



Approved January 15, 2014

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

**Minutes of the Regular Meeting of the Board of Directors  
December 8-10, 2013**

|     |  | <u>Page</u>    |
|-----|--|----------------|
| 1.  | Call to Order                                    | 1              |
| 2.  | Roll Call  | 1              |
| 3.  | Election of District 10 Nominee                  | R01.12-08-13 1 |
| 4.  | Recess and Reconvention                          | 2              |
| 5.  | Roll Call  | 2              |
| 6.  | Approval of the Agenda                           | 2              |
| 7.  | Approval of the Minutes                          | 2              |
| 8.  | General Manager's Report                         | 2              |
|     | A. Western Fuels Update                          | 2              |
|     | B. Flight Schedules                              | 3              |
| 9.  | Cooperative Planning Report                      | 3              |
|     | A. Southern Minnesota (SMEC) Member Rate Pricing | R02.12-08-13 4 |
|     | B. Solar Generation                              | 6              |
|     | C. National Renewables Cooperative Organization  | 6              |
| 10. | Transmission Report                              | 6              |
|     | A. Interconnection & Common Use Agreement        | R03.12-08-13 6 |
|     | B. Member Transmission Line Leases               | R04.12-08-13 7 |
|     | C. KEOTA Interconnection Request                 | R05.12-08-13 7 |
| 11. | Communications & Administration Report           | 8              |
| 12. | Office of General Counsel Report                 | 8              |
|     | A. Authorized Signatories                        | R06.12-08-13 8 |
| 13. | Recess and Reconvention                          | 10             |
| 14. | Roll Call  | 10             |
| 15. | Cooperative Planning, continued                  | 10             |

|     |  |              |    |
|-----|--|--------------|----|
|     | A. Strategic Planning  |              | 10 |
| 16. | Generation Report  |              | 11 |
|     | A. Distributed Generation Update   |              | 11 |
|     | B. LOS Plant Update  |              | 13 |
| 17. | Marketing and Trading  |              | 13 |
| 18. | Financial Services Report  |              | 13 |
|     | A. Accounting Report   |              | 14 |
|     | B. Approval of 2014 Operating & Capital Budget   | R07.12-08-13 | 14 |
|     | C. ERM Update  |              | 14 |
|     | D. AVS Unit #2 Leveraged Lease Update  |              |    |
| 19. | Recess and Reconvention  |              | 14 |
| 20. | Roll Call  |              | 15 |
| 21. | Financial Services Report  |              | 15 |
|     | A. AVS Unit #2 Leveraged Lease Update  |              | 15 |
| 22. | Executive Session  |              | 15 |
| 23. | Directors' Reports   |              | 15 |
| 24. | Selection of Delegate and Alternate to the Minnesota Rural<br>Electric Membership Meetings |              | 16 |
| 25. | Voting Delegate and Alternate for NRECA Annual & Regional<br>Meetings                      |              | 16 |
| 26. | Date and Place of Next Board Meeting   |              | 16 |
| 27. | Adjournment  |              | 16 |

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

**Minutes of the Regular Meeting of the Board of Directors  
December 8-10, 2013**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at Peacock Alley Langer Room, 422 East Main Avenue, Bismarck, North Dakota on Sunday, December 8, 2013 starting at 6:45 p.m. CST.

**1. Call to Order**

The meeting was called to order by Vice President Wayne Peltier, 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 | Marshall Collins |
| Gary Drost          | Arden Fuher      |
| Charles Gilbert     | Mike McQuistion  |
| Kermit Pearson      | Wayne Peltier    |
| Roberta Rohrer      | Allen Thiessen   |

Said persons being all of the Directors of the Cooperative as there is a vacancy in District 10. Also present were CEO & General Manager Andrew M. Serri, Assistant Secretary Claire M. Olson; Basin Electric staff members Robert J. Bartosh, Paul M. Sukut and Michelle Wiedrich; District 10 director nominee Paul Baker and Dakota Gasification Company (**DGC**) directors Alan Klein and Tom Owens.

**3. Election of District No. 10 Director Nominee**

General Counsel Claire Olson reported that Basin Electric's Amended and Restated Bylaws (**Bylaws**) provide that if a vacancy occurs at any time more than 90 days prior to the expiration of the term of the director, that district shall nominate an individual to fill the remaining term of that director.

District No. 10 caucused at PRECorp's headquarters on November 19, 2013. At that meeting, the authorized representatives of the members of District No. 10 nominated Paul Baker of Moorcroft, Wyoming, to fill the vacancy for the unexpired term.

He therefore recommended that in accordance with the Bylaws, the remaining members of the Board of Directors adopt a resolution appointing Mr. Baker to the unexpired term for District No. 10. After discussion, it was moved by Director Fuher, seconded by Director Drost and carried that the following Resolution be adopted:

**R01.12-08-13**

RESOLVED, that Paul Baker be appointed to fill the unexpired term of director for District No. 10 and serve until his successor shall be elected and qualified.

**4. Recess and Reconvention**

At 6:48 p.m., the meeting recessed until 12:50 p.m. CST on Monday, December 9, 2013, at which time the meeting reconvened, President Peltier continuing to preside and Secretary-Treasurer Gary Drost continuing to keep the minutes.

**5. Roll Call**

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

|                     |                 |
|---------------------|-----------------|
| Donald E. Applegate | Paul Baker      |
| Marshall Collins    | Gary Drost      |
| Arden Fuher         | Charles 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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Fred Adams, Robert J. Bartosh, Tracie Bettenhausen, Steve Colberg, Kelly Cozby, Shawn Deisz, Mike Eggl, Steve Johnson, Becky Kern, Mark Kinzler, Rod Kuhn, Joe Leingang, Sharon Lipetzky, Gavin McCollam, Dale Niezwaag, Deb Olafson, Dave Raatz, R.D. Reimers, Mike Risan, Ken Rutter, Heather Schlenker, Paul M. Sukut Shanda Traiser, Kevin Tschosik, Michelle Wiedrich and Lyle Witham.

Also present were DGC director Tom Owens; DGC staff member David J. Sauer; and Mor-Gran-Sou Electric Cooperative director Mark Doll.

**6. 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 Applegate and carried that the agenda be approved as presented.

**7. Approval of the Minutes**

The minutes of the November 4-5, 2013 Regular Board meeting were presented and after an opportunity for corrections, it was moved by Director Rohrer, seconded by Director Thiessen and carried that the minutes be approved as presented.

**8. General Manager's Report**

Mr. Serri reported on a call with John Bear, CEO of MISO, who said he understands why Basin Electric plans to join SPP rather than MISO.

On Veteran's Day, Basin Electric hosted a lunch to honor Basin Electric's retired and active military employees. The next day Matt Greek and he traveled to the Laramie River Station (**LRS**) to participate in a lunch for veterans. While at LRS, Mr. Serri visited with staff to address issues of concern.

The following week Messrs. Greek and Serri visited LRS, Leland Olds Station (**LOS**), Antelope Valley Station (**AVS**) and DGC to hold communications sessions. These visits went well and were very well attended.

The headquarters Christmas tree decorating ceremony was held on November 25. The ceremony was well attended considering it was such a cold, windy day. There was local media coverage.

Mandatory training for supervisors to identify harassment and substance abuse was held on November 26.

Last week was busy with the roll-out of the Mercer compensation study. All employees have or will soon be meeting with their supervisors to learn how their salary will be affected by the study.

On December 4, Bob Bartosh and Mr. Serri attended the Western Fuels Association (**WFA or Western Fuels**) board meeting.

Mr. Serri participated in a meeting with the Environmental Protection Agency (**EPA**) Administrator last week hosted by NRECA. In her opening comments, EPA Administrator Gina McCarthy stated that EPA would not compromise reliability due to the Clean Air Act. Mr. Serri noted that EPA should consider the load growth in the Upper Missouri Basin as they develop their new regulations on greenhouse gases.

He reported that the trustee has been removed from the Southern Montana bankruptcy case. The debt holders are now pushing back because they don't like the direction the case is going. He noted that this case is months or even years from being resolved.

#### **A. Western Fuels Update**

Messrs. Baker and Serri reported on the Western Fuels board meeting. There was a derailment on the main line on November 24 which damaged approximately 40 cars. No Basin Electric or Western Fuels cars were damaged.

The BNSF delivered 32 trains to LRS in October. The stockpile is now 1.05 million tons; the stockpile target is 900,000 tons. The average btu in October was 8575 BTU/lb. Daryl Koch, WFA's Vice President of Finance and Administration, is retiring. Western Fuels plans to divide his duties among several other staff members.

#### **B. Flight Schedules**

Fred Adams, Chief Pilot, reviewed the new board pick-up schedule due to the changes in pick-up locations for the new directors.

### **9. Cooperative Planning Report**

**RTO.** Dave Raatz, Vice President of Cooperative Planning, reviewed the RTO decision timeline. Public comments on the Western Area Power Administration's (**WAPA or Western**) proposed action to join the Southwest Power Pool (**SPP**) are due December 16. Basin Electric has posted sample responses on its member website should the members wish to submit comments.

Bylaw, tariff and membership language changes in the SPP agreements are scheduled to be completed in February. The SPP board would vote on Basin Electric's suggested tariff language and bylaw modifications in late April.

Ultimately, it is the objective of staff that once the SPP members have approved the memberships of Basin Electric, WAPA and HCPD in April, staff should be in a position to come to the board with the membership agreements in May or June 2014. Staff is diligently working with WAPA to keep the process moving forward.

The tariff amendment, bylaw change and membership agreements must be filed with FERC, which will include publication and a public comment period. This process could take four months and we may not know if we're actually in SPP until later in the fall.

**New Wind.** Mr. Raatz noted that at the September meeting, the Board adopted a resolution authorizing the purchase of up to 400 MW of wind generation.

The Cooperative executed contracts to purchase 106 MW from the Sunflower Project in North Dakota and 172 MW from the Antelope Hills Project in North Dakota.

Staff had continued extensive negotiations with the developer of the 98 MW project in Campbell County, South Dakota. However, in November, negotiations were halted because the parties could not reach an agreement on pricing.

Mr. Raatz noted that in the latter part of November, negotiations resumed and as of December 6<sup>th</sup>, the parties had reached an agreement on pricing.

He reviewed the term, conditions and pricing of the contract and noted that staff would proceed with the execution of the contract pursuant to the previous authorization.

**Native American Bill Crediting.** The topic of Native American bill credits came up during a discussion with WAPA last week. In 2001, the Native Americans in the Upper Midwest submitted a request for federal hydropower under WAPA's energy planning and management program.. Through this process, the Native Americans received 40 MW of federal power allocation effective January 1, 2001. He showed a map of reservations that receive a federal power allocation in relation to the Basin Electric membership.

In order to maintain the members' existing WAPA hydropower allocations and facilitate deliveries to the tribes, Basin Electric and WAPA created the Native American Bill credit program.

On December 17, the Tribes requested a meeting with WAPA and would like to change the bill crediting process so the money goes to the Tribal utility rather than the end consumer. There is no financial impact to Basin Electric with either method.

**Integrated Resource Plan.** Next month, Becky Kern will provide an update on the Integrated Resource Plan process. Based upon analysis to date, 200 MW of additional peaking may be needed by June of 2017 and 650 MW of combined cycle by June of 2019. A Site Evaluation Project Team was formed to identify three peaking sites and three combined cycle sites by early 2014.

#### **A. Southern Minnesota Energy Cooperative (SMEC) Member Rate Pricing**

Last month, Mr. Raatz reported that five distribution cooperatives in Minnesota are part of a group in the process of purchasing some of Alliant's distribution assets. These assets are being purchased through an affiliation with the Southern

Minnesota Energy Cooperative. Overall, it would involve these Basin Electric members obtaining 10,000 new customers with a load of approximately 46 MW.

Alliant will provide the power supply for the first 10 years and Basin Electric may be asked to supply the power starting in mid-2024 and later. Since this would be a relatively small amount of growth involving no new members, it basically looks like forecasted load growth.

Staff believes it would be appropriate to offer the Basin Electric member rate without an adder due to the fact that the 10-year horizon would allow Basin Electric ample opportunity to incorporate this into its power supply planning program. Southern Minnesota would need to notify Basin Electric this summer or shortly after FERC/PUC regulatory approval is received. The power sale pricing contingent upon East River, L&O or SMEC committing by the later of August 1, 2014 or within 30 days of final regulatory approval, to purchase from Basin Electric the additional power for this new load beginning in 2024 through the term of their existing all-requirement contracts.

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

**R02.12-08-13**

WHEREAS, Alliant Energy has stated it intends to sell its distribution system and discontinue service to a portion of southern Minnesota; and

WHEREAS, four Class C members and one Class A member of Basin Electric are members of a group of Minnesota rural electric cooperatives that have formed the Southern Minnesota Energy Cooperative to transition this service territory from Alliant Energy to the cooperatives; and

WHEREAS, approvals from the Minnesota Public Utility Commission and Federal Energy Regulatory Commission are needed before such transition may occur; and

WHEREAS, Members of Basin Electric have requested a commitment from Basin Electric to serve this potential additional load when the Alliant Energy power supply would end in 2024 and the rate at which such additional power supply would be provided to them.

NOW THEREFORE, BE IT RESOLVED, that, conditioned upon East River, L&O or Minnesota Valley committing, by the later of August 1, 2014 or within 30 days of final regulatory approval, to purchase from Basin Electric the additional power for this new load beginning in 2024 and through the term of their existing all-requirements Wholesale Power Agreements, that the additional power supply provided by Basin Electric shall be at the Basin Electric Rate Schedule A Rates as adjusted over time.

**B. Solar Generation**

Mr. Raatz reported that staff has done preliminary work on developing a methodology for incorporating solar generation into the Cooperative's resource portfolio. He began by reviewing the current value of solar-generated power in Western's Eastern Balancing Authority.

Mr. Raatz then reviewed possible purchase rates under the Small Renewable Rate, as well as for Large or Non-Consumer-owned generation. He also reviewed estimated costs if Basin Electric owned and operated solar generation.

He noted that staff would continue working with the membership to develop a comprehensive plan for integrating solar generation and present it to the Board at a subsequent meeting.

**C. National Renewables Cooperative Organization (NRCO)**

Amadou Fall, CEO of NRCO, reported that Basin Electric is a founding member of NRCO. NRCO was formed in 2008 and presently has 19 G&T members and four distribution cooperatives.

NRCO's mission is to help members come together and contract for renewable facilities in a cost-effective manner. Renewables include solar, wind, biomass and other (small hydro, coal bed methane).

He reviewed the growth and development of solar generation over the last few years. Recently, NRCO was tasked by its members to develop a business model they could use for solar development. A key component of that model was to bring in a party to the project that has the ability to use the tax benefits that cannot be used by the cooperative members.

Mr. Fall reviewed this business model and reported on several small projects underway that utilize this model.

**10. Transmission Report**

Mike Risan, Senior Vice President of Transmission, reported that the Williston Load Pocket recently peaked at 595 MW. Today the transmission limit is 800 MW; however, once the Snake Creek Substation is placed into service, there will be capacity to serve 850 MW in this area. He also noted that the Lonesome Creek Station Phase I went into commercial operation subsequent to the November board meeting.

**A. Interconnection & Common Use Agreement**

Mr. Risan reported that the Interconnection and Common Use Agreement between Basin Electric and Montana Dakota Utilities (MDU) allows Basin Electric and its participating members to share in the cost of lower voltage transmission and substation facilities based on investments and loads. The original agreement was signed in 1972 and is periodically revised to update loads and investments. There currently are 25 active supplements, which cover specific transmission areas.

Under the original agreement, Basin Electric paid MDU \$8,800 per month, which was predicated on a one-mill charge for Basin Electric's supplemental deliveries to its member cooperatives. Basin Electric currently pays MDU \$11,833 per month.

Currently, 7% losses are assessed to the cooperatives. Staff has renegotiated the loss amount, which has resulted in 4.85% losses for 41.6 kV deliveries and 2.36%



for all 60 kV and above deliveries. He recommended that the CEO be authorized to execute the revised Interconnection and Common Use Agreement Supplements and Exhibits, which are to take effect on January 1, 2014.

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

**R03.12-08-13** RESOLVED, that the CEO & General Manager, or his designee, is hereby authorized to execute the revised Interconnection and Common Use Agreement Supplements and Exhibits as presented at this meeting.

**B. Member Transmission Line Leases**

Mr. Risan reviewed the lease among Basin Electric, Central Power Electric Cooperative (Central Power) and Mountrail-Williams Electric Cooperative (Mountrail-Williams) for the Snake Creek 115 kV transmission project.

This line goes from just north of the Garrison Dam north to Tioga and south of Stanley to the Blaisdell Substation and includes some qualifying substations and taps along the way. Basin Electric will recover some costs via the Integrated System (IS). The lease was initially based on estimated costs, but will be trued up with actual cost. The lease is effective January 1, 2014. Central Power's annual estimated cost will be \$2.5 million and Mountrail-Williams' annual estimated costs will be \$7.5 million. Central Power and Mountrail-Williams are acting as an agent on behalf of the IS.

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

**R04.12-08-13** RESOLVED, that the CEO & General Manager, or his designee, is hereby authorized to execute the lease agreements with Central Power and Mountrail-Williams for the Snake Creek 115 kV project, pending final WAPA approval.

**C. Keota Interconnection Request**

Keota is the name of Tri-State G&T Association's (**Tri-State**) proposed substation near the Colorado-Wyoming border along the LRS-to-Story 345 kV transmission line. Tri-State has requested that the Keota Substation be established as a new point of delivery for Tri-State. Basin Electric and Tri-State have negotiated the agreement and performed the WECC studies. Both the E&O and Management Committees of the Missouri Basin Power Project (**MBPP**) have endorsed this new delivery point and authorized Basin Electric to execute the agreement.

MBPP will own and Tri-State will have the construction cost responsibility for any realigned line. Tristate will own and have cost responsibility for the Keota Substation. He recommended that it be approved.

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

**R05.12-08-13** RESOLVED, that the CEO & General Manager, or his designee, is hereby authorized to execute the Keota Interconnection Agreement on behalf of the Missouri Basin Power Project.

## 11. Communications & Administration Report

Mike Eggl, Senior Vice President of Communications & Administration, reported that staff attended all of the WAPA RTO public hearings. Final comments are due December 15.

He introduced Dale Niezwaag, who provided an update on activities of EPA as they prepare to develop regulations under Section 111D of the Clean Air Act to regulate greenhouse gases. Basin Electric is trying to develop a utility coalition and a talking-points paper, which was circulated with all Class A members, Statewide organizations and regional G&Ts.

Steve Colberg, Manager of Corporate Services, reported that because of a lack of space in the headquarters building, the Cooperative executed a five-year lease for 6,229 square feet of office space plus 500 square feet of storage space at Great River Energy's office building located just north of the Jones-Lindberg Building. The space includes access to large and small conference rooms, a kitchen and a small work area. Office furniture is included. The Cooperative will be responsible for utilities, janitorial services and shared building expenses. The Cooperative Planning division will take occupancy on April 1, 2014.

He then reported on the status of construction of the new hangar, noting that the building is scheduled to be completed by January 31, 2014, with staff occupancy to follow shortly thereafter. The furniture will be delivered the week of February 4. The building will have a foam fire suppression system and includes 14 offices and a conference room that can also be used as a storm shelter.

## 12. 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. Authorized Signatories

Mr. Olson reported that the change in officers requires a new resolution listing the authorized signatories. He reviewed the proposed resolution and recommended it be approved. After discussion, it was moved by Director Drost, seconded by Director Pearson and carried that the following Resolution be adopted:

#### R06.12-08-13

**RESOLVED**, that Bank of North Dakota, BMO Bank of Montreal, Bank of Tokyo-Mitsubishi UFJ, CoBank, First Security Bank-West, JPMorgan Chase Bank, National Association, National Rural Utilities Cooperative Finance Corporation, PNC Bank N.A., Union State Bank, U.S. Bank National Association, Wells Fargo Bank, N.A. and Bank of the West (collectively, the **Banks**) are hereby designated as depositories for the funds of the Cooperative and the officers and other persons of the Cooperative to open or continue an account or accounts with said Banks and to execute and deliver to said Banks signature cards or cards supplied by said Banks containing specimen signatures of the officers and other persons hereinafter named, and that the officers and other persons hereinafter named are hereby authorized for and on behalf of the

Cooperative to sign (either in original form or by facsimile), make, draw, accept, endorse or cause to be endorsed and to deposit or cause to be deposited in such account or accounts from time to time checks, notes, drafts, bills of exchange, acceptances, orders and other instruments for the payment of money to the Cooperative or withdrawal of funds held by the Cooperative;

**RESOLVED**, that the Banks are authorized to accept deposits to the account or accounts of the Cooperative and to pay, cash or otherwise honor or charge to the Cooperative any such instrument for the payment of money or withdrawal of funds held by the Cooperative when so signed (either in original form or by facsimile), made or drawn regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Banks by the Secretary-Treasurer or other officer of the Cooperative;

**BE IT FURTHER RESOLVED**, that checks, notes, drafts, bills of exchange, acceptances, orders and other withdrawal orders and any and all other directions and instructions of any character with respect to funds of the Cooperative now or hereafter with said Banks may be signed by any two persons holding the following offices or positions with the Cooperative: President, Vice President, Secretary-Treasurer, Chief Executive Officer & General Manager and Senior Vice President & Chief Financial Officer, and said Banks are hereby fully authorized to pay, cash or otherwise honor or charge to such account or accounts any checks, notes, drafts, bills of exchange, acceptances, orders and other deposits or withdrawal orders so signed;

**BE IT FURTHER RESOLVED**, that any of the two persons then holding one of the offices or positions herein named and their designees (in writing) be, and they hereby are, authorized to give written or verbal instructions by telephone, telegraph, or otherwise, as they deem proper; and said Banks are authorized to accept instructions from any such persons herein named or their designee (in writing) as to the delivery of checks, notes, drafts, bills of exchange, acceptances, orders and other instruments for the payment of money or temporary investment of money from the account or accounts of the Cooperative; and any such person shall have the fullest authority at all times with reference to any transaction deemed by him to be proper to make or enter into for or on behalf of the Cooperative with the Banks or others. This paragraph shall be and remain in full force and effect until written notice of the revocation hereof shall be delivered to the Banks; and

**BE IT FURTHER RESOLVED**, that the following persons presently occupy the respective offices and positions designated in this resolution and that the same are duly qualified as such officials:

Wayne Peltier, President  
Kermit Pearson, Vice President  
Gary Drost, Secretary-Treasurer  
Andrew M. Serri, Chief Executive Officer & General Manager  
Paul M. Sukut, Executive Vice President & Chief Financial Officer

**BE IT FURTHER RESOLVED**, that said Banks shall be entitled to rely upon a certified copy of these resolutions until written notice of modification or rescission has been furnished to and received by said banks.

**13. Recess and Reconvention**

At 5:00 p.m. CST, the meeting recessed until 8:00 a.m. CST on Tuesday, December 10, 2013, at which time the meeting reconvened, President Peltier continuing to preside and Director Drost continuing to keep the minutes.

**14. Roll Call**

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

|                  |                 |
|------------------|-----------------|
| Don Applegate    | Paul Baker      |
| Marshall Collins | Gary Drost      |
| Arden Fuher      | Charles 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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Robert J. Bartosh, Kelly Cozby, Shawn Deisz, John Frank, Ellen Holt, Mark Kinzler, Rod Kuhn, Joe Leingang, Jeanne Masseth, Heather Schlenker, Jeremy Severson, Mark Thompson, Steve Tomac, Shanda Traiser, Kevin Tschosik, Michelle Wiedrich and Lyle Witham.

**15. Cooperative Planning, continued**

**A. Strategic Planning**

Shanda Traiser, Business Strategies Planner, noted that a formal strategic planning retreat will be held in March. The directors requested that the retreat be held separately from the board meeting. Preparation for the retreat includes point-of-view activities, mission/vision statement review and values and strategy map.

Ms. Traiser then distributed a survey developed by Palladium and Touchstone Energy to assess a company's effectiveness of strategic planning and execution. She distributed the survey and asked that it be returned at the end of the day. The survey results will be used as a baseline. It will be repeated annually to help assess progress and identify continued areas for improvement. It will also be included as a

measure for Cooperative Planning's scorecard. Results will be provided in January.

The directors and staff then broke into working groups to determine a list of things to be considered in evaluating/revising a mission statement.

**16. Generation Report**

Matt Greek, Senior Vice President of Generation, reviewed the Cooperative's safety performance for the month, noting that there had been four recordable incidents and three Days Away Restricted or Transferred (**DART**) incidents in November. There were no project funding requests this month. He reviewed the approved budgets, totals committed and completion dates of the major projects. Lonesome Creek I was placed into commercial operation on December 1.

He then reviewed the 24-month moving-average, forced-outage rate trends and bus bar costs. The LRS coal inventory is 1.01 million tons, which is a 42-day supply for all three units at full load.

Year-to-date (**YTD**) actual generation for the solid fuel plants (includes 100% of Dry Fork Station (**DFS**) and LRS) is 3.2% below budget; the oil/gas plants is 938.0% above budget; wind is 8.7% above budget. Overall, the fleet is 0.5% below budget.

Joe Leingang, Director of Fuel and Transport, then reviewed the cost components included in bus bar costs of the coal-fired fleet.

November individual availability and capacity factors for the coal-based generation stations were as follows:

| Unit   | Avail-Ability (%) | Capacity Factor (%) | Unit Rating | Comments  |
|--------|-------------------|---------------------|-------------|---|
| LRS #1 | 100               | 71.6%               | 570 MW      | 1 ID Fan Operation; transmission constraints          |
| LRS #2 | 80.9              | 87.8%               | 570 MW      | Tube leak; drum level trips; transmission constraints |
| LRS #3 | 100               | 93.0                | 570 MW      | Transmission constraint                               |
| LOS #1 | 74.4              | 85.4                | 221 MW      | Tube leak repair                                      |
| LOS #2 | 93.4              | 90.2                | 448 MW      | Tube leak   |
| AVS #1 | 99.6              | 86.0                | 450 MW      | Fan bearing failure; low drum level trip              |
| AVS #2 | 97.8              | 88.3                | 450 MW      | Low furnace pressure, low drum level, EH leak         |
| DFS    | 100               | 96.7                | 386 MW      |   |

**A. Distributed Generation Update**

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

| Unit  | Monthly Availability | Monthly Generation (Net MWh) | Unit Rating (MW) | Comments              |
|---|----------------------|------------------------------|------------------|-----------------------|
| Groton Unit #1                                      |                      | 8100                         | 200              |                       |
| Groton Unit #2                                      |                      | 7072                         |                  |                       |
| Culbertson CT                                       |                      | 24,840                       | 100              |                       |
| WY Dist. Gen.:<br>Arvada<br>Hartzog<br>Barber Creek |                      | Did not run                  | 54               |                       |
| SMS Unit #1   |                      | 600                          | 120              |                       |
| SMS Unit #2   |                      | 328                          |                  |                       |
| Deer Creek Station                                  |                      | 53,773                       | 300              | One backpressure trip |
| Pioneer CT  |                      | 3,496                        |                  |                       |
| Lonesome Creek CT                                   |                      |                              |                  |                       |

**PrairieWinds ND 1 (PWND1)**. Mr. Tschosik reported that semi-annual maintenance is 59% complete and the road to Tower B26, which had been under water, has been upgraded. Staff took an outage to perform routine substation maintenance. During the month, PWND1 tripped due to a transmission line failure. As a result, WAPA curtailed generation to 45 MWh. Lost generation totaled 2,040 MWh.

**PrairieWinds SD 1**. Mr. Tschosik reported that annual maintenance is 83% complete.

The east-side peak occurred on November 21, 2013 at 1900 hours. At that time, wind generation was as follows:

| Wind Project                             | Load Factor during the Peak (MW) | Capacity Factor (%) | Project Total  |
|--|----------------------------------|---------------------|----------------|
| PrairieWinds ND                          | 49                               | 44                  | 123 MW         |
| PrairieWinds SD                          | 138                              | 54                  | 162 MW         |
| Wilton                                   | 71                               | 50                  | 99 MW          |
| Baldwin                                  | 16                               | 49                  | 99 MW          |
| Edgeley                                  | 13                               | 38                  | 40 MW          |
| Highmore                                 | 23                               | 45                  | 40 MW          |
| Day County                               | 51                               | 56                  | 99 MW          |
| Iowa Wind                                | 42                               | 58                  | 45.1 MW        |
| Other Projects (Chamberlain & Pipestone) | 1                                | 20                  | 3.4 MW         |
| Total November Wind Generation           | 404                              | 50                  | 712 MW maximum |
| Average YTD Capacity Factor              | --                               | 41                  | ---            |

## **B. Leland Olds Station Plant Update**

Mark Thompson, Leland Olds Station Plant Manager, reported that it has been seven years (2.2 million hours) since there was a DART at LOS. Safety is stressed each day before work begins at safety toolbox and tailgate meetings and if issues arise during work progress. He noted that the DuPont STOP program has been used at LOS since the late 1960s.

He reviewed plant availability and capacity factors and noted that the scrubber uses 250 tons of lime per day and produces 476 tons of gypsum per day. The final Babcock Power invoice for construction of the scrubber has been received and accepted.

Mr. Thompson then presented photographs and discussed activities associated with the fall Unit #1 boiler and turbine outage. There was a short outage November 16-23 to repair turbine steam leaks and boiler tube leaks, install four new igniter and igniter scanners. Minor scrubber repairs and scrubber booster fan linkage work was also undertaken.

## **17. Marketing and Trading – Purchased Power Report**

Ken Rutter, Vice President of Marketing and Trading, reviewed the membership loads for October and November, the November Purchased Power estimates and the November estimates of non-member sales. He also reported that the Cooperative's gas-fired facilities generated 94,623 MWh.

Mr. Rutter reported that system implementation problems have delayed the start-up of the Cooperative's West-Side Real-Time Desk. It is now estimated that the day-ahead activity will begin in early January.

Mr. Rutter then reported on changes to the Legacy Agreement with Tenaska for managing gas purchases for Basin Electric generation. The new arrangement results in more flexibility and potential reduced costs. Mr. Rutter then reviewed 2014 forward hedging on the eastern and western systems.

He concluded with a review of the value-added strategies implemented by the Marketing & Trading group and estimated that since May, the Marketing & Trading group has added an incremental \$5.5 million revenue value for the Cooperative.

## **18. Financial Services Report**

Paul Sukut, Executive Vice President and Chief Financial Officer, reported that the current year-end pre-tax margin is estimated to be \$59.9 million compared to the budget of \$53.4 million. He then reviewed the 2014 budgeted margin of \$38.8 million. He noted that it currently appears that the 2014 budget is going to be very tight.

He noted that if the Cooperative finishes 2013 with a strong margin, the Board may want to consider deferring some revenue into 2014. He reviewed past revenue deferrals of the Cooperative and how they were utilized.

**A. Accounting Report**

Shawn Deisz, Vice President & Controller, reported that the November 2013 Statement of Operations reflected an estimated net margin of \$10.3 million compared to the budgeted net margin of \$9.1 million for a favorable variance of \$1.2 million. The net margin for the same period last year was a net margin of \$3.1 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 November was 20.7% and at the end of October was 20.9%. At the end of November, the equity-to-capitalization ratio using Moody's Rating Service's methodology was 25.4% and at the end of October was 25.1%, both without The Coteau Properties Company consolidation entry. The equity-to-capitalization ratio based on indenture requirements for patronage distribution was 20.2% at the end of November and 20% at the end of October.

**B. Approval of 2014 Operating and Capital Budgets**

Steve Johnson, Vice President & Treasurer, reported that in November, the Board reviewed in detail the 2014 Operating and Capital Budgets. He reviewed several minor changes in the Operating Budget and there were no changes in the Capital Budget. Mr. Johnson recommended the budgets be approved.

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

**R07.12-08-13**                      **RESOLVED**, that the Board of Directors approves the Basin Electric Power Cooperative 2014 Operating and Capital Budget as presented

**C. Enterprise Risk Management (ERM) Update**

Rod Kuhn, Chief Risk Officer, reported that ERM involves assessing the full spectrum of risks of an organization and managing the combined impacts of those risks. He reviewed the components of an ERM program and the benefits of having an ERM program. He outlined the risks of the organization and the steps needed to be taken to manage those risks. He noted that development of an ERM Plan is underway but could take several years to fully accomplish.

**19. Recess and Reconvention**

At 12:10 p.m. CST, the meeting recessed until 12:45 p.m., at which time the meeting reconvened, President Peltier continuing to preside and Director Drost continuing to keep the minutes.



**20. Roll Call**

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

|                  |                 |
|------------------|-----------------|
| Don Applegate    | Paul Baker      |
| Marshall Collins | Gary Drost      |
| Arden Fuher      | Charles 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 Andrew M. Serri, Assistant Secretary Claire M. Olson and Basin Electric staff members Tracie Bettenhausen, Tammy DeWitt, Steve Johnson, Paul M. Sukut and Michelle Wiedrich. Also present was DGC staff member Mark D. Foss.

**21. Financial Services Report, continued**

**A. AVS Unit #2 Leveraged Lease Update**

Mark Foss, DGC General Counsel, reviewed the history of the AVS leveraged lease that was entered into in 1985. The original lease term was for 30 years or through 2015. The transaction had a lease extension for a five-year term (2015-2020) and five seven-year terms thereafter at an arms-length rental rate. It also contained a purchase option at fair market value at the end of the base term or renewal term.

In 1992, as part of a refinancing, Basin Electric agreed to a five-year fixed-rate term, taking the lease to December 30, 2020. The 1992 transaction also requires Basin Electric to give notice of election for fixed-rate renewal for Maximum Option period of December 30, 2013. The notice for the other options remain the same through December 30, 2018.

He noted that unless the Board had a different view, staff did not intend to give notice of election for fixed-rate renewal for Maximum Option period extension.

**22. Executive Session**

At 2:10 p.m., it was moved by Director Drost, seconded by Director Gilbert and carried that the board retire into executive session to discuss LRS issues and an increase in board compensation. At 1:39 p.m., it was moved by Director Drost, seconded by Director Pearson and carried that the board arise from executive session.

It was then moved by Director Pearson and seconded by Director Gilbert that the following Resolution be adopted:

**R08.12-08-13**                      **RESOLVED**, that effective January 1, 2014, the Board of Directors' preparation fee is increased to \$1500.

**23. Directors' Reports**

The Directors then reported on activities at their G&T and local cooperatives.

**24. Selection of Delegate and Alternate to the Minnesota Rural Electric Membership Meetings**

President Peltier reported that a delegate and alternate to attend the Minnesota REC meetings should be named. After discussion, it was moved by Director Pearson, seconded by Director Gilbert and carried that Gary Drost and Wayne Peltier, respectively, serve as voting delegate and alternate.

**25. Voting Delegate and Alternate for NRECA annual and regional meetings**

President Peltier reported that the NRECA annual meeting is scheduled for February 27-March 5, 2014 in Nashville, Tennessee, and that a voting delegate and alternate should be named for the annual and regional meetings. After discussion, it was moved by Director Gilbert, seconded by Director Rohrer and carried that Director Applegate serve as delegate and Director Fuher serve as alternate to the NRECA annual and regional meetings.

**26. Date and Time of Next Board Meeting**

The next regularly scheduled meeting of the Board of Directors will take place January 14-16, 2014, at the Basin Electric headquarters building in Bismarck, North Dakota.

**27. Adjournment**

There being no further business to come before the meeting, President Peltier adjourned the meeting at 1:45 p.m.



---

Gary C. Drost  
Secretary-Treasurer