

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

**Minutes of the Regular Meeting of the Board of Directors
September 8-9, 2014**

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**Basin Electric Power Cooperative
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**Minutes of the Regular Meeting of the Board of Directors
September 8-9, 2014**

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 Monday, September 8, 2014 at 11:25 a.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, Tammy DeWitt, Matt Greek, Ellen Holt, John Jacobs, Steve Johnson, Rod Kuhn, Brian Larson, Deborah Levchak, Gary Lockwood, Dave Raatz, Mike Risan, Ken Rutter, Kevin Tschosik and Michelle Wiedrich. Also present were Dakota Gasification Company (**DGC**) directors James Geringer, Alan Klein and Tom Owens.

3. Approval of the Agenda

The Directors considered the agenda for the conduct of the business of the meeting. After an opportunity for addition and deletion of items, it was moved by Director Drost, seconded by Director Pearson and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the August 12-14, 2014 Regular Meeting of the Board of Directors and the Board Audit Committee were presented and after an opportunity for corrections, it was moved by Director Thiessen, seconded by Director Rohrer and carried that the minutes be approved as corrected.

5. General Manager's Report

General Manager Sukut reported on the Western Fuels Association annual Meeting, where he was elected President of the subsidiary Western Fuels-Wyoming. On September 25th, he attended a Lignite Energy Council working group meeting where

the topic of discussion was the EPA draft regulations for greenhouse gas emissions from existing source. He noted that there is no consensus among utilities or the states in our region regarding how these regulations should be implemented.

6. Office of General Counsel Report

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

Deborah Levchak, Senior Staff Counsel, then reviewed the status of the Wyoming Regional Haze (also known as Laramie River Station (LRS) BART), Section 111(d) and Section 114(a) matters.

7. Recess and Reconvention

The meeting recessed at 12:00 p.m. CDT and was reconvened at 2:00 p.m. CDT following the Board Audit Committee meeting.

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 Tracie Bettenhausen, Andy Buntrock, John Ciz, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Greek, John Jacobs, Casey Jacobson, Steve Johnson, Becky Kern, Janet Kubisiak, Brian Larson, Deborah Levchak, Sharon Lipetzky, Gary Lockwood, Gavin McCollam, Mike Murray, Deb Olafson, Curt Pearson, Dave Raatz, Mike Risan, Ken Rutter, Myron Steckler, Kelly Suko, Kevin Tschosik, Amanda Wangler and Michelle Wiedrich. Also present were Rushmore Electric Cooperative (Rushmore) director John Van Beek, Powder River Energy Corporation (PRECorp) director Philip Habeck and DGC Vice President David J. Sauer.

9. Office of General Counsel Report, continued

A. Board Policy #27 – Employment of Relatives/Nepotism

Ellen Holt, Manager of Human Resources, reported that this Board Policy is being updated to: (1) state that immediate family members of a Senior Vice President or Vice President are eligible for employment provided they are not directly or indirectly supervised by that Senior Vice President or Vice President; and (2) strike language that prohibits immediate relatives or household members to work in the same section or unit.

She noted that there were recently two instances where very good candidates for hard-to-fill positions were ineligible due to being related to a Senior Vice President. She recommended approval of the revised Board Policy #27.

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

R01.09-08-14 RESOLVED, that Board Policy #27 – Employment of Relatives/Nepotism, is hereby amended as presented to this meeting of the Board of Directors.

10. Operations Report

John Jacobs, Vice President of Operations, reviewed the Cooperative's safety performance, noting that there had been one DART incident and five 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 11.2% under budget for August. August individual availability and capacity factors for the coal-based generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Rating	Comments
AVS #1	82.26%	96.50%	450 MW	High vibration #9 bearing on turbine; boiler tube leak repairs
AVS #2	99.72%	95.30%	450 MW	Master fuel trip due to slag fall
DFS	100%	96.17%	386 MW	Valve test
LRS #1	99.74%	92.41%	570 MW	Trip on low drum level (contractor error)
LRS #2	82.09%	78.22%	570 MW	Waterwall tube leak in boiler
LRS #3	92.13%	71.92%	570 MW	Triennial outage (August only), overspeed testing, line fault on transmission system, trip on coal feeders (contractor error)
LOS #1	100%	91.70%	221 MW	Condenser cleaning due to dirty Missouri River water (due to lots of rain)
LOS #2	54.79%	79.08%	448 MW	Deslagging

He then discussed and presented photographs of the Leland Olds Station (LOS) Unit #2 deslagging outage.

A. Distributed Generation Update

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

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Groton Unit #1	100%	2,701 MW	100 MW	For load demand
Groton Unit #2	99.73%	868 MW	100 MW	For load demand
Culbertson CT	99.37%	6,047 MW	100 MW	For load demand
WY Dist. Gen.:	87.96%	79 MW	54 MW	28 reserve calls
SMS Unit #1	96.77%	769 MW	60 MW	Did not run

SMS Unit #2	96.77%	802 MW	60 MW	Did not run
Deer Creek	98.75%	709,889 MW	300 MW	For load demand
PGS Unit #1	89.37%	518 MW	45 MW	For load demand and sync condensing
PGS Unit #2	99.58%	1,520 MW	45 MW	For load demand
PGS Unit #3	98.04%	1,112 MW	45 MW	For load demand
LCS Unit #1	61.90%	402 MW	45 MW	Load demand and sync condensing

Hartzog #3 will be repaired next month. PGS Unit #1 was inspected and found to be in good condition. In August, Lonesome Creek Station (LCS) ran 140.17 hours and Pioneer Generation Station (PGS) ran 58.97 hours, both in synchronous condensing mode. There were 28 west-side reserve events during the month.

PrairieWinds ND 1. Mr. Tschosik reported that blade inspections are underway and annual maintenance is 83% complete.

PrairieWinds SD 1. He reported that gearbox oil changes have been completed on 74 turbines, the failure of the "C" feeder breaker resulted in the loss of 1,841 MWh and gearbox 72 was replaced.

The east-side peak occurred on August 18, 2014 at 5:00 p.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor	Project Total
Baldwin	37 MW	27%	99 MW
Day County	28 MW	30%	99 MW
Edgeley	10 MW	16%	40 MW
Highmore	26 MW	24%	40 MW
Iowa Wind	10 MW	14%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	36%	3.4 MW
PrairieWinds ND	20 MW	26%	123 MW
PrairieWinds SD	95 MW	24%	162 MW
Wilton	35 MW	25%	99 MW
Total August Wind Generation	261 MW	25%	712 MW maximum
Average Monthly Capacity Factor	n/a	25%	n/a
Average YTD Capacity Factor	n/a	44%	n/a

B. LRS Plant Update

Brian Larson, LRS Plant Manager, reported that negotiations with IBEW Union Local #612 will start in December. The current contract expires February 28, 2015.

He thanked the Board for suggesting and supplying fire-retardant (FR) clothing for the LRS workforce. Starting January 1, 2015, all but the Administrative Assistants will wear FR clothing. When the Administrative Assistants go out of

the office and onto the plant site, they will wear FR coveralls. He noted that this will also be done at the other facilities in the future.

Mr. Larson introduced LRS Operations Superintendent Gary Lockman, who would give the LRS report.

Mr. Lockman reported that there was one recordable incident and four near misses at LRS in August. The annual goal is zero recordable incidents and 100 near misses. He then reported that Continuous Improvement (CI) Team 1 has logged 1,976 inspections since the inspection log pilot was rolled-out on March 27, 2014. He reported on August statistics for NO_x, Opacity and SO_x compliance and the percentage of SO₂ allowances consumed by each unit.

Mr. Lockman reported that August generation was 6,962,304 net MWh, the net heat rate was 10,194 btu/MWh, availability was 78.43% and the forced outage rate was 3.12%.

As of August 29, 2014, Grayrocks Reservoir was 102.1% full at 4404.6 feet mean sea level. As of August 31, 2014, the LRS stockpile contained 227,148 tons or sufficient supply for 51.1 days at full-load operation.

Mr. Lockman then discussed and presented photographs of the Unit #2 tube leaks and the failure of the Unit #2 startup boiler feed pump motor shaft. He also reviewed Unit #3 outage costs.

Mr. Jacobs noted that both Unit #2 rotors will be on their way to the General Electric facility in Schenectady, New York by the end of this week.

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

Ken Rutter Vice President Marketing & Asset Management reported that August member energy usage was below forecasted levels due to weather. Plant outages impacted purchased power needs. Natural gas burns came in significantly lower than budgeted levels. The Risk Management Steering Committee (RMSC) approved Marketing's Out-Year Basin Electric hedge plan. RTO project work continues--staff is working with the Western Area Power Administration (WAPA) and NIMECA on a defined co-supply process. The group executed a number of natural gas purchases in August for the balance of 2014 and target months in 2015 in line with the RMSC-approved hedge plan. Total volumes purchased in August were approximately 4.3 million mmbtus.

Marketing & Asset Management is putting more emphasis on coordination with WAPA on the East. This includes higher levels of utilization of the DC ties. Overall DC Tie utilization for August was 34%. The Rapid City DC Tie was unavailable for 25% of the month. Marketing has set a goal of 55% West-to-East and 20% East-to-West utilization with specific price targets and thresholds.

Current transmission limitations limit how much energy from the Dry Fork Station (DFS) and LRS can be taken to market. Some West-to-East flows are driven more by lack of ability to take the energy anywhere else.

The estimated incremental expenses associated with the new Marketing function for a three-year run rate are \$4.8 million per year and for the long-term run rate are \$3 million per year. Several new strategies will still be implemented and will not be fully available until East and West real-time desks are combined.

The staff continues to work on RTO integration and activities this past month, including co-supply discussions with SPP, WAPA and NIMECA, ongoing co-supply modeling, working with NIMECA for changes to existing scheduling services, heat rate/plant cost data, hub design discussions, ongoing existing East-side transaction data capture, congestion hedging, current issues with SPP imports and exports and NITSA impacts.

12. Recognition of Limestone Quarry and Montana Limestone Company Employees for Safety Record

It was moved by Director Drost that the employees of the Limestone Quarry and Montana Limestone Company be commended for achieving five years without a lost-time accident. The motion was seconded by Director Gilbert and the following resolution was adopted:

R02.09-08-14 RESOLVED, that the Board of Directors congratulates the employees of Montana Limestone Company and Wyoming Lime Producers at the Frannie Lime Plant for their safety accomplishment of zero lost-time accidents for five years; and

BE IT FURTHER RESOLVED, that the Board of Directors congratulates the employees of the Wyoming Lime Producers for being recognized with the Mine Safety & Health Administration's Certificate of Achievement in Safety award for achieving zero lost-time accidents and zero reportable incidents at the Frannie Lime Plant for 2012 and 2013.

13. Cooperative Planning Report

Renewable Rate. Dave Raatz, Vice President of Cooperative Planning, reported that he had received several questions from members regarding the Renewable Rate cap. He said that the Renewable Rate has a 7 MW cap and currently, 4.9 MW of the 7 MW cap has been used. Corn Belt is by far the largest user of this rate.

Reduction to GRE Baseline Quantities. Mr. Raatz noted that after the August Board meeting, a letter outlining the two options was sent to the GRE-fixing members on August 26. Option 1 is Class A rate plus five mills for 25 years through 2050. Option 2 is the Class A rate plus five mills for 15 years with a solar pass-through option (exclusive of size and rate cap) through 2050. The only response received was from Crow Wing asking for Option 1.

RTO Merchant Services. Mr. Raatz reported that an agreement was reached with NIMECA to continue providing scheduling services once Basin Electric joins an RTO. He reviewed the terms and conditions of the agreement and the revenue the Cooperative will receive. He noted the Cooperative had offered to provide Heartland Consumers Power District similar services, but it is an understanding they have contracted with Tenaska for these services.

Rate Manager's Advisory Committee (MAC) Philosophy. Mr. Raatz reported the Rate MAC will meet on September 25 and he shared comments provided by the Rate MAC regarding the focus on philosophy and strategy.

Transmission Policy Implementation. Mr. Raatz noted that last month, the Board approved the change in the Transmission Service Policy for deliveries to the members. A letter was sent to the member managers and conference calls set up to start discussions. He noted that the policy will require negotiations with the members

and amendments to the Wholesale Power Contracts. It is estimated that the policy will be implemented in January of 2016.

GRE-Fixing Member Transmission Assignment. Mr. Raatz reported that the GRE Fixing Members currently have an all-requirements transmission policy with GRE. The Fixing Members would like to see this obligation assigned to Basin Electric. He noted that discussions with GRE about a possible assignment are anticipated to be held in October.

Resource Development Update. Mr. Raatz reported that, based on the 2014 Load Forecast presented earlier this year and subsequent analysis, staff developed a resource plan that solved how we would meet our obligations. Using this, the Board took certain actions on 2016 peaking capacity and on some power purchases.

Last month, he reported that SPP had changed how they accredit wind capacity generation, and the Cooperative would now receive approximately 150 MW of accreditation for its current wind generation. Also, since the 2014 Load Forecast was developed, there is another anticipated one-year delay in the schedule of the TransCanada Pipeline. In addition, new wind projects have come along that are priced very competitively.

After evaluating all of this information, the power supply conclusions are as follows: (1) we don't need 100 MW of a peaking resource in 2017; and (2) there is value in obtaining 250 MW of additional wind on the Eastern System because it potentially delays the need for a large combined-cycle energy resource in 2019 and provides additional time to evaluate options and risks.

A. Additional Wind Purchases

Mr. Raatz noted that the Cooperative has received a number of proposals for the development of wind projects. He noted that Wyoming Wind & Power had proposed a 300 MW project near LRS in Wyoming. After reviewing the economics of the project, he concluded that the Cooperative couldn't economically justify executing a definitive purchase agreement at this time, but may try to negotiate an option on this project if favorable terms can be reached. An option would lock-in pricing for a project until we obtained some indication what our obligations with respect to NOX and CO2 emissions will be at LRS going forward.

He also reported that proposals were being reviewed for projects in Day County, South Dakota, Wilton 4 near Wilton, ND and the Lindahl Project near Tioga, North Dakota. Mr. Raatz reviewed the terms and conditions of the proposals for each project. He also presented the economic comparison of the Projects.

Mr. Raatz noted that the Lindahl Project would be in operation in 2016, after the expiration of the existing Production Tax Credits. Thus, this project would be contingent upon the PTCs being extended or re-enacted by Congress. He noted that if this project were completed, it would delay the need for a combined-cycle unit based upon current load forecast levels.

After responding to questions, on all of the proposals, he recommended that the Cooperative proceed to enter into an arrangement to purchase the output of the Lindahl Wind Project.

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

R03.09-08-14 BE IT RESOLVED, that the CEO and General Manager, or his designee, is authorized to execute up to 249 MW of power purchase agreements related to the Lindahl Wind Project under acceptable terms and conditions.

14. Recess and Reconvention

The meeting recessed at 5:00 p.m. CDT and was reconvened at 8:00 a.m. CDT on Tuesday, September 9, 2015.

15. 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 Tracie Bettenhausen, John Ciz, Shawn Deisz, Tammy DeWitt, Matt Greek, John Jacobs, Casey Jacobson, Steve Johnson, Becky Kern, Janet Kubisiak, Rod Kuhn, Brian Larson, Gary Lockwood, Gavin McCollam, Mike Murray, Curt Pearson, Dave Raatz, Mike Risan, Ken Rutter, Myron Steckler, Kelly Suko, Kevin Tschosik, Amanda Wangler, Michelle Wiedrich and Lyle Witham. Also present was DGC Vice President David J. Sauer.

16. Cooperative Planning Report, continued

GRE-Fixing Members. Mr. Raatz noted that late yesterday, he heard from Wright-Hennepin and Minnesota Valley Electric Cooperative (MVEC) and they have raised concerns with Basin Electric's Options 1 and 2. They are considering a proposal from GRE wherein GRE would serve the load for one year.

Last month, the GRE fixing members were offered Options #1 and #2 by Basin Electric. Mr. Raatz had previously discussed Options #3 and #4, but Basin Electric staff didn't feel comfortable recommending moving forward with those options during the August Board meeting.

He reviewed the Option #3 concepts which consisted of Basin Electric serving the current GRE resource retirement amount plus all future GRE resource retirement amounts and, maintaining pricing provisions of existing agreements at the Class A rate (no adder) on GRE resource retirement increased obligations through 2050. Exceptions are: (1) early GRE contract termination; and (2) amounts associated with the expiration of the GRE wholesale contract in 2045.

After a lengthy discussion regarding the merits of offering Option #3, it was duly moved by Director Pearson and seconded by Director Brekel that the following Resolution be adopted, with Directors Rohrer, Baker and McQuiston voting "no":

R04.09-08-14 RESOLVED, that the GRE-fixing members be offered Option #3 in addition to Options #1 and #2.

17. **Engineering & Construction Report**

A. Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that contracts totaling \$12.7 million would be presented for approval this month. He then presented the listing of major projects including the approved budget amount, total committed and completion dates.

B. Major Projects Update

Lonesome Creek Station Phase II. Myron Steckler, Director of Project Management & Construction, showed photographs of and provided an update on the construction of Phase II of the LCS. To date, the LCS construction employees have worked 100,388 hours without a lost-time accident.

Combined-Cycle Development Status. Mr. Steckler reported that the addition of 250 MW of wind approved by the Board yesterday only delays the need for a combined-cycle project, unless the wind project does not go through.

Staff is considering the St. Anthony and Emmons County areas due to access to existing transmission facilities and the Northern Border Pipeline.

Curt Pearson, Manager of Media and Community Relations, reported on September 2 meetings with the Emmons County Commission and the Linton City Council where he gave an overview of an energy park with the possibility of a combined-cycle facility. The presentation was very well received and both groups welcomed this development for jobs and tax revenue.

Kelly Suko, Property & Right-of-Way Project Coordinator, reported on 2013-2014 Emmons County land sales and contacts he'd made with various landowners in order to locate a 320- to 640-acre plant site. A decision whether to secure a secondary site is still being discussed.

Mr. Steckler reported that in order to keep all options open, we need to move forward with a site and define the project. He reviewed the bids for the Phase I engineering study and noted that we are moving forward with the low bidder, Burns & McDonnell. Project definition includes site layout, interconnection design, technology selection, support permitting applications, cost estimate completion, project schedule and bidding on major equipment.

C. AVS-to-Neset & North Killdeer Loop 345 kV Transmission Update

Casey Jacobson, Senior Staff Counsel, reported on the status of permitting and right-of-way. Right-of-Way is 100% complete on the AVS-to-Charlie Creek portion. The Judson-to-Charlie Creek segment is 86% complete with eight private landowners left. The Judson-to-Neset segment is 94% complete with four private landowners left. The Roundup-to-Kummer Ridge segment is 0% complete and the Patent Gate-to-Kummer Ridge segment is 33% complete. She reported that right-of-way acquisition is going very well. Trial dates for the condemnation actions are six to nine months into the future. She estimated construction of the remaining segments in summer/fall of 2015.

She expects PSC approval on the Permit Amendment (due to the relocation of a tower) in a couple weeks.

Staff is preparing the application for the North Killdeer Loop, which will be submitted to the PSC within the next few weeks.

As Basin Electric is seeking RUS funding for this project, NEPA approval is required. The initial notice was published in the *Federal Register* in November of 2011.

Amanda Wangler, Project Manager, reported the staff is working with contractors on a recovery plan to expedite the transmission construction.

She reviewed the bids for construction of the Charlie Creek-to-AVS segment, which contract was awarded to National Conductor for \$2,570,978.75 and requires no board action.

The budget for the AVS-to-Neset project is \$347,200,000 and for the North Killdeer Loop is \$180,650,000.

D. Logan Substation Capacitor Bank Additions Budget Amendment

Boyd Trester, Electrical Engineering Supervisor, reported that the current budget for the Logan Substation Capacitor Additions is \$2.0 million. The proposed budget amendment cost is \$400,000 and is for the costs associated with delayed construction due to higher priority substation completion, contracted construction inspection, extended winter weather and excessive spring moisture that significantly slowed construction, bringing the revised project budget to \$2.4 million. He discussed and presented photographs of the construction of the Logan Substation Capacitor Banks and recommended that the budget amendment be approved.

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

R05.09-08-14 RESOLVED, that the budget for the Capacitor Additions at the Logan Substation be increased \$400,000 to a new total of \$2.4 million; and

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

E. Approval of LRS Warehouse Project

Gavin McCollam, Director of Engineering Services, reported that this item has been included in the Long-Range Engineering Plan for some time and was approved by the MBPP Engineering & Operations Committee. The new warehouse will provide space for warehouse consolidation. He presented plant-site diagrams showing existing storage and the location of the new warehouse. The schedule calls for award of the general contract and mobilization in September; foundation work is scheduled for October through November; metal building erection for February through May; interior work for May through August; and occupancy on September 15, 2015.

The project budget is divided into furnishing the building/erection contract for \$7.6 million; owner-furnished materials including contingency for \$4,629,074; and

interest during construction of \$103,000 for a budget total of \$12,332,074. Basin Electric's portion of this amount is \$5,271,873. He recommended approval of the LRS Warehouse Project.

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

R06.09-08-14 RESOLVED, that the LRS Warehouse Project presented to this meeting of the Board of Directors at a budgeted cost of \$12,332,074 is hereby 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 General Construction Contract for LRS Warehouse.** Mr. McCollam presented the bids for providing and erecting the LRS warehouse. He recommended the contract be awarded to the second-lowest bidder, Ormond Builders, for \$7,565,947 because the low bidder wouldn't commit to starting construction until spring of 2015.

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

R07.09-08-14 RESOLVED, that the General Contract for the LRS Warehouse Construction be awarded to Ormond Builders in the amount of \$7,565,947; and

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

- G. **Civil Engineering Update**

Clark Jundt, Manager of Civil Engineering, reviewed the structure of the Civil Engineering group and reviewed the scope of engineering services they provide to the Cooperative.

18. **Transmission Report**

FERC. Mike Risan, Senior Vice President-Transmission, reported that August RTO activities include the FERC filing, WAPA meeting on September 18 to discuss a make-whole agreement, NIMECA/HCPD scheduling status, transmission policy and reconstituted steering committee (structure group and internal teams). He reviewed the RTO integration tasks completed during the month and the key tasks that require completion in the upcoming months.

Williston Load Pocket. Staff continues working on the operating guides going into winter operation in the Williston Load Pocket. The guide provides instructions for which facilities and modes of operation to bring on at what time as certain load levels are reached. He believes we are in good shape in this respect.

He met with staff from Excel during the month on the transmission upgrades underway around Minot, North Dakota. We are still on track with a commercial operation date of 2013 for the 230 kV side. Excel was agreeable to selling its portion

of the Mallard Substation to the cooperatives.

NERC activities. Mr. Risan reported that staff continues to work with WECC and the MRO in providing information relating to the self-compliance with NERC reliability standards.

19. Financial Services Report

Steve Johnson, Senior Vice President & CFO, reported that staff will meet with RUS staff members Jim Elliott (Acting Assistant Administrator - Electric), Victor Vu (Deputy Assistant Administrator), Shawn Patel and Mark Moore during the NRECA Region V and VI meetings.

Several board and staff members will meet with Goldman Sachs and the rating agencies (Moody's, Standard & Poor's and Fitch) on October 6-8 and will participate in a bank investor meeting on Wednesday. He noted that we have been informed by JPMorgan that it plans to decrease its holding in Basin Electric's \$500 revolving credit facility from \$125 million to \$50 million.

Andy Buntrock, Manager of Financial Planning & Forecasting, noted that the existing financial forecast showed a 5.5 mill rate increase in 2019. He discussed strategies that could be used to reduce a rate cliff event in a particular year. The Financial Forecast that was approved by the board in August was then distributed.

The 2014 year-end pre-tax margin is estimated at \$48.9 million compared to the budget of \$38.8 million.

Mr. Johnson then reported that RUS had denied our request for a depreciable life extension of DFS.

A. Authorization to Enter into an Issuing & Paying Agent Agreement with U.S. Bank

Mr. Johnson presented an Issuing and Paying Agent agreement with U.S. Bank and recommended that it be approved.

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

R08.09-08-14 BE IT RESOLVED, by the Board of Directors of Basin Electric Power Cooperative, (hereafter referred to as the "Issuer"), as follows:

RESOLVED, that any single CEO & General Manager and Sr. Vice President & CFO of the Issuer (the "Responsible Officer(s)") be and they hereby are authorized to execute and deliver for and on behalf of the Issuer an Issuing and Paying Agent Agreement (the "Agreement") (a) appointing U.S. Bank National Association as an issuing and paying agent and depository of the Issuer, and (b) providing for the safekeeping, completion, countersignature, issuance, delivery and payment of commercial paper.

RESOLVED, that any one of the Responsible Officer(s) may, in connection with the foregoing, make, execute, and deliver in the name of the Issuer, under the Issuer's corporate seal or

otherwise, any documents or other instruments and to take any and all such further actions as such Responsible Officer(s) may, in their discretion, deem necessary or appropriate to effect the foregoing transactions including, but not limited to, designating one or more of the employees or agents of the Issuer as Authorized Representatives under the Agreement and one or more employees of a dealer as Dealer Representatives under the Agreement.

B. Authorization to Enter into CoBank Electronic Commerce Documentation Agreements

Mr. Johnson presented two agreements with CoBank for facility electronic commerce documentation and recommended they be approved. After discussion, it was moved by Director Applegate, seconded by Director Pearson and carried that the following Resolution be adopted:

R09.09-08-14 RESOLVED, that the Board of Directors authorizes the CEO and General Manager or Sr. Vice President & CFO to execute on behalf of the Cooperative the Master Agreement for Cash Management and Transaction Service and the Automated Clearing House (ACH) Customer Authorization Agreement with CoBank, ACB as well as to appoint and deactivate the appointment of employees of the Cooperative as "Authorized Users" under those agreements.

C. Accounting Report

Darla Miller, Senior Accounting Analyst, reported that the August 2014 Statement of Operations reflected an estimated net margin of \$16.2 million compared to the budgeted net margin of \$17.1 million for an unfavorable variance of \$900,000. 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 August was 21.2% and at the end of July was 21.3%. At the end of August, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 25.3% and at the end of July was 25.4%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 21.5% at the end of August and 21.2% at the end of July.

D. Regulatory Expense Deferral Plan for RTO Integration Costs

Shawn Deisz, Vice President & Controller, reviewed the costs associated with Basin Electric's RTO Integration Project and explained that said expenses could be deferred subject to a regulatory expense deferral plan. The deferral plan would call for recognition of the costs of RTO integration over the estimated time of the benefit of joining the RTO is realized by Basin Electric and its members (approximately 10 years). Accounting Standards Codification #980 allows this action if: (1) rates are set by an independent regulator or the entity's own

governing board; (2) rates are designed to recover the regulated entity's cost of providing service; and (3) it is reasonable to assume rates charged to recover costs can be collected from customers. Without an expense deferral plan, 2014 and 2015 ratepayers will bear the cost of the RTO integration project that will benefit rate payers for numerous years. She estimated the amortization of deferred costs to be \$660,000 per year or \$55,000 per month beginning in October of 2015.

She then recommended that the Regulatory Expense Deferral Plan for RTO Integration Costs be approved.

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

R10.09-08-14 WHEREAS, Basin Electric's Board of Directors approved joining an RTO, the Southwest Power Pool (SPP), effective October 1, 2015; and

WHEREAS, integration into the SPP requires that Basin Electric incur various costs including, but not limited to, updating business processes and procedures, evaluating staffing and organizational structure, preparing systems and converting data, determining regulatory reporting and tax requirements, and training staff; and

WHEREAS, Basin Electric estimates that the cost of the RTO integration project, excluding new capital projects, is approximately \$6.6 million to be incurred from January 2014 through September 2015; and

WHEREAS, Basin Electric's rate payers will benefit from participation in the SPP for many years in the future; and

WHEREAS, the Rural Utilities Service (RUS) published the January 1, 2009 Edition of "Accounting Requirements for RUS Electric Borrowers", 7 CFR Part 1767, requiring RUS approval of expense deferral plans.

NOW THEREFORE BE IT RESOLVED, that the amounts expended for the RTO Integration project from January 1, 2014 through September 30, 2015 be deferred until the date Basin Electric joins SPP and amortized into the rate base over 10 years beginning in October 2015; and

BE IT FURTHER RESOLVED, that due to the fact that the Cooperative is not now, nor has it ever been tax exempt, the Cooperative believes that said deferral will not impact its tax status; and

BE IT FURTHER RESOLVED, the Board of Directors further finds that bringing said expenses into the Cooperative's rate base over 10 years will have no greater impact on Basin

Electric's status as a cooperative than would bringing the expenses into the rate base in 20014 through 2015.

E. Funding Concepts for Asset Retirement Obligations Reserves

Ms. Deisz reported that Basin Electric has a legal obligation to retire, decommission or reclaim certain long-lived assets. Basin Electric has asset retirement obligations for solid waste disposal facilities, ponds and groundwater monitoring facilities, transmission lines, the Chamberlain Wind Turbines, Deer Creek Station, Groton Units #1 and #2, Culbertson Generation Station and Lonesome Creek Generation Station. The Cooperative has no legal obligation to retire, decommission or reclaim LOS, AVS, LRS, DFS, Spirit Mound and PGS. The current asset retirement obligation for Basin Electric is \$23.7 million and for the PrairieWinds Projects is \$4.0 million. The projected retirement obligation through 2050 is \$105.5 million for Basin Electric and \$13.8 million for the PrairieWinds Projects.

She then compared the values of the Basin Electric and PrairieWinds Asset Retirement Obligations if funded in 2014, 2019 and 2024. When funded, these are considered designated funds; however, they can also be undesignated. Mr. Johnson noted that these funds could be designated, segregated and included in 45-day cash, so they wouldn't need to be borrowed.

20. Recess and Reconvention

At 12:15 p.m., the meeting recessed until 1:00 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Director Drost continuing to keep the minutes.

21. 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, Eric Carufel, Ted Cash, Tammy DeWitt, Mike Eggl, Deb Haga, John Jacobs, Mark Kinzler, Sally Meyer, Deb Olafson, Dave Raatz, Mike Risan, Kevin Tschosik and Michelle Wiedrich. Also present was DGC Vice President David J. Sauer and Touchstone Energy Chief Operating Officer (COO) Denise Aranoff-Brown.

22. Communications & Administration Report

Mike Eggl, Senior Vice President-Communications & Administration, introduced Denise Aranoff-Brown, COO of Touchstone Energy.

A. Touchstone Energy Update

Ms. Aranoff-Brown reported that a brand is a collection of perceptions, experiences and interactions and is what you remember after the facts fade. She then discussed the power of a strong brand and noted that a strong brand plus a powerful network of 750 Touchstone members equals good member engagement. Touchstone creates engagement opportunities for its members.

A good brand is a balance of the promise (advertising, promotion, media relations, member communications) and performance (customer experience, customer advocacy, character/culture management caliber and what others say). A brand will fail if one side has more weight than the other side.

She reported that Touchstone Energy has a co-op web builder that is completely free to its members. Four hundred ninety-four cooperatives currently participate in the Co-operative Connections discount program which has resulted in \$78 million in prescription cost savings. The cooperatives of Touchstone energy is the highest-rated electric-utility group.

Ms. Aranoff-Brown reported that 125 of Basin Electric's member cooperatives are members of Touchstone Energy and that Ted Cash serves on the Touchstone Energy Board of Directors.

Legislative Update. Mr. Eggl then reported on the September 4 STB rail hearing where Basin Electric and DGC provided testimony regarding service delays and congestion.

EPA Regulations. The internal working group is drafting initial comments on the EPA draft regulations on regulating greenhouse gas emissions on existing sources. There will be a utility meeting with the Wyoming Department of Environmental Quality on September 8 to discuss responses to these regulations.

He then reported on media coverage from the past month and asked the directors to consider nominations for the Cornerstone and Cooperative Spirit awards. The recipients of these awards will be determined at the October board meeting.

Work continues on the review of board policies and how all the Cooperative's policies work together with the strategic plan. A process is being drafted.

23. Date and Time of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place October 13 -14, 2014, at the headquarters building in Bismarck, North Dakota.

24. Approval of IBEW Local #1593 Contract

Mr. Jacobs reported on negotiations with IBEW Local #1593 for the seven PrairieWinds ND employees and recommended that the two-year contract be approved.

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

R11.09-08-14 RESOLVED, that the Labor Agreement with the International Brotherhood of Electrical Workers Local 1593 PWND be approved; and

BE IT FURTHER RESOLVED, that the officers of the Cooperative be authorized to execute the same for and on behalf of the Cooperative.

25. Adjournment

At 1:55 p.m., it was moved by Director Drost and seconded by Director Rohrer that the meeting be adjourned. The motion carried.



Claire M. Olson
Assistant Secretary