during periods of high and low system loading. Mineral oil dissolved gas analysis detected that the 37-year old shunt reactor was producing combustible gases. An internal inspection indicated that the reactor's three-legged core had shifted resulting in multiple core grounds. A quote was received from the original manufacturer, General Electric, to replace the core and windings. That cost was higher than purchasing a new shunt reactor. The project will include the addition of oil spill containment and shunt reactor on-line switching equipment. The project cost is estimated at \$3 million. Mr. Keller recommended that the project be approved.

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

R04.09-12-11 BE IT RESOLVED, that CPR 250087, a project to replace the failed LOS 345 kV shunt reactor KU3A and install other upgrades for an estimated cost of \$3.0 million be approved; and

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

F. Award of Contract for LOS 345 kV 50 MVAR Shunt Reactor Replacement.

Mr. Keller reviewed the bids for the LOS 345 kV 50 MVAR shunt reactor. He recommended that the contract be awarded to HICO-Hyosung Corporation, the low

evaluated bidder, for \$989,625. After discussion, it was moved by Director Drost, seconded by Director Ireland and carried that the following Resolution be adopted:

R05.09-12-11 BE IT RESOLVED, that a contract to supply a 345 kV 50 MVAR shunt reactor for the amount of \$989,625 be awarded to HICO-Hyosung Corporation; and

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

Mr. Risan noted that these facilities are critical to serve the load growth in northwestern North Dakota. After a thorough review, it has been determined that a three-person line crew and one telecommunications technician are required in the Williston area and Mr. Harper has approved these positions. Mr. Keller noted that he is working with Mountrail-Williams Electric Cooperative (MWEC) on renting space in their maintenance facilities for use by these crews. Basin Electric and MWEC are also investigating the benefits to both Cooperatives of moving the DFS 16-plex offices to Williston for their joint use.

12. **Generation Monthly Report**

A. **Project Funding Chart**

Wayne Backman, Senior Vice President – Generation, reported that generation department funding requests totaling \$1,698,000 would be presented this month.

He also reported that, as work by the Alternative Technologies Division has declined, staff has been transferred to other areas and the Division has been phased out. He noted also that Clyde Bush's position will not be filled.

B. **2012 Load Forecast Work Plan**

Dave Raatz, Manager of Marketing and Power Supply Planning, reported that even though the two to two and one-half-year forecast was just completed, it would be prudent to do an update due to load growth in northwestern North Dakota and northeastern Montana. Under the RUS guidelines on preparing load forecasts, Basin Electric is required to provide RUS with a Board-approved load forecast work plan outlining the processes and procedures which will be used to develop the load forecast. The Work Plan was reviewed with the membership in July 2011. Mr. Raatz reviewed the Work Plan for the 2012 Load Forecast and recommended that it be approved.

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

R06.09-12-11 BE IT RESOLVED, that the 2012 Load Forecast Work Plan is hereby approved, subject to the approval of the Administrator of the Rural Utilities Service.

C. **Long-Range Engineering Plan**

Dick Shaffer, Mechanical Engineering Supervisor, presented and reviewed the 2012-2021 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.

Mr. Shaffer reviewed the major LOS, Antelope Valley Station (**AVS**), Laramie River Station (**LRS**), TSM and Headquarters projects included in the LREP. The total cost of the projects is \$608 million.

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

R07.09-12-11

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 2012-2021 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

Mr. Shaffer presented and reviewed the 2012-2014 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 \$285.9 million and of that total, \$200.6 million is for transmission, \$5.7 million is for peaking plants; \$10.7 million is for headquarters; \$42.0 million is for LRS; \$6.2 million is for LOS, \$18.4 million is for AVS and \$2.3 million is for new generation. He 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. He then recommended approval of the 2012-2014 Construction Work Plan.

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

R08.09-12-11

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 2012-2014 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.

13. Generation Plant Reports

A. Fossil Fuel Generation

Mike Fluharty, Vice President of Plant Operations, reported there were no safety issues at any of the facilities in August. Coal-based generation for the month was 14.9% below budget and for the year actual generation was 13.9 million MWh compared to a budget estimate of 15.4 million MWh. This was approximately 9.3% below budget. The LRS coal inventory is at 1.6 million tons (67-day supply).

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

Unit	Availability	Capacity Factor
LRS #1	85.2%	84.5%
LRS #2	91.6%	95.3%
LRS #3	91.1%	89.9%
LOS #1	99.3%	75.5%
LOS #2	100%	65.6%
AVS #1	83.5%	79.1%
AVS #2	66.4%	83.6%
DFS	53.5%	100%

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

B. LOS Unit 2 Condenser Tube Cleaning System

Joshua Rossow, LOS Performance Engineer, reported that the LOS uses a once-through cooling system to condense the steam after it exits the turbine. The water comes from the Missouri River and flows through tubes in the condenser. This river water contains contaminants which foul the tubes and reduce the efficiency of the system. He recommended a tube cleaning system that would continuously remove this material. This project, CPR 1500151, has a budget of \$667,000 with a 28% payback and a net yearly benefit of \$189,500 per year and he recommended it be approved.

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

R09.09-12-11

BE IT RESOLVED, that CPR 1500161, LOS Unit 2 Condenser Tube Cleaning System, in the amount of \$667,436 be approved; and

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

C. Distributed Generation Report

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

Unit	Monthly Generation	Comments
Groton Unit No. 1	5,226 MWh	Ran for low wind and some coal plant outages.
Groton Unit No. 2	4,736 MWh	
Culbertson Combustion Turbine	7,857 MWh	Oahe tripped one day. Culbertson was not available for 11 days due to air cooler leaks.
Wyoming Distributed Generation	920 MWh	Spinning reserves. LRS and DFS outages.
Spirit Mound Unit No. 1	85 MWh	Uniform Rating of Generating Equipment (URGE) Tests
Spirit Mound Unit No. 2	74 MWh	URGE Tests
Wisdom Unit No. 2	Did Not Run	

The Spirit Mound current fuel inventory is one million gallons.

PrairieWinds ND 1 had 20 outage events. The estimated unproduced energy due to curtailments was 2,487 MWh, which equates to a 2.7% capacity factor. The damaged blade has been repaired and the tower is running. There was no indication that the blade was hit by lightning so the cause of the failure has not been determined.

There were 14 outage events at the Crow Lake Project during the month. The estimated unproduced energy due to curtailments was 338 MWh, which equates to a 1.9% capacity factor. Gearbox repair update (A-8). There were 39 load changes for load control for WAPA.

Wind generation for the month was as follows:

Project	Capacity Factor	Load Factor	Project Total
PrairieWinds ND1	28%	0 MW	123 MW
PrairieWinds SD 1	29%	82 MW	162 MW
Wilton Project	31%	17 MW	99 MW
Baldwin Project	30%	17 MW	99 MW
Edgeley Project	20%	3 MW	40 MW
Highmore Project	29%	13 MW	40 MW

Iowa Wind Projects	17%	22 MW	45.1 MW
Day County Project	35%	95 MW	99 MW
Other Wind Projects: Chamberlain Rosebud Pipestone	13%	1 MW	4.1 MW
TOTAL AUGUST WIND GENERATION	29%	249 MW	712 MW
AVERAGE MONTHLY CAPACITY FACTOR	29%		YTD CAPACITY FACTOR 39%

14. Contracts/Agreements

A. Corn Belt Contract Modifications

City of Spencer Combustion Turbine (18 MW). Mr. Raatz noted that in the original contract with Corn Belt, Basin Electric purchased from Corn Belt the 10 MW of the output of the City of Spencer combustion turbine that Corn Belt had under contract. This contract had a five-year termination provision and the parties have agreed on the terms and conditions of a new agreement that would cover the remaining life of the unit. After reviewing the conditions of the new agreement, Mr. Raatz recommended that the Corn Belt contract be amended.

Webster City. Mr. Raatz noted that when the original contract with Corn Belt was entered into, Corn Belt and Webster City were negotiating the term of the Corn Belt obligation to serve Webster City as well as Corn Belt's rights to purchase the output from certain Webster City generation. Recently, Corn Belt and Webster City came to an agreement on those terms and conditions.

Webster City agreed to purchase all power needs from Corn Belt through 2050. Thus, the Corn Belt contract with Basin Electric needs to be amended to provide that Basin Electric will supply that obligation through 2050. This is consistent with the terms of the other Basin Electric Wholesale Power Contracts.

With respect to power purchase, Corn Belt purchases the output from Webster City's 16.8 MW share in Neal 4. Corn Belt purchases this at Webster City's cost. Basin Electric will purchase this at Corn Belt's cost, as well as assuming the retirement obligations of the Neal 4 if retired between now and 2050. Corn Belt also purchases the output of Webster City's 25 MW combustion turbine at cost. Basin Electric will purchase this from Corn Belt at cost, but would only pay a proportionate share of the retirement costs based on the number of years it was under contract to Basin Electric.

He recommended that the General Manager, or his designee, be authorized to execute the contract modifications to reflect the new arrangement relating to the City of Spencer and Webster City as outlined in this presentation, subject to RUS approval.

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

R10.09-12-11

RESOLVED, that the CEO and General Manager, or his designee, is authorized to execute the necessary contract modifications between Corn Belt Power Cooperative and Basin Electric Power Cooperative to reflect the new arrangement relating to Spencer and Webster City, as outlined in this presentation, subject to approval of the Rural Utilities Service.

Walter Scott #4. Mr. Raatz reported that the 800 MW Walter Scott #4 coal plant went into commercial operation in 2007 and is owned by 15 organizations. Corn Belt owns 5.33% of the unit (42.6 MW). The City of Pella has offered to sell its share of the unit to the other owners. Corn Belt has the option to purchase an additional 2.2 MW at \$2,309/kW starting November 1, 2011.

It was originally discussed that Corn Belt would obtain the financing and sell it to Basin Electric at cost on a monthly basis and that Basin Electric would take over the retirement obligation if the unit is retired before 2050.

He noted that staff was concerned with the economics of the transaction and has had additional discussions with Corn Belt staff since it was discussed with the Board of Directors in July. Corn Belt's staff has now agreed to discount the purchase price by \$150,000/year through 2015. In addition, Corn Belt has asked that the coal price adjustment provision of the current power purchase agreement be reevaluated.

Mr. Raatz noted that under the original contract provisions, Basin Electric and Corn Belt received economic benefits by Corn Belt becoming an all-requirements member of Basin Electric. The parties also agreed to several price adjustment provisions to balance out the annual benefits to both parties. Mr. Raatz reviewed these provisions. He also reviewed new information received from MidAmerican relative to projected plant coal costs which were a component of the calculation. He proposed that to maintain the intent of the agreement and preserve a balanced result of the contract, the coal price adjustment be eliminated for 2012, 2013 and 2014. Thus, Basin Electric would pay Corn Belt approximately \$8 million in those years but that is balanced out by reduced fuel cost. Mr. Raatz recommended that it be approved.

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

R11.09-12-11

RESOLVED, that the existing Power Purchase Agreement between Corn Belt Power Cooperative and Basin Electric Power Cooperative be revised to: (1) reflect the purchase of an additional 2.2 MW of Walter Scott 4 under the same terms and conditions as the current PPA, with a purchase price reduction of \$150,000 per year through 2015; and (2) eliminate the Coal Price Adjustment for 2012, 2013 and 2014, all subject to the approval of the Rural Utilities Service; and

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

B. LRS Service Water Line Replacement Project

Duey Marthaller, Manager of Civil Engineering, reported that the service water line delivers water for pump seals and compressor cooling for all three units at the LRS. This service water line is corroded and plugged so fire protection water is currently being used as an alternate resource. He recommended the LRS service water line be replaced with 12-inch high density polyethelene (HDPE) pipe at a cost of \$1.03 million. Basin Electric's share would be \$440,000. Completion is scheduled for the spring of 2012. After discussion, it was moved by Director Drost, seconded by Director Gilbert and carried that the following Resolution be adopted:

R12.09-12-11 RESOLVED, that CPR 200053, replacement of the LRS service water line, for a total Missouri Basin Power Project cost of \$1,030,000 is hereby approved; and

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

C. AVS Landfill Expansion

Mike Murray, Property and Right-of-Way Supervisor, reported that in order to extend the life of the AVS landfill through the life of the plant (2040), he recommended the purchase of approximately 160 acres from Coteau located in the NW/4 of Section 7, T145N, R87W in Mercer County, North Dakota for \$97,490. After discussion, it was moved by Director McCabe, seconded by Director Gilbert and carried that the following Resolution be adopted:

R13.09-12-11 RESOLVED, that the purchase of approximately 160 acres from The Coteau Properties Company located in the NW/4 of Section 7, T145N, R87W in Mercer County, North Dakota, to expand the life of the AVS landfill through 2040 is hereby approved; and

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

D. Sale of Property in Hazen, North Dakota

Mr. Murray reported that during the construction of AVS, Basin Electric purchased 81.03 acres north of Highway 200A in the city of Hazen for housing issues related to impact alleviation. Several parcels from this tract have been sold since 1979. Staff was recently contacted by the Hazen mayor that this property is the logical area for city growth and perhaps Basin Electric would donate it to the city for use as an industrial park. Taxes in 2011 were \$351.98. Staff time to manage the property is minimal. The agricultural value is \$440 per acre. The commercial value would have to be appraised. After discussion, the Directors requested more information prior to making a decision.

15. Recess and Reconvention

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

16. Roll Call

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

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

said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Ronald R. Harper, Assistant Secretary Claire M. Olson and Basin Electric staff members Olmstead Adams, David Bangen, Chris Baumgartner, Sharon Cerconey, Shawn Deisz, Mark D. Foss, Steve Johnson, Rod Kuhn, Russ Mather, Debora Olafson, Mike Risan, Dave Sauer, Paul Sukut, Linda Thomas and Michelle Wiedrich. Also present were DGC directors Heidi Heitkamp and Tom Owens, DGC staff member Gary G. Loop and Deloitte & Touche representatives Scott Loveless and Mark Glende.

17. Young Professionals Network Award Presentation

At this time, representatives of the Young Professionals Network presented the Board with their "Top 10 Employers in Bismarck/Mandan Area" award.

18. Executive Session

At 7:50 a.m., it was moved by Director Applegate, seconded by Director Child and carried to retire into executive session to discuss the 2012 employee salary and benefit package.

At 9:00 a.m., it was moved by Director Rohrer, seconded by Director Ireland and carried that the Board arise from executive session.

At 9:20 a.m., it was moved by Director Applegate, seconded by Director Ritthaler and carried to approve the CEO & General Manager's salary as presented in executive session.

At 9:25 a.m., it was moved by Director Ireland, seconded by Director Applegate and carried to retire into executive session to discuss litigation strategies.

At 9:51 a.m., it was moved by Director Child, seconded by Director Peltier and carried to arise from executive session

It was then moved by Director Ritthaler and seconded by Director Ireland that the 2012 employee salary and benefit package be approved. Motion carried.

RESOLVED, that the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and any other officer of the Cooperative is authorized, on behalf of the Cooperative, to execute and deliver under its corporate seal, which an Assistant Secretary of the Cooperative is directed to affix and attest:

- a. as many counterparts as shall be deemed advisable of one or more loan agreements or note purchases agreements or similar financing documents with the Lenders (the **Loan Agreement**); and
- b. one or more of the Basin Electric Power Cooperative First Mortgage Notes in an aggregate principal amount not to exceed four hundred million dollars (\$400,000,000.00) with a term not to exceed thirty-nine (39) years (the **Notes**).

RESOLVED, that the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and any other officer of the Cooperative be, and each of them is authorized in the name and on behalf of the Cooperative, to execute all such instruments and documents, agree to the interest rate that the Notes shall bear, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolution.

RESOLVED, that the Board authorizes the Cooperative to take the necessary steps to execute and deliver the Notes under the Indenture dated as of January 1, 1998 between the Cooperative and U.S. Bank National Association, as trustee (the **Trustee**) as previously supplemented and amended (the **Indenture**), including a request to the Trustee to authenticate the Notes as well as the necessary filings and certificates which must be filed with the Trustee to support a request to the Trustee to authenticate the Notes as "Additional Obligations" under the Indenture. The Board hereby empowers, authorizes and directs the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and other proper officers of the Cooperative, or their respective designees, to execute and deliver, on behalf of the Cooperative, all documents, instruments, certificates, agreements, indentures and other documents necessary to complete the execution and delivery of the Notes. The authority conferred upon the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and such other officers of the Cooperative hereby specifically includes, but is not limited to

the authority to execute, attest and deliver, or approve and accept, as the case may be, on behalf of the Cooperative, the Thirtieth Supplemental Indenture dated as of September 15, 2011, supplementing and amending the Indenture with the Trustee (the **Supplemental Indenture**), with such changes, insertions and omissions as the person or persons executing or accepting the Supplemental Indenture may approve, the execution, approval or accepting the Supplemental Indenture being conclusive evidence of such approval by such person or persons.

RESOLVED, that this Resolution constitutes a resolution as required by Section 4.1(A) of the Indenture authorizing and requesting the Trustee (i) to authenticate and deliver the Notes (as Additional Obligations under the Indenture) under Sections 4.2, 4.3 and 4.5 and the other applicable provisions of the Indenture and (ii) to take such other steps as are required by the Indenture to issue the Notes.

BE IT FURTHER RESOLVED, that the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and the other officers of the Cooperative are each hereby authorized and empowered to take such other action as might be required to complete the execution, authentication and delivery of the Notes. All actions hereby taken by the President, by the CEO and General Manager, by the Secretary, by any Assistant Secretary, by the Senior Vice President and CFO or by any other officer of the Cooperative with respect to the Notes, the Supplemental Indenture and the Loan Agreement and the other matters contemplated by these resolutions, are in all respects ratified and confirmed.

21. Recess and Reconvention

At 12:00 noon, the meeting recessed until 12:35 p.m., at which time the meeting reconvened, President Gjellstad continuing to preside and Secretary Pearson continued to keep the minutes thereof.

22. Roll Call

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

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

said persons being all of the Directors of the Cooperative. Also present were CEO and General Manager Ronald R. Harper, Assistant Secretary Claire M. Olson and Basin Electric staff members Olmstead Adams, David Bangen, Shawn Deisz, Steve Johnson, Rod Kuhn, Dave Sauer, Paul Sukut, Linda Thomas and Michelle Wiedrich. Also present were DGC directors Heidi Heitkamp and Tom Owens.

23. Financial Report, continued

Commercial Paper Liquidity Facility. Mr. Sukut noted that the existing commercial paper liquidity facility was entered into on December 1, 2007 and expires on December 13, 2012. That facility was originally \$550 million and later increased to \$575 million. Staff is in the process of obtaining a new liquidity facility in the amount of \$500 million. He noted that J.P. Morgan is the lead arranger of the facility and he reviewed a list of potential participants in the facility. The goal is to have a closing by the end of October.

Estimated 2011 Year-End Operating Margin. Mr. Sukut noted that the 2011 year-end pre-tax margin is estimated to be \$39.1 million.

24. Accounting Report

Shawn Deisz, Manager of Accounting, reported that the August 2011 statement of operations reflected an estimated net margin of \$1.5 million compared to the forecasted net margin of \$4.3 million for an unfavorable variance of \$2.8 million.

The year-to-date net margin is estimated to be \$28 million compared to the budgeted net deficit of \$2 million for a favorable variance of \$30 million.

She also reviewed changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio at the end of August was 17.6% and the equity-to-capitalization ratio, using Moody's Rating Service's methodology was 20.2%, both without the Coteau consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distributions is 18.5%.

Mr. Sukut noted that the CoBank merger with AgBank was approved. CoBank was also given the authority to issue more preferred stock should the need arise.

25. Mid-West Electric Consumers Association

Mr. Harper noted that the Mid-West Electric Consumers Association annual meeting is scheduled for December 5-8, 2011 in Denver, Colorado, and that a Voting Delegate and Alternate should be named. After discussion, Directors Ireland and Applegate were named delegate and alternate, respectively.

26. Directors' Reports

Director Pearson thanked the Basin Electric staff for attending the East River annual meeting.

Director Gilbert reported that Corn Belt is starting the process of preparing an Indenture.

27. Date and Place of Next Board Meeting

The next meeting of the Board of Directors will take place October 11-13, 2011 at Basin Electric's headquarters building in Bismarck, North Dakota.

28. Adjournment

President Gjellstad adjourned the meeting at 1:05 p.m. CDT.

A handwritten signature in blue ink, appearing to read "Kermit Pearson", written over a horizontal line.

Kermit Pearson
Secretary-Treasurer