Approved January 13, 2015

Basin Electric Power Cooperative
Bismarck, North Dakota

Minutes of the Regular Meeting of the Board of Directors
December 7-9, 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 by Wyndham, 1431 Skyline Boulevard, Bismarck, North Dakota, and beginning on Sunday, December 7, 2014 at 5:00 p.m. CST.

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 McQuistion	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, Andrea Blowers, Tammy DeWitt, Matt Greek, Steve Johnson, Mike Risan and Michelle Wiedrich.

Also present were Dakota Gasification Company (DGC) directors James Geringer, Alan Klein and Tom Owens.

3. Approval of the Agenda

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

4. Approval of the Minutes

The minutes of the November 3-4, 2014 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Brekel, seconded by Director Baker and carried that the minutes be approved as presented.

5. Transmission Report

Mike Risan, Senior Vice President-Transmission, reported that on November 10, the FERC approved key modifications to the SPP Tariff that were needed to accommodate the WAPA/Basin Electric/Heartland membership in SPP. They set for hearing issues related to seams, but these are not critical issues regarding membership. He noted that discussion continues with the membership regarding facilities they want included in SPP. He noted that preparations are underway for the dissolution of MAPPCOR once the IS Participants join SPP and he reviewed the process of dissolution. He also discussed recent market developments in the western interconnection.

Mr. Risan noted that the peak demand in the Williston Basin load pocket reached approximately 820 MW during the November cold spell. He noted that Lonesome Creek Station (LCS) Units II and III should be in commercial operation around January 1. He noted that with the existing transmission and generation, the Cooperative has adequate resources to serve this load pocket for the winter season.

Mr. Risan then discussed the recent Notice of Potential Violation issued by the Midwest Reliability Organization regarding NERC facility rating standard FAC-008-3, R6.

Mr. Risan concluded his report highlighting the discussions underway with MDU on the Interconnection and Common Use Agreements.

6. Recess and Reconvention

At 6:05 p.m., the meeting recessed until 6:45 p.m. with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

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 McQuistion	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 Robert J. Bartosh, Chris Bauer, Andrea Blowers, Dean Bray, Steve Colberg, Tammy DeWitt, Mike Eggl, Matt Greek, Dan Job, Steve Johnson, Mike Risan and Michelle Wiedrich.

Also present were DGC directors James Geringer and Thomas Owens and DGC Vice President David J. Sauer.

8. Communications & Administration Report

A. Headquarters Building Expansion/Relocation Analysis

Dan Job, Facilities Manager, noted that last month, the Board had asked staff to look into the cost of an expansion of the headquarters office that was larger than first considered. Mr. Job then reviewed a design consisting of a four-story addition (90,000 square foot building; 4,800 square foot shop) on the west side of the existing building that would accommodate all headquarters employees. He presented drawings and architectural renderings of the proposed addition and cost estimates.

After a lengthy discussion, it was moved by Director Baker, seconded by Director Fuher that the following Resolution be adopted:

R01.12-07-14 BE IT RESOLVED, that the CEO and General Manager, or his designee, be authorized to open work orders and be instructed to incur the expenses necessary to obtain bids on the headquarters expansion and shop project as presented to this meeting of the board of directors.

9. Financial Services Report

Senior Vice President and CFO Steve Johnson reviewed economic statistics, the U.S. Treasury Yield Curve and Basin Electric's total liquidity. He also presented Moody's Credit Review.

Mr. Johnson then noted that staff continues to review the merits of a "buyout" from the Rural Utilities Service (RUS). This issue surfaced after RUS proposed changes to its NEPA regulations that would likely require NEPA review for projects even if RUS was not lending money for that project. He noted that there currently is a multi-year delay from the time RUS approves a loan to the time an entity can draw the funds, which results in the need for interim financing and subjects borrowers to interest rate risk. Mr. Johnson also highlighted several aspects of Tri-State's buyout from RUS. After responding to numerous questions from the Board on the pros and cons of a buyout, Mr. Johnson noted that the update to the Financial Forecast will be complete in early 2015, after which he would present the economics of a proposed buyout.

10. Recess and Reconvention

At 8:25 p.m., the meeting recessed until Monday, December 8, 2014 at 12:45 p.m. with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

11. 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 McQuistion	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 Andrea Blowers, Eric Carufel, Tammy DeWitt, Mike Eggl, Matt Greek, Ellen Holt, John Jacobs, Casey Jacobson, Steve Johnson, Becky Kern, Janet Kubisiak, Rod Kuhn, Anine Lambert, Deborah Levchak, Sharon Lipetzky, Jay Lundstrom, Deb Olafson, Dave Raatz, Mike Risan, Josh Rossow, Ken Rutter, Tyler Schilke, Jim J. Sheldon, Tom Stalcup, Casey Storbeck, Kevin Tschosik and Michelle Wiedrich. Also present was DGC Vice President David J. Sauer.

12. Western Fuels Association Update

General Manager Sukut reported on the recent Western Fuels Association (Western Fuels) board meeting, where Western Fuels CEO Duane Richards announced he would retire by June 30, 2014. The board asked representatives of Basin Electric and Tri-State to review the economics of contracting with Tri-State for the management and administration needs for Western Fuels-Colorado and Basin Electric for Western Fuels-Wyoming. This may eliminate some duplication of staff that would result in savings to the Western Fuels membership with no change to the existing governance. This will be discussed at the next Western Fuels meeting on January 23.

13. Office of General Counsel Report

Mr. Olson noted that the discussion of the pending litigation will be held in executive session.

A. NRECA Pension Restoration Plan Amendment

Ellen Holt, Vice President of Human Resources, reviewed changes to the Cooperative's pension plan necessitated by legislative and Internal Revenue Code changes. She then recommended that these changes be approved.

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

R02.12-07-14 WHEREAS, Basin Electric Power Cooperative ("Cooperative") is a participating employer in the Retirement Security Plan, sponsored by the National Rural Electric Cooperative Association (NRECA) (the "Qualified Pension Plan"); and

WHEREAS, certain employees of the Cooperative may have the need for supplemental payments upon termination of their employment with the Cooperative because of limitations in the Internal Revenue Code relating to allowable payments from qualified pension plans, and

WHEREAS, the Cooperative wishes for the payments that would otherwise be paid in pension benefits to be paid by the Cooperative as deferred compensation benefits, to the extent allowed by this plan. The Board wishes to authorize and adopt the amended Deferred Compensation Pension Restoration Plan and the restated Pension Restoration Plan ("PRP"), now referred to as the Amended and Restated Pension Restoration Plan, effective January 1, 2015. The Amended and Restated PRP is a continuation of the previously adopted Deferred Compensation PRP.

BE IT RESOLVED that the Board specifically resolves to adopt the PRP as follows:

The employee elects the method of payment. Benefits will be paid to the participant in the manner elected by the participant.

Participation is limited to individuals who satisfy the definition of a Grandfathered Group Participant, as set forth in the plan document.

BE IT FURTHER RESOLVED, the Board authorizes the amendment to the Deferred Compensation PRP, now referred to as the Amended and Restated Pension Restoration Plan ("Amended and Restated PRP").

BE IT FURTHER RESOLVED, the Board of Directors acknowledges that the Cooperative is the named Plan Administrator of the Amended and Restated PRP as described in the Employee Retirement Security Act of 1974 ("ERISA").

14. Operations Report

John Jacobs, Vice President of Operations, reviewed the Cooperative's safety performance for the month.

Last week, Leland Olds Station (LOS) staff celebrated 2.5 million man-hours (nearly eight years) without a lost-time accident. There were no DART incidents at any of the facilities in the last month.

He reported that generation came in 9.8% under budget for October. October individual availability and capacity factors for the coal-based generation stations were as follows:

Unit	Availability	Capacity Factor	Unit Rating	Comments
AVS #1	100%	101.30%	450 MW	
AVS #2	100%	95.00%	450 MW	Leak on wet bottom to be welded.
DFS	100%	95.89%	386 MW	9.2% above. Air flow testing and scrubber issue.
LRS #1	90.99%	79.06%	570 MW	Economizer tube leak. Load affected by dispatch
LRS #2	0%	0%	570 MW	13-week outage; back online.
LRS #3	100%	96.61%	570 MW	Load reduction for scrubber and pumps.
LOS #1	-0.04%	1.63%	221 MW	Major overhaul continued. Turbine balancing. 1-day delay returning rotor to site. Released for full load
LOS #2	100%	89.58%	448 MW	Released for full load

Mr. Jacobs then provided an update on research being performed on pulse beam technology and its potential for removing NO_x and CO_2 from flue gas from coal-based units.

A. Dry Fork Station Update

Tom Stalcup, Dry Fork Station (DFS) Plant Manager, reviewed safety statistics for the month and year-to-date (YTD).

He noted that YTD the unit has an availability of 98.36%, a running capacity factor of 95.87% and a forced-outage rate of 1.64%. The unit was called upon twice to provide spinning reserves.

Mr. Stalcup also reviewed the statistics associated with environmental compliance and reported on the activities associated with the "Our Power My Safety" program at the plant. He concluded with a review of the year-to-date outages at DFS.

B. Distributed Generation Update

Kevin Tschosik, Distributed Generation Manager, noted that November distributed generation at the facilities was as follows:

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Groton Unit #1	93.81%	670 MW	100 MW	For load demand. Replaced HPT, IPT, combustor and booster components with higher-grade alloys such as titanium, chrome, stainless. GE repaired at no cost to Basin. Next year same thing to Groton #2.
Groton Unit #2	62.18%	2,061 MW	100 MW	GE replaced booster during the month at no cost to Basin.
Culbertson CT	83.40%	5,951 MW	100 MW	
WY Dist. Gen.	97.4	83 MW	54 MW	Hartzog #3 out of service.
SMS Unit #1	100%	0 MW	60 MW	Did not run
SMS Unit #2	100%	0 MW	60 MW	Did not run
Deer Creek	76.64%	37,338 MW	300 MW	
PGS Unit #1	76.01%	9,311 MW	45 MW	
PGS Unit #2	87.90%	13,567 MW	45 MW	
PGS Unit #3	99.42%	8,198 MW	45 MW	
LCS Unit #1	89.89%	24,430 MW	45 MW	

During October, PGS ran in synchronous condensing mode 223.18 hours and LCS for 60.05 hours. The Wyoming Distributed Generation had 11 west-side spinning reserve calls for the month. Spirit Mound Station did not run in November.

PrairieWinds ND 1. Annual maintenance is 89% complete.

PrairieWinds SD 1. Activities included the CAT Safety rollout.

The east-side peak occurred on November 17, 2014 at 8:00 a.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor	Project Total
Baldwin	99 MW	58%	99 MW
Day County	85 MW	61%	99 MW
Edgeley	26 MW	52%	40 MW
Highmore	30 MW	50%	40 MW
Iowa Wind	43 MW	59%	45.1 MW
Other Projects (Chamberlain & Pipestone)	3.4 MW	14%	3.4 MW
PrairieWinds ND	95 MW	60%	123 MW
PrairieWinds SD	167 MW	65%	162 MW
Wilton	99 MW	55%	99 MW
Total Monthly Wind Generation			712 MW maximum
Average Monthly Capacity Factor		59%	n/a
Average YTD Capacity Factor	n/a	46%	n/a

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

Ken Rutter, Vice President-Marketing and Asset Management, reported that November member energy usage was approximately 2.2 million MWh compared to the budget of 1.89 million MWh. This reflects the colder-than-normal temperatures. The higher member usage required more-than-anticipated short-term power purchases and the burning of more natural gas.

He reviewed monthly prices for electricity and natural gas, as well as plans for future hedging. He also presented plans to add value by greater DC Tie utilization. Mr. Rutter also reviewed the strategies to utilize the gas storage contracted from WBI to maximize the value of the stored gas. He noted that staff continues to work on various aspects of the SPP integration. He described how congestion management operates in the context of an RTO and how Basin Electric will work to manage congestion. He also reviewed other SPP integration activities that are underway in the department.

16. Cooperative Planning Update

RTO/Transmission Service Policy. Dave Raatz, Vice President of Cooperative Planning, reported that staff is working with the membership to implement the new Transmission Policy, as well as determine what facilities the members want to include in SPP. These items would be included in Wholesale Power Contract amendments, along with an extension of the term through 2075 and some member-specific items. The goal is to have these completed by January 1, 2016.

<u>November Member Sales</u>. Member sales were up significantly during November. Member peak demand was 3,120 MW in 2013, and is estimated to be 3,566 MW in 2014. The November 2014 peak was 3,560 MW, which was 400 MW higher than forecast.

<u>2015 Load Forecast and Oil Price Impact</u>. Mr. Raatz reported that staff is in the final stages of developing the 2015 Load Forecast. Because of falling oil prices, there is some concern over the future pace of load growth in the Bakken.

He introduced Jay Lundstrom, Lead Forecasting Analyst, who reported that with these falling prices, operators remain cautious but believe the core Bakken areas remain profitable. Some of the fringe areas may become unprofitable.

Mr. Raatz reported that the contract for the Lindahl Wind Project will be finalized and signed this week. This is a 150 MW Production Tax Credit (PTC)-contingent project.

<u>Dickinson 150 MW NextEra Project</u>. Mr. Raatz reported that negotiations were ongoing with NextEra on the 150 MW project near Dickinson to build 35 MW of transmission to the high-voltage system. We thought we would tie into Roughrider's system; however, the transmission system will not tolerate a 115 kV injection. We need to go back to a 230 kV transmission line and Roughrider needs a delivery point right where the wind farm is to serve that load. NextEra will build the $20 to $21 million line. If there are two transmission users of the system, it will qualify for inclusion in the RTO. Since NextEra is there and there will be a delivery to Roughrider, that 35-mile line, $20 million investment will be includable in the rate zone that we'd have to pay. This is not the deal we made.

We just received confirmation that NextEra will build the 230 kV interconnection line by 2015, then Basin Electric would purchase the line for about $21 million and then we'd have the facility to include in the RTO. In consideration that we purchase the line, we'll drop the PPA price and then will be able to include the cost of the line in the rate zone. An amendment to the power purchase agreement will be drafted for approval at the January board meeting. If NextEra can't construct the line by the end of 2015, they still have some ways to take advantage of the PTCs.

A. <u>Amendments to Wholesale Power Contracts</u>

Mr. Raatz reported that at the October meeting, the board made what was referred to as an "Option 3" proposed amendment to the Great River Energy (GRE)-fixing members which addresses power supply obligations for GRE resource retirement amounts. That proposal provided: (1) All GRE resource retirement amounts come to Basin Electric starting January 1, 2015; (2) at the Class A rate (no adder) on GRE resource retirement increased obligations through 2050; (3) with an exception for early GRE contract termination and expiration of the GRE wholesale contract in 2045; and (4) eliminate resource adders on existing agreements effective January 1, 2016.

This proposed option was presented to the GRE-fixing members. The proposal was accepted by Crow Wing and the four members of East River (Agralite, Meeker, Redwood and South Central). Wright-Hennepin and Federated elected to take the GRE option. Mr. Raatz then recommended entering into contracts with Crow Wing and East River.

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

R03.12-07-14 BE IT RESOLVED, that the CEO & General Manager is authorized to execute the amendments to the East River and Crow Wing Wholesale Power Contracts to include Basin Electric power supply obligations in accordance with Basin Electric Option 3 proposal.

17. Executive Session

At 3:30 p.m., the board retired into executive session to discuss the WFA/Basin Electric v. BNSF case and new member possibilities.

18. Recess and Reconvention

At 5:10 p.m., President Peltier recessed the meeting until Tuesday, December 9, 2014, at 8:00 a.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

19. 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 McQuistion	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 Andrea Blowers, Eric Carufel, Tammy DeWitt, Mike Eggl, Bob Fagerstrom, John Frank, Matt Greek, Ellen Holt, John Jacobs, Casey Jacobson, Steve Johnson, Becky Kern, Janet Kubisiak, Rod Kuhn, Anine Lambert, Deborah Levchak, Gavin McCollam, Lynn McNulty, Dale Niezwaag, Deb Olafson, Dave Raatz, Mike Risan, Josh Rossow, Ken Rutter, Jean Schafer, Tyler Schilke, Jim J. Sheldon, Amanda Wangler and Michelle Wiedrich. Also present was DGC Vice President David Sauer.

20. Cooperative Planning Update, continued

A. EPA Section 111(d) CO_2 Comments

Jim J. Sheldon, Power Supply Engineer, reported that over 1.6 million individual comments were submitted to EPA on the Section 111(d) CO_2 proposed rules. He then presented a summary of the Basin Electric comments.

21. Engineering & Construction Report

A. Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that contracts totaling $22.8 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. Lonesome Creek Phase II

Mr. Greek presented a photo of the LCS site. Unit #2 first fire is scheduled for December 5, Unit #3 first fire is scheduled for December 9 and commercial operation for both units is scheduled for January 1, 2015.

C. Lonesome Creek Phase III

Josh Rossow, Project Manager, presented the contract for the purchase of the Power Control Module (PCM) for LCS Phase III (Units #4 and #5). He reviewed the components comprising the PCM for each unit and presented photographs of similar facilities in Units #1 and #2. This contract was sole-sourced from Cape Electrical Supply, which provided similar components for the LCS and Pioneer facilities. He noted that the contract price was not-to-exceed $4,037,844 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:

R04.12-07-14 RESOLVED, that the Power Control Modules for the Lonesome Creek Station Phase III be awarded to Cape Electrical Supply in an amount not to exceed $4,037,844; and

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

D. 345 kV Projects Update

Amanda Wangler, Project Manager for the Antelope Valley Station (AVS)-to-Neset 345 kV Transmission Line Project, provided the construction update. There were two first aid incidents on the transmission line project, one a strained shoulder and one a cut hand that required 14 stitches that was a recordable incident.

Ms. Wangler reported that the AVS-to-Judson transmission line segment remains on schedule for completion by October 31, 2015 and the substations are also on schedule. The transmission line is behind schedule and staff is working with Great Southwestern to develop a plan to get on schedule.

The North Killdeer Loop transmission project is on schedule for completion by October 31 of 2015. Staff is reviewing schedules for possible early completion of select facilities.

The Judson-to-Neset transmission line segment is on schedule for completion by October 31, 2017.

The contractor on the AVS Switchyard project is a bit ahead of schedule.

At the Charlie Creek Substation, the contractor worked a couple Sundays to catch up work dealing with unsuitable soils.

At the Judson Substation, 20 piers have been poured and grading work is finished with the exception of seeding. Fencing has been installed.

Casey Jacobson, senior staff counsel, then reported on permitting and Right-of-Way acquisition.

Ms. Wangler then reviewed the budget. AVS-to-Neset project costs continue within the $347 million budget for the project and are currently forecasted to be $339 million. North Killdeer Loop costs continue within the budget.

E. **AVS #2 Natural Gas Start-Up Balance of Plant System Project Approval**

Tyler Schilke, Senior Mechanical Engineer, reported that the Mercury Air Toxics Standard (MATS) was finalized April 15, 2012, and provided three years to comply (plus one year if needed). 40 CFR 63.1I0011 provides "For startup, must use "the fuel whose combustion produces the least uncontrolled emissions".

Compliance options included: converting each AVS unit from fuel oil to natural gas for start-up; using an alternative start-up fuel such as propane; installing a baghouse addition for each unit with compartments specifically for low loads when burning fuel oil; installing a separate baghouse that could serve either unit during low loads; installing an electrostatic precipitator (ESP) that could serve either unit during low load; or operational changes to start-up and shut-down procedures.

The option selected was to convert each unit from fuel oil to natural gas for start-up. This conversion consisted of three separate projects: DGC-to-AVS gas pipeline facilities (which are owned by DGC); AVS Common and Unit 1 Balance-of-Plant facilities (owned by AVS/Basin Electric); and AVS Unit #2 Balance-of-Plant facilities (owned by AVS/Basin Electric). The pipeline, AVS Common and AVS Unit #1 Balance-of-Plant facilities were placed into service in May of 2014.

Regarding the Unit #2 Balance-of-Plant, engineering will be complete in April of 2015; the construction award will take place in June of 2015; and installation will be complete in May of 2016. Approval has been received from the North Dakota Department of Health to extend the time for compliance to April 16, 2016 as the unit will be offline prior to compliance date for a maintenance outage.

Mr. Schilke then reviewed the Class 2 budget estimate for this unbudgeted project, which totaled $2,830,000 for engineering, materials, construction, tax, freight, interest during construction and overheads and contingency. He then recommended approval of the project.

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

R05.12-07-14 RESOLVED, that the AVS Unit #2 Natural Gas Start-Up Balance of Plant Facilities project presented to this meeting of the Board of Directors at a budgeted cost of $2,830,000 is hereby approved; and

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

F. **AVS #2 Low NOx Project Approval**

Jesse Folk, Mechanical Engineer, reported that this project is a compliance matter requiring the reduction of NO_x at AVS due to EPA's Federal

Implementation Plan (FIP), which allows no more than 0.17 pounds/mmBtu of NO_X emissions from each unit. Meeting this requirement requires advanced separated over-fire Air and low NO_X burners. Compliance is to be as expeditiously as practical, but no later than July of 2018.

He explained the function of the Separated Over-fire air system and equipment required. This retrofit has been done on AVS Unit #1. Project milestones include completion of engineering in July 2015; delivery of materials in February of 2016; and completion of installation in June 2016. The Class 2 budget estimate for materials, construction, tax, interest during construction, overheads and contingencies totals $16 million. He recommended the project be approved.

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

<u>R06.12-07-14</u> RESOLVED, that the Antelope Valley Station Unit #2 NO_X Reduction System presented to this meeting of the Board of Directors at a budgeted cost of $16 million is hereby approved; and

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

Mr. Folk then recommended that supply of engineering and materials be awarded to Alstom for $5.5 million.

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

<u>R07.12-07-14</u> RESOLVED, that the Engineering and Material Supply Contract for the Antelope Valley Station Unit #2 NOx Reduction System be awarded to Alstom Power for the current target price of $5,525,000; and

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

G. <u>Allam Cycle</u>

Mr. Greek noted that several of the electrical utilities in North Dakota, the Lignite Energy Council (LEC) and the state of North Dakota, have an interest in developing new technologies for utilizing North Dakota lignite coal for electrical generation. One technology under examination is the Allam Cycle which uses a supercritical CO_2 process cycle that has a salable byproduct of high-quality CO_2.

He noted that other companies and manufacturers are proposing to test the Allam Cycle at a 25 MW project in Texas. The capital requirements for that project would be $140 million.

The LEC and other members are attempting to obtain a commitment from the state of North Dakota for this pilot plant and then add to that with an industry contribution. No specific requests for contributions have yet been made to industry. Efforts will be made in the upcoming legislative session to obtain a contribution from the State.

22. Communications & Administration Report

Mike Eggl, Senior Vice President-Communications & Administration, introduced Dale Niezwaag, Legislative Representative, who reviewed issues pending for the upcoming legislative sessions in North Dakota, South Dakota, Iowa, Wyoming, Colorado, Nebraska, Minnesota and Montana.

Mr. Eggl then reviewed the Cooperative's structured communications plan and the efforts to update and consolidate board policies, administrative bulletins, employee guidelines and other manuals.

He concluded with a short summary of charitable giving and a wrap-up of the annual meeting events.

23. Financial Services Report

A. Guarantee of DGC Obligations Under $50 Million Revolving Credit Agreement with Royal Bank of Canada

Mr. Johnson reported that DGC is working on a $50 million Revolving Credit Agreement with the Royal Bank of Canada and the Cooperative is looking to provide an unsecured, unconditional guarantee of the obligations of DGC under this facility. He recommended that it be approved.

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

R08.12-07-14 RESOLVED, that the CEO & General Manager or Sr. Vice President & CFO of the Cooperative are authorized to negotiate and execute an unsecured unconditional guarantee of the obligations of the Cooperative's wholly owned subsidiary, Dakota Gasification Company, under a $50 million revolving credit agreement with Royal Bank of Canada on those terms and conditions they find to be in the best interests of the Cooperative, such finding to be conclusively evidenced by their execution of such guarantee agreements and related documents.

B Accounting Report

Darla Miller, Senior Accounting Analyst, reported that the November 2014 Statement of Operations reflected an estimated net margin of $14.9 million compared to the budgeted net margin of $8.1 million for a favorable variance of $6.8 million. The net margin for the same period last year was $10.3 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 November was 21.2%, the same as at the end of October. At the end of November, the equity-to-capitalization ratio using Moody's Investors Service's methodology was 25.3% 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 22.0% at the end of November and 21.7% at the end of October.

C. **Approval of 2015 Operating and Capital Budgets**

Andrew Buntrock, Manager of Financial Planning & Forecasting, noted that the year-end estimated margin is $69.9 million, which includes a $5 million deferral from 2013 and another $5 million which will be brought in in December. The budgeted net margin was $38.8 million.

He reviewed the 2015 Operating Budget, noting the changes from last month. He reviewed the projected 2015 margin, cost of service, annual revenue requirements and financial metrics. Mr. Buntrock then reviewed the 2015 Capital Budget. He recommended that both be approved.

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

R09.12-07-14 **RESOLVED**, that the Basin Electric Power Cooperative 2015 Operating and Capital Budgets presented to this meeting of the Board of Directors are hereby approved.

D. **Property Insurance Renewal**

John Frank, Manager of Risk & Insurance, reviewed the property insurance program for the Cooperative and its subsidiaries that was renewed on December 1.

Mr. Frank reviewed the property insurance markets. Organizations that achieve the best results are the ones most able to demonstrate their ongoing commitment to proactive risk management. Basin Electric has met with its underwriters both domestically and abroad to differentiate ourselves from the rest, and obtain the best premiums and terms available.

Mr. Frank then reviewed the current property damage insurance carried by the Cooperative. The total insurable values for the upcoming year are $12.3 billion with a renewal premium of $9.76 million. This represents a decrease of 2.5%.

He noted that FM Global, a mutual insurance company owned by its customers, awarded a surplus distribution effective December 1, 2014, with the Cooperative's share being $796,510.

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

At 10:10 a.m., the meeting recessed to hold the Second and Third Quarter Board Audit Committee Meeting. The meeting reconvened at 10:20 a.m.

25. **Merger of BTI into Basin Electric**

Mitch Stafford, Senior Business Process Analyst, reported that after a review of the activities of Basin Telecommunications, Inc. by staff, the conclusion reached was to cease the operations of BTI as a separate company and merge it into Basin Electric.

Casey Jacobson reviewed the merger process and recommended that it be approved.

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

R10.12-07-14 **WHEREAS,** the board of directors of Basin Electric Power Cooperative, a North Dakota electric cooperative corporation (Basin Electric), has determined that it is in the best interest of Basin Electric to merge Basin Telecommunications, Inc., a North Dakota corporation (BTI), with and into Basin Electric; and

WHEREAS, BTI is a direct, wholly owned subsidiary of Basin Electric.

NOW, THEREFORE, BE IT RESOLVED, that the following Plan of Merger be, and hereby is, adopted and approved, pursuant to Section 10-19.1-100 of the North Dakota Century Code (the "*Plan of Merger*"):

(1) As of December 31, 2014 (the "*Effective Date*"), BTI, the subsidiary, shall be merged with and into Basin Electric, the parent, and Basin Electric shall be the surviving constituent organization.

(2) On the Effective Date, each outstanding share of capital stock of BTI shall be cancelled and no payment shall be made with respect thereto. The Merger shall have no effect on Basin Electric's members' ownership interests in, or voting rights with respect to, Basin Electric.

(3) The Articles of Incorporation of Basin Electric, as in effect on the Effective Date, shall continue to be the Articles of Incorporation of Basin Electric until amended in accordance with the provisions thereof and applicable law.

(4) The Bylaws of Basin Electric, in effect on the Effective Date, shall continue to be the Bylaws of Basin Electric until amended in accordance with the provisions thereof and applicable law.

(5) The directors and officers of Basin Electric shall continue in office for their current terms and until their successors are elected and qualified, or until their death, resignation or removal in accordance with Basin Electric's governing documents and applicable law.

(6) On the Effective Date, the separate existence of BTI shall cease, and BTI shall be merged with and into Basin Electric as the surviving constituent organization, and all of the property, assets, rights, privileges, powers, franchises and immunities of BTI shall vest in Basin Electric, and all of the debts, liabilities, and obligations of BTI shall become the debts, liabilities, and obligations of Basin Electric.

FURTHER RESOLVED, that Basin Electric's officers are, and each of them individually is, authorized and directed, for and on behalf of Basin Electric, to execute and deliver the Articles of

Merger, in substantially the form attached hereto as Exhibit A (the "*Articles of Merger*"), with such changes thereto as the officer executing the Articles of Merger deems necessary or appropriate in Basin Electric's best interest, such approval to be conclusively evidenced by such officer's execution and filing thereof.

FURTHER RESOLVED, that the officers and directors of Basin Electric are, and each of them hereby is, authorized and directed, for and on behalf of Basin Electric, to make any and all filings with any applicable state or federal regulatory agency (including, but not limited to, filing of the Articles of Merger with the North Dakota Secretary of State), obtain all necessary consents and waivers, pay any and all proper expenses, execute, deliver, file and publish all such other applications, statements, undertakings, reports, qualifications, agreements, instruments, certificates and other documents as they or any of them deem necessary, appropriate or advisable in connection with the transactions contemplated by the Plan of Merger and the Articles of Merger.

FURTHER RESOLVED, that any and all actions heretofore taken by any director, officer, employee, representative or agent of Basin Electric not previously approved and authorized by the board of directors in connection with the transactions contemplated by the Plan of Merger, shall be, and the same hereby are, in all respects, ratified, confirmed, approved and adopted as acts of Basin Electric.

FURTHER RESOLVED, that the officers and directors of Basin Electric are, and each of them hereby is, authorized and directed, for and on behalf of Basin Electric, to perform the obligations required to be performed by Basin Electric under the Plan of Merger and to take any and all actions that, in their discretion, are necessary to consummate the transactions contemplated by the Plan of Merger and as otherwise to effectuate the intent of the foregoing resolutions.

Exhibit A
ARTICLES OF MERGER
OF BASIN TELECOMMUNICATIONS, INC.
WITH AND INTO
BASIN ELECTRIC POWER COOPERATIVE

Pursuant to the provisions of the North Dakota Century Code Section 10-19.1-100, the undersigned, Basin Electric Power Cooperative, a North Dakota electric cooperative corporation ("*Basin Electric*"), hereby adopts the following Articles of Merger for the purpose of merging Basin Telecommunications, Inc., a North Dakota corporation and direct, wholly owned subsidiary of Basin Electric ("*BTI*"), with and into Basin Electric (the "*Merger*") with Basin Electric as the surviving constituent organization following the Merger:

1. The Plan of Merger is as follows (the "*Plan of Merger*"):

a. As of December 31, 2014 (the "Effective Date"), BTI, the subsidiary, shall be merged with and into Basin Electric, the parent, and Basin Electric shall be the surviving constituent organization.

b. On the Effective Date, each outstanding share of capital stock of BTI shall be cancelled and no payment shall be made with respect thereto. The Merger shall have no effect on Basin Electric's members' ownership interests in, or voting rights with respect to, Basin Electric.

c. The Articles of Incorporation of Basin Electric, as in effect on the Effective Date, shall continue to be the Articles of Incorporation of Basin Electric until amended in accordance with the provisions thereof and applicable law.

d. The Bylaws of Basin Electric, as in effect on the Effective Date, shall continue to be the Bylaws of Basin Electric until amended in accordance with the provisions thereof and applicable law.

e. The directors and officers of Basin Electric shall continue in office for their current terms and until their successors are elected and qualified, or until their death, resignation or removal in accordance with Basin Electric's governing documents and applicable law.

f. On the Effective Date, the separate existence of BTI shall cease, and BTI shall be merged with and into Basin Electric as the surviving constituent organization, and all of the property, assets, rights, privileges, powers, franchises and immunities of BTI shall vest in Basin Electric, and all of the debts, liabilities, and obligations of BTI shall become the debts, liabilities, and obligations of Basin Electric.

2. As of the date hereof, (a) BTI has 1,000 shares of common stock issued and outstanding ("*BTI Common Stock*") and (b) Basin Electric directly owns 100% of the issued and outstanding BTI Common Stock. BTI has no other outstanding capital stock or ownership interests.

3. The Plan of Merger has been approved by Basin Electric's board of directors pursuant to Section 10-19.1-100 of the North Dakota Century Code.

Duly executed this ___ day of December, 2014.

Basin Electric Power Cooperative

By: ______________________________
Its: ______________________________

26. **South Dakota Statewide Annual Meeting Delegate and Alternate**

Mr. Peltier noted that the South Dakota Rural Electric Cooperative annual meeting is scheduled for January 15-16, 2015 in Pierre, South Dakota, and that a delegate and alternate should be named. After discussion, it was moved by Director Drost and seconded by Director Applegate that Director McQuistion serve as delegate and

Director Pearson will serve as alternate to the South Dakota Statewide 2015 annual meeting. The motion carried.

27. NRECA 2015 Annual & Regional Meetings Delegate and Alternate

President Peltier reported that the NRECA annual meeting is scheduled for February 22-25, 2015 in Orlando, Florida, and that a voting delegate and alternate should be named for the annual and regional meetings. After discussion, it was moved by Director Drost, seconded by Director Baker and carried that Director Gilbert serve as delegate and Director Pearson serve as alternate to the NRECA 2015 Annual and Regional Meetings.

28. Date and Time of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place January 13-15, 2015, at the headquarters building in Bismarck, North Dakota.

29. Adjournment

At 10:30 a.m., President Peltier adjourned the meeting.

Gary C. Drost
Secretary-Treasurer