

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

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October 12-14, 2014**

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The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the Wingate Hotel, 1421 Skyline Boulevard, Bismarck, North Dakota, Bismarck, North Dakota, beginning on Sunday, October 12, 2014 at 7:30 p.m. CDT.

1. Call to Order

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

2. Roll Call

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

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

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Claire M. Olson and Basin Electric staff members Robert J. Bartosh, Chris Bauer, Steve Colberg, Dan Job, Steve Johnson and Michelle Wiedrich.

Also present were Dakota Gasification Company (DGC) directors James Geringer and Tom Owens and DGC staff member Mark D. Foss.

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 Thiessen and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the September 8-9, 2014 Regular Meeting of the Board of Directors and the September 8, 2014 Basin Electric Board Audit Committee were presented and after an opportunity for corrections, it was moved by Director Baker, seconded by Director Brekel and carried that these minutes be approved as presented.

5. Communications & Administration Report

A. Headquarters Expansion/Relocation Analysis

Mr. Sukut noted that the Board had authorized the expenditure of \$1.5 million to study the existing facility and determine the pros and cons of adding on to the

existing building versus construction of a new building.

Dan Job, Facilities Manager, reviewed the options and estimated costs for more office space at Basin Electric Headquarters, including expansion and relocation. Directors asked staff to look into the cost of an expansion that's a bit larger than first considered.

6. Recess and Reconvention

The meeting recessed at 8:20 p.m. CDT and was reconvened at 1:00 p.m. CDT at which time the meeting reconvened, President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes thereof.

7. 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 Jamey Backus, Tracey Bettenhausen, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Greek, Ellen Holt, John Jacobs, Steve Johnson, Becky Kern, Janet Kubisiak, Rod Kuhn, Anine Lambert, Deborah Levchak, Sharon Lipetzky, Jim Lund, Gavin McCollam, Darla Miller, Mary Miller, Steve Mundahl, Dale Niezwaag, Deb Olafson, Dave Raatz, Mike Risan, Josh Rossow, Ken Rutter, Jim J. Sheldon, Susan Sorensen, Myron Steckler, Steve Tomac, Kevin Tschosik, Amanda Wangler and Michelle Wiedrich.

Also present was DGC director James Geringer and DGC Vice President David J. Sauer and DGC staff member Mark D. Foss.

8. General Manager's Report

General Manager Sukut reported on the Wyoming and Montana Statewide meetings held the past month. On September 24, Bill Drummond, executive director of Midwest Electric Consumers Association, visited Basin Electric. The Manager's Advisory Committee (MAC) Rates Subcommittee met on September 25. The group spent the morning discussing RTO issues and the members' interest in getting their assets into the RTO. The group reviewed rates in the afternoon. He also reported on the meeting with the rating agencies last week.

9. 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), EPA Section 111(d) and EPA Section 114(a) matters.

A. Approval of Notice of 2014 Annual Meeting

Mr. Olson presented and reviewed the Notice of 2014 Basin Electric Annual Meeting and recommended that it be approved. After discussion, it was moved by Director Gilbert, seconded by Director Fuher and carried that the following Resolution be adopted:

R01.10-12-14 RESOLVED, that the 2014 Notice of Basin Electric annual meeting presented to this meeting of the Board of Directors is hereby approved.

B. Selection of Delegates to Subsidiary Annual Meetings

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

He recommended that the entire Board of Directors be authorized 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 Thiessen, seconded by Director Applegate and carried, the following Resolution was adopted:

R02.10-12-14 RESOLVED, that the Basin Electric Board of Directors is hereby designated to participate in the 2014 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;

RESOLVED, that the Basin Electric Board of Directors is hereby designated to participate in the 2014 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;

RESOLVED, that the Basin Electric Board of Directors is hereby designated to participate in the 2014 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;

RESOLVED, that the Basin Electric Board of Directors is hereby designated to participate in the 2014 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;

RESOLVED, that the Basin Electric Board of Directors is hereby designated to participate in the 2014 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; and

RESOLVED, that the Basin Electric Board of Directors is hereby designated to participate in the 2015 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.

10. Operations Report

John Jacobs, Vice President of Operations, reviewed the Cooperative's safety performance, noting that there had been one Days Away, Restricted or Transferred (DART) incident and five recordable incidents for the month. The DART incident occurred when the saw being used by a Transmission System Maintenance (TSM) employee kicked-back and injured his hand. The Antelope Valley Station (AVS) employees have worked more than one million hours without a DART and the Leland Olds Station (LOS) employees are nearing the two and a half million hours mark without a DART event.

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 6.8% under budget for September. September individual availability and capacity factors for the coal-based generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Rating	Comments
AVS #1	99.9%	75.3%	450 MW	One master fuel trip
AVS #2	68.86%	83.3%	450 MW	Air heater cleaning outage
DFS	91.46%	94.81%	386 MW	Vibration probe 1A boiler feed pump
LRS #1	100%	84.71%	570 MW	Investigating how unit is dispatched
LRS #2	15.18%	81.00%	570 MW	Water wall tube leak; boiler drum level; turbine repairs
LRS #3	92.40%	86.72%	570 MW	Trip on high vibration indicators #5 bearing; unstable transmission; condensate leak; sealing steam safety valve
LOS #1	16.61%	67.25%	221 MW	Major overhaul
LOS #2	90.70%	70.74%	448 MW	Continued deslagging outage; fan control trip

He then presented photographs of the slag build-up on pendants, furnace wall and the plugged hopper on the bottom of the scrubber at the Dry Fork Station (DFS). He reported on the status of the ongoing major overhaul of the LRS #2 low-pressure turbine rotors. It is anticipated that the unit will be back up and running between

November 25 and December 4. The LRS coal stockpile is at 30 days. The LOS stockpile is sufficient for 36 days of operation at full load.

A. Distributed Generation Update

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

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Groton Unit #1	95.32%	183	100 MW	
Groton Unit #2	95.30%	75	100 MW	
Culbertson CT	98.90%	1,390	100 MW	For load
WY Dist. Gen.	87.75%	164	54 MW	
SMS Unit #1	100%	769	60 MW	
SMS Unit #2	100%	802	60 MW	
Deer Creek	98.13%	1,248	300 MW	
PGS Unit #1	83.88%	253	45 MW	For load and reliability; synchronous condensing
PGS Unit #2	88.29%	171	45 MW	
PGS Unit #3	83.84%	735	45 MW	
LCS Unit #1	56.79%	2,460	45 MW	For load demand and reliability

Mr. Tschosik reviewed the list of gas turbine parts that GE is replacing at their cost. He also reported on the weatherization efforts underway at the Pioneer Generation Station (PGS).

During September, PGS ran in synchronous condensing mode 80.85 hours and Lonesome Creek Station (LCS) for 55.43 hours. Groton did not run in synchronous condensing mode last month. Deer Creek Station ran only one day last month. The Wyoming Distributed Generation had 30 west-side reserve calls for total generation of 164 MW.

He presented photographs of the Hartzog #3 turbine which is in Texas for repair. Spirit Mound Station did not run in September.

PrairieWinds ND 1. Mr. Tschosik reported that annual maintenance and blade inspections have been completed.

PrairieWinds SD 1. He reported that oil changes have been completed. A bullet hole was found in the nacelle of one tower. Since PWSD is connected to the bulk electric system, this is a NERC-reportable event. No shell casings were found and there was no damage to the internal nacelle equipment.

The east-side peak occurred on September 3, 2014 at 7:00 p.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor	Project Total
Baldwin	57 MW	42%	99 MW
Day County	19 MW	55%	99 MW
Edgeley	9 MW	32%	40 MW
Highmore	1 MW	37%	40 MW
Iowa Wind	27 MW	30%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	8%	3.4 MW
PrairieWinds ND	45 MW	44%	123 MW
PrairieWinds SD	118 MW	46%	162 MW
Wilton	40 MW	39%	99 MW
Total September Wind Generation	315 MW	43%	712 MW maximum
Average Monthly Capacity Factor	n/a	43%	n/a
Average YTD Capacity Factor	n/a	44%	n/a

B. LOS Update

Jamey Backus, LOS Plant Manager, reported that as of October 4, 2014, the LOS employees have worked 2,470,544 hours without a DART case. The "Our Power, My Safety" first initiative began in September. Year-to-date (YTD) station generation was 8.76% under budget.

YTD Unit #1 generation was 10.26% over budget, availability was 87.16% and the running plant capacity factor was 82.60%.

YTD Unit #2 generation was 2.96% under budget, availability was 88.74% and the running plant capacity factor was 76.19%.

Mr. Backus then presented photographs and discussed activities associated with the 17-day, Unit #2 cleaning outage. The pluggage was most likely caused by a combination of altered blend procedures, coal quality and the lack of load drops. The cost of this outage was \$1,281,455.

Work conducted during the Unit #1 scheduled major outage included replacing the reheat outlet header, replacing 2,000 feet of boiler wall tube and major overhaul of the turbine. He presented photographs associated with this work.

Unscheduled work done during the Unit #1 outage included replacement of an additional 1,500 feet of boiler wall tube, repair of cracks on the secondary air heater rotor and major overhaul of the turbine.

Mr. Backus next reported on the LOS coal stockpile forecast through 2014 both with and without enhanced BNSF services. With continued enhanced BNSF service, we should be at full stockpile in November.

On August 5, 2014, LOS entered into a one-year agreement to sell gypsum to Headwaters. Basin Electric will receive no direct profit in the first year. The

savings is from having less landfill material. Headwaters plans to sell the gypsum to a company that uses it as a drilling fluid additive.

C. Approval for LOS Mercury Control

Mr. Backus reported that efforts are underway to achieve a mercury emission limit of 4 lb/TBTU at LOS by April of 2015. He reviewed the testing completed at the Station with four different vendors testing five different technologies. Testing results showed that the mercury removal would meet or exceed that required by the regulations.

He reviewed the equipment required and noted that the cost of labor is estimated at \$2,267,039; material at \$2,616,969; and tax, freight and interest at \$297,889 for a total of \$5,177,897. He recommended that the capital project request for mercury control at LOS be approved. After discussion, it was moved by Director Applegate, seconded by Director Gilbert and carried that the following Resolution be adopted:

R03.10-12-14 RESOLVED, that Capital Project Request #150184 for mercury control at LOS be opened at an estimated cost of \$5,177,897; and

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

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

Mr. Rutter noted that September member energy usage by the members was below forecasted levels due to mild weather and delays in some loads in the Williston Load Pocket. Plant outages significantly impacted purchased power needs. Natural gas burns came in higher than budgeted levels. Basin Electric has been working with the Western Area Power Administration (**Western or WAPA**) and Montana-Dakota Utilities Co. (**MDU**) on the Williston load pocket operating agreement for the upcoming winter. RTO project work continues.

He reported that runoff in the Missouri Basin was 141% of normal at 35.5 million acre-feet versus an average of 25.2 million acre-feet, producing an average of 23,000-plus megawatt hours per day production through the end of 2014. Storage peaked at 61 million acre-feet.

Overall September DC tie utilization was 38%. Basin Electric had only 65% of its generating capacity available on the West in September, so it experienced the need for megawatts to be imported from the East. Surplus hydro and wind generation on the East also drove prices down, making it economic to have flows from East to West.

In September, a shoulder month, the estimated value that the ties added was roughly \$250,000. YTD, the value added for the ties is over \$6.3 million. For September, 71% of the value was derived from real-time trader adjustments to the preschedule directional flows.

Mr. Rutter reviewed preliminary September natural gas generation and noted that WAPA shared a draft winter operations guide with Basin Electric and MDU Marketing. The system intact limit without generation for this winter is 675 MW. Beyond this level, Basin Electric and MDU share in the cost of transmission support

for the area. Last year, MDU's share was approximately 25% of the cost. This year it is currently being estimated at 10% of the cost. He reviewed forward activity, Basin Electric Out-Year Risk Reduction and the RTO impacts for Marketing.

12. Cooperative Planning Report

Rate MAC Update. Dave Raatz, Vice President of Cooperative Planning, reported that discussions with the Rate-MAC group resulted in seven major takeaways: (1) maintain existing heating rate structure; (2) existing demand and energy split still appropriate; (3) member rate disparity important; (4) support for the elimination of resource adders for all-requirements members; (5) support development of renewable energy delivery rate (~~ethanol plants~~); (6) after SPP integration, consider development of Basin Electric's large load and load management rates; and (7) a time of use rate not be required with the existing rate structure. These points will be re-evaluated after SPP integration.

Reduction to GRE Baseline Quantities. Mr. Raatz noted that Crow Wing has selected Option #3. The other GRE-fixing members are reviewing the options available.

MAC Meeting. The next MAC meeting is October 23 in Sioux Falls, where the transmission service policy, member transmission inclusion and NERC compliance will comprise the vast majority of the meeting.

Transmission Policy Implementation. Mr. Raatz reviewed the timeline for transmission policy implementation, noting the current plan calls for implementation by January 2016. He discussed the proposed changes to the wholesale power contracts, including an extension of the term.

New Member Possibilities. Mr. Raatz reported that the members of Southern Montana have obtained a firm power purchase for an undisclosed period of time that will enable them to pay off their debt to the secured creditors. Some members of Southern Montana may seek membership in Class A members of Basin Electric after the expiration of that purchase.

Montana Power Supply. Today, Basin Electric has obligations to Central Montana on the highline. We have Integrated System (IS) network service and will have SPP in the future. One hundred percent of Park Electric's load is in Northwestern Energy's service territory. Today when we look at required wheeling, we pay for the IS wheel and Central Montana pays the Northwestern Energy tariff. As we look into SPP, there is a provision that if relying on deliveries from a resource of SPP to drive out across the Miles City DC Tie, you are also going to pick up a Schedule 11-regional transmission cost allocation. If you don't rely on that delivery from SPP and put resources in Montana, you may avoid the Schedule 11 charge from SPP. We've seen a lot of this going forward.

Staff is looking into the feasibility of constructing generation in Montana as a cheaper alternative to paying these transmission costs.

Larry LaMaack, CEO of Wyoming Municipal Power Agency, will meet with Mr. Sukut and staff on October 24 to discuss scheduling, power marketing and power supply opportunities.

A. CO₂ Compliance Approach

Jim J. Sheldon, Power Supply Engineer, reported on the activities of the staff

work group analysis of EPA's new draft regulations on CO₂ emissions for existing sources.

B. Wind Purchase Update

Mr. Raatz reported that in September, the board authorized the CEO & General Manager to enter into agreements to purchase up to 249 MW of power purchases related to the Lindahl Wind Project. This past month, commitments were made to purchase 100 MW from the Lindahl Wind Project.

Mr. Raatz noted that staff had received a proposal from NextEra for the purchase of 150 MW of power from their project near Dickinson. He reviewed the economics of the Dickinson Project and compared that to purchasing ~~another 150 MW~~ an additional amount from the Lindahl Project. He noted that the Dickinson site is not contingent upon a Production Tax Credit extension since NextEra already has qualifying equipment.

Mr. Raatz recommended entering into agreements to purchase up to 150 MW from the NextEra/Dickinson Project and up to 150 MW from the Lindahl Project.

After discussion, it was moved by Director Fuher, seconded by Director Baker and carried that R03.09-08-14 be revised to read as follows:

R04.10-12-14 BE IT RESOLVED, that Resolution R03.09-08-14 be amended to authorize the CEO & General Manager, or his designee, to execute up to 300 MW of power purchase agreements related to the Lindahl Wind Project and Dickinson Wind Project under acceptable terms and conditions.

C. Northern Tier Energy Center Update

Becky Kern, Manager of Utility Planning, provided an update on the Northern Tier Energy Center, a proposed partnership between five utilities, including Basin Electric, to build a combined-cycle plant located in the MISO footprint. Next steps include a site recommendation in November, a meeting between the chief executive officers of the five partners in December and a possible commitment to Phase 3 of the project in March 2015.

13. Engineering & Construction Report

A. Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that contracts totaling \$14.5 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, presented photographs of and provided an update on the construction of Phase II of the LCS. This project is 80% complete. There currently are 110 people on-site. TSM staff set structures and tied-in to the existing 115 kV line.

There was one OSHA-recordable incident in September. He presented the cumulative project progress percentage and reviewed upcoming project

milestones.

Combined-Cycle Development Status. Mr. Steckler reported that Phase 1 development continues to move forward. Engineering Services staff and Burns & McDonnell are working on plant site acquisition, gas and water supply and transmission interconnection options for the project.

LRS SCR Project. Staff continues to move through the front-end engineering & design (FEED) study with Sargent & Lundy for the SCR Project for the LRS. Other work involves preliminary design and balance-of-plant studies, project cost estimate construction plan and major equipment specifications. Phase I is scheduled for completion in December of 2014. Jim Lund will give a project update at the January 2015 board meeting.

LOS SNCR Project. The Board approved this project in June of 2014. The equipment supply contract is currently out for bids and will be presented for approval in November.

C. Lonesome Creek Station Phase III

Josh Rossow, Project Manager, provided an update on Phase III of the LCS. The Project objective is for a 90 MW peaking generation station with a commercial operation date no later than June 1, 2016. Major activities include engineering work, geotechnical borings, grading design, finalizing general arrangements and revising equipment specifications. The air permit application was submitted on September 25, 2014. Work continues on the North Dakota Public Service Commission Siting Application. The contract for the combustion turbine package was awarded to GE for \$44.9 million. The budget was \$45.7 million. The CTG delivery is scheduled for October of 2015. Of the \$107.9 million budget, \$47.6 million has been committed. There have been no significant departures from the budget.

D. Pioneer Generation Station III

Mr. Rossow provided an update on Phase III of the PGS. The air permit application was submitted on August 8, 2014. Work continues on the North Dakota Public Service Commission Siting Application. The contract for the combustion turbine package was awarded to Wartsila for \$52.7 million. The budget was \$55.6 million. The reason for the decrease was due to the Euro-to-Dollar exchange rate and that low noise radiators are not needed. Unbudgeted modifications to the pipeline interconnect is \$420,000. The transmission scope is less than expected resulting in savings yet to be determined.

14. Recess and Reconvention

The meeting recessed at 5:00 p.m. CDT and was reconvened at 8:00 a.m. CDT on Tuesday, October 14, 2015.

15. Roll Call

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

Don Applegate
Leo Brekel
Arden Fuher
Mike McQuiston
Wayne Peltier
Allen Thiessen

Paul Baker
Gary C. Drost
Charles H. Gilbert
Kermit Pearson
Roberta Rohrer

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 Robert J. Bartosh, Tracie Bettenhausen, Eric Carufel, Gary Christenson, Shawn Deisz, Tammy DeWitt, Christy Dirk-Senn, Mike Eggl, Matt Greek, Chad Heck, Ellen Holt, John Jacobs, Steve Johnson, Mark Kinzler, Janet Kubisiak, Rod Kuhn, Gavin McCollam, Darla Miller, Rob Morse, Steve Mundahl, Deb Olafson, Curt Pearson, Dave Raatz, Mike Risan, Ken Rutter, Laura Skager, Susan Sorensen, Myron Steckler, Steve Tomac, Amanda Wangler, Michelle Wiedrich and Roxanne Woeste.

Also present were DGC director James Geringer, DGC Vice President David J. Sauer, CoBank CEO Bob Engel, Minnesota Rural Electric Association CEO Darrick Moe and Mor-Gran-Sou Electric Cooperative director Lance Frohlich.

16. Financial Services Report

A. CoBank Presentation

Steve Johnson, Senior Vice President & CFO, introduced Bob Engel, CEO of CoBank. Mr. Engel began by noting that CoBank is delighted to work with Basin Electric in developing its plans for the future. Mr. Engel then discussed the geopolitical outlook, the global economic outlook, interest rates and provided an update on the status and financial health of CoBank.

17. Communications Report, continued

Steve Tomac, Legislative Representative, introduced Darrick Moe, CEO of the Minnesota Rural Electric Association (MREA). Mr. Moe worked at WAPA for many years and has been at MREA for six months. Mr. Moe discussed MREA's activities.

18. Engineering & Construction Report, continued

A. 345 kV Transmission Update

Amanda Wangler, Project Manager II, reported that the RUS Record of Decision was received on September 13, which enabled field construction activities to commence. One objection (from the Killdeer Mountain Alliance) was received during the comment period.

Construction started at the Charlie Creek Substation; however, we are waiting for the final Forest Service permit to cross a portion of their lands near the substation.

During construction activities along the transmission line, a crane tipped which was categorized as a "near miss" as there were no injuries. Staff met with the president and operations manager of Great Southwestern to discuss the incident. Great Southwestern called a safety stand-down to re-evaluate its processes and will move on in a safe manner.

Meetings were held with Great Southwestern's senior management to create a

recovery plan due to lagging production. First framing began September 18 and first drilling started September 25. Two types of drilling are being done, directly embedded and concrete foundations, depending on the structure and soil type. The first structure was set just outside of the Charlie Creek Substation on October 8.

The old AVS breaker foundations are being removed and new ones installed. As of this morning, 34 of the 40 new foundations had been poured.

A Charlie Creek Substation construction kick-off meeting was held on October 2 and construction began on October 6.

Grading at the Judson Substation began on September 22. Ms. Wangler noted that the Judson Substation is one of the largest substations Basin Electric has ever built. Grading is expected to take nine weeks. The schedule has been accelerated.

B. Change Order #02 to Contract 665574, General Contractor for AVS-to-Judson 345 kV Transmission Project

Ms. Wangler reported that this change order is required for the costs associated with the delayed construction start on the AVS-to-Judson segment of the AVS-to-Neset transmission line. The Change Order is for \$2,191,624.95 and includes costs to mobilize extra crews, additional labor and equipment to maintain the same completion date. Stringing will begin in the spring 2015. She recommended the change order associated with these costs be approved. After discussion, it was moved by Director Pearson, seconded by Director Gilbert and carried that the following Resolution be adopted:

R05.10-12-14 RESOLVED, that Change Order #02 to Contract #665574, General Contractor for the AVS-to-Judson 345 kV Transmission Project, in the amount of \$2,191,624.95 to a new contract total of \$33,949,222.47 be issued to Great Southwestern; and

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

C. Award of Contract for Transformer at Tande Substation

Ms. Wangler reported that a 600 MVA 345/230 kV power transformer is needed at the Tande Substation to support the AVS-to-Neset project. The cost of the power transformer is \$4,289,587. This transformer was bid with the Judson Substation transformer. SMIT Transformers was chosen based on performance on recent projects and overall cost of the unit. She recommended the purchase of this transformer be approved. After discussion, it was moved by Director Drost, seconded by Director Applegate and carried that the following Resolution be adopted:

R06.10-12-14 RESOLVED, that Contract #649916 for the purchase of a 345/230 kV power transformer for the Tande Substation in order to support the AVS-to-Neset transmission line be awarded to SMIT Transformers in the amount of \$4,289,587 is hereby approved; and

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

Permitting on North Killdeer Loop. Ms. Wangler reported that staff originally planned to submit the application to the NDPSC for all three substations and the North Killdeer Loop transmission line. However, it has been decided to break the application into two phases due to the additional time needed for land acquisition for the Roundup-to-Kummer Ridge segment. The first phase would include all three substations and the transmission line from Patent Gate to Kummer Ridge. The second phase would include the transmission line from Kummer Ridge to Roundup. The Phase 1 application will be submitted near the end of October 2014 which gives staff more time to work on routing issues. The Phase 2 application will be submitted approximately six months later. Ms. Wangler noted that a detailed budget update and the award of the Judson construction contractor will be presented next month.

D. New Cost Estimating Procedures

Gavin McCollam, Engineering Services Director, presented a high-level look at cost estimating procedures. According to AACE International, "a cost estimate is an evaluation of the elements of a project or effort as defined by an agreed-upon scope."

He reviewed typical estimating responsibilities, items affecting estimating accuracy, contingencies, direct and indirect costs and PS&I versus traunching. Staff is currently evaluating cost-estimating software.

19. Financial Services Report, continued

Mr. Johnson reported that the rating agency trip last week had gone very well. Firms visited included Goldman Sachs, Moody's Investors Service, Standard & Poor's, FitchRatings, banks and lenders.

A. Authorization to Renew \$500 Million Revolving Credit Facility

Mr. Johnson reported that this revolving credit facility backstops the Cooperative's commercial paper program and was set to expire in October of 2016. He reviewed the banks and the levels at which each is offering to participate. Total preliminary commitments of \$645 million have been received, which will be scaled down to \$500 million. Post-closing, the Cooperative retains the option to increase the size of the facility to \$600 million. He reviewed the pricing grid and upfront fees and recommended approval of the authorization to renew the \$500 million revolving credit facility among Basin Electric, U.S. Bank National Association, as the administrative agent, CoBank, ACB, the Bank of Tokyo-UFJ, Ltd, Wells Fargo Bank, N.A. and the other collective lenders).

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

R07.10-12-14 **RESOLVED**, that the CEO & General Manager or Sr. Vice President & CFO is authorized to execute, on behalf of the Cooperative, a credit agreement (the **Agreement**) among the Cooperative, U.S. Bank National Association, as the

Administrative Agent, CoBank, ACB, The Bank of Tokyo-UFJ, Ltd., Wells Fargo Bank, N.A., and the other lenders (collectively, the **Lenders**) listed in the schedule attached to the Agreement (as such schedule may be amended from time to time pursuant to the terms of the Agreement) obligating the Lenders to make loans to the Cooperative in an aggregate amount not to exceed six hundred million dollars (\$600,000,000.00);

RESOLVED FURTHER, that the Board of Directors authorizes the CEO & General Manager or Sr. Vice President & CFO to take such acts and to execute and deliver, on behalf of the Cooperative, all such documents, instruments and certificates as they deems necessary or advisable in order to carry out the purpose and intent of the foregoing resolution and the performing of such acts and the execution and delivery of such documents, instruments and certificates shall conclusively evidence the authority for such act;

RESOLVED FURTHER, that the CEO and General Manager or Sr. Vice President & CFO is authorized to take such other actions on behalf of the Cooperative as they may determine necessary in connection with the Agreement, including changes to the Lenders listed in the schedule attached to the Agreement and the amount of the Commitments under the Agreement, subject, however, to the six hundred million dollar (\$600,000,000.00) not to exceed amount referred to above; and

BE IT FURTHER RESOLVED, that all previous actions taken by the CEO & General Manager or Sr. Vice President & CFO with respect to the Agreement and all other matters contemplated by these resolutions are hereby ratified and confirmed.

B. End-of-Year Estimate

Roxanne Woeste, Senior Financial Planning Analyst, reported that the 2014 year-end pre-tax margin is estimated at \$45.6 million which is \$6.8 million higher than the budget of \$38.8 million.

C. Accounting Report

Susan Sorensen, Manager of Financial Reporting & Accounts Receivable, reported that the September 2014 Statement of Operations reflected an estimated net deficit of \$1.1 million compared to the budgeted net margin of \$1.3 million for an unfavorable variance of \$2.4 million. The net margin for the same period last year was \$9.3 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 September was 21.0% and at the end of August was 21.2%. At the end of September, the equity-to-capitalization ratio using Moody's Investors Service's methodology was 25.0%

and at the end of August was 25.3%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 21.6% at the end of September and 21.5% at the end of August.

20. Transmission Report

Mike Risan, Senior Vice President-Transmission, began his report with a review of the activities underway associated with the integration into SPP. As a result of joining SPP, there will no longer be a need to be a member of MAPP, so discussions are underway with MAPP to discuss a withdrawal which may lead to the dissolution of MAPP.

Williston Load Pocket/Bakken. Mike Risan, Senior Vice President-Transmission, reported that studies show that Basin Electric and the membership have the ability to serve approximately 1,000 MW in the Williston Load Pocket. Based on the load projections, there should be sufficient capacity to serve the load in this area for the winter season under system-intact conditions. Mr. Risan then reviewed the transmission additions supporting the Williston Load Pocket.

Compliance. NERC. Staff has been working on a revised NERC compliance program, which will be discussed at the next MAC meeting. The new approach will take effect after the next round of audits which is scheduled for September, 2015 for WECC and in 2016 for MRO.

Basin Electric self-certifies facility ratings for WECC and MRO. We were recently notified by WECC of a violation but since it was reported and corrected, they determined it was not worthy of a penalty. The MRO staff also notified the Cooperative of a potential violation, but based on conversations, they may be contemplating a penalty. Since we addressed this issue, we believe there should be no penalty so we will have additional discussions with MRO staff.

21. Recess and Reconvention

At 11:55 a.m., the board recessed until 1:00 p.m., at which time the meeting reconvened, President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes thereof.

22. 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 Chris Bauer, Tracie Bettenhausen, Steve Colberg, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Greek, Chad Heck, John Jacobs, Dan Job, Steve Johnson, Mark Kinzler, Janet Kubisiak, Gavin McCollam, Mary Miller, Rob Morse, Deb Olafson, Curt Pearson, Dave Raatz, Mike Risan, Ken Rutter, Steve

Tomac, Chris VandeVenter and Michelle Wiedrich. Also present was DGC Vice President David J. Sauer.

23. Communications & Administration Report, continued

Mike Eggl, Senior Vice President-Communications & Administration, reported that work continues on the Section 111(d) rule. Major legislative efforts this month included the Washington, D.C. fall fly-in which was very well attended and the associated briefings generally went well. The Energy States Coalition continues to evolve. The state of North Dakota is leading the effort and interest from 14 other states remains high. We are beginning to ramp up for the state legislative sessions.

The staff supported other major grassroots building efforts including the largest ever Touchstone Energy Brand Camp. The purpose of the Brand Camp was to bring a cohesive message and delivery process to the Basin Electric membership and make that available to the Touchstone membership overall. Other efforts included Norsk Høstfest and annual meeting preparation, as well as support for the North Dakota Heritage Center.

IS&T is putting a great deal of effort into finalizing contracts and supporting data requests for the SPP integration, as well as reviewing building needs and options.

Mr. Eggl then reported on state legislative activities in the service area, media, tours, publication/video support, web support, charitable giving and event planning.

After a discussion of nominees for Basin Electric's Cooperative Spirit and Cornerstone awards, it was moved by Director Drost and seconded by Director Applegate that Wayne L. Child receive the 2014 Cornerstone Award and Clifton T. ("Buzz") Hudgins and Daryl Hill receive the 2014 Cooperative Spirit award.

24. Directors' Reports

Director McQuiston reported that Paul Lawrence is a new director on the Rushmore Board.

Director Rohrer thanked Mr. Sukut and staff for attending the Montana Statewide annual meeting. The auction for ACRE raised a record-breaking \$14,500.

Director Fuher reported that the North Dakota Statewide and all distribution cooperatives are looking into a common healthcare solution.

Director Thiessen reported that Upper Missouri's next meeting will be in Bismarck and he expressed his gratitude to Basin Electric staff for their presentations and participation.

Director Gilbert reported Regions 5 and 6 are trying to modify the NRECA resolution on ethanol to make it more accommodating to their region. He encouraged those attending the Regional meetings to support ethanol. Mr. Eggl noted that Dale Niezwaag stayed at the Region 5 and 6 meeting to try to assist in that effort. He also reported that Midland, his home cooperative, is involved in a case before the FERC regarding the disconnection of a Qualifying Facility for failure to pay bills. Oral arguments took place last week and they are waiting for a ruling.

25. Iowa Statewide Delegate and Alternate for 2015 Meetings

Mr. Peltier noted that a delegate and alternate are needed to attend the 2015 Iowa Statewide meetings. Currently Director Gilbert is the delegate and Director Applegate is the alternate. After discussion, it was moved by Director Drost,

seconded by Director Brekel and carried that Director Applegate will serve as delegate and Director Gilbert will serve as alternate to the Iowa Statewide for the coming year.

26. Minnesota Statewide Delegate and Alternate for 2015 Meetings

Mr. Peltier noted that a delegate and alternate are needed to attend the 2015 the Minnesota Statewide meetings. Currently Director Peltier is the delegate and Director Drost is the alternate. After discussion, it was moved by Director McQuiston, seconded by Director Rohrer and carried that Director Peltier will serve as delegate and Director Drost will serve as alternate to the Minnesota Statewide for the coming year.

27. Date and Time of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place November 3 -4, 2014, at the headquarters building in Bismarck, North Dakota.

28. Executive Session

At 2:05 p.m., it was moved by Director Thiessen, seconded by Director Pearson and carried that the Board retire into executive session to hear a report on the IBEW's vote on the labor contract.

At 2:52 p.m., it was moved by Director Rohrer, seconded by Director Gilbert and carried that the Board arise from executive session.

A. Approval of IBEW Local #1593 Labor Contract

It was then moved by Director Fuher, seconded by Director Applegate and carried that the IBEW Local #1593 Labor Contract be approved.

R08.10-12-14 RESOLVED, that the Labor Agreement with the International Brotherhood of Electrical Workers Local 1593 effective October 1, 2014 through September 30, 2016, be approved; and that the CEO & General Manager, or his designee, be authorized to execute the same for and on behalf of the Cooperative.

B. IBEW Local #1593 Enhanced Death Benefit

Ellen Holt, Vice President of Human Resources, reported that a condition of the IBEW's acceptance of the labor contract was an enhanced death benefit under the NRECA Retirement Security Plan. This amendment for a 100% death benefit option would be effective November 1, 2014. She recommended the resolution be adopted.

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

R09.10-12-14 WHEREAS, the Basin Electric Power Cooperative Board of Directors has adopted the National Rural Electric Cooperative Association Retirement Security Plan #35045-003 for its employees of the International Brotherhood of Electrical Workers Local 1593; and

WHEREAS, the Board of Directors desires to provide these employees with an enhanced death benefit under the

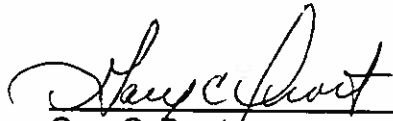
NRECA Retirement Security Program. The enhanced death benefit will allow the beneficiary of a deceased Participant to elect a death benefit with a single cash payment value equal to the single cash payment the Participant would have received if the Participant had separated from service on the date of death and elected a single cash payment. The effective date of the enhanced death benefit under the NRECA Retirement Security Program shall be November 1, 2014; and

WHEREAS, the Board of Directors acknowledges the adoption of this amendment will result in an increase in the billing rate under the NRECA Retirement Security Plan, and that the increase will apply for a minimum of five years from the effective date of this amendment even if the Cooperative eliminates the benefit.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby authorizes the CEO & General Manager to execute all necessary documents required for the amendment of Basin Electric Power Cooperative Retirement Security Plan #35045-003 for its Employees of the International Brotherhood of Electrical Workers Local 1593.

29. Adjournment

At 2:53 p.m., it was moved by Director Applegate and seconded by Director McQuiston that the meeting be adjourned. The motion carried.



Gary C. Drost
Secretary-Treasurer