

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

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
January 15 - 16, 2019**

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

**Minutes of the Regular Meeting of the Board of Directors
January 15 - 16, 2019**

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, starting on Tuesday, January 15, 2019, at 12:55 p.m. CST.

1. Call to Order.

The meeting was called to order by Chairman Wayne Peltier, who presided, and Secretary-Treasurer Charles H. Gilbert 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 CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Tracie Bettenhausen, Eric Carufel, Tammy DeWitt, Tammy Langerud, Angela Magstadt, Dave Raatz, Steve Johnson, and Sheila Wald. Also present were East River Electric Power Cooperative, Inc. (**East River**) director Pat Homan and Dakota Gasification Company (**DGC**) Vice President Dave Sauer.

3. Approval of the Agenda.

The Directors considered the agenda for the conduct of the business of the meeting. Chariman Peltier noted the two speakers would speak at the times noted in the agenda and that in addition, Anthony Larson, a director at Slope Electric Cooperative, Inc. (**Slope Electric**) would speak at 10:00 am Wednesday, January 16, 2019. After the opportunity for the addition and deletion of items, there was a motion that was seconded and carried to approve the agenda as modified.

4. Approval of the Minutes.

The minutes of the December 9, 2018, Board of Directors Reorganizational Meeting were present and after an opportunity for corrections, a motion was made, seconded, and carried to approve the minutes as presented.

The minutes of the December 10-11, 2018, Regular Meeting were presented and after an opportunity for corrections, there was a motion that was seconded and carried to approve the minutes as presented.

5. Recess and Reconvention.

Chairman Peltier announced that he would recess the meeting in order for the Board Committees to meet. He reminded the Board Members that the committees had been reorganized and that Directors Baker, Gilbert, and Meschke and DGC Director Klein would sit on the Finance Committee, the Marketing Committee would include Directors McQuiston, Pearson, and Wagner and DGC Director Geringer, and Directors Brekel, Gliko, Presser, and Thiessen would make up the Operations Committee.

At 1:00 p.m., Chairmen Peltier recessed the meeting. The meeting reconvened at 3:55 p.m. with Chairman Peltier presiding and Secretary Gilbert keeping the minutes thereof with 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 CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Dean Bray, Eric Carufel, Jacob Dow, Tammy DeWitt, John Frank, John Jacobs, Steve Johnson, Tammy Langerud, Joe Leingang, Sally Meier, Dave Raatz, Ken Rutter, Tom Stalcup, Kevin Tschosik, and Sheila Wald. Also present were East River director Pat Homan, DGC Vice President Dave Sauer, and DGC staff member Dale Johnson.

6. Board Committee Reports.

Director Gilbert gave the Finance Committee Report. He said the Cooperative was fortunate in that its principal bank, JPMorgan Chase (**JP Morgan**), has a service called "Positive Pay" which is a fraud detection service that each day matches the account number, payee, check number, and dollar amount of each check presented for payment against the checks previously authorized and issued by the Cooperative. With this service, JPMorgan detected that someone is fraudulently issuing checks purportedly on the Basin Electric account. As a number of these fraudulent checks were recently issued utilizing current Basin Electric check numbers, the Finance Group has decided to open a new account with JPMorgan.

John Frank updated the Committee on the "Unfriend Coal" movement, which is made up mostly of European insurance companies. Our property insurance renewal will cover \$14.58 billion in insurable value with a maximum individual claim of \$1 billion. Our premium increased 3.7% this renewal and now totals \$11.3 million. The Committee heard a presentation on the Cooperative's calculation of its weighted cost of capital. Finally, the Finance Committee reviewed and is recommending to the full Board of Directors for approval of: the recognition of deferred revenue, the early amortization of the remaining balance of the Enhanced Voluntary Separation Plan deferral, the

regulatory deferral of a portion of the Cooperative's loss on its investment in DGC, and the conversion of a portion of the debt DGC owes to the Cooperative into equity in DGC.

Director Wagner gave the Marketing Committee report. He reported that Ken Rutter had reviewed the Committee's charter. Mr. Rutter also outlined the benefits of the Cooperative's relationship with N-7 LLC. Val Weigel described for the Committee details of the software programs her group use to maximize the economics of the Cooperative participating in the various electric markets. She also provided a breakdown of the changes in the electricity prices on a year-to-year basis.

Director Gliko reported on the Operations Committee meeting. Dave Sauer provided an update on how the ammonia plant's operation affects the production at the urea plant. Tom Stalcup talked about cleaning the selective catalytic reduction (**SCR**) unit at the Dry Fork Station (**DFS**). Jim Lund presented on the wrap up of the work on the SCR unit and the selective non-catalytic reduction (**SNCR**) units at the Laramie River Station (**LRS**). Finally, Director Gliko told the Board that the Committee was recommending that the full Board of Directors approve capital projects for two interconnections for two different wind projects at the Tande Substation as well as some upgrade work at the Pahoja Substation as part of the Cooperative's aging substation infrastructure program.

7. Recess and Reconvention.

Chairman Peltier recessed the meeting at 4:10 p.m. At 8:00 a.m. the following morning, January 16, 2019, Chairman Peltier called the meeting back to order and Secretary Gilbert continued to keep the minutes. Present were:

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

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Dean Bray, Eric Carufel, Jacob Dow, Tammy DeWitt, Pius Fischer, John Frank, John Jacobs, Derek Johnson, Steve Johnson, Jon Klein, Tammy Langerud, Joe Leingang, Angela Magstadt, Gavin McCollam, Sally Meier, Tom Mittelsteadt, Dale Niezwaag, Dave Raatz, Ken Rutter, Terri Schuette, Tom Stalcup, Kevin Tschosik, Sheila Wald, and Val Weigel. Also present were East River director Pat Homan, DGC Vice President Dave Sauer, Tom Erickson, CEO of the Energy and Environmental Research Center (**EERC**), KPMG representatives Brian O'Neal and Russel Cotton, and Slope Electric director Anthony Larson.

8. **Energy and Environmental Research Center.**

Thomas Erickson, CEO of the EERC spoke about the history of the center and the various projects they are working on across the world to promote the use of fossil fuels in an environmentally friendly manner.

9. **General Manager's Report.**

CEO & General Manager Paul Sukut told the Board of Directors that he had covered the topics he wanted to discuss with the Board at the strategic planning session and therefore, had no separate report.

10. **Office of General Counsel Report.**

Senior Vice President and General Counsel Mark D. Foss reviewed the status of various legal matters. He noted it was likely that if the Cooperative was dismissed from the Missouri asbestos claim that the plaintiff would refile the case in North Dakota. He also discussed the United States Supreme Court granting certiorari to hear the Kisor v. Wilkie case.

A. **Government Relations.**

Vice President Government Relations Dale Niezwaag reported the North Dakota Legislature kicked off their session on January 3, 2019. Staff is tracking approximately fifty bills. In South Dakota, the session started January 8 and the bill sponsored by the South Dakota Rural Electric Association (**SDREA**) to freeze municipal service territories was introduced on January 14. On January 19, 2019, the South Dakota Public Service Commission will hold a hearing on a water district's plan to allow a third party provide supplemental renewable energy to one of its facilities. In Wyoming, the legislative session opened on January 8 and two of the industrial consumer group's bills have been introduced.

On the federal side, about one fourth of the government remains shut down. While no tax legislation was taken up during the lame duck session, both the Senate and House tax committee leaders have expressed interest in tax legislation. With the change of control in the House of Representatives, the Democrats have established a new "climate crisis" committee. The House also reinstated the "PAYGO" rules.

Federal Energy Regulator Commission (**FERC**) Commissioner Kevin McIntyre passed away on January 3, 2019. That leaves the FERC with only four members, two Republicans and two Democrats. As one of the other commissioner's terms expires on June 30, the expectation is that two nominations will be made in the coming months with confirmation by this summer.

11. **Operations Report.**

Senior Vice President Operations John Jacobs reported that there were no recordable injuries for December and one Days Away Restricted or Transferred (**DART**) which involved an employee who tripped on a pallet, fell on his hand, and broke his wrist. For the year, Operations had Six (6) recordable injuries and twelve (12) DARTs.

The coal based generation had a good month with 100% availability for all units except Antelope Valley Station Unit No. 2 (73%) and LOS Unit No. 2 (93.3%). For the month, the solid fuel plants generated (10.4%) below budget and the fleet was (7.3%) below budget. For the year, solid fuel plants operated (6.6%) below budget, the oil/gas plants

operated 101% above budget, and wind was (15.7%) below budget. For the year, fleet generation was (3.04%) under budget.

With respect to LRS, there is really nothing new to report on the proposed meat packing plant. The SCR and both SNCR's at LRS are all up and running and all we are doing is fine tuning.

A. Distributed Generation.

Manager of Distributed Generation Kevin Tschosik reported that his group had worked 338,727 hours without a DART. Their last DART occurred on July, 26, 2016. He pointed out that gas generation in 2018 was twice what was budgeted. Looking at the capacity factors and running plant capacity factors, he noted that some of our gas generation units were online 46% of the time last year.

He then talked about the issue with Lonesome Creek Station (**LCS**) Unit No. 2. He showed a diagram of the turbine including the "hot" section and the combustor. He showed slides of the failed leaf seals and the damage that occurred when they flew through the hot section. He explained there were cracks in both the inner and outer liner. He said standard practice would be to replace a hot section every 25,000 hours. We will be replacing this hot section at 18,000 hours. An insurance claim has been filed and we believe FM Global will pay the \$700,000 balance once we have incurred the \$1 million deductible. This machine was pulled and moved to Culbertson where General Electric (**GE**) will be able to work on it. He will come to the February Board of Directors meeting for final approval.

He then switched his presentation to LCS Unit 3 which had a second failure after 209 hours of operation. Presently, GE has this engine in Houston. The hot section will need to be replaced and the high pressure compressor needs to be rebuilt.

We are also observing excessive wear on the exhaust valves and seats on all of the Wartsila engines. This is a fleet issue not just an individual unit issue. Wartsila has offered to repair all of the engines at their cost. Parts and tooling began arriving this week, with the balance expected by January 18. This work is expected to start on January 22. It is anticipated that it will take 16-18 days to repair each machine.

B. DFS Additional SCR Ash Cleaning Devices.

DFS Plant Manager Tom Stalcup noted that excess pluggage in the DFS's SCR degrades the catalyst performance leading to increased NO_x emissions that can cause unit degrades. This project would change the air flows in the SCR getting catalyst up to the top of the unit. He reviewed the project schedule and noted the Operations Committee had recommended the Board of Directors approve the project.

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

R01.01-15-19 **RESOLVED**, that the Dry Fork Station Additional SCR Ash Cleaning Devices Project presented to this meeting of the Board of Directors with an estimated cost of \$1,640,815 be approved; and

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

12. **Anthony Larson.**

Senior Vice President Member Services & Administration Chris Baumgartner introduced Anthony Larson a director on the Slope Electric Board. Mr. Larson introduced himself and provided his professional and personal biography and asked for Basin Electric's support in his efforts to be elected the National Rural Utilities Cooperative Finance Corporation (CFC) director for District 5 and 6.

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

Senior Vice President Asset Management, Resource Planning & Rates Dave Raatz went over the topics his group would cover in their report. He talked about the Class A District Member meeting on December 13 where they discussed putting a white paper together on the treatment of batteries and discussed options to lower the demand rate. A follow-up meeting with the Class A District representatives is scheduled for February. He then discussed the Managers Conference scheduled for January 23.

14. **Recess and Reconvention.**

At 11:38 Chairman Peltier recessed the meeting (for the Basin Cooperative Services Board of Director Meeting) and the meeting reconvened at 11:41 a.m. CST.

15. **Asset Management, Resource Planning & Rates Report (continued).**

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

Director of Short-Term Trading & Financial Analyst Val Weigel reported that the average day ahead load zone price in the Southwest Power Pool (SPP) was \$26.71 compared to \$21.63 in December 2017. This despite the fact that SPP had a record 16.4 GW of wind generation for the month. Over the course of the month, natural gas prices fell from \$4.36 at December 1st to \$2.89 on December 31st. Basin Electric's open position in SPP for the month was (22.6%) on peak and (16.2%) off peak. SPP had between 85 MW and 168 MW of coal generation retire in calendar year 2018, a relatively small amount. The market cost to serve load in SPP was (\$27.04). This was offset by a positive generation impact of \$7.19 leaving a net cost to serve load of (\$19.84). December prices in the West were higher than prior years. The monthly average day ahead load zone price in the Midwest Independent System Operator in December was \$28.88 versus a December 2017 average price of \$25.06.

Ms. Weigel then discussed the profit and loss metrics the Process Assessment Team is working on so as to get the power plants to understand where each facility stands in the market. The plant managers had assumed that since they were achieving a profit in the market that all was good. Ms. Weigel and other staff has started to meet with them and explained that turn around costs are not allowed to be recovered nor are long-term maintenance costs. Likewise fixed cost like interest and depreciation are not recoverable. We need to start including all of these costs and create a full profit and loss statement for each unit so as to give the plant managers the information they need so they can decide how to best keep their units competitive.

16. **Recess and Reconvention.**

At 12:15 p.m. Chairman Peltier recess the meeting and he reconvened the meeting at 1:00 p.m.

17. **Risk Management Report.**

At 1:00 p.m. Manger of Commodity Risk, Kerry Kaseman, introduced Brian O'Neal of KPMG who reported on KPMG's study of the Cooperative's risk appetite and risk culture. In his talk, Mr. O'Neal summarized and highlighted the conclusions of KPMG's written report.

18. **Asset Management, Resource Planning & Rate Report (continued).**

A. **Wind Update.**

Director Utility Planning Becky Kern provided an update to the Board of Directors on three proposals for wind projects that the Cooperative has under consideration. First, she noted the difference between the Cooperatives' targeted short position versus our projected short position under the current load forecast. She went through the short list of the bidders including location, size, and commercial terms. Staff asked the Board for direction to proceed with staff's recommended project. The Board directed staff to finalize this transaction and bring it back for formal Board of Directors approval in February.

Ms. Kern then mentioned that the Cooperative had received an updated proposal from the company that owns and operates seven projects which provide the Cooperative with wind energy. They are proposing to repower four of the existing seven projects.

B. **2019 Load Forecast.**

Lead Forecast Analyst Jay Lundstrom and Load Forecaster Robert Frank presented the 2019 Load Forecast. The load forecast is used for: Rate Analysis, the Budget, the Financial Forecast, Power Supply & Transmission Planning, and scheduling maintenance. It is a top/down process in that we start with the members. An econometric forecast system is used taking economic data on livestock and crop prices and production, demographics, and meteorological data. One major consideration for this forecast is the Keystone XL pipeline. The forecast assumes the pipeline goes into commercial operation in 2024. They reviewed the ethanol industry, the Powder River Basin coal industry, and Wyoming coal bed methane production. They also talked about oil production in the Bakken. Mr. Lundstrom noted that the Cooperative, MDU Resources, and State of North Dakota will be updating their 2012 Bakken Transmission Study, with the State paying for the study.

Mr. Frank walked the Board of Directors through summer peak demand for each year of the forecast. He reviewed the annual energy needs by sector and compared Basin Electric's growth to that of the rest of the electric industry. He followed with graphs showing annual demand by supplier. Basin Electric is looking at average load growth of about 1.35% per year. Despite that healthy growth, about 15%-20% of our distribution cooperatives have flat to declining sales and that percentage would be larger if one were to exclude the electric heat program sales. Mr. Frank noted that all of our Class A members have approved the 2019 Load Forecast.

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

R02.01-15-19 WHEREAS, Basin Electric Power Cooperative (Basin Electric) and its member systems have completed a detailed econometric forecast for the period of 2018 through 2050;

WHEREAS, the forecast was prepared in accordance with current Rural Utilities Service regulations using reasonable methodologies and assumptions;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Basin Electric does hereby adopt and approve the 2019 Load Forecast as a reasonable forecast of Basin Electric's future deliveries to its member systems.

19. Transmission, Engineering, and Construction Report.

Vice President of Engineering and Construction Gavin McCollam walked the Board of Directors through the large capital project chart noting all of the project are coming in ahead of schedule and under budget. He also showed the Board the written monthly Engineering & Construction Report which shows all of the projects between \$1 million and \$10 million. He mentioned the new project approval process that went live on January 1st.

A. Pahoja Substation Upgrades.

He then introduced Project Manager Justin Sipma who generally described the Aging Substation Infrastructure Project. He said the next upgrade needed is at the Pahoja 230 kV Substation. He noted staff is not proposing to replace the breaker at this facility. He said that the Operations Committee had recommended full Board of Directors approval.

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

R03.01-15-19 RESOLVED, that the Pahoja 230kV Substation Upgrades Project presented to this meeting of the Board of Directors with an estimated cost of \$2,185,264 be approved; and

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

B. Tande 345 kV Substation - Aurora Wind Line Terminal Addition.

Vice President of Transmission Pius Fischer said that there were two SPP Generation Interconnect requests for new 345 kV terminal additions at the Tande 345 kV substation. The first of these is for TradeWinds Energy's Aurora Wind Project. The project would be fully funded by TradeWinds and designed, constructed, and owned by Basin Electric. He showed a map giving the substation's location and a schedule of the additions.

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

R04.01-15-19 RESOLVED, that the Tande 345kV Aurora Wind Line Terminal Project presented to this meeting of the Board of Directors with an estimated cost of \$2,816,968 be approved; and

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

C. Tande 345 kV Substation - Burke Wind Line Terminal Project.

The second project at Tande would be for the Burke Wind Project. This project too would be fully funded by the wind developer and would be designed, constructed, and owned by Basin Electric. Mr. Fischer showed the scope and a schematic of the improvements and provided estimated project schedule. He stated the Class 3 estimate was \$3,360,000. He noted the Operations Committee had recommended full Board of Director approval.

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

R05.01-15-19 RESOLVED, that the Tande 345 kV Burke Wind Line Terminal Project presented to this meeting of the Board of Directors with an estimated cost of \$3,360,000 be approved; and

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

20. Financial Services Report.

Senior Vice President & Chief Financial Officer Steve Johnson reviewed the CFC long and short-term ratings which were all very favorable. He then turned to the year 2018 in review. He discussed gross domestic product projections and the various predictions for interest rate increases over the course of 2019. Most people expect there to be at least two Fed rate hikes. He talked about Federal Open Market Committee. He reviewed various economic data. Much to his surprise the Brexit "No" vote did not seem to affect the markets. He noted 2.46 million jobs were added to the U.S. economy in 2018.

A. Amortization/Recognition of Revenue Deferrals.

He presented a resolution that would authorize the amortization of approximately \$117.8 million of deferred revenue into Basin Electric's 2018 business.

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

R06.01-15-19 WHEREAS, the Basin Electric Board of Directors, as the Cooperative's regulator, previously authorized the deferral of certain revenue associated with excess 2014 surplus sales, a 2015 settlement agreement with BNSF Railway Company (**BNSF**), and excess 2017 surplus sales.

NOW THEREFORE, BE IT RESOLVED, that the Basin Electric Board of Directors, as the Cooperative's regulator, hereby authorizes the amortization and recognition of the 2014 surplus sales revenue deferral totaling \$15 million, the 2015 BNSF revenue deferral totaling \$7,884,008.48, and \$95 million of the 2017 surplus sales revenue deferral into Basin Electric's 2018 business.

B. Early Amortization of the Remaining Balance of the EVSP.

He then asked the Board of Directors to adopt a resolution authorizing the early amortization of the remaining balance of approximately \$11.9 million from the Cooperative's Enhanced Voluntary Separation Plan.

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

R07.01-15-19 **WHEREAS**, in August 2018 the Basin Electric Board of Directors, as the Cooperative's regulator, authorized deferral of costs associated with the Cooperative's Enhanced Voluntary Separation Plan (**EVSP**) and elected beginning in August 2018, to include these costs in rates over a period of two years or shorter period of time if excess margins are available.

NOW THEREFORE BE IT RESOLVED, that the Basin Electric Board of Directors, as the Cooperative's regulator, hereby elects to early amortize the remaining balance of \$11,902,630.65 of the previously deferred costs related to the EVSP in Basin Electric's 2018 business.

C. Regulatory Deferral of a Portion of Basin Electric's Loss on Investment in DGC.

Mr. Johnson then requested that the Board of Directors adopt a resolution, as the Cooperative's regulatory authority, to defer a portion of the Cooperative's loss on investment in DGC and amortize that loss over a period of 20 years beginning in January 2019, or earlier amortized into rates if excess margins are available.

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

R08.01-15-19 **WHEREAS**, Basin Electric has invested in Dakota Gasification Company (**DGC**), its wholly-owned subsidiary;

WHEREAS, DGC has experienced substantial losses over the past several years and there have been other indicators that the book value of certain of DGC's assets may be impaired, requiring the evaluation and analysis of possible impairment of these assets in accordance with generally accepted accounting principles;

WHEREAS, the impairment analysis performed for 2018 resulted in a \$298,839,204 write down of DGC's coal gasification-related assets resulting in a significant net loss for DGC, and causing Basin Electric to experience a significant loss on its investment in DGC;

WHEREAS, Basin Electric is targeting a consolidated net margin and earnings for 2018 of between \$70 and \$75 million; and

WHEREAS, in order to achieve a consolidated net margin and earnings of \$70 to \$75 million, the Basin Electric Board of Directors, as the Cooperative's regulator, elects to defer between \$140 to \$150 million of the Cooperative's loss on investment in DGC and beginning in January 2019, to amortize and include the loss in rates over a period of 20 years, or shorter period if excess margins are available;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors, as the Cooperative's regulator, elects to defer \$140 to \$150 million related to the loss on Basin Electric's investment in DGC from 2018 business and beginning in January 2019, amortize such loss into rates over a period of twenty-years, or early amortized into rates if excess margins are available;

BE IT FURTHER RESOLVED, that the Board of Directors authorizes the Cooperative's CEO & General Manager to determine and approve

the specific amount deferred within the approved range so as to meet the targeted \$70 to \$75 million consolidated net margin for 2018;

BE IT FURTHER RESOLVED, that due to the fact that the Cooperative is not now, nor has it ever been tax exempt, the Cooperative believes that said deferral will not impact its tax status; and

BE IT FURTHER RESOLVED, the Board of Directors further finds that bringing said loss on investment into the Cooperative's rate base over 20 years will have no greater impact on Basin Electric's status as a cooperative than would bringing the loss on investment into the rate base in 2018.

D. DGC Debt Conversion.

Finally, Mr. Johnson requested the authority to execute a Fifteenth Amendment dated as of December 31, 2018, to the Credit Agreement dated December 16, 1988, between the Cooperative and DGC providing for the forgiveness of one hundred twenty five million dollars principal due and owing to the Cooperative under that loan agreement.

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

R09.01-15-19 RESOLVED, that the CEO & General Manager be authorized, for and on behalf of the Cooperative, to execute and deliver the Fifteenth Amendment dated December 31, 2018, to the Credit Agreement dated as of December 16, 1998, as amended (the **Credit Agreement**) between the Cooperative and its wholly owned subsidiary, Dakota Gasification Company (**DGC**) providing for the forgiveness by the Cooperative of one hundred twenty-five million dollars (\$125,000,000.00) of the outstanding principal balance of the amounts due and owing by DGC to Basin Electric under the Credit Agreement.

E. Property Insurance Renewal Update.

Mr. Johnson stated that Director Gilbert gave a report on this renewal in his Finance Committee report and there was no need to repeat the report.

21. Member Services & Administration Report.

Senior Vice President Member Services & Administration reported that 91 people had registered for the January 22-23, 2019, Members Managers Conference to be held at the Grand Falls Lodge Casino in Larchwood, Iowa.

A. Extension of the Cooperative's Merger/Consolidation Assistance Program.

Within the Basin Electric family, 42 of the 43 member merger votes have been successful. From those efforts, 42 cooperatives have evolved into 17 larger, newer organizations. He provided both a list and a map of the Basin Electric system mergers and consolidations which have or will save over \$100 million. He went over the reasoning behind mergers and why some mergers fail. In the past Basin Electric has provided both staff support and some financing assistance through the Cooperative's Merger Assistance Policy. Mr. Baumgartner recommended that the Cooperative continue this policy through December 2022 to provide both staff support as well as \$15,000 per member cooperative that take a member/consolidation to a membership vote regardless of the outcome of the merger vote.

There was a motion that was seconded and carried to adopt the following resolution, with Directors McQuiston and Wagner voting "no":

- R10.01-15-19 BE IT RESOLVED**, that effective January 1, 2019, the Cooperative's Merger/Consolidation Assistance Program be extended through December 31, 2022; to all cooperatives that take the merger/consolidation to a membership vote; that the per member payment be maintained at \$15,000; and that Basin Electric continue to provide staff support for mergers/consolidations and alliances; and
- BE IT FURTHER RESOLVED**, that the CEO and General Manager, or his designee, be authorized to execute the required documents.

Mr. Baumgartner then passed out a copy of Board Policy 09. Board Audit Committee, and Board Policy 10, Rate Development Policy for Different Wholesale Power Contract Terms. He noted that he would ask the Board of Directors in February to approve (if there are revisions) or reaffirm (barring any proposed revisions) these two policies.

22. Executive Session.

At 4:05 p.m. the Board of Directors went into executive session to discuss strategic planning. The Board of Directors arose from executive session at 4:20 p.m.


23. Director's Reports.

Director Pearson thanked General Manager Sukut for attending the SDREA annual meeting. Director Gilbert reported that the Iowa Utilities Board approved a settlement that will allow Alliant Energy to end its purchase of energy from the Duane Arnold Plant which will result in the closure of that plant in late 2020. He stated Nishnabotua Valley Rural Electric Cooperative and his local distribution cooperative, Midland Power Cooperative, had started their management alliance relationship and are referring to the alliance as "Electro-Vision".

24. Next Board Meeting: February 12, 2019, Bismarck, North Dakota.

25. Adjournment.

There being no other business to come before the meeting, Chairman Peltier adjourned the meeting at 4:30 p.m. CST.



Charles H. Gilbert
Secretary-Treasurer