

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

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October 9-10, 2012**

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

**Minutes of the Regular Meeting of the Board of Directors  
October 9-10, 2012**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, on October 9-10, 2012 starting at 2:30 p.m. CDT with the pledge of allegiance.

**1. Call to Order**

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

**2. Roll Call**

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

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

said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Jan Blair, Mike Eggl, Mike Fluharty, Daryl Hill, Steve Johnson, Becky Kern, Sharon Lipetzky, Duey Marthaller, Mike Paul, Dave Raatz, Kathi Risch, Ken Rutter, Tom Stalcup, Myron Steckler, Paul Sukut, Linda Thomas, Kevin Tschosik, Michelle Wiedrich and Lyle Witham. Also present were Dakota Gasification Company (**DGC**) director Jim Geringer, DGC staff member Mark D. Foss, East River Electric Cooperative (**East River**) director Mark Rogen and Upper Missouri G&T (**Upper Missouri**) manager Claire Vigesaa and Upper Missouri directors Wayne Deubner, David Sigloh and Allen Thiessen.

**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 Peltier, seconded by Director McCabe and carried that the revised agenda be approved as presented.

**4. Approval of the Minutes**

The minutes of the September 11, 2012 Board Audit Committee and September 10-11, 2012 Board meeting were presented, along with the changes to Resolution R07.09-10-12 that were submitted by staff. After an opportunity for corrections, it was moved by Director Rohrer, seconded by Director Pearson and carried that the minutes be approved as revised.

**5. CEO & General Manager's Report**

Mr. Serri reported that Wayne Child had been awarded the Craig Thomas Cooperative Service Award during the Wyoming Statewide annual meeting in September.

He also reported on the Freedom Award ceremony in Washington, DC. During this trip, he also met with several senators on proposed legislation affecting coal ash and beneficial uses of coal combustion byproducts.

He also discussed his presentation to the East River/Rushmore managers group and reviewed the highlights of the trip to New York to meet with the rating agencies and other bankers.

**6. Western Fuels Association (WFA) Update**

Director Ritthaler reported on the WFA board meeting held in conjunction with the International Mining Association Expo in Las Vegas. He noted that Deloitte & Touche has been selected as WFA's new external auditor.

The Laramie River Station (LRS) coal dumper outage is complete and is again receiving coal. He reported that rail car covers are being considered to reduce fugitive dust. All three trains are running at LRS.

**7. Office of General Counsel Report**

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

**A. Environmental Report**

Mr. Olson reported that the bird and bat fatality study for Crow Lake and Minot Wind Projects show considerably lower-than-industry averages. Basin Electric contracts with the West Group to conduct the statistical study.

All federal agencies have reviewed the draft Antelope Valley Station (AVS) to Neset 345 kV transmission line Environmental Impact Statement (EIS) and are awaiting final review by the Rural Utilities Service (RUS), the lead agency.

**B. Property Management**

Mr. Olson reported on the status of the acquisition of easements on the AVS to Tande 345 kV transmission project.

**C. Approval of Notice of 2012 Annual Meeting**

Mr. Olson presented and reviewed the Notice of 2012 Basin Electric Annual Meeting and recommended that it be approved. After discussion, it was moved by Director Drost, seconded by Director Ritthaler and carried that the following Resolution be adopted:

**R01.10-09-12**

RESOLVED, that the 2012 Notice of Basin Electric annual meeting presented to this meeting of the Board of Directors is hereby approved.

**D. Selection of Delegates to BEPC Subsidiary Annual Meetings**

Mr. Olson reported that the annual shareholder meetings of Dakota Gasification Company, Dakota Coal Company, PrairieWinds ND 1, Inc. and PrairieWinds SD 1, Inc. will be held in December; the annual meeting of Basin Cooperative Services will be held in January and the annual shareholder meeting of Basin Telecommunications, Inc. will be held in April. The Cooperative directors represent the Cooperative at these shareholder meetings.

He recommended the Board of Directors name persons to act as the authorized representatives of the Cooperative, in its capacity as member or shareholder of each of these subsidiaries. After a full discussion, on motion duly made by Director Gilbert, seconded by Director Applegate and carried, the following Resolution was adopted:

**R02.10-09-12**

RESOLVED, that the following persons be, and they are hereby designated to participate in the 2012 annual shareholder meeting of Dakota Gasification Company and to exercise, on behalf of the Cooperative, its vote at said annual meeting, each such designated person to vote 1/11th of the interest of the Cooperative:

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuhrer
Charles Gilbert	Roy Ireland
Kermit Pearson	Wayne Peltier
Reuben Ritthaler	Roberta Rohrer

The Upper Missouri director to be seated in November

RESOLVED, that the following persons be, and they are hereby designated to participate in the 2012 annual shareholder meeting of Dakota Coal Company and to exercise, on behalf of the Cooperative, its vote at said annual meeting, each such designated person to vote 1/11th of the interest of the Cooperative:

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuhrer
Charles Gilbert	Roy Ireland
Kermit Pearson	Wayne Peltier
Reuben Ritthaler	Roberta Rohrer

The Upper Missouri director to be seated in November

RESOLVED, that the following persons be, and they are hereby designated to participate in the 2012 annual shareholder meeting of PrairieWinds ND 1, Inc. and to exercise, on behalf of the Cooperative, its vote at said annual meeting, each such designated person to vote 1/11th of the interest of the Cooperative:

Donald E. Applegate                      Wayne L. Child  
Gary Drost                                      Arden Fuher  
Charles Gilbert                               Roy Ireland  
Kermit Pearson                                Wayne Peltier  
Reuben Ritthaler                              Roberta Rohrer  
The Upper Missouri director to be seated in November

RESOLVED, that the following persons be, and they are hereby designated to participate in the 2012 annual shareholder meeting of PrairieWinds SD 1, Inc. and to exercise, on behalf of the Cooperative, its vote at said annual meeting, each such designated person to vote 1/11th of the interest of the Cooperative:

Donald E. Applegate                      Wayne L. Child  
Gary Drost                                      Arden Fuhrer  
Charles Gilbert                               Roy Ireland  
Kermit Pearson                                Wayne Peltier  
Reuben Ritthaler                              Roberta Rohrer  
The Upper Missouri director to be seated in November

RESOLVED, that the following persons be, and they are hereby designated to participate in the 2012 annual shareholder meeting of Basin Cooperative Services and to exercise, on behalf of the Cooperative, its vote at said annual meeting, each such designated person to vote 1/11th of the interest of the Cooperative:

Donald E. Applegate                      Wayne L. Child  
Gary Drost                                      Arden Fuhrer  
Charles Gilbert                               Roy Ireland  
Kermit Pearson                                Wayne Peltier  
Reuben Ritthaler                              Roberta Rohrer  
The Upper Missouri director to be seated in November

RESOLVED, that the following persons be, and they are hereby designated to participate in the 2012 annual shareholder meeting of Basin Telecommunications, Inc. and to exercise, on behalf of the Cooperative, its vote at said annual meeting, each such designated person to vote 1/11th of the interest of the Cooperative:

Donald E. Applegate                      Wayne L. Child  
Gary Drost                                      Arden Fuhrer  
Charles Gilbert                               Roy Ireland  
Kermit Pearson                                Wayne Peltier  
Reuben Ritthaler                              Roberta Rohrer  
The Upper Missouri director to be seated in November

## 8. Plant Operations Reports

### A. Fossil Fuel Generation Update

Mike Fluharty, Vice President of Plant Operations, reported there were no Days Away Restricted or Transferred (DART) incidents in September. It has been 670,523 man-hours since the last DART incident on June 20, 2012.

September generation was 19.5% under budget. Year-to-date (YTD) generation was 17.6 million MWh compared to the budget of 19.5 million MWh or 9.4% under budget.

The LRS coal inventory dropped to 1.64 million tons or a 68-day supply for all three units at full load. Leland Olds Station (LOS) #2 was removed from service on September 7 for a seven-week outage. The new scrubber will be put in service at start-up.

August individual availability and capacity factors for the generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Rating	Comments
LRS #1	40.8%	81.8%	570 MW	
LRS #2	99.6%	92.1%	570 MW	
LRS #3	58.6%	88.7%	570 MW	
LOS #1	99.9%	73.9%	221 MW	
LOS #2	22.9%	72.6%	448 MW	
AVS #1	100%	86.3%	450 MW	
AVS #2	96.6%	84.2%	450 MW	
DFS	68.4%	93.1%	386 MW	

He then reviewed the 24-month moving-average forced-outage rate trends.

### B. Distributed Generation Update

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

Unit	Monthly Generation (MWh)	Comments
Groton Unit No. 1	2408 MWh	
Groton Unit No. 2	1814 MWh	Run for load and reliability
Culbertson Combustion Turbine	4568 MWh	
Wyoming Distributed Generation	77 MWh	Run for west-side reserve calls
Spirit Mound Unit No. 1	Did not run	
Spirit Mound Unit No. 2	239 MWh	Run for reliability due to a transmission outage near Gavins Point

Deer Creek Station	Did not run	
Wisdom Unit No. 2	Did not run	

The Spirit Mound current fuel inventory is 839,775 gallons. Thirty-six wind turbine blade inspections have been completed. An emergency response meeting held with area first responders.

**PrairieWinds SD 1.** All end-of-warranty inspections have been completed. Each gearbox warranty will be submitted to GE.

**PrairieWinds ND 1.** Annual maintenance has been completed. Oil changes have been completed on 59 gearboxes.

The east-side peak occurred on September 1, 2012, at hour ending 6:00 p.m. At that time, wind generation was as follows:

Project	September Capacity Factor	Load Factor During the Peak	Project Total
PrairieWinds ND 1	40%	48 MW	123 MW
PrairieWinds SD 1	41%	109 MW	162 MW
Wilton Project	38%	65 MW	99 MW
Baldwin Project	39%	79 MW	99 MW
Edgeley Project	26%	14 MW	40 MW
Highmore Project	32%	23 MW	40 MW
Day County Project	44%	97 MW	99 MW
Iowa Wind Projects	32%	3 MW	45.1 MW
Other Wind Projects (Chamberlain & Pipestone)	20%	1 MW	3.4 MW
TOTAL SEPTEMBER WIND GENERATION	38%	440 MW	712 MW Maximum
AVERAGE 2012 YEAR-TO-DATE CAPACITY FACTOR	38%		---

**C. Dry Fork Station (DFS) Update**

Tom Stalcup, DFS Plant Manager, reported that, as of the end of September, DFS staff had worked 488,614 hours or 1,799 days without a DART. Construction of DFS began on October 17, 2007 and there has never been a DART case at DFS. On October 17, 2012, the DFS staff will celebrate five years and 500,000 man-hours without a DART.

September net generation was 25.75% under budget, availability was 68.43% and the Running Plant Capacity Factor (RPCF) was 93.07% or 377 net MWh.

Year-to-date (YTD), net generation was 4.36% over budget, availability was 89.42%, the RPCF was 95.34% or 386 net MWh and the forced-outage rate was 7.56%. Had the February outage been as planned, the forced-outage rate would be 2.84%.



Mr. Stalcup then reviewed unit outages to date. The directors congratulated Mr. Stalcup and the entire DFS staff for the excellent safety record.

Nolan Bray, DFS Performance Engineer, reviewed work on the boiler, SCR, air preheater and scrubber during the September 22 through October 1 outage. There were no injuries during the outage.

## 9. Planning Report

### A. Large Commercial Rate

Dave Raatz, Vice President of Cooperative Planning, reported that after discussing the proposal for the Large Commercial Rate during the September meeting, the Board asked staff to clarify the criteria for loads subject to the rate. In addition, staff was asked to develop a formulary rate to be reviewed at the October Board meeting.

Mr. Raatz then noted that the existing Large Commercial Rate is for loads larger than 15 MW at a single site. The rate consisted of the Class A rate plus a six mill energy adder for 10 years plus take-or-pay on a 50% load factor. The adders would be recalculated on applications starting after 2013. He reviewed the status of the loads that might come under the rate at a future date, namely OneOK and Hess, as well as TransCanada.

Mr. Raatz then noted several requirements that staff incorporated in the rate since last month: (1) Member must notify Basin Electric of single-site load additions of 10 MW or larger; (2) time registration metering is required for all 10 MW load additions; and (3) Member must provide Basin Electric a completed Interconnection Notification form. The rate for loads 15 MW or larger (non-coincidental) would be the Base Rate plus a Marginal Adder for 10 years. The Marginal Adder would be calculated in accordance with the formulary rate in Appendix A of the rate. He then reviewed the formulary rate calculation.

## 10. Recess and Reconvention

At 5:30 p.m., the meeting recessed until 8:00 a.m., at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

## 11. Roll Call

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	Roy Ireland
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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members David Bangen, Andrew Buntrock, Steve Crane, Shawn Deisz, Mike Eggl, Mike Fluharty, Daryl Hill, Dan Job, Becky Kern, Rod Kuhn, Deborah Levchak, Sharon

Lipetzky, Duey Marthaller, Kimberly Miller, Dale Niezwaag, Diane Paul, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Paul Sukut, Linda Thomas, Michelle Wiedrich and Lyle Witham. Also present were DGC director Jim Geringer, East River director Mark Rogen, Mor-Gran-Sou director Joe Dunn, Upper Missouri manager Claire Vigesaa, Upper Missouri directors Wayne Deubner and Allen Thiessen and Innovative Energy Alliance (IEA) co-manager Chris Baumgartner.

## 12. Planning Report, continued

### A. Large Commercial Rate, continued

After briefly reviewing the proposed rate, Mr. Raatz noted that this rate is designed to assess large loads a premium to mitigate some risk at the Basin Electric level, and to assess the load a rate comparable to the marginal cost to serve the load at the time of interconnection notification. The Board then discussed the rationale for this rate, rate design, minimum take-or-pay and the fairness of the rate among various rate classes and the Membership.

It was noted that the Manager's Advisory Committee (MAC) meeting was on Friday and perhaps they should provide input on this rate proposal. After further discussion, Mr. Serri noted that he would discuss this rate proposal with the MAC on Friday.

### B. TransCanada

Mr. Raatz noted that a conference call was held three weeks ago with TransCanada for an update on their project. They still hope to obtain the Presidential Permit in 2013 and complete construction in late 2014 or early 2015. By 2016, the load will likely be approximately 120 MW.

Mr. Raatz reviewed the status of the contracts between the members and TransCanada for the construction of the distribution facilities and the sale of electric power and energy. He also reviewed the contractual protection for the \$23 million of new Integrated System facilities that may become stranded investment if the project is cancelled.

## 13. Executive Session

At 9:30 a.m., it was moved by Director Drost, seconded by Director Peltier and carried to move into executive session to discuss executive compensation.

At 12:00 noon, it was moved by Director Drost and seconded by Director Gilbert that the Board arise from executive session. Motion carried.

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

### R03.10-09-12

RESOLVED, that the Board of Directors of Basin Electric Power Cooperative hereby adopts the Basin Electric Power Cooperative CEO Deferred Compensation Plan as presented to the Board of Directors and directs that it be executed by an officer of Basin Electric.

It was then moved by Director Drost, seconded by Director Rohrer and carried that the following Resolution be adopted:

**R04.10-09-12** RESOLVED, that the CEO and General Manager's salary and benefits, as presented to this meeting of the Board of Directors, is hereby approved.

**14. Recess and Reconvention**

At 12:15 p.m., the meeting recessed until 1:15 p.m., at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

**15. Roll Call**

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	Roy Ireland
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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Don Boehm, Andy Buntrock, Shawn Deisz, Mike Eggl, Steve Ellefson, Mike Fluharty, Daryl Hill, Deb Honeyman, Becky Kern, Rod Kuhn, Sharon Lipetzky, Duey Marthaller, Dale Niezwaag, Deb Olafson, Mike Paul, Dave Raatz, Lyn Raymo, Mike Risan, Kathi Risch, Ken Rutter, Paul Sukut, Linda Thomas, Michelle Wiedrich and Lyle Witham.

Also present were DGC director Jim Geringer, East River director Mark Rogan, Mor-Gran-Sou director Joe Dunn, Upper Missouri director Allen Thiessen and Deloitte & Touch audit manager Judy Dockendorf.

**16. Recess for Board Audit Committee Meeting**

At 1:15 p.m., it was moved by Director Drost, seconded by Director Gilbert and carried to convene the Board Audit Committee. The regular board meeting continued at 1:30 p.m.

**17. Planning Report, continued**

**A. Large Commercial Rate, continued**

After discussion, it was moved by Director Pearson and seconded by Director Peltier that the Board of Directors acknowledges the resolution from Upper Missouri regarding the Large Commercial Rate. The motion carried.

**B. Large Compression Rate**

Mr. Raatz reviewed the history of the Large Compression Rate. Basin Electric has one load on this rate, the Dry Willow Anadarko compression facility of 3.5 MW that came on in late 2009. The rate is for 10 years and PRECorp is being assessed an adder of 15 mills/kWh for the load.

Mr. Raatz noted that it is unlikely that new large compression rate applications will be received and in a move toward clarifying the Basin Electric special rates, he recommended consideration of terminating the large compression rate effective January 1, 2013.

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

**R05.10-09-12** RESOLVED, that the Large Compression Rate be terminated for new loads effective January 1, 2013.

Mr. Serri then asked the Board's wishes regarding the Dry Willow Anadarko load that continues to be on this rate. No action was taken.

### **C. Small Renewable Rate**

Mr. Raatz reported that in August, the Board approved the pricing for purchases under the Small Renewable Rate. The rate for 2013 for facilities over 40 kW was 30 mills and for less than 40 kW is 44.3 mills. This change resulted in an unanticipated lowering of the rates for the Pipestone and Rosebud Projects since they are over 40 kW.

Mr. Raatz noted that there are only 2 MW of load under this rate. Responding to a Board question, Mr. Raatz noted that there was only a very minor loss in overall revenue if the under 40 kW and over 40 kW received the higher 44.3 mills starting in 2013.

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

**R06.10-09-12** RESOLVED, that beginning in 2013, the under 40 kW facilities and over 40 kW facilities each receive the higher rates that start at 44.3 mills in 2013 and reach 47 mills in 2017.

### **D. Planning Report**

Mr. Raatz reported that the RTO analysis continues. Staff will meet with the MAC on October 12 to discuss RTO issues, as well as certain Basin Electric rates.

Staff will meet with MISO and SPP on October 24-25 in an attempt to begin to clarify some of the more detailed issues associated with RTO membership.

A meeting on the analysis of economic results has been scheduled for November 15-16 in Bismarck with representatives from SPP and MISO. Several individuals from FERC will also participate to discuss regional transmission planning and address RTO membership questions.

Staff continues to plan for a decision by year-end; however, this is a very detailed analysis to be done in a short time period.

Third Party Load Forecast Update. Mr. Raatz then noted that Kadrmas, Lee & Jackson will give a presentation on the Williston Basin Third-Party Load Forecast at the November Board meeting. As this was a state-funded process, the first presentation on this matter will be given to the North Dakota Industrial Commission on October 23.

Member Relations Activities. Mr. Raatz then presented a monthly report of membership activities in which Basin Electric staff participated.

## 18. Marketing and Trading

### A. Purchased Power Report

Mr. Serri introduced Ken Rutter, Vice President of Marketing and Trading, who previously worked in the Risk and Controls area at Ameren.

Mr. Rutter reported that purchased power volumes were higher than forecast due to plant outages in September. This was offset by lower energy take from the membership. Drivers for forecast deviations were above normal temperatures to the west, below normal temperatures to the east and lower precipitation in most areas.

He noted that studies are underway to develop a comprehensive understanding of BEPC's commodity risks and opportunities.

## 19. Engineering Report

Mike Paul, Vice President of Engineering and Construction, reported that the editors of Power Engineering magazine, RenewableEnergyWorld.com and PennWell Corp. have announced 15 finalists for the annual Projects of the Year Awards program and Basin Electric's Dry Fork Station is one of them.

The finalists were selected from more than 100 nominees in eight major categories: coal, gas, nuclear, solar, wind, bioenergy, hydro and geothermal.

The Best Coal Project finalists are the Virginia City Hybrid Energy Center owned by Dominion Virginia Power in Virginia and the Dry Fork Station in Wyoming, co-owned by Basin Electric and the Wyoming Municipal Power Agency.

The winners of the Projects of the Year Awards will be announced during a gala awards banquet on Monday, December 10 at the Hilton Orlando Hotel in Orlando, Florida, as part of the POWER-GEN International Conference and Exhibition and the co-located NUCLEAR POWER International Conference and Exhibition, Renewable Energy World Conference & Exhibition North America and the Financial Forum.

### A. Award of Steel Structures Contract for AVS to Neset 345 kV Transmission Project

Duey Marthaller, Manager of Civil Engineering, reported that the AVS to Neset project is divided into three segments of approximately 65 to 70 miles each: (1) from AVS to the Charlie Creek Substation (30 miles north of Belfield); (2) from the Charlie Creek Substation to the new Judson Substation near Williston; and (3) from the Judson Substation to the new Tande Substation in the Tioga area. The project also includes six different substations (two new and four existing).

Requests for proposals for 19 different tower structure types for this project were issued and the bidders were given a general scenario of what types of structures were needed in different locations. The base bids will be adjusted subject to commodity pricing escalation or reduction, final structure design and actual quantities required. He reviewed the proposals received and recommended that the contract be awarded to TransAmerican Power Products for an estimated cost of \$45 million.

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

**R07.10-09-12**

RESOLVED, that a contract for the purchase of steel structures for the AVS to Neset 345 kV transmission line be awarded to TransAmerican Power Products for an estimated cost of \$45 million with final contract pricing subject to commodity pricing escalation, or reduction, final structure design, and exact quantity required; and

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

**20. Transmission Report**

Mike Risan, Senior Vice President-Transmission, reviewed studies currently underway to serve the potential future load growth in northeastern North Dakota and eastern Montana.

This includes the next level of infrastructure required to serve additional loads if loads continue to grow.

**Western ND Winter Operating Guide 2012/2013.** Mr. Risan noted that Basin Electric and Western have developed operating guides for the winter season for the Williston area load pocket. Western monitors load levels in real-time by measuring flows going into that pocket. Winter operating guides show what level of load can be reliably served before taking actions such as curtailing external transfers or increasing generation in the area.

He noted that the load-serving limit in the pocket is 560 MW, taking into account these operational actions.

**NERC Compliance.** Basin Electric continues its efforts to improve the quality of its NERC compliance program. The Executive Oversight Committee guiding implementation approved the use of a consultant to further define the relationship and division of responsibilities between Basin Electric and WAPA. Staff is also revisiting Basin Electric's registration within NERC compliance. Basin Electric had initially volunteered to register on behalf of itself and its members with NERC compliance; however, there are now additional registration options to consider that may be more appropriate. Basin Electric will also be self-certifying the status of its compliance to the Midwest Reliability Organization in October.

**RTO.** On September 18, 2012, FERC issued an order which requires MISO to honor the SPP/Western seams agreement and to honor IS impacts on regional flowgates including those within MISO. This order supported IS/SPP positions nearly unilaterally.

**Transmission System Maintenance.** Mr. Risan reported on the LOS transformer swap and that a 600 MVA transformer was transferred from a Houston shipping yard to LOS and is ready for dress-out by TSM technicians.

## 21. **Financial Services Report**

Paul Sukut, Senior Vice President and CFO, reviewed current economic statistics.

**2012 Margin Update.** Mr. Sukut reported that the year-end margin was budgeted at \$41.0 million. Based on year-to-date actuals, it is projected that year-end margins will be \$52.9 million or \$11.9 million over the budget. The variance is due to unbudgeted revenue from wind tag sales, the Ormat settlement, fly ash sales and expenses not incurred for the AVS baghouse.

**Liquidity and Commercial Paper.** He reported that during the month, the Cooperative received \$204 million of 20-year money at 1.76% from RUS for the PrairieWinds South Dakota project.

**Commercial Paper Program.** The commercial paper program was \$205 million at the end of September.

**Member Investment Program.** The Member Investment Program ending balance was \$138.8 million – the same as last month. During the month, however, the MIP reached an all-time high of \$157 million, with just 45 of 134 members participating.

**RUS Loan Fund Audit.** The RUS completed its audit of nearly \$1 billion of loan funds with no audit findings or recommendations.

### A. **RUS Form 219 Approval – Deer Creek Station**

Mr. Sukut recommended that staff be authorized to execute and submit Form 219, Inventory of Work Order No. 46, in the amount of \$31 million to RUS for the Deer Creek Station. Form 219 certifies costs of construction and is required by RUS prior to loan funds being advanced.

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

#### **R08.10-09-12**

RESOLVED, that RUS Form 219 – Inventory of Work Order No. 46 in the form presented to this meeting is hereby approved and that the Chairman of the Board of Directors and the CEO and General Manager are hereby authorized to execute the same for and on behalf of the Cooperative;

BE IT FURTHER RESOLVED, that the Board of Directors certifies to the Rural Utilities Service that the cost of construction shown in said Form 219 is the actual cost reflected in the general accounting records of the Cooperative and that

the funds represented by the advances requested by said Form 219 has been expended in accordance with the (a) purposes of the loan; and (b) provisions of the: (i) loan contract; (ii) Indenture dated as of January 1, 1998; (iii) RUS Bulletins; and (iv) Code of Federal Regulations relating to the advance of funds for work order purposes.

**B. Accounting Report**

Shawn Deisz, Manager of Accounting, reported that the September 2012 Statement of Operations reflected an estimated net deficit of \$1.5 million compared to the budgeted net margin of \$805,000 for an unfavorable variance of \$700,000. The net deficit for the same period last year was \$6.8 million.

Through September, the net margin of \$64.9 million is \$13.0 million higher than budget.

She also reviewed member sales, surplus sales, operations expenses, maintenance expenses, YTD consolidated net income/loss, changes to the balance sheet and month-end cash. Basin Electric's equity-to-asset ratio at the end of September was 19.7% and at the end of August was 19.7%. The equity-to-capitalization ratio at the end of September using Moody's Rating Service's methodology was 23.8% and at the end of August was 23.7%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 18.5% at the end of September and 18.5% at the end of August.

**22. Communications and Administration Report**

Mike Eggl, Senior Vice President—Communications and Administration, briefly discussed issues facing Congress when it returns.

Chris VandeVenter, Legislative Representative, presented his predictions for the winners and losers in the upcoming Congressional elections.

Mr. Eggl then briefly reviewed plans for the 2012 annual membership meeting.

**23. Recess and Reconvention**

At 5:30 p.m., the meeting recessed until 7:45 a.m., at which time the meeting reconvened, President Ireland continuing to preside and Secretary Pearson continuing to keep the minutes thereof.

**24. Roll Call**

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

Donald E. Applegate	Wayne L. Child
Gary Drost	Arden Fuher
Charles Gilbert	Roy Ireland
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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Shawn Deisz, Mike Eggl, Daryl Hill, Steve Johnson, Sharon Lipetzky, Mike Risan, Ken Rutter, Paul Sukut, Linda Thomas, Kim Wetzel and Michelle Wiedrich. Also present were DGC directors Jim Geringer and Tom Owens, East River director Mark Rogen and DGC staff members Gary Loop, Bob Fagerstrom, A.T. Funkhouser, Dave Sauer and Linda Schuette.

**25. Mid-West Electric Consumers Association (MECA)**

President Ireland noted that the MECA annual meeting is scheduled for December 10-13, 2012 in Denver and that a delegate and alternate should be named. After discussion, Directors Peltier and Drost were named delegate and alternate, respectively.

**26. North Dakota Association of Rural Electric Cooperatives**

President Ireland noted that a director and alternate director should be named to the North Dakota Association of Rural Electric Cooperatives. After discussion, Arden Fuhrer was named director and the Upper Missouri representative on the Basin Electric board was named alternate director to the NDAREC board of directors.

**27. Large Compression Rate**

Mr. Raatz noted that the Large Compression Rate was terminated for new applications, but that the Dry Willow Anadarko 3.5 MW load is still under the rate. He recommended that the Cooperative enter into an agreement with PRECorp on the treatment of this existing load.


He discussed options for the rate, which included using the base rate. He also noted that it would be possible to use the original rate calculation and price it each year. After further discussion, it was the consensus of the Board to discuss this with the MAC and bring it back for further consideration.

**28. Date and Place of Next Board Meeting**

The next meeting of the Board of Directors will take place November 5-6, 2012, at the Basin Electric headquarters building in Bismarck, North Dakota, and the Annual Meeting of the Membership will take place November 7-8, 2012, at the Bismarck Civic Center.

**29. Adjournment**

President Ireland adjourned the meeting at 8:15 a.m.

  
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Kermit Pearson  
Secretary-Treasurer