

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

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS  
August 13-14, 2019**

	<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	2
6. Board Committee Reports	2
7. Recess and Reconvention	3
8. Retention of Deloitte & Touche LLP	R01.08-13-19 3
9. Recess and Reconvention	3
10. Joint Meeting	4
11. Dale Haugen	5
12. Office of General Counsel Report	5
A. Legal Report	5
B. Government Relations	6
13. Operations Report	7
A. Operations	7
B. TSM	7
14. Recess and Reconvention	7
15. Salary Recommendations	R02.08-13-19 8
16. Risk Management Report	8
A. Fiscal Policy	R03.08-13-19 8

17.	Asset Management, Resource Planning & Rates Report		8
	A. Short-term Markets		8
	B. General Report		9
	C. Solar Projects		9
18.	Transmission, Engineering & Construction		10
	A. Transmission		10
	B. Western Energy Imbalance Service	R04.08-13-19	10
	C. Engineering & Construction		11
	D. 2020-2029 Long-Range Engineering Plan	R05.08-13-19	11
19.	Member Services & Administration		12
20.	Financial Services Report		12
	A. CFO Report		12
	B. BEPC 2020-2029 Financial Forecast		13
	C. 2020 Rate Schedule A	R06.08-13-19	13
	D. Basin Electric 2020-2025 Financial Forecast (continued)	R07.08-13-19	14
	E. Accounting Report		14
21.	CFC 2019 District Meeting - Name Delegate and Alternate	R08.08-13-19	15
22.	Directors' Reports		15
23.	Executive Session		16
24.	Date and Place of Next Meeting		16
25.	Adjournment		16

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

**Minutes of the Regular Meeting of the Board of Directors  
August 13-14, 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, beginning at 8:00 a.m. CDT on Tuesday, August 13, 2019.

**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, Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Tom Christensen, Tammy DeWitt, Steve Johnson, Dale Niezwaag, Dave Raatz, and Sheila Wald, Dakota Gasification Company (**DGC**) director Alan Klein, and East River Electric Power Cooperative, Inc. (**East River**) director Michael Baune.

**3. Approval of the Agenda.**

The Directors considered the agenda for the conduct of the business of the meeting. Chairman Peltier noted that the meeting would break for the Board Committee meetings, reconvene for the Board Committee meeting reports, break for the Audit committee meeting, reconvene to take action on the audit, then break for the Dakota Coal Company (**DCC**) and Montana Limestone Company (**MLC**) board meetings, and reconvene in the afternoon. He said the Board of Directors would go into executive session at the end of the meeting.

**4. Approval of the Minutes.**

The minutes of the July 9-10, 2019, Regular Meeting of the Board of Directors were presented. After an opportunity for corrections, a motion was made, seconded, and carried to approve the minutes as corrected.

5. **Recess and Reconvention.**

At 8:02 a.m. CDT, Chairman Peltier recessed the meeting for the Board Committee meetings. The meeting reconvened at 9:55 a.m. CDT on Tuesday, August 13, 2019, with Chairman Peltier continuing to preside and Secretary/Treasurer Gilbert continuing to keep the minutes 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, Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Tom Christensen, Shawn Deisz, Tammy DeWitt, Joan Dietz, Brian Dillman, Erin Dukart, Daniel Gallagher, Tyler Hamman, John Jacobs, Steve Johnson, Becky Kern, Faye Miller, Dale Niezwaag, Dave Raatz, Jean Schafer, Kevin Tschosik, Sheila Wald, and Val Weigel, and DGC director Alan Klein. Also present were East River director Michael Baune and Deloitte & Touche LLP (**Deloitte**) partners Adam Krasnoff and Judi Dockendorf.

6. **Board Committee Reports.**

Director Gilbert provided the Finance Committee Report. He said that the Deloitte representatives reviewed their proposed audit plan with the committee. He reported that Shawn Diesz discussed the transition going from Rural Utilities Services (**RUS**) Form 12 accounting to Federal Energy Regulatory Commission (**FERC**) Form 1 accounting. Director Gilbert said that the good news is Katrina Wald is very familiar with the FERC System of Accounts due to her prior investor owned utility experience. Darla Miller then reviewed the changes to the Financial Forecast from last month's draft.

Director Gliko gave the Operations Committee Report. Dale Johnson outlined the request for the replacement of the low temperature shift catalyst for the ammonia plant. The request is for \$1.3 million and the change out would take place during the fertilizer plants turnaround in October. The Committee voted to recommend approval by the full Board of Directors. The principal task during this three week turnaround will be the ammonia plant steam turbine replacement. The turbine is currently on site. Staff is also requesting an increase to the authorized amount for that project from \$3.1 million to \$3.6 million. Project approval was received prior to the Early Voluntary Separation Plan (**EVSP**) and it was assumed that much of the installation would be performed in-house. This work will now be performed by a contractor. The committee also voted to recommend approval of the increase. Brian Dillman gave an overview of the spring outage at the Great Plains Synfuels Plant (**Synfuels Plant**) which went well. Matt Ehrman walked the committee through the Long-Range Engineering Plan (**LREP**). As Mr. Ehrman would be giving the same presentation to the full Board of Directors, the committee chose not to make a recommendation to the Board. Finally, there was an update on the selective catalytic reduction (**SCR**) unit at Laramie River Station (**LRS**) Unit No. 1.

Director Wagner reported on the Marketing and Planning Committee meeting. Dan Gallagher and Dave Raatz discussed the various future options DGC and Basin Electric have with respect to DGC's carbon dioxide (CO<sub>2</sub>) pipeline which range from extending our present CO<sub>2</sub> sales agreements, entering into new arrangements with one or two parties who wish to sequester CO<sub>2</sub> for the Internal Revenue Code Section 45Q credits, or utilizing the pipeline to transport natural gas out of the Bakken. Mr. Raatz stated that these various options will be discussed in strategic planning in September. Becky Kern and Elizabeth Erhardt reviewed staff's work on Rate Schedule A. A majority of the managers' group is recommending an average one mill rate reduction and staff has prepared numbers to either compute the reduction on the demand charge or to accomplish the one mill average reduction while maintaining the current \$19.64/kW-MO 2075 Base Demand rate.

7. **Recess and Reconvention.**

At 10:05 a.m. CDT. Chairman Peltier recessed the meeting for the Audit Committee meeting and at 10:52 a.m. CDT he called the meeting back to order.

8. **Retention of Deloitte & Touche LLP.**

Judi Dockendorf and Adam Krasnoff from Deloitte reviewed the audit plan for the Cooperative's 2019 consolidated financial statements. Shawn Deisz recommended that the Board of Director approve hiring Deloitte to conduct the audit

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

**R01.08-13-19**      **RESOLVED**, that the firm of Deloitte & Touche LLP be retained to conduct the audit of the Cooperative's 2019 consolidated financial statements for a fee of \$325,000 plus out-of-pocket expenses.

9. **Recess and Reconvention.**

At 10:52 a.m. CDT, Chairman Peltier recessed the meeting for the DCC and MLC board meetings. At 1:00 p.m. CDT, Chairman Peltier called the meeting back to order. He continued to preside and Secretary/Treasurer Gilbert continued to keep the minutes with 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 Cooperatives. Also present were CEO & General Manager, Paul M. Sukut, Assistant Secretary Mark D. Foss, Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Kurt Capouch, Tom Christensen, Shawn Diesz, Tammy DeWitt, John Jacobs, Derik Johnson, Steve Johnson, Gavin McCollum, Dale Niezwaag, Diane Paul, Dave Raatz, Susan Sorensen, Sheila Wald, and Val Weigel, and DGC Director Alan Klein. Also present were East River director Michael Baune, McKenzie Electric Cooperative (**McKenzie**) manager John Skurpey, Mountrail-Williams Electric Cooperative (**Mountrail-Williams**) manager Dale Haugen, , Upper Missouri Electric Cooperative (**Upper Missouri**) manager Claire Vigessa, Northwest Iowa Power Cooperative (**NIPCO**) directors Louis Reed, Jim Sharp, Bryan Greve, Ron Steinhoff, Bill Farmer and Trent Will, NIPCO manager Matt Washburn, NIPCO staff members Jayme Huber, Jane Scheitler, Steve Ver Mulm, and Melody Sherrill, Western Iowa Municipal Electric Cooperative Association (**WIMECA**) director Vince Phillips, and Woodbury County Rural Electric Cooperative (**Woodbury**) manager Kent Amundson.

#### 10. Joint Meeting.

General Manager Paul M. Sukut welcomed the NIPCO representatives and thanked them for taking the time to come to Bismarck and meet the Basin Electric Board of Directors and staff. He mentioned the cost cutting efforts at both Basin Electric and DGC including the EVSP. He said that the efforts to cut costs continue including a Process Assessment Team that reports directly to him charged with the mission of re-inventing how we perform our work safely and more efficiently. He noted that the Cooperative is in the process of becoming subject to regulation by the FERC. He talked about fertilizer production at the Synfuels Plant and the write off of DGC's coal gasification assets in 2018. While DGC continues to lose money, the economic benefits of its operation continue to provide a net benefit to Basin Electric. The biggest issue associated with the closing operations at the Synfuels Plant would be the sizable draw on cash if operations at the plant ceased. He told the NIPCO representatives about the growth the Cooperative has experienced in the past decade and stated that the Board and staff are committed to keeping rates low in order to accomplish continued load growth.

NIPCO manager Matt Washburn thanked the Basin Electric Board and staff for the invitation and their hospitality. Given its location, NIPCO considers itself the "Florida" of the Basin Electric system. NIPCO is celebrating its 70<sup>th</sup> anniversary this year, they are seven members strong, they adhere to the seven cooperative principles, and Mr. Washburn is the seventh NIPCO manager. NIPCO is one of Basin Electric's smallest G&T members. Basin Electric's power bill represents 72% of NIPCO's costs and if you add in NIPCO's power bill from the Western Area Power Administration (**WAPA**), Basin Electric and WAPA represent \$.78 out of every dollar that NIPCO spends. Given that the NIPCO system is seventy years old, NIPCO is currently refurbishing and updating thirteen distribution substations. He talked about the Siouxland Energy Cooperative's co-generation project and how working together, the three cooperatives appear to be creating a real win/win/win outcome.

11. **Dale Haugen.**

Senior Vice President Member Services & Administration Chris Baumgartner introduced Mountrail - Williams manager Dale Haugen. Mr. Haugen talked about the history of Mountrail-Williams noting the cooperative has served the oil industry starting with North Dakota's first oil well in the Williston Basin, Clarence Iverson #1, which was drilled in 1951. Mountrail - Williams is still serving that well. He said the high load factor oil loads have helped to lower Mountrail-Williams rates to their members. Only eight other distribution cooperatives in the United States have rates lower than Mountrail - Williams. He told the story of how his cooperative went from assets of \$25 million growing to almost one billion last year. In fact, the 2018 margins of \$55 million are more than double what Mountrail-Williams had in assets before the boom. Looking ahead, 15,000 wells have been drilled in the Bakken to date and the industry expects there will ultimately be 50,000 wells drilled. In other words, we are almost one third of the way. Looking out over the horizon, he said we can expect chemical processing plants to be constructed in the area and activity could be accelerated if the oil companies are required to greatly reduce their flaring.

12. **Office of General Counsel.**

A. **Legal Report.**

General Counsel Mark Foss updated the Board on the staff's protracted efforts to get survey consents for transmission line easements that are expiring on two reservations in South Dakota. He informed the Board of Directors that on July 1, 2019, the Three Affiliated Tribes deeded the 9,300 acre Figure 4 Ranch to the Bureau of Indian Affairs placing this ranch, which is located adjacent to the reservation, in "trust status," meaning the tribe and federal government share jurisdiction. The Figure 4 Ranch is one of the potential routes for the Round-up to Kummer Ridge 345 kV line. He mentioned that the Capital Hill Microwave site will need to be replatted and this will delay the request to authorize the acquisition until the replatting has been finalized.

He then talked about the activities related to becoming subject to FERC jurisdiction. Based upon prior discussions with Tri-State Generation & Transmission Association, Inc. (**Tri-State**), Basin Electric staff was lead to believe that Tri-State would be filing with FERC after their August Board of Director meeting. As a result of Delta-Montrose Electric Association (**Delta Montrose**) filing a request for a restraining order to prevent Tri-State's filing with FERC, Tri-State accelerated its efforts and filed their initial tariff and associated filings on July 23, 2019. As a result, Basin Electric will need to file our documents by September 22, 2019. Efforts are well underway. Mr. Sukut and staff have met with FERC chairman Neil Chatterjee, Commissioner Richard Glick's assistant, and 25 members of the FERC staff. The plan is to file those documents required by statute by September 20, 2019, including our wholesale power contracts, Rate Schedule A, our Open Access Transmission Tariff (**OATT**) for our West-Side transmission associated with the Missouri Basin Power Project (**MBPP**), and to request an extension of the filing deadlines for the non-statutory requirements.

Mr. Foss explained that we have finally reached the end of the road for the Best Available Retrofit Technology lawsuit concerning the LRS. The LRS No. 1 SCR is operational and met its initial rolling 30-day average limit for NO<sub>x</sub> and SO<sub>2</sub> emissions. Basin Electric has been dismissed from the litigation in the 10<sup>th</sup> Circuit, and the comment period on the Environmental Protection Agency (EPA) approval of the settlement has expired without comments.

A group of petitioners filed a request with the D.C. Circuit Court of Appeals asking that court to dismiss as moot the Clean Power Plan litigation. EPA supported the motion. Several environmental groups filed a response objecting and stating that such a dismissal would be premature as the Affordable Clean Energy rule does not become legally effective until September 6, 2011.

## **B. Government Relations.**

Vice President Dale Niezwaag gave the Government Relations Report. Mr. Niezwaag noted that the National Rural Electric Cooperative Association (NRECA) staff took a tour that included a Basin Electric overview as well as the Freedom Mine, the Synfuels Plant, and the Pioneer Generating Station and were provided an overview of the Bakken by Mountrail Williams. The NRECA staff also toured Great River Energy's Coal Creek Station and Minnekota Power Cooperative, Inc.'s Milton R. Young Station.

Mr. Niezwaag updated the Board of Directors on the South Dakota municipal annexation study. Unfortunately, the South Dakota municipal group published a number of false accusations against the Cooperative which we have been working to correct since. Staff also hosted a tour for the Minnesota statewide association.

On the federal front, U.S. Senators Hoeven, Cramer, and Daines have reintroduced the CO<sub>2</sub> Regulatory Certainty Bill which would align the EPA and Internal Revenue Code regulations for enhanced oil recovery and sequestration tax credit and clarify the Section 45Q credit qualifications. He mentioned that the House Energy & Commerce Committee issued a press release announcing a bold plan to achieve a 100% carbon free economy by 2050. The plan is to hold hearings and stakeholders meetings, with the first hearing being held on July 30. The Carbon Utilization Research Council testified stating that carbon sequestration would be needed to accomplish that goal. While they are set to expire along with the renewable credit for wind, bills have been introduced in both the House and Senate that would extend the 30% solar tax credit for another five years. Mr. Niezwaag pointed out that work on the Allam cycle is now 2-3 years behind schedule. He also talked about the Western Farmers Power Cooperative (**Western Farmers**) signing a power purchase agreement to purchase the output of a 700 MW wind, solar, and battery project: 250 MW wind, 250 MW of solar, and 200 MW battery with four hours of capability. The project is expected to be online by the end of 2023. Western Farmers, with the project, would have 50% of its power from renewables. He noted that cities have begun to ban new natural gas hook-ups and that Ohio had passed a law to subsidize its coal and nuclear units.



**13. Operations Report.**

**A. Operations.**

Senior Vice President John Jacobs reported that Operations had one recordable medical treatment case during the month as well as one Days Away, Restricted or Transferred (**DART**) incident in July. Year-to-date, there have been seven DART incidents and four medical treatment recordables.

For the month of July, generation at the solid fuel plants was (13%) below budget, at the oil and gas plants generation was 32.3% over budget and wind generation was (23.8%) below budget. For the month, fleet generation was (10.1%) under budget. Year-to-date, generation at the solid fuel plants is (10.9%) below budget, at the oil and gas plants generation is 168.3% above budget, and wind generation is (20.6%) below budget. Year-to-date, fleet generation is (4.6%) below budget. In terms of expenses, July expenses were (10.44%) below budget and year-to-date, fleet expenses are (5.76%) below budget.

Mr. Jacobs compared the Cooperative's facilities' Forced Outage Rate, Availability Factor, Equivalent Forced Outage Rate and Equivalent Availability Factor to the industry average (which the Cooperative out performed). He then reviewed some power point slides of the repair of the air heater oil leak at LRS.

**B. TSM.**

Manager Transmission System Maintenance Derik Johnson updated the Board on the Transmission System Maintenance (**TSM**) department's activities starting with a map providing the locations of the Cooperative's 11 TSM outposts. Reviewing the year-to-date TSM safety metrics, TSM has had two reported DART incidents. He reviewed safety and availability statistics. He walked through the remaining aging substation infrastructure replacement projects along with the dates they are expected to be completed or presented to the Board.

**14. Recess and Reconvention.**

At 4:30 p.m. CDT, Chairman Peltier recessed the meeting. The meeting was reconvened at 10:00 a.m. CDT on Wednesday August 14, 2019, with Chairman Peltier continuing to preside and Secretary/Treasurer Gilbert continuing to keep the minutes with 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 CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, DGC director Jim Geringer, Basin Electric staff members Chris Baumgartner, Kelly Bergquist, Tracie Bettenhausen, Andy Buntrock, Tom Christensen, Lindsay Chumley, Kelly Cosby, Bryan Dillman, Joan Dietz, Tammy DeWitt, Matt Ehrman, Pius Fischer, Dan Gallagher, Tyler Hamman, Kerry Kaseman, Chad Reisenhauer, Katrina Wald, Sheila Wald, Casey Wells, Mindy Weninger, and Mike Zimmerman. Also present were East River director Michael Baune, McKenzie Electric manager John Skurpey, NIPCO directors Louis Reed, Jim Sharp, Bryan Greve, Ron Steinhoff, Bill Farmer and Trent Will, NIPCO manager Matt Washburn, NIPCO staff members Jayme Huber, Jane Scheitler, Steve Ver Mulm, and Melody Sherrill, Upper Missouri manager Claire Vigessa, WIMECA director Vince Phillips, and Woodbury manager Ken Amundson

**15. Salary Recommendations.**

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

**R02.08-13-19**                      **RESOLVED**, that the Board of Directors adopts the salary recommendations presented by Human Resources.

**16. Risk Management Report.**

**A. Fiscal Policy.**

Manager Commodity Risk Kerry Kaseman passed out a copy of the Basin Electric's Fiscal Policy with the changes recommended by staff. Non-utility property was added to the \$100,000 minimum capitalization level and subject to that change, there was a motion that was seconded and carried to adopt the following resolution:

**R03.08-13-19**                      **RESOLVED**, that the Board Policy 02, Fiscal Policy be approved.

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

**A. Short-term Markets.**

Director Short-Term Trading & Financial Analysis Val Weigel provided the short-term market update. She shared a graph illustrating how much higher Palo Verde prices were during July compared to the other markets the Cooperative participates in.

In SPP, the monthly average day ahead load zone price in July was \$21.38 compared to \$25.78 in July of 2018. The lower average price was attributable to lower natural gas prices as the Ventura Gas Daily Average Price in July 2019 was \$2.05 compared to \$2.60 in July 2018. In fact, NYMEX natural gas prices in July were the lowest seen since 1998. Day ahead prices in the load zone averaged \$21.38 compared to an average real time price of \$19.37. In terms of the Cooperative's open position in the SPP for the month, on peak it was (11.5%) and off peak it was (22.4%). The monthly average day ahead price in the Midwest Independent System Operator (**MISO**) was \$23.69 in July 2019 compared to \$26.14 in July 2018. The Cooperative was long in MISO throughout the month.

Ms. Weigel reviewed long-term maintenance expenses at the Cooperative's natural gas fired units and based upon certain assumptions, showed the long term controllable margin at the Lonesome Creek Station in 2018 calculated in the same manner as this margin is calculated for the coal units. She then compared the long-term controllable margins to the short-term margins and asked rhetorically whether the energy market provides enough cost recovery when we run our natural gas units.

**B. General Report.**

Senior Vice President Asset Management, Resource Planning & Rates Dave Raatz noted the Cooperative reached an all-time high summer peak in July of 3756 MW based on SCADA. Final information will be known in mid-August when billing is completed. This compares to the Cooperative's record winter peak last winter of 4060 MW. He shared graphs illustrating the 2018 and 2019 member forecasts against 2019 actual for Mountrail Williams and McKenzie. He noted how McKenzie has been on average 45MW above the forecast all year. He then showed McKenzie's newest forecast which just came in last week and is substantially higher than the 2019 forecast. He then discussed the need for power and energy to serve the Williston pocket. He also mentioned that the Mountrail Williams' new load projections would need to be incorporated as well when completed. He discussed potential resource options to serve the additional loads including power from Canada, flare gas generation, new Cooperative owned natural gas generation, and generation associated with co-generation.

Mr. Raatz then talked about the Managers' recommendation concerning Rate Schedule A. In terms of a rate reduction, the alternatives include an average one mill rate reduction by reducing solely the demand rate or an average one mill reduction while maintaining the current \$19.64 demand charge. The vote was split and staff is recommending the second alternative. The managers recommended continuing both the electric heat rate as well as the load incentive rate for another year (despite the fact that no one has taken advantage of the load incentive rate) with an extension of the discount through 2023.

**C. Solar Projects.**

Director Long-Term Utility Planning Becky Kern outlined a projection of the Cooperative's load obligations in SPP over the next 20 years both without and with the revised McKenzie load growth projections. One approach to meet our proposed short position target would be a combination of solar power coupled with Bakken natural gas generation. She outlined the value of the energy based upon a 50%, 62%, and 75% capacity accreditation of the solar projects with \$5/kW-mMo capacity value and an overall solar power purchase agreement of \$28/MWh. Based upon those numbers, staff believes it would make economic sense to add 200-300 MW of solar to our generation mix. She identified two projects, one in South Dakota the other in Montana that staff is negotiating with as well as indicative pricing and term. Contract negotiations continue, but in order to safe harbor the 30% investment tax credit for solar, the Cooperative would need to make a commitment in September. Staff plans to bring these two contracts back for Board approval next month.

**18. Transmission, Engineering & Construction.**

**A. Transmission.**

Senior Vice President Transmission, Engineering & Construction Tom Christensen began his report by informing the Board that Basin Electric and Tri-State staffs have started work to put together a specification to refurbish the Stegall DC Tie. The last time we looked at this, the estimated cost was approximately, \$20 million.

He went on to explain that currently the LRS transmission assets on the west are subject to a non-FERC jurisdictional OATT that is administered by WAPA. Becoming subject to FERC jurisdiction, we will need to develop a jurisdictional OATT and hire someone to administer the OATT. The two likely candidates would be SPP or Tri-State. Midwest Reliability Organization will perform a North American Electric Reliability Corporation audit of Basin Electric next week. SPP has filed a new proposal with FERC in response to FERC's rejection of its exit fee. In terms of West Connect, we will be transitioning from a non-jurisdictional utility to a jurisdictional utility and will be looking at binding cost allocation for regional planning. As we are currently in our "in between" status, we have recused ourselves and will get back into the game effective with our jurisdictional status.

**B. Western Energy Imbalance Service.**

Mr. Christensen reviewed the history of the Cooperative's efforts to establish a market in the West and the initial effort, the Mountain West Transmission Group, which fell apart when the two investor owned utilities backed out. Since then SPP has agreed to provide reliability coordination services in the west and the present effort is to have SPP provide what is being referred to as Western Energy Imbalance Services (**WEIS**). SPP has proposed a market "go live" date of February 1, 2021, based upon commitment from a critical mass of western market participants by September 3, 2019. Additional market participants could be added at approximately 6-month intervals after the go-live date. He acknowledged that given Basin Electric's small generation foot print in the West, the net cost/benefit impact to the Cooperative is minimal. However, the eventual establishment of a full blown Day 2 market would have real value given the Cooperative's long position in the West.

He walked the Board through our options at this point in time. Option A would be to go forward with the WEIS only if Public Service Company of Colorado (**PSCo**) goes forward. Option B, the option staff is recommending, calls for Basin Electric, Tri-State, and WAPA to sign by September 3, 2019, for a four year commitment to the WEIS. Option C, which assumes PSCo cannot commit by September 3, 2019, assumes Basin, Tri-State and WAPA sign by September 3, 2019, for the four year commitment, aggressively study full regional transmission organization (**RTO**) membership and a full Day 2 market, and if PSCo does not sign up by October 25, 2019, proceed with a full RTO on the west. Unfortunately, WAPA's firm service customers are not ready to go this far (an RTO) at this time. Option D would be to do nothing and allow the California Independent System Operator to continue its march to the east.

He noted that the issues that surround the preferred "B" option concern administrative fees. There would be a need to mitigate some of WAPA Colorado River Storage Project

(CRSP) fees. The thought is that Tri-State would help out CRSP and Basin Electric would help out Tri-State. The administrative fees could range from \$300,000/year if PSCo joins to \$1.1 million/year if we only have Basin Electric, Tri-State, and WAPA.

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

**R04.08-13-19**            **RESOLVED**, that the CEO & General Manager is authorized to sign, on behalf of the Cooperative, the Western Energy Imbalance Service Agreement with the Southwest Power Pool in the form presented to this meeting with such changes as he finds to be in the best interests of the Cooperative, such finding to be conclusively evidenced by his execution of the same.

**C. Engineering & Construction.**

Vice President Engineering & Construction Gavin McCollum reviewed with the Board the remaining large capital projects: 1) the Leland Olds Station Bottom Ash Dewatering/Pond Closure/Coal Pond Expansion Project with an approved budget of \$81.6 million, a forecasted cost at completion of \$72.8 million, and a scheduled November 2019 completion, 2) the LRS SCR Project with an approved budget of \$337.1 million, a forecasted cost at completion of \$201 million, and a scheduled December 2019 completion, 3) the Crocker Wind Switchyard Project with an approved budget of \$18.7 million, a forecasted cost at completion of \$15 million, and a scheduled December 2019 completion, 4) the Chapelle Creek Switchyard Project with an approved budget of \$22.5 million, a forecasted cost at completion of \$20 million, and a scheduled October 2020 completion, and 5) the Dickinson Second Transformer Project with an approved budget of \$12.6 million, a forecasted cost at completion of \$12.6 million, and a scheduled completion date of April 2021. This last project is for the Brady II wind farm and is being funded by NextEra.

Mr. McCollum then discussed the new generation team that has been formed with members from Engineering & Construction, Transmission, Environmental, Resource Planning, and Operations groups. The initial meeting took place on August 1, 2019. The team is looking at a three phase effort. The first phase would be to add an incremental increase to our existing northern gas fired generation as soon as possible. Phase II would call for up to 200 MW of additional generation in the Bakken by 2023/2024. Phase III would call for a larger, long-term generation resource in the late 2020's.

**D. 2020-2029 Long-Range Engineering Plan.**

Manager of Mechanical Engineering Matt Ehrman presented the Long Range Engineering Plan (LREP). The LREP covers the ten year period from 2020 to 2029, with an increased focus on years 1-3. The LREP was initiated to meet a Rural Utility Services requirement, but we have continued to do the study each year as the information is fed into the ten year financial forecast and the capital budget. Mr. Ehrman discussed the capital project types and the planning process. The plan calls for a total of \$586 million of capital projects over the ten year period, half of which are large SPP

projects. He reviewed the projected work at each of the Cooperative's major generation and transmission facilities and recommended Board of Directors approval.

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

**R04.08-13-19**      **RESOLVED**, that the 2020-2029 Long Range Engineering Plan presented to this meeting of the Board of Directors is approved.

**19.      Member Services & Administration.**

Mr. Baumgartner reviewed the list of annual meeting speakers available through the Eurasia Group. The Annual Meeting theme will be "Powering Together". He reminded the Board of the Cooperative's Cornerstone and Cooperative Spirit Awards, the past recipients of these awards, and the fact that the awards are not given out every year.

Mr. Baumgartner then discussed a number of groups, including We Own It, the Center for Rural Affairs, and the Rocky Mountain Institute. These groups aim to take over control of electric cooperatives to further their environmental agenda. The communications group will be meeting with both East River and Tri-State in the coming weeks so as to formulate a communications-strategy to counter the misinformation these organizations publish.

Next, Mr. Baumgartner discussed Touchstone Energy, which has 726 cooperative members across 46 states. Touchstone Energy has not raised its rates in a decade and is now considering changing its rate schedule. Chad Reisenauer represents Basin Electric on the Touchstone regional partner group. Touchstone Energy board members include Jennifer Goss from Tri-State, Dick Johnson of West River Electric Association, Inc., Tresa Hussong of Iowa Lakes Electric Cooperative, and Norm Fandel with Midland Power Cooperative. Most Basin Electric members (135 of 141) are members of Touchstone Energy. He explained the 2020-2022 phase in plan and broke down what Basin Electric would pay in terms of its dues, its share of member dues and as a share of member advertising. Collectively, Basin Electric's cost would increase by approximately \$70,000 each year for three years. After discussion, the Board of Directors decided this was a matter that merits further discussion at the NRECA regional meetings to get further feedback from the members.

**20.      Financial Services Report.**

**A.      CFO Report.**

Senior Vice President & CFO Steve Johnson gave the Financial Services Report. He pointed out that year-to-date, the economy has created an average of 172,000 jobs per month and the nation is in uncharted territory with 106 consecutive months of job growth. He talked about President Trump's announcement of increasing tariffs on additional Chinese products starting September 1, 2019, China devaluing its currency, and Congressional action to approve a budget deal and suspend the debt ceiling until 2021. He pointed out that rates on thirty year Treasury bonds hit 2.03%, a historic low and mentioned the inverted yield curve on August 13, 2019.

He said the Federal Reserve met on July 30-31, 2019, and voted to lower its key interest rate 25 basis points. The market is currently pricing a 100% likelihood of another 25 basis point drop when the Federal Reserve Board holds their next meeting on September 18 & 19, 2019, and a 45% chance of a 50 basis point drop.

He shared the CoBank, ACB's (**CoBank**) second quarter financial results and updated the Board on the discussions with the Antelope Valley Station Unit No. 2 lessors. The lessors are asking 400% more for a lease extension than we believe the unit is worth in the SPP market yet they seem unprepared to actually have the unit run on their behalf.

Senior Financial Analyst Kelly Bergquist updated the Board on the performance of the Duane Arnold Decommissioning Fund. The Duane Arnold Station is scheduled to shut down on October 30, 2020, the Department of Energy will begin accepting spent fuel in 2030, and decommissioning is expected to be completed within 60 years. Decommissioning cost are expected to total \$956 million and Corn Belt's share of that amount is \$95.7 million. Both Corn Belt and Morgan Stanley believe, based upon their modeling, that the decommissioning fund will have adequate monies to cover all decommissioning costs.

**B. Basin Electric 2020-2029 Financial Forecast.**

Manager Financial Planning/Forecast Darla Miller presented the 2020-2029 Financial Forecast. She reviewed the major assumptions utilized in preparing the forecast. The forecast projects \$1.1 billion of capital expenditures, primarily for three major transmission projects. The forecast assumes a one mill rate decrease in 2020 and holding the 2020 member rate through 2029. She reviewed the projected net income after tax and the projected cash balances. The Board of Directors felt that action should be taken on Rate Schedule A prior to acting on the 2020-2029 Financial Forecast.

**C. 2020 Rate Schedule A.**

Rate and Load Analyst Elizabeth Erhardt outlined her presentation on the 2020 Rate Schedule A. She described the Fixed Charge No. 1 which would generate \$4.8 million in Basin Electric revenues. Each Class A G&T member is assessed \$1,500 a month, Class B, C and D members are charged \$2,900 per month and the Class A distribution members are charged \$4,400 per month. In addition, there are five members billed the fixed charge mill rate of .16 mills/kWh.

There followed a discussion regarding the ongoing need for Fixed Charge No. 1 and whether the Class A distribution members were bearing a disproportionate portion of this charge.

There was then a motion that was seconded and carried to eliminate Fixed Charge No. 1 from the proposed 2020 Rate Schedule A. Director Baker, who had voted to approve the motion to eliminate the charge, then made a motion to reconsider. The motion to reconsider was seconded and carried.

There was then a motion to amend the original motion to cut Fixed Charge No. 1 in half for 2020 and to direct staff to make a determination as to what costs the Cooperative continues to incur that should be appropriately passed through to the members utilizing Fixed Charge No. 1. There was a second and the motion to amend was approved. Following discussion, the amended motion carried with Directors Brekel and Peltier voting No.

Ms. Erhardt then walked the Board through the components of the proposed 2020 Rate Schedule A. It is proposed to continue the Demand Period Waiver Rate through 2022 with the intent of maintaining the rate through 2024 unless the Demand Period Waiver results in Basin Electric needing to add additional generation capacity. The electric heat rate would be held at 34 mills through 2020. She reviewed the standby rates and noted that staff is proposing, after discussion with the managers, to extend the load incentive rate despite the fact that no member has actually utilized the rate in order to get new load. Ms. Erhardt reviewed the purchase rates, both the load management rate and the generation purchase rate. She discussed the Public Utility Regulatory Policy Act rate, the load data incentive and member owned trial battery rate which provides members each a battery allowance.

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

**R06.08-13-19**                **RESOLVED**, that the 2020 Rate Schedule A with the one mill average rate reduction maintaining the current \$19.64 kw-mo demand charge for the 2075 contracts and only assessing one half of the proposed Fixed Charge No. 1 be approved.

The motion was seconded and carried with Directors Baker, Brekel, McQuiston, and Peltier voting No.

**D. Basin Electric 2020-2029 Financial Forecast. (continued)**

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

**R07.08-13-19**                **RESOLVED**, that the 2020-2029 Financial Forecast be approved in the form presented.

**E. Accounting Report.**

Accounting Analyst III Melinda Weninger gave the July accounting report. For the month, the Cooperative had a net margin of \$14.4 million compared to a budgeted margin of \$26 million. July sales to members were \$149.1 million compared to budgeted member sales of \$150.8 million. MWH sold to members were almost exactly on budget. Surplus sales revenues were \$12.7 million compared to the budget of \$14.6 million. On



the expense side, July operating expenses were \$100.9 million compared to the budget of \$96.7 million. She reviewed the year-to-date average fuel costs at both the coal fired and natural gas fired plants. Maintenance expenses for July were \$8.8 million compared to the \$9.8 million budgeted. The consolidated net income after tax for July was \$14.2 million, \$12.6 million below the \$26.8 million budgeted. Year-to-date net income is \$72.6 million compared to the budgeted number of \$65 million.

**21. CFC 2019 District Meeting - Delegate and Alternate.**

There was a motion that was seconded and carried to name Thomas Wagner and Troy Presser as the Cooperative's delegate and alternate, respectively, to the National Rural Utilities Cooperative Finance Corporation (CFC) 2019 District Meeting.

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

**R08.08-13-19**            **RESOLVED**, that the Cooperative's delegate or alternate cast the Cooperative's vote for Anthony Larson, director at Slope Electric Cooperative for the CFC Region 6 director.

**22. Directors Reports.**

Director Pearson commented on the CoBank conference. The speaker was Dr. Scott Tinker from the Eurasia Group and everyone was quite impressed with the job he did. The East River annual meeting will be held on September 5, 2010. Director Baker reported that the Powder River Energy Corporation annual meeting will be held on August 24, 2019, Director Meschke reported that the Federated Rural Electric Association annual meeting was two weeks ago. The membership approved a bylaw change and they will be building an addition onto their building. Yesterday, the City of Truman, Minnesota voted to dissolve their municipal utility which is served by Heartland Consumers District. The Minnesota Rural Electric Cooperative Association held its Energy Issues Summit in St. Cloud and voted to increase dues in order to counter the misinformation campaign being waged by the We Own It movement. Dues are being increased 20% to add staff and increase the efforts to counter the efforts to undermine the rural electric program. Director Brekel announced that as of March 1, 2020, Delta-Montrose would no longer be a member of Tri-State. He mentioned former Tri-State General Manager J.M. Shafer had passed away. Director Gilbert reported that he had the opportunity to tour the Prestage Farms \$250 million pork processing plant located south of Eagle Grove, Iowa. The plant is a 22 MW load and presently has 700 employees, with plans to grow to 950. The plant processes 6,400 hogs per day. The plant has sophisticated robotics and provides very good paying jobs. Director Thiessen said that Upper Missouri will hold their summer board meeting in Medora, ND. He said that Lower Yellowstone Electric Cooperative is looking at serving a 4MW hemp plant.

**23. Executive Session.**

At 3:55 p.m. CDT, there was a motion that was seconded and carried to retire into executive session to discuss the recent attacks on G&T cooperatives. The Board of Director arose from its executive session at 4:50 p.m. CDT.

**24. Date and Place of Next Meeting.**

Chairman Peltier noted that there would be a strategic planning session on Sunday September 8, 2019, and that the Board meeting would be held starting the following day.

**25. Adjournment.**

At 4:50 p.m. CDT, there was a motion that was seconded and carried to adjourn the meeting.



Charles H. Gilbert  
Secretary-Treasurer