

**BASIN ELECTRIC POWER COOPERATIVE
BISMARCK, NORTH DAKOTA**

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
MAY 15-17, 2018**

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

**Minutes of the Regular Meeting of the Board of Directors
May 15-17, 2018**

The regular meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, on May 15, 2018 starting at 2:48 p.m. CDT.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Charles H. Gilbert, who kept the minutes thereof.

2. Roll Call

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

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Mike McQuiston	David Meschke
Kermit Pearson	Wayne Peltier
Troy Presser	Allen Thiessen
Thomas Wagner	

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Tom Christensen, Shawn Deisz, Tammy DeWitt, Matt Greek, John Jacobs, Steve Johnson, Diane Paul, Dave Raatz, Ken Rutter, and Michelle Wiedrich. Also present were Corn Belt Power Cooperative (**Corn Belt**) manager Kenneth Kuyper and Dakota Gasification Company (**DGC**) Vice President David J. Sauer.

3. Approval of the Agenda

The Directors considered the agenda for the conduct of the business of the meeting. After an opportunity for the addition and deletion of items, a motion was made, seconded, and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the April 11, 2018 Regular Meeting of the Board of Directors were presented. After an opportunity for corrections, a motion was made, seconded, and carried that the minutes be approved as presented.

5. Board Committee Reports

Operations Committee. Operations Committee Chair Mike McQuiston noted that reports were given by Jim Lund on an amendment to the Laramie River Station (LRS) maintenance facility engineering contract with Sargent & Lundy (S&L). The existing maintenance facility was displaced by the selective catalytic reduction (SCR) and selective non-catalytic reduction (SNCR) facilities. Originally, two SCRs were planned before we went to two SNCRs and a single SCR. Additional engineering work for the Unit #2 scenario was included in the dollar amount, but this specific work for the Unit #2 tranche was never brought back to the board. S&L has done the engineering study and has been paid but it should have come to the full Board. The Committee recommend that the full Board approve amending the S&L SCR Phase 2 engineering contract by \$1.1 million from \$12.89 million to \$14 million. Peter Moch gave a presentation on the LRS maintenance facility and a request to amend the capital budget for that project by \$1.87 million (of which \$468,000 is Basin Electric's share) to authorize the final decision phase of the project and Mike Wanzek gave a report on the construction of a new microwave site at Wing, North Dakota (to replace the Capital Hill site). The estimated cost of the microwave upgrade project is \$2.6 million. The Committee recommended Board approval for both actions. Amanda Wangler gave an update on the new Transmission System Maintenance building at Menoken. This project is going well and is under budget. The Blaisdell-to-Plaza 30-mile transmission line project has had its challenges. Despite that, we are looking to close out the project at a total cost of \$17.6 million which is \$6.5 million under budget. Dale Johnson discussed the urea plant and gave an update on screen changes and improvements to the loading process. The plant reached the point where it loaded 120 trucks in a single day. Last month we discussed the \$7.8 million project budget for the loadout control room. Mr. Johnson reported that after evaluation of the bids, the low bid was \$371,000, which is being recommended. John Jacobs reported that the LRS union contract will most likely go to arbitration.

Marketing Committee. Marketing Committee Chair Troy Presser noted that Valerie Weigel gave a presentation on congestion and congestion hedging. Becky Kern discussed MidContinent Independent System Operator (MISO) capacity purchases which the committee recommended for approval by the full Board. The Committee saw the new, redlined version of the incentive rate proposal which will come to the full Board. Ken Rutter gave a presentation on the fertilizer marketing joint venture, which the Committee recommended for approval by the DGC Board.

Finance Committee. Finance Committee Chair Leo Brekel reported that the Committee had no recommendations to the Board of Directors this month. Sue Sorensen reported that revisions are being proposed to the investment manual which will come to the Board for approval in June or July. The investment manual is part of the Cooperative's financial policy. John Frank gave a very informative presentation on the visit to FM Global's testing site in Massachusetts and played videos of some tests FM Global conducts in order to mitigate property losses. Mr. Frank also discussed the "Unfriend Coal" movement which is a movement working to get insurance companies

to stop financing or insuring any company mining or burning coal. Shawn Deisz reported that there is a G&T administrative employee benchmarking study in progress which is a review of the number of employees providing administrative support for production, transmission, etc. It will measure how the Cooperative's administrative staffing compares to other G&Ts. Nichole Braunberger provided a Middle Office update. Darla Miller walked through the process of the financial forecast, which will also be presented to the full Board. This is the second year they are using a new software program called TM1.

6. Recess and Reconvention

At 3:00 p.m., the meeting recessed until 11:25 a.m. on Wednesday, May 16, at which time the meeting reconvened with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

7. Roll Call

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

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Mike McQuiston	David Meschke
Kermit Pearson	Wayne Peltier
Troy Presser	Allen Thiessen
Thomas Wagner	

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Ryan Anderson, Chris Baumgartner, Tracie Bettenhausen, Tom Christensen, Tammy DeWitt, Dana Friedt, Matt Greek, Tyler Hamman, John Jacobs, Steve Johnson, Joe Leingang, Diane Paul, Dave Raatz, Mark Scheele, Susan Sorensen, Myron Steckler, Kevin Tschosik, and Michelle Wiedrich. Also present were Corn Belt manager Kenneth Kuyper and DGC Vice President David J. Sauer.

8. CEO and General Manager's Report

A. Authorization to Purchase Aircraft

Mr. Sukut introduced Director of Aviation Ryan Anderson, who reported that should the Board of Directors approve the purchase of the Embraer aircraft, two Basin Electric pilots will take the required 15-day training course plus 30 hours training in a simulator. These two pilots would then train the rest of the Cooperative's pilots.

The earliest this aircraft would be available for the Cooperative's use would be July 18. To date, 451 of this particular aircraft have been manufactured. John Frank reported that this airplane is a "well received aircraft".

The Directors urged that in the future, the Cooperative's aircraft be traded in such that the aircraft to be retired can be traded in.

President Peltier thanked the pilots and Tammy DeWitt for their scheduling efforts when just one plane has been available.

After discussion, a motion was made, seconded, and carried to adopt the following Resolution:

R01.05-15-18 **RESOLVED**, that the acquisition of an Embraer Phantom 300E aircraft at a price of \$9.6 million (less the receipt, if any, for the trade-in of the Cooperative's Cessna Citation registration number N368BE) be approved and that the CEO and General Manager, or his designee, be authorized to execute such documents as he deems necessary to accomplish such acquisition.

B. Western Fuels Association Update

Fuel and Transportation Supervisor Joe Leingang reported that discussions are ongoing as Western Fuels Association (**WFA**) contemplates exit strategies for its members that fall below membership-class criteria. This was prompted by revision of Tri-State Generation & Transmission Association's (**Tri-State**) Escalante Station production forecasts.

At the last WFA meeting, American Coalition for Clean Coal Electricity (**ACCCE**) chief operating officer Michelle Bloodworth gave a presentation on ACCCE.

The auditing firm Grant Thornton performed the 2017 annual audits of WFA and Western Fuels-Wyoming (**WF-WY**). Both received clean, unqualified audit opinions. Grant Thorton also gave a tutorial on two new accounting standards, ASC 606 and 842.

Two new LRS coal purchase commitments were approved at the last WFA meeting. Both are with Cloud Peak Energy for the Antelope Mine, one-half million tons in 2019 and one million tons in 2020. Both are for 8,850 BTU, super-compliance sulfur coal. WFA did not make any additional 2021 and 2022 purchases.

At the WF-WY meeting, it was reported that the Dry Fork Mine is achieving its safety goals. The board approved the replacement of the engine on a LeTourneau L1850 loader. Mr. Leingang reviewed tonnages shipped from the Dry Fork Mine in the first quarter of 2018. To date, LRS coal is \$0.54 per ton under budget and Dry Fork Station (**DFS**) coal is \$0.46 per ton under budget.

9. Office of General Counsel Report

Senior Vice President & General Counsel Mark D. Foss reported on various legal matters of interest to the cooperative.

On May 1, the Environmental Protection Agency (EPA) and Basin Electric agreed to the remaining major terms on the settlement of the LRS #3 Section 114(a) request.

On May 22, EPA Region 8 Deputy Administrator Doug Benevento will meet with staff at Headquarters.

Last week, Basin Electric met with EPA political and career staff to discuss Basin Electric's proposed "hybrid" approach to the best system of emission reduction. It is called a "hybrid" because it combines two of the other major approaches presented in the comments to EPA.

Mr. Foss also reported on the lawsuit by the cities of San Francisco and Oakland, California against major oil companies based on nuisance claims stating that sea levels are rising and damaging those cities and the energy company defendants that produced the fossil fuels are responsible for this damage. The defendants had the case removed to federal district court. The cities filed a motion to remand the case back to state court, which was denied.

A. Osage-to-Yellow Creek Line Access Easements

Property and Right-of-Way Manager Mike Murray presented a map showing the location of the 43-mile, 230-kV Osage-to-Yellow Creek transmission line and noted that 22 miles of this line are located in Wyoming. When Basin Electric acquired this line from Black Hills Corporation (**Black Hills**) in 2000, Black Hills had not acquired access easements necessary to maintain the transmission line. Wyoming has no rights of ingress and egress (a "no-trespass" state) and easements across 159 access trails are needed from 23 Wyoming landowners. To date, 104 access easements have been obtained from 14 landowners. Negotiations have been ongoing for two years. In the event that a settlement cannot be reached, condemnation actions may need to be filed against a small number of Weston County, Wyoming landowners who have this transmission line cross their property, but will not consent or allow any access whatsoever to maintain this line. Wyoming law requires authorization to use condemnation from the utility's Board of Directors.

He requested that staff and its legal advisors be authorized to monitor the good-faith attempts to negotiate the purchase of access easements necessary to maintain the transmission line and that, upon failure to reach settlements with any of the landowners for purchase of the same, staff be authorized to institute the appropriate condemnation action or other actions needed against all parties claiming an interest in the property required to be filed for this transmission line access.

After discussion, a motion was made, seconded, and carried that the following Resolution be adopted, with Director Baker voting "no":

R02.05-15-18

WHEREAS, Basin Electric Power Cooperative acquired the Osage-to-Yellow Creek 230-kV transmission line from Black Hills Corporation in October, 2000, and said acquisition did not include accesses necessary to maintain the transmission line;

WHEREAS, the state of Wyoming is a no-trespass state and state law requires that all accesses be described and accesses must be consented to by the private landowners;

WHEREAS, condemnation actions may need to be filed against a small number of landowners in Weston County, Wyoming who have the Osage-to-Yellow Creek Transmission line cross their property but will not consent or allow any access whatsoever to maintain the said transmission line;

NOW THEREFORE, BE IT RESOLVED, that Basin Electric Power Cooperative does hereby direct its staff and its legal advisors to monitor the good faith attempts to negotiate the purchase of access easements for the Wyoming portion of the Osage-to-Yellow Creek 230-kV transmission line, and upon failure to reach settlements with any of these landowners for purchase of the same, they are hereby authorized to institute the appropriate condemnation action or other actions needed against all parties claiming an interest in the property required to be filed for the aforementioned transmission line access.

10. Recess and Reconvention

At 12:13 p.m., the meeting recessed until 1:00 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

11. Roll Call

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

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Mike McQuiston	David Meschke
Kermit Pearson	Wayne Peltier
Troy Presser	Allen Thiessen
Thomas Wagner	

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Chris Baumgartner, Tom Christensen, Shawn Deisz, Tammy DeWitt, Dana Friedt, Chris Gessele, Matt Greek, Tyler Hamman, John Jacobs, Steve Johnson, Becky Kern, Sally Meier, Diane Paul, Dave Raatz, Ken Rutter,

Jean Schafer, Susan Sorensen, Kevin Tschosik, Valerie Weigel, and Michelle Wiedrich. Also present were Corn Belt manager Kenneth Kuyper, Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Robert Leingang, and DGC Vice President David J. Sauer.

12. Office of General Counsel Report, continued

A. Government Relations Report

Senior Legislative Representative Jean Schafer reported on the following state matters:

Iowa. SF 2300, the Energy Omnibus bill passed. This legislation allows certain cooperative boards to opt out of rate regulation, removes the requirement for cooperatives to file energy efficiency plans and reports with the Iowa Utility Board, and allows cooperatives to charge a deposit. The ability to charge a “discriminatory rate” on renewable energy sources based on cost of service did not make it into the final bill.

Minnesota. The Minnesota Legislative session will adjourn on May 21. The Energy Omnibus bill contained no provisions impacting cooperatives. It is possible that Conservation Improvement Program reform will be introduced in the next session, as well as retail choice. The Minnesota Legislative Energy Commission tour of the Great Plains Synfuels Plant (**Synfuels Plant**), Coal Creek Station, and Falkirk Mine is scheduled for June 7. We are awaiting confirmation from other Minnesota members.

Wyoming. A Public Utilities Commission (**PUC**) hearing was initiated by the Wyoming Industrial Energy Consumers (**WIEC**) in response to industrial rate increases. WIEC wants the PUC to begin a dialogue on retail customer choice options and regional transmission organization options. Case studies on four regional transmission organizations (California Independent System Operator, Electric Reliability Council of Texas, Southwest Power Pool/Mountain West Transmission Group (**SPP/MWTG**), and PJM). Currently, 12 states have implemented some form of retail choice. Basin Electric will follow up with the PUC to provide a utility-based perspective.

The Clean Coal and Carbon Management subcommittee of the National Association of Regulatory Utility Commissioners (**NARUC**), along with North Dakota and Wyoming commissioners, will meet with Energy & Environmental Research Center (**EERC**) staff and tour the Synfuels Plant, and a CarbonSAFE site on May 17.

Federal. The Action Committee for Rural Electrification (**ACRE**) and its affiliated political action committees are meeting to develop a more collaborative process among ACRE, Basin Electric Political Action Committee and GREAT PAC. Ongoing issues include determining affiliated PAC and ACRE funding amounts,

when to start contributing to candidates, open seat races, funding both sides of a race and the delivery of campaign contributions.

Basin Electric and Central Montana Electric Power Cooperative (**Central Montana**) were invited to testify on April 19 at a Senate Energy & Natural Resources hearing to examine "Rural Energy Challenges and Opportunities". Matt Greek and Central Montana general manager Doug Hardy discussed the cooperative model and challenges with providing electricity in rural areas.

Ms. Schafer reported that the comment period for potential replacement of the Clean Power Plan closed on February 26. The comment period on repeal of the Clean Power Plan was extended to April 26. Basin Electric submitted comments on both the repeal and replacement.

Staff is meeting today with EPA policy advisors to Administrator Pruitt and the Deputy Assistant Administrator for Air Issues to discuss Basin Electric's hybrid proposal for a new carbon management rule. Staff met with the North Dakota Health Department on May 14 and will meet with the Wyoming Department of Environmental Quality on June 13 to explain Basin Electric's position on a new carbon management rule and to gather input on Regional Haze Round Two.

Staff from Government Relations, Research & Development, and Tax are developing a plan to evaluate the potential of a DGC sequestration project using Section 45Q tax credits.

Primary outstanding federal legislative issues include extension of the Refined Coal Tax Credit, New Source Review reform, Public Utilities Regulatory Policy Act (**PURPA**) reform, and North Dakota Senator Hoeven's Carbon Dioxide Regulatory Certainty Act (Section 45Q clarification). Secondary issues include a fix for the Section 48A investment tax credit and Wyoming Senator Barrasso's Utilizing Significant Emissions with Innovative Technologies Act.

On May 9, 2018, Basin Electric submitted comments to the Federal Energy Regulatory Commission regarding grid resiliency. In those comments, Basin Electric encouraged further discussion of the near-term impacts of wind on the market and development of a stand-by or ramp rate for the dispatchable generation sources that backstop wind. Ms. Schafer then reported on the National Rural Electric Cooperative Association Legislative Conference.

B. Selection of Director to 2018 Resolutions Committee

Ms. Schafer reported that the Board authorized the 2018 Resolutions Committee last month and should now name a director to serve on that committee.

After discussion, a motion was made, seconded, and carried that the following Resolution be adopted:

R03.05-15-18 RESOLVED, that Director Presser represent the Board of Directors on the 2018 Resolutions Committee.

13. Operations Report

Senior Vice President - Operations John Jacobs reported that in April, there was one medical treatment case and one Days Away, Restricted or Transferred incident, which he described.

He provided bus-bar costs for the coal-fired fleet (the Leland Olds Station (LOS), Antelope Valley Station (AVS), LRS, and DFS), reviewed the equivalent forced-outage rate trends for the past 24-month period, and reviewed the year-to-date running plant capacity factors for the coal units. April generation for the solid-fuel plants was 5.1 percent under budget for the month, for the wind fleet was 21.5 percent below the budget, and for the total Basin Electric fleet was 1.6 percent below the budget. Year-to-date generation for the fleet was 4.6 percent under budget.

Unit	Running Plant Capacity Factor	Monthly Availability	Forced Outage Rate	Unit Rating	Comments
AVS 1	93.40%	95.11%	4.89%	450 MW	
AVS 2	97.00%	91.89%	6.61%	450 MW	
DFS	101.17%	83.66%	12.03%	386 MW	
LRS 1	62.57%	98.48%	1.63%	570 MW	Major outage mainly for SCR work.
LRS 2	88.38%	87.26%	12.74%	570 MW	
LRS 3	88.03%	94.18%	0.03%	570 MW	
LOS 1	56.42%	88.22%	5.90%	221 MW	
LOS 2	84.01%	88.95%	0.00%	448 MW	Started eight-week major outage.

Mr. Jacobs presented photographs and discussed issues at DFS with a top layer of catalyst on the SCR prior to cleaning and after cleaning and dry-ice blasting.

Mr. Jacobs presented photographs and discussed issues found during the LRS Unit #1 outage.

He presented photographs and noted that work planned for 2018 includes change-out of the 480-volt motor control center breakers.

With permission from the U.S. Fish & Wildlife Service, staff removed an abandoned golden eagle nest from a tower on the AVS-to-Charlie Creek 345-kV transmission line near Manning, North Dakota.

He presented photographs and reported that the Tioga-to-Boundary Dam 230-kV line splice came apart and started a grass fire. One cross-arm failed at the same time.

Shortly thereafter, there was another fire in that area when a landowner's controlled burn got away from him resulting in minor damage to a Basin Electric pole, but significant damage to Burke-Divide Electric Cooperative's new 115-kV circuit line.

A. Distributed Generation Facility Operations Report

Manager of Distributed Generation Kevin Tschosik reported that 2018 year-to-date safety statistics include two vehicle accidents, two near misses, and two contractor property damage incidents.

Natural gas prices for the distributed generating facilities (Groton Generating Station (GGS), Culbertson Combustion Turbine (CCT), Wyoming Distributed Generation (WDG), Spirit Mound Station (SMS), Deer Creek Station (DCS), Pioneer Generating Station (PGS) and Lonesome Creek Station (LCS)) were flat during the month. April generation at the distributed generation facilities was as follows:

Unit	April Avail-ability	April Gener-ation	Unit Rating	Comments
Culbertson	97.15%	5,317 MWh	97 MW	
DCS	77.25%	57,304 MWh	300 MW	Damage to first-stage nozzle.
Groton #1	98.37%	614 MWh	100 MW	
Groton #2	98.45%	9,391 MWh	100 MW	
LCS #1	93.96%	4,590 MWh	45 MW	
LCS #2	73.16%	6,387 MWh	45 MW	
LCS #3	93.89%	9,893 MWh	45 MW	
LCS #4	83.99%	9,655 MWh	45 MW	
LCS #5	93.94%	9,353 MWh	45 MW	
PGS #1	52.42%	1,525 MWh	45 MW	
PGS #2	59.31%	1,612 MWh	45 MW	
PGS #3	63.96%	3,341 MWh	45 MW	
PGS #11	100%	1,346 MWh	111.6 MW	
PGS #12	100%	1,418 MWh	111.6 MW	
PGS #13	99.98%	1,335 MWh	111.6 MW	
PGS #14	99.94%	2,166 MWh	111.6 MW	
PGS #15	99.98%	2,194 MWh	111.6 MW	

PGS #16	98.53%	2,025 MWh	111.6 MW	
PGS #17	95.56%	1,633 MWh	111.6 MW	
PGS #18	55.69%	1,082 MWh	111.6 MW	
PGS #19	100%	1,722 MWh	111.6 MW	
PGS #20	99.52%	1,806 MWh	111.6 MW	
PGS #21	100%	1,834 MWh	111.6 MW	
PGS #22	96.94%	1,767 MWh	111.6 MW	
SMS #1	0%	0 MW	60 MW	
SMS #2	0%	0 MW	60 MW	
WDG	0%	14 MW	45 MW	

Mr. Tschosik presented photographs and discussed a DCS outage due to a generator problem which resulted in stator bar damage with blocking and generator failed blocking which exposed copper to the generator. This has been repaired. The next big focus at DCS is the steam turbine.

SMS ran on May 14.

WDG. Meritage Midstream Services II, LLC supplies the gas for the Wyoming Distributed Generation facilities built to serve the coal-bed methane play. The Arvada gas supply is good for three to five years; Barber Creek and Hartzog should have gas for five to eight years after that because they are supplied with both coal bed methane and a rich gas mixture. He noted that there will be no drilling for coal-bed methane until natural gas prices hit \$4/mcf.

LCS ran in synchronous condensing mode for 503.63 hours and PGS for 366.78 hours in April. There were five spinning reserve calls on the west side during the month.

The east-side peak occurred on April 5 at 1800 hours. At that time, wind generation was as follows:

Wind Project	Load Factor During the Peak	Capacity Factor		Project Total
		April	YTD	
Baldwin	100 MW	48%	48%	99 MW
Brady 1	141 MW	51%	55%	150 MW
Brady 2	147 MW	54%	54%	150 MW
Campbell County	74 MW	54%	46%	98 MW

Chamberlain	1 MW	11%	11%	2.6 MW
Day County	98 MW	50%	50%	99 MW
Edgeley	34 MW	38%	37%	40 MW
Highmore	35 MW	39%	37%	40 MW
Iowa Wind	9 MW	38%	42%	45.1 MW
Iowa Lakes	4 MW	40%	46%	21 MW
Lindahl	147 MW	51%	49%	150 MW
Minot Wind	6 MW	39%	41%	7.1 MW
PWND	110 MW	40%	41%	123 MW
PWSD	149 MW	41%	44%	162 MW
Sunflower	110 MW	54%	55%	104 MW
Wilton	92 MW	45%	43%	99 MW
Total Monthly Wind Generation	1,241 MW	46%		800 MW
Average Capacity Factor		48%	47%	

14. **Commodity Risk Management Report**

Manager of Commodity Risk Kerry Kaseman reported that there has been little activity during the month, just a few hedges from the Asset Management group. He referred the directors to his written report in BoardPaq.

15. **Asset Management, Resource Planning & Rates Report**

A. **General Report**

TransCanada Update. Senior Vice President - Asset Management, Resource Planning & Rates Dave Raatz reported that it is expected the State Department will release the formal Environmental Impact Statement (EIS) for the TransCanada pipeline in September. Still to be addressed is whether a major electrical transmission system improvement will be needed to accommodate this project. The current EIS does not address transmission additions. Based on internal reviews, Basin Electric staff believes no major transmission improvements are needed but we have to make a formal transmission service request before this can officially be evaluated. There is a meeting with the Western Area Power Administration (**Western**) on May 24 to discuss how we can respond. There will be a call with Western and the membership on May 31 and a subsequent call with

TransCanada on June 7. Mr. Raatz reported that if a full-blown EIS is needed for transmission improvements, this project could be delayed one year.

Incentive Rate Concept. Mr. Raatz reviewed the incentive rate concept which includes a capacity charge and an SPP Upper Missouri Zone transmission charge. Specifics of the load incentive rate were reviewed in the strategic planning session. The Managers Advisory Committee and Rate Subcommittee endorsed approval of the 2019 Load Incentive Rate for 2019, 2020, 2021, and 2022, after which it would end. Formal authorization from the Board of Directors will be requested in August as part of the request to approve the 2019 Rate Schedule A. An additional meeting with the Rate Subcommittee is set for May 21.

The Board of Directors reached a consensus that the key components of the incentive rate should include:

- Available to new consumer loads over 1.0 MW that start taking electric service after January 1, 2019, which, if not for this Load Incentive Rate, would not be developed and served by the Membership;
- During 2019-2022, the Class A Member must certify that the Class A and C Members only charge the following costs to the end user without markup:
 - Debt service costs resulting from the addition of new, non-Open Access Transmission Tariff facilities, required to serve the new load;
 - Third party wheeling, incremental dues and assessments; and
 - Taxes incurred as a result of serving the new load.
- During 2019-2022, the Class A Member would only be allowed to markup the Basin Electric power supply cost, under this rate, by no more than \$2 per MWh. The Member markup shall cover items such as operations and maintenance, customer accounting, administrative, general, and debt service costs associated with their or their Member's existing system;
- Load qualifying for this rate under the 2019 Rate Schedule A shall only qualify for this rate during the period from 2019 through 2022. No extension period will be allowed.

The directors were in agreement on the concept, and this incentive rate will be part of the 2019 Rate Schedule A to be presented to the Board of Directors for approval in August.

Rate Subcommittee Meeting. Discussion topics for the May 21 Rate Subcommittee meeting include (1) the PURPA rate (possibly increasing the member-owned option from 150-kW to one MW), (2) new consumer and member-owned battery rate under which Basin Electric would purchase the dispatch capability of the battery and battery discharge would be Basin Electric power delivery to the member, and (3) a new category under the standby rate.

B. Short-Term Market Summary

Director of Short-Term Trading & Financial Analyst Valerie Weigel reported that when we see real-time price spikes, it does not mean Basin Electric is paying that

price to serve our load. We bid all of our load into the day-ahead market and offer all of our generation into the real-time market. Day-ahead prices are far less volatile than real-time prices.

There were two price spikes on May 14. The first was when a generator in the Kansas City area tripped and the second was in the afternoon when wind was underperforming by 4,000 MW and load was overperforming by 1,000 MW. It was noted that many units are down for maintenance outages at this time of year.

The most notable thing about this event is that this is the first time all of Basin Electric's and North Iowa Municipal Electric Cooperative Association's generators have been asked to come online.

She presented the April day-ahead and real-time load-zone average daily pricing and noted that market pricing represented is the average around-the-clock price and is not always representative of actual transacted prices. The April day-ahead average price was \$23.59 and the April real-time average price was \$34.30.

Highlights of SPP April Market Results. Ms. Weigel reported that SPP operations were unfavorable to budget with the average surplus sales price of \$22.70/MWh versus the budget of \$23.98/MWh and an average purchase price of \$23.48/MWh versus the budget of \$20.38/MWh. Above-budget member energy loads led to higher-than-budget purchased power expense.

Highlights of West April Market Results. Ms. Weigel reported that West operations were unfavorable to budget with surplus sales totaling \$3.5 million versus the budget of \$6.2 million. The average sales price was \$19.28/MWh versus the budget of \$23.58/MWh. Above-budget member energy loads, West-to-East tie flows, and below-budget market prices led to below budget surplus sales.

Highlights of MISO April Market Results. Ms. Weigel reported that MISO operations were unfavorable to budget by \$0.2 million. The average MISO surplus sales price was \$25.61/MWh versus the budget of \$30.50/MWh and the average purchase price was \$25.77/MWh versus the budget of \$30.81/MWh.

SPP set a wind-to-load penetration record of 63.96 percent at 3:35 a.m. CDT on April 30, 2018. Wind peaked at 13.6 gigawatts (GW) of the 21.3 GW load. The current wind generation production peak is 15.69 GW on December 15, 2018.

16. Recess and Reconvention

At 3:00 p.m., the meeting recessed until 8:00 a.m. Thursday, May 17, 2018, at which time the meeting reconvened with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

17. Roll Call

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

Paul Baker
Charles H. Gilbert
Mike McQuiston
Kermit Pearson
Troy Presser
Thomas Wagner

Leo Brekel
Daniel Gliko, Jr.
David Meschke
Wayne Peltier
Allen Thiessen

Said persons being all of the Directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Auston Biles, Andrew Buntrock, Eric Carufel, Tom Christensen, Shawn Deisz, Tammy DeWitt, Pius Fischer, Matt Greek, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Jim Lund, Shawnel Maxwell, Gavin McCollam, Darla Miller, Peter Moch, Diane Paul, Mike Paul, Dave Raatz, Ken Rutter, Terri Schuette, Susan Sorensen, Myron Steckler, Valerie Weigel, Melinda Weninger, and Michelle Wiedrich. Also present were Corn Belt manager Kenneth Kuyper, Mor-Gran-Sou director Robert Leingang, and DGC Vice President David J. Sauer.

18. **Asset Management, Resource Planning & Rates Report, continued**

A. **Short-Term Market Summary, continued**

Forecasting Measures. Ms. Weigel explained the basics of load forecasting including historical weather data, historical meter data, and forecast weather data. These are then impacted by X-drivers (or additional inputs) such as load management, grain drying, irrigation, and commercial scheduling. She stated that the industry aims for a Mean Absolute Percentage Error (MAPE) in the three to four percent range. She then reviewed the Cooperative's MAPE in the various markets we serve.

She next reviewed the challenges of forecasting wind energy. We use the SPP wind forecast for the next 72 hours which is updated hourly. SPP has improved its forecasting ability as they now have locational turbine-specific forecasting which they use along with complex terrain modeling. The goal with scheduling wind is to capture 90 percent of the day-ahead value. She then showed a graph illustrating how well Basin Electric wind forecasting was in calendar year 2017. The unknown variables for wind forecasting include icing, negative pricing (causing backdowns), and new wind sites with no operating history.

Locational Marginal Price forecasting looks to prices on a similar day: similar temperatures, similar load levels, similar length of day and similar wind forecast. The accuracy of a price forecast is measured by the root mean square which is calculated by subtracting from the forecast price the actual price and squaring that difference. The challenging factors in forecasting prices include extreme weather events, congestion, and changes to the variable factors (gas prices, wind, etc.).

B. Wholesale Power Contract Differences

Director of Utility Planning Becky Kern reviewed a summary of exceptions in the Wholesale Power Contract Basin Electric has with each of its Class A members.

Ms. Kern then stepped through each difference and provided a summary of the reason for the difference and the members impacted by the difference.

C. MISO Zone 1 Capacity Purchase

Ms. Kern reported on the status of the capacity purchase for Montana that was approved last month (which would move the Montana cliff event from 2026 to the 2028 time period).

Ms. Kern reviewed the MISO Zone 1 summer surpluses and deficits, MISO Zone 1 summer load versus resources, MISO Zone 1 Request for Proposal (RFP) capacity pricing, the cost of a new gas generating unit, and the three RFP responses that remain under consideration. She then recommended adoption of a resolution authorizing the execution of agreements to purchase up to 255 MW of capacity in MISO Zone 1 upon agreeable terms and conditions. Director Presser noted that the Marketing and Asset Management Committee recommended adoption of this resolution.

After discussion, a motion was made, seconded, and carried to adopt the following Resolution:

R04.05-15-18 RESOLVED, that the CEO and General Manager, or his designee, is authorized to execute agreements to purchase up to 255 MW of capacity in MISO Zone 1 upon terms and conditions he finds acceptable.

19. Transmission, Engineering & Construction Report

Senior Vice President - Transmission, Engineering & Construction Tom Christensen introduced Gavin McCollam, the new Vice President of Engineering & Construction, and Pius Fischer, the new Vice President of Transmission.

Mr. Christensen reported on an interconnection request for a substation on the Groton-to-Watertown transmission line which was made prior to Basin Electric joining SPP. This request went into suspension before the Cooperative joined SPP. The request has now come out of suspension. This request will probably be presented to the Board of Directors with additional details next month. If the substation will be on Basin Electric's transmission line, we will want to build and operate it. However, we don't have a direct contractual relationship with that interconnection customer.

He reviewed the evolution of the MWTG process, noting that the SPP board of directors endorsed their policy statement supporting MWTG joining SPP in March of 2018. On April 20, 2018, Public Service Company of Colorado (PSCO) announced its withdrawal from MWTG.

PSCO's withdrawal from MWTG removes the Lamar DC tie and the Denver area load (5,000 MW or 42 percent), leaving DC ties at Rapid City, Stegall and Sidney. If the Miles City DC tie is used, MWTG would still have 700 MW of ties to be used to solve for markets on both the east and the west.

On May 1st, the SPP Board issued a statement affirming its March action and statement.

MWTG needs to: (1) readdress the cost-shift issues; (2) readdress DC tie cost sharing; (3) recalculate market benefits; (4) prepare a revised policy document; and (5) renew the SPP process. Western, Tri-State, and Basin Electric met last week to discuss how these three (MWTG-3) might proceed and also how they could proceed with the rest of the MWTG entities minus PSCO (MWTG-7).

There is a lot of pushback from existing SPP members on DC tie cost sharing; however, the SPP board reaffirmed its approval of DC tie sharing when it affirmed its policy statement. The Brattle Group study will have to be redone to reflect the changed economics without PSCO. A meeting of the MWTG-3 will be held next week followed by a meeting of the MWTG-7. The policy document, which consisted of approximately 20 items (several of which were driven by PSCO), will most likely be significantly shortened and simplified.

He noted this is a timing issue. If the other issues can be resolved, it is a question of how long it will take. Mr. Raatz estimated a one-year delay. Mr. Christensen noted that the delay could be shorter once the policy document has been revised. A major Basin Electric issue is DC tie cost sharing.

A. Engineering & Construction Report

Mr. McCollam reported that there had been one near miss, one property damage incident and one first-aid case in April. He reported on year-to-date safety statistics and presented and reviewed the project funding chart noting that four contracts totaling \$7.6 million would be presented for approval this month. Since his written report was submitted, one contractor on the LRS SCR project fell and broke his hip. The Blaisdell-to-Plaza transmission line project is closing out successfully and under budget even though there were some environmental challenges.

B. LRS SCR Feed Study Engineering Amendment

Senior Project Manager Jim Lund provided an overview of the LRS Unit #1 SCR Project, noting that 310,000 on-site hours have been worked with zero recordable injuries through this reporting period. Design and procurement are complete and field changes are being managed. Fourteen million dollars of the \$19 million budgeted engineering costs have been committed.

The SCR steel and reactor contract is 64 percent complete versus 61 percent planned. The air heater reinforcement contract is targeted for completion on May 23, 2018. The SCR General Works contract has been awarded to The

Industrial Company. They will mobilize this month. The project is on track for July 1, 2019 NO_x compliance. The project cost forecast is \$205 million, which is 61 percent of the \$337 million budget.

Mr. Lund reviewed the 2014-2015 SCR engineering timeline and December 2015 resolution to approve the amendment of SCR Phase IIA project budget to include FD fan room modification scope.

Mr. Lund then recommended adoption of a resolution approving amendment of the Sargent & Lundy SCR Phase 2A engineering contract by \$2.05 million from \$2.79 million to \$4.84 million to include in the project scope for the FD fan room.

After discussion, a motion was made, seconded, and carried that the following Resolution be adopted:

R05.05-15-18 RESOLVED, that the Sargent & Lundy SCR Phase 2A engineering contract be increased by \$2.05 million (\$865,000 Basin Electric cost) from \$2.79 million to \$4.87 million; and

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

C. LRS SCR Engineering Contract Amendment

Mr. Lund reported that the Board approved the SCR engineering contract with S&L in January 2016 for \$12.8 million (\$5.4 million Basin Electric cost). This contract included detailed design, specification development, and contract management. S&L's scope was based on the December 2015 SCR Project Plan and Division of Responsibility. From January of 2016 through April of 2018, there have been 13 engineering change orders for reassignment of design work to S&L, additional vendor oversight to support the project, and a Basin Electric-approved project scope change. To date, S&L's change order cost is \$1.14 million, which is 8.9 percent of the \$12.8 million approved contract amount. As this is nearing the ten percent threshold, Mr. Lund recommended authorization to re-baseline the S&L contract to \$14 million to address potential engineering change orders through the end of the SCR project. Director McQuiston noted the Operations Committee recommended approval of the amendment.

After discussion, a motion was made, seconded, and carried that the following Resolution be adopted:

R06.05-15-18 RESOLVED, that the authorized amount for the Sargent & Lundy SCR Phase 2 engineering contract be increased by \$1.11 million (\$465,000 Basin Electric cost) from \$12.89 million to \$14 million; and

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

D. LRS Maintenance Facility

Mr. McCollam introduced Civil Engineer Peter Moch, who reported that the LRS Units #1 and #3 shops (66 employees, the critical maintenance systems, the welding room, offices, and lunch room) were repurposed as a result of the SCR/SNCR installation. He presented a map showing the location of the proposed new maintenance facility and reported that conceptual design and preliminary design have been completed. Final design and bidding is pending. He noted that the SCR/SNCR budget included a square-foot estimate of \$12.9 million for the displaced areas. The current estimate for a complete facility is \$20-23 million. This could not be included in the SCR/SNCR cost and must be a separate capital project. The total proposed space is just under 50,000 square feet, of which 30,000 square feet is shop space. Proposed occupancy is June of 2020. It was noted that in November, staff will have a Class 2 estimate and will request approval of the full budget for this project. He recommended approval of a resolution authorizing the final design phase for this facility in an amount not to exceed \$1.87 million. Director McQuiston reported that the Operations Committee recommended full Board approval of moving forward with the final design phase.

After discussion, a motion was made, seconded, and carried to adopt the following Resolution:

R07.05-15-18 RESOLVED, that the Final Design Phase for the LRS Maintenance Facility be approved in an amount not-to-exceed \$1.87 million (\$789,140 Basin Electric cost); and

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

E. TSM Wing Microwave Project

Mr. McCollam introduced Senior Electrical Engineer Mike Wanzek, who reported that Engineering staff is recommending that the Capital Hill microwave site be abandoned in exchange for the Wing site which will provide a clearer, more reliable path for Menoken to communicate with the Mandan TSM microwave tower.

Additionally, Capital Electric Cooperative owns the land on which the Capital Hill microwave tower stands. Rental of the land increased from \$7,200 per year to approximately \$90,000 this year and would continue to increase three percent each year.

Property & Right-of-Way Manager Mike Murray is attempting to find a buyer for the Capital Hill tower.

The scope of this project is to add a green-field microwave site near Wing, North Dakota, including a 345-foot self-supporting microwave tower, a building to house the equipment and the radio equipment; to add an additional 20-feet to the Mandan microwave tower (and installation of a new communications building); as well as add new antennas to these existing sites and realign the radio paths. The proposed commercial operation date is May of 2019. Mr. Wanzek presented photographs of a typical microwave site and reported that the Class 3 estimated project cost is \$2.6 million and includes a \$480,000 contingency. Director McQuiston noted that the Operations Committee recommended full Board of Directors approval of the project.

After discussion, a motion was made, seconded, and carried that the following Resolution be adopted:

R08.05-15-18 RESOLVED, that the Wing Microwave Site Addition and Associated Communication Upgrades at an estimated cost of \$2.6 million is approved; and

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

20. **Research & Development Report**

Senior Vice President - Research, Development & Technology Matt Greek reported that staff continues to focus on the Synfuels Plant as our first and best opportunity to capitalize on Section 45Q tax credits. The financial model has been completed and gives a marginally profitable return based on the assumptions used. Next steps are to focus in three areas: (1) opportunities to optimize the development of the tax regulations; (2) opportunities to optimize the certainty of permitting and shortening the timeline to complete; and (3) revising/tweaking the legislation to get relief on the 12-year sunset provision.

The dedication of the Integrated Test Center (ITC) last night went well. Mr. Sukut reported that Wyoming Governor Mead was very appreciative of Basin Electric's ITC efforts.

ITC sponsors are working to develop a business plan for the facility beyond the XPRIZE work.

Allam Cycle. Basin Electric continues to follow and support work on the Allam Cycle at EERC, but is holding on future commitments unless and until we see enough progress on the Houston pilot project to support further effort.

CarbonSAFE. Work continues on the investigation and development of sequestable saline aquifers in proximity to DFS, AVS and the Synfuels Plant. The current administration has signaled a lack of support for this effort going forward. We will carefully consider any future opportunities here as the combination of this effort and Section 45Q work may create more meaningful opportunities.

Rare Earth Elements. Rare Earth Elements work has been limited to providing letter and ash-sample support. The North American Coal Corporation has also done work in this area, as have others. Economics to date have not been attractive enough to support further work.

Carbon Dioxide Clean-up at the Synfuels Plant. The primary carbon dioxide source at the Synfuels Plant is from the Rectisol process but the carbon dioxide contains hydrogen sulfide that makes it unattractive for use in the Bakken sweet oil fields. This work, funded by the Lignite Energy Council, looks at removing the acid and creating a clean carbon dioxide stream.

Plains Carbon Dioxide Reduction Partnership. The Plains Carbon Dioxide Reduction Partnership is a multi-year collaboration of over 80 U.S. and Canadian stakeholders that are laying the groundwork for practical and environmentally sound carbon dioxide sequestration projects in the heartland of North America. It is one of seven regional partnerships under the U.S. Department of Energy, Office of Fossil Energy, National Energy Technology Laboratory's Regional Carbon Sequestration Partnership Program. The effort is led by EERC at the University of North Dakota. Basin Electric is a partner in this effort.

Emerging Technologies. Mr. Greek reported that renewable ammonia is one of several processes being researched that allow a less energy-intensive cycle using reversible fuel cells that allow intermittent operation of the cycle without negative impacts. They are renewable on the theory that they can be operated when renewable power is available and reversed for electric production when needed. Ammonia avoids the use of a carbon-based compound, thus further supporting the argument of renewability.

He reported that if one or more of the research efforts results in an economic process, renewable ammonia could be a threat. On the other hand, Basin Electric is well-positioned to adopt a promising technology at the Synfuels Plant given that facility's existing infrastructure (i.e. utilities, established site, storage, logistics).

Next steps would be to continue research to determine if one or more of the current or future research efforts merit monitoring and participation and consider investigation of ammonia as a grid-scale storage solution.

21. **Member Services & Administration Report**

Senior Vice President - Member Services & Administration Chris Baumgartner reported that the 2017 annual report has been distributed. The report contains 20 fewer pages

and 2,500 fewer reports were printed than last year. This is the least expensive report in nine years.

In response to a membership request, Cooperative staff developed an advertising campaign on farm machinery safety consisting of print advertisements, videos, and two commercials that can be accessed via social media.

A. Board Policy Review

Mr. Baumgartner distributed Board Policy 01, Renewable Resource Obligations Policy, and Board Policy 02, Fiscal (et al.) Policy for review and asked that the Directors email suggested revisions to Tammy DeWitt or him. Approval will be requested at the June Board meeting. One to two Board Policies will be presented each month.

There was discussion on whether Board Policies applicable to each Committee should be reviewed and discussed at the Committee level prior to coming to the Board.

A list of the results of the May 14-15, 2018 strategic planning session was distributed and reviewed.

Mr. Baumgartner reported that Tom Erickson, head of EERC, had been suggested as a future speaker. Mr. Sukut noted that Heidi Heitkamp will speak to the Board in August. Director Presser recommended that the Directors tour the EERC if possible. EERC is located at the University of North Dakota and was the regional federal energy laboratory before it was taken over by the state of North Dakota.

22. Human Resources Report

Senior Vice President - Human Resources Diane Paul reported that the combined Basin Electric and DGC employee count is down 85 since January 2017. Year-to-date, 74 employees have either retired or provided their notice of intent to retire this year. Currently, 568 employees are eligible for retirement. Human Resources staff is updating the annual workforce plan. Ms. Paul will report this information to the Board of Directors at a later meeting.

A. Safety Report

Cooperative Safety Administrator Auston Biles reported that participation in the "Our Power, My Safety" focus cards was 98 percent in April and has consistently been higher than the 95 percent mark. He is working toward an electronic card. The May focus card was on severe weather safety.

23. Financial Services Report

Senior Vice President & Chief Financial Officer Steve Johnson reported on the following items:

CoBank. CoBank, ACB (CoBank) saw growth in lending to grain and farm supply cooperatives and to affiliated farm credit associations. Credit quality remains generally

favorable, despite some deterioration due to low commodity prices and other challenges impacting rural industries. Nonaccrual loans increased to \$325.8 million from \$246.8 million at December 31, 2017. At quarter-end, one percent of the bank's loans were classified as adverse assets, unchanged from the end of last year. On March 31, shareholder equity totaled \$9.0 billion and the bank's total capital ratio was 14.6 percent compared to the eight percent minimum established by the Farm Credit Administration. At quarter-end, the bank held approximately \$30.4 billion in cash, investments, and overnight funds and 176 days of liquidity. CoBank's new Chief Banking Officer Eric Itambo (who is leaving Citigroup) starts on July 1.

FM Global Site Visit and Insurance Industry Update. On April 24-25, Mr. Johnson, John Jacobs, Dave Sauer, Dale Johnson, Chad Edwards, Jamey Backus, Kevin Tschosik, Tom Stalcup, and John Frank toured FM Global's Research Campus and SimZone, a 1,600-acre research campus in Norwood, Massachusetts, for property loss prevention, scientific research and product testing. This facility helps companies understand how to prevent potentially catastrophic physical threats to property and operations and is the leading resource for manufacturers seeking third-party certification of their products. He presented two videos showing testing at the facility.

FM Global's expertise benefits us with both in-person and online training, helps us manage our property risk and prevention on a daily basis, and helps us prepare for the unexpected so as to keep our business consistently in operation.

Unfriend Coal. Mr. Johnson reported that Unfriend Coal is a group whose goal is to get insurance companies to discontinue investing in and insuring coal mines, railroads, and ports that transport coal and coal-fired power plants. In response to public pressure over climate change, insurance companies are increasingly pulling out of the coal sector. Fifteen insurers are collectively divesting about \$20 billion from coal companies and some are ceasing to insure companies with coal operations. He presented a video by Unfriend Coal.

The Risk Management group will work with our brokers to better understand each market's position and we will attempt to differentiate ourselves by describing our environmental mitigation efforts, providing additional insight into our renewable portfolio, natural gas fleet and potential generation growth, partner with leading industry mutual insurers and other mutual insurers to expand capacity and offset other insurers that may unfriend coal and will identify, and evaluate additional markets and insurance solutions not previously considered. We will continue to network with other G&T cooperatives and other utilities to create leverage so as to assure a robust insurance marketplace and availability of coverage. We will also evaluate the use of alternative methods of risk transfer.

G&T Benchmarking Study. Vice President & Controller Shawn Deisz reported that Basin Electric is participating in a G&T benchmarking study being performed by management consultants Scott Madden & Associates. The study focuses on corporate support functions to determine how many people are associated with certain functions. Twelve G&T's are participating, including ten of the 12 largest G&T cooperatives (in

terms of MWh sales in 2016). Hours spent working on DGC will not be included in the study. This is a blind study, which means the participants will only know their own results. The names of other participants will be redacted.

The deadline for submission of the data worksheet is June 22, after which the consultants will review and either come on-site or call us to walk through the results. She expected to have the results by October, which will be shared with the Board of Directors. The hard cost of participating is \$10,000.

A. Investment Policy Revisions

Vice President & Treasurer Susan Sorensen reported that the investment manual was last updated in August of 2010. Several revisions are required to accommodate our potential active cash managers, increased cash balances, and the size of the consolidated Basin Electric organization. Goals and objectives for returns with risks willing to be taken will be realigned. Major revisions include portfolio objective and benchmark index. Language will be revised to address active portfolio managers, extended maturities (five years or less), our internal credit scoring process, minimum credit ratings, the maximum holdings in any given security, sector, or issuer (from a set dollar amount to a percent of the portfolio), and removing of SO₂ emission allowance purchases. Staff is not proposing to change the section on preservation of principal. The directors will be given time to review the proposed changes and approval will be requested at a future Board meeting.

B. Accounting Report

Accounting Analyst III Melinda Weninger reported that the April 2018 Statement of Operations reflects a net margin of \$10.2 million compared to the budgeted after-tax net deficit of (\$7.9 million) for a favorable variance of approximately \$18.1 million. The net margin in April 2017 was (\$5.3 million).

Estimated member revenue for April is \$124 million compared to a forecasted member sales revenue of \$109.2 million or \$14.8 million more than budget. This includes the March positive actualization of \$0.2 million. April sales were \$14.6 million more than originally forecasted.

Estimated surplus sales revenue for April was \$14.4 million compared to the budget of \$17.7 million or \$3.3 million below budget. This includes the March positive actualization of \$2.2 million. April sales are estimated to be \$5.5 million less than originally forecasted. A negative volume variance of \$3.2 million and a negative price variance of \$2.3 million is estimated.

Operating costs were approximately \$3.5 million less than budget. Wheeling expenses were \$3.0 million less than anticipated. Fuel expenses were \$2.2 million more than anticipated (coal up \$0.1 million and gas up \$2.1 million).

Maintenance expenses were approximately \$2.6 million less than anticipated due to timing of maintenance at LOS and LRS. The remaining decreases were spread across all other maintenance categories.

Ms. Weninger then reviewed year-to-date consolidated net income and changes to the balance sheet and month-end cash.

Basin Electric's April Equity-to-Asset ratio was 19.6 percent compared to 19.5 percent in March. The April Equity-to-Capitalization ratio using the Moody's Investor Service's methodology (both without the consolidation entry for The Coteau Properties Company) was 22.8 percent compared to 22.7 percent in March. The April Equity-to-Capitalization ratio based on indenture requirements for patronage distribution was 23.9 percent compared to 23.8 percent in March.

24. Directors' Reports

Director Gilbert reported that Corn Belt has a new load coming online this fall, a packing plant that is being built by Prestage Foods of Iowa, which will have 1,000 employees. The load starts at 18-20 MW and is anticipated to grow. This will be Corn Belt's largest load.

25. Date and Time of Next Board Meeting

President Peltier reported that the next regularly scheduled meeting of the Board of Directors will begin on June 12, 2018 starting at approximately 1:00 p.m. CDT.

26. Executive Session

At 11:30 a.m., a motion was made, seconded, and carried that the Board of Directors retire into executive session to discuss the Cooperative's deferred compensation plan. At 11:50 a.m., a motion was made, seconded, and carried that the Board of Directors arise from executive session.

27. Deferred Compensation Program

A motion was made, seconded, and carried to adopt the following Resolution:

R09.05-15-18

WHEREAS, Basin Electric Power Cooperative ("Basin Electric" or "Cooperative") maintains deferred compensation accounts for the Board of Directors and Senior Vice Presidents of Basin Electric; and

WHEREAS, the Cooperative desires to add Tom Christensen, Senior Vice President of Transmission, Engineering and Construction, as a participant to the Basin Electric deferred compensation plans;

WHEREAS, the Cooperative desires to discontinue providing any future benefits under deferred compensation plans to Ken Rutter and Mike Risan as of the date determined by Benefits Staff;

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors hereby authorizes the CEO & General Manager of Basin Electric or his delegate to execute all necessary documents to add Tom Christensen as a new participant to the Basin Electric deferred compensation plans and discontinue any deferred compensation benefits to Ken Rutter and Mike Risan as provided above.

28. Adjournment

President Peltier adjourned the meeting at 11:50 a.m.



Charles H. Gilbert
Secretary-Treasurer