

**BASIN ELECTRIC POWER COOPERATIVE
DENVER, COLORADO**

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
December 10 and 11, 2018**

	<u>Page</u>
1. Call to Order	1
2. Roll Call	1
3. Approval of the Agenda	1
4. Approval of the Minutes	1
5. Recess and Reconvention	1
6. Roll Call	2
7. Board Committee Reports	2
8. Recess and Reconvention	3
9. Roll Call	3
10. General Manager's Report	3
A. Western Fuels Update	3
11. Office of General Counsel Report	4
A. Government Relations Report	4
12. Asset Management, Resource Planning & Rates Report	4
A. Short-term Market Summary	4
13. Transmission, Engineering & Construction Report	5
Rapid City DC Tie Control System	R01.12-10-18 6 R02.12-10-18
14. Financial Services	6
A. Revised 2019-2028 Financial Forecast	R03.12-10-18 6
B. Revised 2019 Operating and Capital Budgets	R04.12-10-18 7
15. Transmission Report	7

16.	Member Services & Administration	R05.12-10-18	8
17.	Executive Session		9
18.	IBEW Local No. 6129	R06.12-10-18	9
19.	Minnesota Rural Electric Association Board and 2019 Annual Meeting - Delegate and Alternate		9
20.	North Dakota Association of Rural Electric Cooperative 2019 Annual Meeting - Delegate and Alternate.		9
21.	National Rural Electric Cooperative Association 2019 Annual Meeting - Delegate and Alternate		9
22.	National Rural Telephone Cooperative 2019 Annual Meeting - Delegate and Alternate		10
23.	South Dakota Rural Electric Association 2019 Annual Meeting - Delegate and Alternate		10
24.	South Dakota Rural Electric Association Board of Directors - Director and Alternate		10
25.	Directors' Report		10
26.	Recess and Reconvention		10
27.	Roll Call		10
28.	Office of General Counsel Report (continued)		11
29.	Asset Management, Resource Planning & Rates Report (continued)		11
30.	Operations Report		12
31.	North Dakota Association of Rural Electric Cooperatives Annual Meeting - Delegate and Alternate		13
32.	Date and Time of Next Board Meeting		13
33.	Adjournment		13

**Basin Electric Power Cooperative
Denver, Colorado**

**Minutes of the Regular Meeting of the Board of Directors
December 10 and 11, 2018**

The regular meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the offices of CoBank, ACB, 1908, 6340 South Fiddlers Green Circle, Greenwood Village, Colorado 80111, on December 10, 2018.

1. Call to Order

The meeting was called to order at 8:00 a.m. MST 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, Dean Bray, Tammy DeWitt, John Jacobs, Derek Johnson, Steve Johnson, Becky Kern, Gavin McCollam, Darla Miller, Dale Niezwaag, Dave Raatz, Ken Rutter, Susan Sorensen, Sheila Wald, and Val Weigel. Also present were Dakota Gasification Company (**DGC**) Director Alan Klein, DGC Vice President Dave Sauer, Calhoun County Electric Cooperative Association (**Calhoun County**) CEO Keaton Hildreth, and Powder River Energy Corporation (**PRECorp**) board member Gerry Geis.

3. Approval of the Agenda

Chairman Peltier noted that most staff members would only be present for the day and outlined how the agenda would be modified to accommodate this limited availability. There was a motion that was seconded and carried to approve the agenda as modified.

4. Approval of the Minutes.

The minutes of the November 5, 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. Recess and Reconvention

At 8:02 a.m. MST Chairman Peltier recessed the meeting for the Board Committee meetings. At 9:47 a.m. MST Chairman Peltier reconvened the meeting.

6. **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, Dean Bray, Tammy DeWitt, John Jacobs, Derek Johnson, Steve Johnson, Becky Kern, Gavin McCollam, Darla Miller, Dale Niezwaag, Dave Raatz, Ken Rutter, Susan Sorensen, Sheila Wald, and Val Weigel. Also present were DGC Director Alan Klein, DGC Vice President Dave Sauer, Calhoun County CEO Keaton Hildreth, and PRECorp board member Gerry Geis.

7. **Board Committee Reports** Director Mike McQuiston gave the Operations Committee report. He noted that the committee had requested that Dave Sauer review the economics of building a second CO₂ storage tank to provide additional back-up CO₂ to the urea plant in the event the anhydrous ammonia plant goes down. Mr. Sauer informed the committee that the additional CO₂ storage was too expensive to build and would not be utilized enough to make an acceptable return on investment. Mr. Sauer commented that it would probably be more cost effective to spend money to improve ammonia plant reliability versus CO₂ storage. Director McQuiston stated that the committee was recommending approval of a project to replace the methanation catalyst at the Great Plains Synfuels Plant (**Synfuels Plant**). The cost of the catalyst is \$4 million and the catalyst has an expected useful life of five years. The committee also heard from Gavin McCollam who outlined a program to address the Cooperative's aging substation infrastructure. The first project in this endeavor would be to replace the controls at the Rapid City DC Tie. The estimate for this capital project is \$18.6 million. Basin Electric owns a 65 percent interest in this tie. Three firms were asked to bid on the control system. One company provided a bid. It was for \$16.5 million. The Operations Committee voted to recommend full Board of Directors approval for both the capital project and for the contract award.

Director Leo Brekel provided the Finance Committee report. He said that the committee reviewed the capital and operating budgets and was provided a detailed presentation on the impairment of DGC's coal gasification assets at the Synfuels Plant. Director Brekel reported that the committee voted to recommend to the applicable Boards of Directors approval for capital and operating budgets for DGC, Dakota Coal Company, and the Cooperative.

Committee Chair Troy Presser gave the Marketing Committee report. He reported that the committee heard presentations concerning certain strategic efforts at DGC, a methodology to determine the optimum open energy position at Basin Electric, and certain wind project proposals made to the Cooperative.

8. Recess and Reconvention

At 9:55 a.m. MST Chairman Peltier recessed the meeting and at 1:30 p.m. MST Chairman Peltier called the meeting back to order.

9. 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, Dean Bray, Tammy DeWitt, John Jacobs, Derek Johnson, Steve Johnson, Becky Kern, Gavin McCollam, Darla Miller, Dale Niezwaag, Dave Raatz, Ken Rutter, Susan Sorensen, Sheila Wald, and Val Weigel. Also present were DGC Director Alan Klein, DGC Vice President Dave Sauer, Calhoun County CEO Keaton Hildreth, and PRECorp board member Gerry Geis.

10. General Manager's Report

A. Western Fuels Report

Dean Bray, Manager DCC and MLC, provided an update on Western Fuels Association (WFA). The WFA board of directors meeting was routine. Tons shipped through October are 4.5 percent over budget. This is the first time in many years that the tonnage sold exceeded the budget. The WFA board approved five new contracts, two for the Laramie River Station (LRS) and two for Sunflower Electric Power Cooperative's Holcomb Station. WFA continues to pursue two large G&T cooperatives and two smaller entities as potential new WFA members. WFA is concerned that based upon discussions with BNSF Railway Company (BNSF), BNSF will require (likely through its tariff) that tarps be placed over each loaded gondola coal car.

Mr. Bray went on to report about matters concerning Western Fuels Wyoming and the Dry Fork Mine (DFM). Through October, DFM had gone 982 days without a Lost Time Incident and 312 days without a Reportable Injury. Coal shipments through October are (3.4 percent) below budget. The cost variance through October is \$.44/ton. There will be no WFA board meeting in January and the February meeting will be held by conference call.

11. **Office of General Counsel**

- A. **Government Relations Report** Vice President of Government Relations Dale Nieswaag reported that Republicans had a net gain of two seats in the United States Senate giving them a 53-47 majority. In the U.S. House, on the other hand, Democrats picked up a net gain of 40 seats giving them a 235-200 majority. He gave a breakdown of the results of the Senate and House races in the Cooperative's service territory as well as the state races.

The North Dakota legislative session begins on January 3. There will be a bill to change the distribution of taxes on both wind farms and natural gas generating units, with no expected impact to the tax rates themselves. Minnkota Power Cooperative will be promoting a bill to expand the oil tax exemption for projects using "coal based" carbon dioxide in enhanced oil recovery.

The Wyoming Legislative session starts on February 12, 2019. It remains to be seen if the Wyoming Industrial Energy Consumers group has someone who will introduce legislation that would allow for third party (non-utility) generation.

In South Dakota, the legislature opens its session on January 8. South Dakota Rural Electric Association (**SDREA**) will have a bill introduced that would freeze municipal electric service territories.

Montana's legislative session begins on January 7. The Montana Electric Cooperative Association hopes to have a bill introduced that would explicitly establish by law a cooperative's right to establish its own capital credits retirement policy. We also expect a bill to extend Montana's aquatic invasive species tax on hydro power. To date, the cooperatives have been exempted from this tax. We also expect a net metering bill to be introduced.

Mr. Nieswaag talked about the six proposals from various environmental organizations expected to be introduced in the Minnesota House of Representatives as a result of Democrats regaining control of that chamber.

Little is expected to be passed during the lame duck session of Congress. Mr. Nieswaag talked about the Lignite Energy Council Fall Fly-in. He noted that Bernard McNamee was confirmed by the Senate and should be sworn in as a commissioner on the Federal Energy Regulatory Commission (**FERC**) shortly.

12. **Asset Management, Resource Planning Rates Report**

- A. **Short-term Market Summary** Director Short-Term Trading & Financial Analyst Val Weigel began the short term market report. The Cooperative had a (\$5.6 million) unfavorable balance in the Southwest Power Pool (**SPP**) for the month. The average sales price was \$32.80/MWh versus the budget of \$32.33/MWh. The average purchase price was \$34.76/MWh versus the budget of \$23.06/MWh. Above budget member energy loads and prices led to higher than budget purchased power expense. There was less wind energy than anticipated.

The monthly day ahead load zone price was \$34.65 compared to \$21.79 in November 2017. She reviewed gas prices over the course of the month and the spark spreads. Gas prices increased over the course of the month. The number of SPP generating units on outage decreased through the month, contributing to decreasing spark spreads. Deer Creek Station saw generation runs decrease through the month. Congestion in the Bakken boosted locational marginal prices in the area. As a result, Bakken units saw their generation runs decrease slightly through the month

For the month of November, the average market cost to serve the load in SPP was (\$34.48) and the average generation impact was \$12.00 leaving a (\$22.48) net cost. November had the highest congestion this year at the Basin Electric nodes.

In the West, the Cooperative enjoyed a \$1.5 million favorable balance for the month. Surplus sales totaled \$8.8mm versus the budget of \$6.9mm. The average sales price was \$28.87/MWh versus the budget of \$25.88/MWh. Above budget sales volumes and prices led to higher than budget surplus sales.

In the Midwest Independent System Operator (**MISO**), the Cooperative saw a (\$100,000) unfavorable balance for the month. November loads in MISO were up 2-3 percent over last year versus up 7 percent in SPP.

The average sales price was \$29.83/MWh versus the budget of \$29.36MWh. The average purchase price was \$30.64/MWh versus the budget of \$31.66/MWh. Above budget generation led to higher than budget contracted purchases. The average MISO day ahead load zone price for November was \$30.42 versus \$22.99 for November 2017.

Director DGC/BEPC Portfolio Management Ken Rutter reported on forward market activity. In the West, there was a constraint on a southern California natural gas pipeline that caused natural gas prices in California to spike up to \$13.00 for December. This impacted power prices in the West. To capture these higher values required securing a path from LRS to Yellowtail, Montana. Unfortunately, the path that was acquired was partially lost for five days. Despite that, the Cooperative was still able to enjoy a \$1 million net margin.

13. **Transmission Engineering and Construction Report** Vice President of Engineering and Construction Gavin McCollam reviewed the summary of large capital projects. He pointed out that all of the projects are coming in under budget. He reviewed the Cooperative's efforts to improve the methods used to evaluate, budget, justify, and approve capital projects. This effort started back in March of 2017. He said the new process will be rolled out starting on January 1, 2019. He mentioned that the enhancements include New Source Review evaluation, headquarters engineering estimate review, improvements to the project review committee process, and requiring optimization team approval for projects over \$10 million. He closed by reviewing with the Board of Directors the classes of cost estimation including the level of project definition and accuracy range.

Manager of Transmission System Maintenance Derek Johnson told the Board that the Cooperative has over eighty substations. Given the age of many of these facilities, it is time to begin an infrastructure replacement initiative to replace these aging facilities.

This would entail major equipment replacements (breakers, switches, arresters, and instrument transformers), evaluating control buildings for necessary refurbishments (AC/DC systems, HVAC, and protection and control systems), and substation security. Currently, the most pressing project is to upgrade the control system at the Rapid City

DC Tie. We are no longer able to procure spare parts for this system. The estimated cost of this project is \$18.36 million spread over three years. Ownership of the Rapid City DC Tie is split between Black Hills Energy (35 Percent) and Basin Electric (65 percent) so the Cooperative's share of this project would be \$12 million. He recommended the Board of Directors approve this capital project.

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

R01.12-10-18 RESOLVED, that the Rapid City DC Tie Control System project presented to this meeting of the Board of Directors with an estimated cost of \$18,610,590 (\$12,096,884 Basin Electric's share) be approved; and

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

Mr. Johnson noted ABB was the original designer and provider of the existing Rapid City DC Tie control system. Bids were sought from ABB, General Electric and Siemens. However, only ABB submitted a bid which was for approximately \$16.5 million (Basin Electric's share \$10.7 million). He recommended the contract be awarded to ABB.

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

R02.12-10-18 RESOLVED, that the Rapid City DC Tie Control System contract presented to this meeting of the Board of Directors be awarded to ABB in the amount of \$16,534,550 (\$10,747,457 Basin Electric's share); and

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

14. Financial Services

- A. Revised 2019-2028 Basin Electric Financial Forecast** Manager Financial Planning and Forecasting Darla Miller noted that the DGC board of directors approved a revised financial forecast as a result of the impairment of the Synfuels Plant's coal gasification assets. This impairment will result in the write off of a portion of Basin Electric's investment in DGC. Basin Electric is allowed, under Accounting Standards Codification 980 - Regulated Operations to defer the loss on the investment and amortize it into rates over a reasonable period of time as determined by the Basin Electric Board of Directors in their capacity as Basin Electric's regulator. Ms. Miller reviewed the projected year-end consolidated net income after tax, the revised projected Basin Electric stand-alone margins, the revised projected deferred revenue balance, as well as projected cash and margins for interest.

Following a thorough discussion, there was a motion that was seconded and carried to approve the following resolution:

R03.12-10-18

RESOLVED, that the Board of Directors approves the revised Basin Electric financial forecast assuming \$75 million of revenues continues to be maintained in the deferred revenue account, Basin Electric targets an after tax margin of \$70-\$75 million for 2018 as well as for each year of the forecast period, and Basin Electric's deferred loss on investment in Dakota Gasification Company is amortized over a period of time not to exceed twenty years with the ability to accelerate the amortization and write the loss over a shorter period of time.

B. Revised 2019 Operating and Capital Budgets

Ms. Miller then walked the Board of Directors through the revised 2019 operating and capital budgets. She pointed out the changes from the draft budget to the revised forecast. The projected operating statement summary reflects a projected DGC 2019 net loss of \$17 million, amortization of the Early Voluntary Separation Plan, and amortization of Basin Electric's deferred loss on its investment in DGC as a result of the impairment of the coal gasification assets at the Synfuels Plant. She closed with a breakdown of capital project commitments.

There was a motion that was seconded and carried to adopt the following resolution:

R04.12-10-18

RESOLVED, that the Board of Directors approves the 2019 Operating and Capital Budgets for Basin Electric Power Cooperative as presented.

15.

Transmission Senior Vice President Transmission, Engineering and Construction Tom Christensen reminded the Board of Directors that the Cooperative modified its formula rate template when making its Section 205 filing with the FERC. Meetings with potential intervenors were held prior to making our filing and the potential intervenors informally signed off on the new methodology. The tariff was filed with FERC on September 18, 2018. While Missouri River Energy Systems initially filed a protest, they subsequently withdrew it and FERC accepted the Basin Electric filing (without a settlement conference) on November 16, 2018.

On November 2, 2018, the American Wind Energy Association (**AWEA**) and a coalition of other wind energy companies filed a Section 206 complaint with FERC claiming the fees to take energy out of SPP (exit fees) are excessive and act as a barrier for AWEA and other similarly situated wind energy producers to join SPP. On November 30, Basin Electric jointed with other SPP load serving entities filing a protest against AWEA. In a Section 206 filing, the burden of proof is on the party filing (AWEA in this case). We would prefer that the renewable energy community join SPP.

Mr. Christensen reviewed the history of the Mountain West Transmission Group's efforts to bring SPP across the ties into the western integrated transmissions system. With the two investor owned utilities dropping out, we continue to work with SPP staff, Western Area Power Administration (**Western**),

and Tri-State Generation & Transmission Association, Inc. to see what, if anything, we can salvage from our efforts. Currently, the parties are exploring the establishment of a real time energy imbalance market as a possible first step. In addition, SPP is starting to provide Reliability Coordinator services in the west and the Cooperative is pursuing a contract with SPP for SPP to provide these services. SPP is also evaluating whether to provide North American Electric Reliability Corporation planning coordinator services. Presently, the Cooperative is performing these duties for itself in the west. In both instances, the Cooperative and other parties are looking to SPP to perform these services as opposed to contracting with the California Independent System Operator to do so.

FERC Oder 1000 established planning regions and established binding cost allocation on the jurisdictional utilities (the investor owned utilities) and discretionary cost allocation for the non-jurisdictional utilities (the cooperatives, Western, and municipal utilities). FERC approved WestConnect on that basis and El Paso Electric has appealed the FERC approval. Our expectation is that the jurisdictional utilities will ask the court for a stay to enable the parties to negotiate a settlement.

16. Member Services & Administration

Senior Vice President Member Services & Administration Chris Baumgartner reported that 879 people attended the Annual Meeting and 835 people were served at the banquet. Continuing the trend, the cost of the Annual Meeting was \$90,000 less than 2017 and \$180,000 less than 2015. The “day two” Strategic Direction Meeting was attended by almost 470 people. He shared the survey results which were generally positive but did confirm the need for better bus service.

Mr. Baumgartner went on to review the timeline on the development of the strategic dashboard. He reviewed the latest additions to the dashboard and gave the Board of Directors a look at what is currently in place. He revisited the discussions and completed tasks from the September 2018 strategic planning session and went through the discussion topics for the strategic session scheduled for January 14 and 15, 2019.

He then turned to the Board policies.

There was motion that was seconded and carried to approve the following resolutions:

R05.12-10-18 BE IT FURTHER RESOLVED, the Board hereby adopts revised Board Policy 07-Guiding Principles for Business Diversification for Basin Electric Power Cooperative presented at this regularly scheduled meeting held on December 10, 2018, and included in the meeting materials, superseding and replacing all prior statements and versions of this policy.

BE IT HERBY RESOLVED, the Board hereby adopts Board Policy 14- Resolutions Committee Guiding Principles presented at this regularly scheduled meeting held on December 10, 2018, and included in the meeting materials.

There was a motion, which was seconded and carried to reaffirm Board Policy: 08 Guiding Principles, Protocols & Practices.

17. **Executive Session** At 3:55 p.m. there was a motion that was seconded and carried to retire into executive session to discuss the stipulated award to be issued by the arbitrator in the arbitration proceeding with International Brotherhood of Electrical Workers (**IBEW**) Local No. 612. At 4:20 p.m. the Board of Directors arose from executive session.

18. **IBEW Local No.612** There was a motion that was seconded and carried to adopt the following resolution:
R06.12-10-18 RESOLVED, that the CEO & General Manager be authorized to execute a contract amendment or amendments as necessary to effectuate the stipulated award to be issued by the arbitrator in the Cooperative's arbitration with International Brotherhood of Electrical Workers Local No. 612

19. **Minnesota Rural Electric Association Board and 2019 Annual Meeting - Delegate and Alternate**
There was a motion that was seconded and carried to name Wayne Peltier as Basin Electric's representative on the Minnesota Rural Electric Association Board of Directors and as a delegate to their annual meeting and Dave Meschke as the alternate.

20. **North Dakota Association of Rural Electric Cooperatives 2019 Annual Meeting - Delegate and Alternate**
As there was a question as to whether a member of the staff could be named as the Cooperative's alternate to the North Dakota Association of Rural Electric Cooperative (**NDAREC**) annual meeting, there was a motion that was seconded and carried to table the selection of a delegate and alternate to the following day.

21. **National Rural Electric Cooperative Association 2019 Annual Meeting - Delegate and Alternate**
There was a motion that was seconded and carried to name Allen Thiessen and Charlie Gilbert as Basin Electric's delegate and alternate, respectively, to the National Rural Electric Cooperative Association Annual Meeting.

22. National Rural Telephone Cooperative 2019 Annual Meeting - Delegate and Alternate

There was a motion that was seconded and carried to appoint David Meschke and Kermit Pearson as Basin Electric's delegate and alternate, respectively, to the National Rural Telephone Cooperative Annual Meeting.

23. SDREA 2019 Annual Meeting - Delegate and Alternate

There was a motion that was seconded and carried to name Mike McQuiston and Kermit Pearson as Basin Electric's delegate and alternate, respectively, to the SDREA Annual Meeting.

24. SDREA Board of Directors - Director and Alternate

There was a motion that was seconded and carried to name Kermit Pearson and Mike McQuiston as Basin Electric's Director and alternate, respectively, on the SDREA board of directors.

25. Directors' Reports Charlie Gilbert reported that a large hog plant with over 1,000 employees would be starting up in the January/February 2019 time frame. He noted that with the retirement of the Duane Arnold Station, Corn Belt Power Cooperative will be required to prepay certain debt to the Federal Financing Bank (FFB). There is a provision in the pending Farm Bill that would eliminate the cushion of credit account with the United States Treasury Department. He believes there is a provision in the bill that would allow a cooperative with monies already in the cushion of credit account to use those monies to prepay their FFB loans without paying a prepayment penalty.

26. Recess and Reconvention

At 5:00 p.m., Chairman Peltier recessed meeting. At 7:50 a.m. on Tuesday, December 11, 2018 he called the meeting back to order.

27. Roll Call & Reconvention

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, Tammy DeWitt, John Jacobs, Derek Johnson, Steve Johnson, Gavin McCollam, Darla Miller, Dave Raatz, Ken Rutter, and Sheila Wald. Also present were DGC board member Alan Klein, DGC Vice President Dave Sauer, Calhoun County CEO Keaton Hildreth, and PRECorp board member Gerry Geis.

28. Office of General Counsel (continued)

Senior Vice President and General Counsel Mark Foss stated that on December 6, 2018, the Environmental Protection Agency (EPA) issued proposed revisions to the greenhouse gas standards for new, modified, and reconstructed coal-fired units. For large units, EPA is proposing supercritical steam units and an emission limit of 1,900 pounds of CO₂ per mega-watt hour. For small units, the limit would be 2,000 lbs. of CO₂ per megawatt hour. This proposed regulation would supersede EPA's 2015 determination that partial carbon capture and storage would be the standard. EPA is revising the regulations because of the very high cost of carbon capture and the limited availability of geologic formations that can accommodate carbon storage.

Comments from the public are due by December 13, 2018, on the Cooperative's LRS Best Available Retrofit Technology settlement.

He discussed litigation filed against the Cooperative in the State of Missouri as well as the recent Montana federal district court decision which enjoined TransCanada from further construction and operation of the Keystone XL pipeline until the Environmental Impact Statement is updated.

29. Asset Management, Resource Planning & Rates (continued)

Senior Vice President Asset Management, Resource Planning & Rates Dave Raatz reported on his discussion with TransCanada. With the Montana court's injunction, construction activities have stopped. The hope is that the supplemental environmental work can be completed yet in 2019. SPP expects to complete the associated high voltage transmission study work yet in December. Electric service and reliability of that service to the pipeline's pumping stations are critical to the pipeline's operation. Work on the necessary transmission upgrades cannot get started until such time as Basin Electric and TransCanada enter into an agreement giving Basin Electric the necessary financial security to proceed with construction of the required improvements. What remains to be determined is whether any separate environmental work will need to be performed prior to commencing that construction. We had previously assumed a TransCanada project commitment during the first quarter of 2019. For resource planning purposes, we are now anticipating at least a one year delay, pushing the additions to electric load out to the spring of 2022.

As previously reported, Exxon Mobil does not appear to have any interest in pursuing the development of a series of small generators in the Bakken and selling the output to Basin Electric. Natural gas production in the Bakken is growing faster than oil production. While the state of North Dakota threatened to condition the issuance of additional drilling permits on meeting certain natural gas capture/flaring targets, to date the state continues to issue drilling permits. As a result, the economic driver for the oil industry to invest in generation assets to solve the flaring issue is greatly diminished.

Mr. Raatz presented the agenda from the November 13 Class A Member District meeting and reviewed the discussions that took place during the course of the meeting.

Mr. Raatz then talked about preparation for the upcoming strategic planning session with the Board of Directors. Staff is in the process of wrapping up work on the 2019 load forecast and the initial review would indicate that we are looking at more load growth than that predicted in the 2018 load forecast. We will need to take the new load forecast into consideration when we discuss our open energy position. Obviously, we need to be in a position to meet our members' power and energy requirements. His concern is that with this load growth coupled with electing not to extend or buy out the Antelope Valley Station (**AVS**) Unit No. 2 leveraged lease, we will likely be looking for additional capacity. We will need to look at the limited additional options for capacity in the market and also look at the potential for developing our own new gas generation.

30. Operations Report

Senior Vice President Operations John Jacobs reported there were two Days Away Restricted or Transferred (**DART**) incidents during the month, one a repetitive motion injury at AVS and the other a slip on the ice at LRS. Year-to-date, the Cooperative has had 11 DART incidents. He then reviewed the operating statistics for the solid fuel plants including running plant capacity factor, availability, forced outage factor, and generation to budget. He told the Board of Directors about a one million head/year meat packing plant that would like to build across from LRS. The facility would use 23MW of electric power and energy and they are interested in utilizing the LRS rough water.

In terms of actual generation for November, the solid fuel plants were (9.7 percent) below budget, the oil/gas plants were 25 percent above budget, wind was (31.4 percent) below budget, and the fleet was (4.4 percent) below budget. Year-to-date, the solid fuel plants are (6.2 percent) below budget, the oil/gas units are 98.3 percent above budget, wind is (16.8 percent) below budget, and the fleet is (2.5 percent) below budget.

He showed slides and discussed the 750 foot feeder cable pull and the four pull boxes installed at LRS as well as the 2A ID fan replacement. He also showed pictures of the chain links that broke on the submerged flight conveyor at Leland Olds Station. These will be replaced under warranty, including labor. Mr. Jacobs reviewed the failed leaf seals on the hot section of Lonesome Creek Station (**LCS**) Unit No. 2, the first stage blade damage, and the crack at the ignitor port. A total of \$2.5 million of maintenance work needs to be performed, which will be capitalized. He continued describing the General Electric warranty claim the Cooperative has with respect to the LCS No. 3 high pressure compressor and the blade damage caused when a blade in the fourth stage came loose and flew through the compressor starting with stage 5. The compressor will need to be sent to Houston to be repaired. It will be 120-160 days before we will get it back.

Operations will talk to Marketing to determine if we should lease a temporary replacement unit.

Financial Services

Sr. Vice President & CFO Steve Johnson discussed the Cooperative's meeting with the rating agencies in New York on December 5th and 6th. It was noted that the meetings with the agencies were all generally quite positive. Mr. Johnson also noted Fundamental Advisors, one of the lessors of AVS Unit 2, and its appraiser will be visiting AVS on December 21st. Mr. Johnson then discussed several financial news events as well as current interest rates. As part of that presentation, Mr. Johnson noted the spread between the 3 and 5-year Treasury notes fell below zero in early December. This is the first inversion of the yield curve that has taken place since December 2007.

31. NDAREC Annual Meeting - and Delegate and Alternate

There was a motion that was seconded and carried to name Troy Presser and Chris Baumgartner as Basin Electric's delegate and alternate, respectively for the NDAREC's annual meeting.

32. Date and Time of Next Board Meeting

Chairman Peltier reported that the next regularly scheduled meeting of the Board of Directors will begin on Tuesday, January 15, 2018, at the Basin Electric headquarters building starting at approximately 8:00 a.m. CST.

33. Adjournment

There being no further business before the Board of Directors, Chairman Peltier recessed the meeting at 10:25 a.m. MST.



Charles H. Gilbert
Secretary-Treasurer