

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

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
September 8-10, 2019**

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

**Minutes of the Regular Meeting of the Board of Directors
September 8-10, 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 3:00 p.m. CDT on Sunday, September 8, 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	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 Tri-State Generation and Transmission Association, Inc. (**Tri-State**) director Leo Brekel.

3. Executive Session.

There was a motion that was seconded and carried for the Board to retire into executive session to discuss Tri-State's and Basin Electric's filings with the Federal Energy Regulatory Commission (**FERC**) and the steps that were recently taken to prevent the Cooperative from becoming prematurely subject to FERC regulation. The Chairman requested that Mr. Brekel attend the executive session so as to ensure that the Board received Tri-State's perspective in these matters. At 3:40 p.m. there was a motion that was seconded and carried to arise from executive session.

4. Approval of the Agenda.

The Directors considered the agenda for the conduct of the meeting. Chairman Peltier noted the Board would next address Tri-State's reapplication for membership and then recess until the following morning. The meeting would reconvene, break for the Board Committee meetings, reconvene for the Board Committee reports, and then recess for the Subsidiary Board meetings. He noted that there would be a Board Audit Committee meeting and the Board would go back into executive session at the end of the meeting.

There was a motion that was seconded and carried to approve the agenda as so modified.

5. Tri - State's Reapplication for Membership.

General Counsel Mark Foss explained that in order for the Cooperative to finalize its various filings with the FERC in the time frame needed to complete this work and to prevent the Cooperative from having to refund (potentially) millions of dollars as a result of not having filed with FERC for authority to sell power at market rates, Tri-State withdrew its membership in Basin Electric on September 3, 2019. In doing so, Tri-State both acknowledged and affirmed its contractual obligations to Basin Electric. Basin Electric accepted Tri-State's withdrawal as well as Tri-State's right to reapply for membership. Basin Electric also acknowledged that Tri-State would retain its capital credits and will accrue capital credits so long as it continued to meet its contractual obligations to Basin Electric.

Mr. Foss stated that on September 6, 2019, the Cooperative received Tri-State's reapplication to become a member of Basin Electric as well as the five hundred dollar member application fee. Tri-State has requested that its membership become effective November 1, 2019, which will allow the Cooperative to file with FERC by September 30, 2019.

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

R01.09-08-19 **RESOLVED**, that the reapplication of Tri-State Generation and Transmission Association, Inc. (**Tri-State**) to become a Class A member of the Cooperative effective November 1, 2019, be approved and that a Class A membership certificate be issued to Tri-State on that date.

6. Recess and Reconvention.

At 3:45 p.m. CDT, Chairman Peltier recessed the meeting. Chairman Peltier called the meeting back to order at 1:00 p.m. CDT on Monday, September 9, 2019, with Chairman Peltier continuing to preside and Secretary/Treasurer Gilbert continued to keep the minutes with the following Directors present:

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, Basin Electric staff members Jamey Backus, Chris Baumgartner, Tracie Bettenhausen, Andy Buntrock, Tom Christensen, James Decker, Shawn Deisz, Tammy DeWitt, Daniel Gallagher, Tyler Hamman, John W. Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Nicole Lautenschlager, Joe Leingang, Gavin McCollam, Nate Miller, Diane Paul, Mike Paul, Dave Raatz, Jean Schafer, Susan Sorensen, Katrina Wald, Sheila Wald, and Valerie Weigel, and Dakota Gasification Company (**DGC**) vice president Dale Johnson and DGC staff members Brian Dillman and Trinity Turnbow. Also present were Burke Divide Electric Cooperative director David Sigloh, Central Montana Electric Power Cooperative

(**Central Montana**) general manager Doug Hardy, Corn Belt Power Cooperative (**Corn Belt**) director Scott Stecher, Corn Belt manager Ken Kuyper, Hill County Electric director Clarence Keller, L&O Power Cooperative director David Hanson, Northwest Iowa Power Cooperative (**NIPCO**) director Louis Reed, Tri-State director Leo Brekel, and Wheatland Rural Electric Power Cooperative director Jack Finnerty.

7. **Approval of the Minutes.**

The minutes of the August 13 - 14, 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.

8. **Board Committee Reports.**

Director Gilbert provided the Finance Committee Report. He said the committee reviewed the 2018 federal and state tax returns and the committee is recommending that these returns be approved by the full Board of Directors. He mentioned that the Cooperative had still not filled the Cooperative's director of taxation position. Steve Johnson reviewed the National Rural Utilities Cooperative Finance Corporation (**CFC**) financial highlights. CFC has experienced a \$738 million increase in its loan portfolio and is retiring \$48.3 million in patronage. Basin Electric will be receiving a \$512,219.11 patronage refund on September 12. The G&T Accounting and Finance Association recently surveyed its members and discovered the G&T member's biggest concerns are cyber security followed by the low price of commodities. The committee also received information on the IHS commodity price forecasts and noted that the IHS has predicted an average 2020 Henry Hub price of \$1.92/mmbtu. There is also some question with respect to the degree to which the ocean going vessel industry plans to comply with the low sulfur bunker fuel regulations. Finally, the committee reviewed the amount of capacity under construction in the Southwest Power Pool (**SPP**).

Director Wagner reported on the Marketing and Planning Committee meeting. Val Weigel gave an overview of natural gas prices. In terms of the big picture, we have gone from prices in 2005 reaching \$10.00/mmbtu to 2019 where we expect prices to average \$2/mmbtu. These low natural gas prices are also resulting in low power prices. She also reviewed the Cooperative's short position for the month in the various markets. Becky Kern reviewed the solar projects that she had discussed last month and the committee voted to recommend to the full Board of Directors authorization to purchase up to 300 MW of solar energy. Initially, the Cooperative should be able to claim 50% capacity in SPP for these projects. The committee then went into executive session and Dan Gallagher discussed fertilizer pricing, inventory levels, and forward sales.

Director Gliko gave the Operations Committee Report. Brian Dillman provided the committee with a presentation on the fertilizer plants' planned October turnaround. The principal task during this turnaround will be the replacement of the ammonia plant's steam turbine, which is why the turnaround is expected to take three weeks. Given the opportunity, plant staff will perform the A Riley boiler's three year maintenance and staff hopes to be able to go two years before boiler maintenance next needs to be performed. While the anhydrous ammonia plant is down, the urea plant will be both inspected and cleaned. In addition, a heat exchanger will be installed in the urea granulator and we will get rid of the blowers. The committee also heard about a new "lessons learned" approach Basin Electric Operations is taking after each of their plant outages. The first

go around was a “post mortem” of the outage at the Antelope Valley Station (**AVS**) and will be followed up with reviews of the outages at the Laramie River Station (**LRS**) and Dry Fork Station (**DFS**). The thought is that if the different plant personnel can become familiar with the various issues each has confronted with their turnarounds, it will benefit the entire Cooperative. Gavin McCollam presented on the Leland Olds Station (**LOS**) 345kV substation upgrades project. The committee was assured that this work needs to be performed regardless of how long LOS is operated. This upgrade project is No. 3 on the top ten list of these aging infrastructure replacement projects in terms of priority. The committee voted to recommend the project to the full Board of Directors. Finally, Dave Rudolph spoke to the committee concerning the Midwest Reliability Organization (**MRO**) just completed audit. While there were two audit findings, staff feels the audit went very well.

9. Recess and Reconvention.

At 1:18 p.m. CDT, Chairman Peltier recessed the meeting and the meeting reconvened at 3:35 p.m. CDT with Chairman Peltier continuing to preside and Secretary-Treasurer Gilbert continuing to keep the minutes.

10. General Manager’s Report.

A. Western Fuels Update.

Superintendent Fuel & Transport Joe Leingang gave an update on the Western Fuels Association (**WFA**) and Western Fuels Wyoming (**WFW**) board meetings that were held on August 29, 2019. For the seven months ending July 31, 2019, WFA’s revenue is 11.3% over budget despite the fact that tons sold are (7.7%) under budget. LRS and DFS are responsible for the lion’s share of the short fall. The other good news is that expenses are \$203,000 under budget or (12.2%). As a result, margins for the seven month period are \$384,000 greater than budget. In terms of the financial reorganizations in the Powder River Basin (**PRB**) coal industry, not much happened over the past month. The Navajo Nation, through its mining company Navajo Transitional Energy Company, has agreed to purchase three PRB coal mines from Cloud Peak Energy (**Cloud Peak**) for \$15.7 million in cash, a note, and the assumption of the obligation to pay \$94 million of unpaid taxes. Our contracts with Cloud Peak were affirmed. The proposed joint venture between Peabody Energy and Arch Coal is still being reviewed by the Federal Trade Commission.

Mr. Leingang reported that WFW’s Dry Fork Mine has worked 1,255 days (3.44 years) without a Lost Time Accident (**LTA**) and won the 2019 Wyoming State Safety Award. Coal sales/shipments have improved from (7.3%) behind budget at the end of July to (4.9%) behind budget at the end of August largely due to the increase in DFS tons following DFS spring 2019 outage (which was scheduled for the fall of 2019). While revenues are down, WFW is carefully managing their costs and the cost per ton is currently (6.7%) below budget. Mr. Leingang reported on the result of the WFA and WFW board elections.

11. **Office of General Counsel.**

A. Legal Report.

General Counsel Foss updated the Board on the efforts to secure approval to survey for the expiring easements across two reservations in the state of South Dakota. He said that we learned this morning that, at the request of the Bureau of Indian Affairs, the Crow Creek Tribal Council has approved the survey consents for that reservation. In terms of the Figure 4 Ranch, Dale Niezwaag has scheduled a meeting with the North Dakota Indian Affairs Commission to discuss how to best approach the Three Affiliated Tribes concerning potential transmission line right-of-way. He said the Capital Hill Microwave Site purchase will be brought to the Board in October. In terms of our filings at FERC, with Tri-State again becoming a member on November 1, we will make our filing before the end of September. We met a second time with the FERC staff on September 5, 2019, and are providing them with our draft filings and seeking their feedback. He walked the Board through the various filings the Cooperative will make.

B. Government Relations.

Vice President Government Relations Dale Niezwaag gave the Government Relations Report. He reported there was a second hearing on August 28, 2019, on the South Dakota electric territory study. The municipal representatives then repeated their "Basin Bailout" claim and Basin Electric staff responded with their fact sheet. Mr. Niezwaag said he would be holding meetings with the North Dakota Public Service Commission and tribal representatives to update them on our quickly evolving load forecast, the need to build both generation and transmission assets to meet that load growth, and Basin Electric's transition to FERC jurisdiction. He talked about an effort in North Dakota that would allow "electric providers" to self-fund decommissioning costs. Mr. Niezwaag then talked about a letter being circulated by the Midwest Governors Association (MGA) to the Midwest Independent System Organization (MISO). The letter raised a couple of red flags as it calls on MISO to create a plan to buttress the electrical grid that would enhance local job creation and economic development and would allow the MGA, with support from MISO, to drive the criteria for transmission planning. Currently, Minnesota and Iowa have signed the letter, Idaho, Nebraska, Montana, and North Dakota will not sign the letter, Michigan, South Dakota, and Wisconsin are leaning towards signing, and Illinois, Kansas, and Ohio are undecided. Staff has approached both the cooperatives and the investor owned utilities in South Dakota to approach Governor Noem and urge her not to sign on.

He also shared some of the presentation Xcel Energy made to the MGA concerning Minnesota's "Clean Energy Transition" which calls for an 80% reduction in carbon dioxide emissions by 2030 and to eliminate carbon dioxide emissions entirely by 2050. In terms of the challenge of reaching the 100% benchmark, Excel made the following three points: 1) costs increase very steeply once you reach 60% renewables, 2) at 100% renewables, you need to overbuild the grid by as much as 8 times, and 3) currently, there is no great solution to store renewable energy. To reach a 100% renewable scenario would require 8-16 weeks of battery storage and current technology provides about four hours of storage. Prices in the 100% renewable scenario are estimated at \$1,612/mwh compared to the current average cost of \$50/mwh.

Mr. Niezwaag then turned to federal issues. The Assistant Secretary for Fossil Energy and Senator Mike Enzi toured energy sites in Wyoming including the DFS and the Integrated Test Center (ITC). The Deputy Assistant Secretary for Clean Coal and Carbon toured sites in North Dakota, including the Great Plains Synfuels Plant (**Synfuels Plant**). Basin Electric staff participated in both tours.

Mr. Niezwaag also mentioned a recent letter from Senator Kevin Cramer to FERC Chairman Chatterjee pointing out the drop in MISO reserve margins and advocating the reliability reforms previously proposed by Basin Electric.

12. Operations Report.

A. Operations.

Senior Vice President John Jacobs reported that Operations had no recordable medical treatment cases during the month and had 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 August, generation at the solid fuel plants was (5.7%) below budget, at the oil and gas plants generation was 83.7% over budget and wind generation was (9.5%) below budget. For the month, fleet generation was (4.1%) under budget. Year to date, generation at the solid fuel plants is (10.2%) below budget, at the oil and gas plants generation is 152.4% above budget, and wind generation is (19.6%) below budget. Year-to-date, fleet generation is (4.1%) below budget. In terms of expenses, August expenses were (3.54%) below budget and year-to-date, fleet expenses are (5.48%) below budget.

TDA Research, Inc. (**TDA**) in Wheat Ridge, Colorado, will mobilize to the Kawaski Heavy Industry site in October. TDA has developed a high capacity amine solution that they claim removes carbon dioxide from flue gas using much less power than the existing technologies. TDA has received funding from the Department of Energy. It appears we will be seeing activity at the large test center before we do at the small test center. The Chinese company "Breathe" has submitted all of the paperwork to XPRIZE. XPRIZE is likely going to need to revise their deadline if they are going to award their \$20 million prize.

Mr. Jacobs then reported on the Missouri Basin Power Project (**MBPP**) Engineering & Operations Committee meeting. The committee had a few suggestions on the F2E (food to energy) letter of intent and voted to recommend to the MBPP Management Committee a new rating for LRS No. 1 (now that the selective catalytic reduction (**SCR**) system is up and running), as well as economic shutdown procedures for LRS No. 1. The MBPP Management Committee will meet September 23, 2019.

Mr. Jacobson also reviewed the post-outage review process and the MRO audit process. He felt the Cooperative put a very good foot forward in this audit process.

B. LOS Plant Update.

Plant Manager Jamey Backus reported that the LOS workforce had worked 80,406 man hours since the last DART. Year-to-date, LOS has generated 100.8% of budget, 114.3% for Unit No. 1 and 94.6% for Unit No.2. Unit No. 1 has a 97.9% Availability Factor for the year so far and was down a couple of days following a wall tube leak. Unit No. 2 has an

Availability Factor of 86.2% for the year so far and had an outage March 16, 2019, for a hydrogen leak on the generator and again on July 31, 2019, as a result of a bearing failure on 2B2 coal conveyor. Mr. Backus mentioned that they have been using the concrete settling tank to dewater Unit 2 bottom ash and have sold 11,103 tons year-to-date. While it is only sold for \$2.50/ton, the Cooperative saves \$20.00/ton by not having to take the ash to the landfill. He discussed two train derailments, one on June 21 on the 8 mile line between LOS and the Synfuels Plant, the other on the LOS industrial track on August 22. He also reviewed the increasing amounts LOS has had to spend on rail inspections, repairs, and maintenance over the past decade.

13. Risk Management Report.

Manager Commodity Risk Kerry Kaseman gave the monthly commodity risk management report. In terms of Basin Electric liquidity requirements, the Cooperative had posted cash of \$63.5 million on March 1, 2019, compared to \$96.7 million on August 31, 2019. He reviewed the power purchase agreement with Macquarie Energy, the projected mark to market, and projected cash margin posted. With the drop in short term interest rates, the cash margin posted with Goldman Sachs increased from \$63.5 million on February 28, 2019, to \$97.1 million on August 31, 2019. He reviewed the projected Goldman Sachs mark-to-market margin limit, and collateral posted for these interest rate swaps through 2032.

14. Recess and Reconvention.

At 4:33 p.m. CDT, Chairman Peltier recessed the meeting and he reconvened the meeting the following morning at 8:00 a.m. CDT, Tuesday September 10, 2019. Chairman Peltier 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

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, Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Andy Buntrock, Tom Christensen, Kelly Cosby, James Decker, Shawn Deisz, Tammy DeWitt, Pius Fischer, Daniel Gallagher, John Jacobs, Derik Johnson, Steve Johnson, Kerry Kaseman, Becky Kern, Gavin McCollam, Dale Niezwaag, Diane Paul, Karen Plum, Dave Raatz, Dave Rudolph, Jean Schafer, Susan Sorensen, Katrina Wald, Sheila Wald, Valerie Weigel, and Melinda Weninger and DGC Director Alan Klein. Also present were Central Montana manager Doug Hardy, Tri-State director Leo Brekel and Upper Missouri Power Cooperative (**Upper Missouri**) manager Claire Vigessa.

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

A. Solar Projects.

Director Long-Term Utility Planning Becky Kern outlined a projection of the Cooperative's forecasted net short position in SPP over the next 10 years. 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 solar energy based upon a 50%, and 62% capacity accreditation of the solar projects with capacity values between \$2/kw-mo. and \$8/kw-mo. and an overall solar power purchase price of \$28/MWh. Based upon those numbers, staff believes it makes economic sense to add up to 300 MW of solar to our generation mix at this time. She noted that the Marketing and Planning Committee recommended full Board of Directors approval.

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

R02.09-10-19 **RESOLVED**, that the CEO & General Manager, or his designee, is authorized to execute the necessary agreements to facilitate the purchase of up to 300MW of solar generation within the Southwest Power Pool under terms and conditions he finds to be in the best interest of the Cooperative, such finding to be conclusively evidenced by his execution of the same.

B. NWPP Implementation.

Director Short-Term Trading & Financial Analysis Val Weigel spoke briefly about the Rocky Mountain Reserve Group (**RMRG**) joining the Northwest Power Pool (**NWPP**). Due to the increase in wind generation within the RMRG, the Cooperative's reserve obligation was going to grow from 50mw to 75mw. In NWPP, Basin Electric's reserve obligation will be 34 MW, but that only buys you one hour of coverage within which you are required to procure replacement power for the next two days. The final transition to the NWPP occurred on September 3, 2019.

C. August Market Update.

Ms. Weigel provided the short-term market update. She shared a graph illustrating how much higher Palo Verde prices were during August compared to the other markets the Cooperative participates in. She noted the quoted Palo Verde prices reflect power prices in the Southwest and that the Cooperative generally transacts at somewhat lower prices.

In SPP, the monthly average day ahead load zone price in August was \$20.18 compared to \$22.92 in August of 2018. Day ahead prices in the load zone averaged \$20.18 compared to an average real time price of \$18.85. In terms of the Cooperative's open position in the SPP for the month, on peak it was (5.1%) and off peak it was (14.8%). The monthly average day ahead price in MISO was \$20.80 in August 2019 compared to \$26.29 in August 2018. The Cooperative was long in MISO throughout the month.

She reviewed transacted pricing in the West. The average day ahead price for August in the West was \$34.05 compared to a real time price of \$31.93.

Ms. Weigel then discussed the \$9,000 MWH price spike in the Electric Reliability Counsel of Texas (**ERCOT**) on August 13, 2019. She compared the ERCOT and SPP 2019 reserve margins, generation capacity, and peak loads and noted that given SPP's higher reserve margin couple with SPP's ability to import more energy from neighboring markets, there is a substantially lower chance of something like this happening in SPP.

16. Transmission, Engineering & Construction Report.

A. Transmission.

Senior Vice President Transmission, Engineering & Construction Tom Christensen provided an update on the Western Energy Imbalance Service (**WEIS**) offered by SPP. Tri-State, Basin Electric, and the Western Area Power Administration signed up for this service on September 3, 2019, and had until September 9, 2019, to back out. None did.

He said staff continues to work with Jesse Halpern, Nicole Allen, and Rebecca Shelton of the Thomason Coburn law firm on the FERC tariff for the Cooperative's entitlement share of the west side MBPP transmission.

Manager NERC Compliance David Rudolph reported on the recently completed NERC audit. We received 90 days prior written notice of the audit in May. The audit was limited to Critical Infrastructure Protection (**CIP**), but only involved about half of the standards. There was a level one document request. MRO took a sample population from those documents responsive to their level one request and then made a second deeper data request. These documents were provided two weeks before the auditors were on site and at this point, most of the auditors' work was done. This was our first audit because under the old rules the Cooperative did not own any CIP assets. We do under the revised rules. There were two areas of potential non-compliance identified: 1) the ability to directly access electronic security and 2) the failure of an employee to log in indicating he was accompanying a third party guest at a substation site. These potential violations now go to the MRO enforcement staff which will decide in 2020 what action MRO will take. We are hoping the enforcement people will decide these were both "compliance exceptions" and not assess any penalties.

B. Large Capital Projects.

Vice President Engineering & Construction Gavin McCollam reviewed the remaining large capital projects with the Board of Directors. The work on the LOS Bottom Ash Dewatering Pond, Pond Closure/Coal Pond Expansion Project is now focused on the pond closure. The LRS No. 1 SCR met both its pressure drop and removal tests this month. While we thought the SCR's parasitic load would be 12 MW, it now looks like it will be 5-8 MW.

The Chapelle Creek Switchyard project is two weeks behind schedule due to wet weather, however, the associated wind farm project is likewise two weeks behind schedule.

He then told the Board about a multi-disciplinary team that has been established to address adding generation for the Bakken. This will be a three phase effort. The first step will be to add a 45 MW sixth unit at the Lonesome Creek Station. Step number two calls for 250-300 MW to be installed somewhere north of Lake Sakakawea. Phase three would be a larger, long-term energy resource. A preliminary study & investigation work order has been set up and Board authorization will be sought in late 2019 or early 2020.

C. LOS 345 kV Substation Upgrades Project.

Mr. McCollam noted that his project was approved by both the Project Review Committee and the Optimization Group. He introduced Senior Electric Engineer Nate Miller who would be in charge of the project. He pointed out that this upgrade work needs to be performed regardless of what may or may not be planned for LOS. This project is third on the priority list of the Aging Substation Infrastructure Replacement Initiative and its timing is based upon crew auditability and a planned LOS outage. He noted that of the eleven breakers being replaced, five of them are vintage General Electric breakers out of eight such breakers in the world. Engineering and construction supervision would be performed in-house. The estimated project cost (class 3 estimate) is \$21.8 million. Director Gliko mentioned that the Operations Committee had voted to recommend this project to the full Board of Directors.

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

R03.09-10-19 **RESOLVED**, that the Leland Olds 345kV Substation Upgrades Project, presented to this meeting of the Board of Directors with an estimated cost of \$21.8MM be approved; and

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

17. Member Services & Administration.

Senior Vice President Member Services & Administration Chris Baumgartner announced that the Annual Meeting speaker would be Robert Johnston, Director Global Energy and Natural Resources at the Eurasia Group. As Mr. Baumgartner received no suggestions, there will not be an award of either the Cornerstone Award or the Cooperative Spirit Award this year.

Thirty-two employees will receive employment anniversary awards at the banquet. Tuesday there will be an orientation program for new member managers as well as the plant tours that historically have been done on Thursday. We will start at 8:30 a.m. on Wednesday, the business meeting will begin at 4:15 p.m. and our Thursday “members only” session will begin at 8:00 a.m. to accommodate people that need to get back on the road.

18. Human Resources.

Senior Vice President Human Resources Diane Paul reviewed overall employee numbers. She pointed out that the combined Basin Electric/DGC employee count is down 533 from January 2017 and down 22 from December 2018. While we have 92 employees age 60 and older, to date we have only had 17 employees elect to retire in 2019 and given interest rates, she expects that number may hold until 2020.

Annual performance review process and salary review are nearing completion and Human Resources is now turning its attention to the open enrollment process.

She presented proposed changes to the Cooperative’s Health and Welfare WRAP Plan which Basin Electric originally adopted in October 2016.

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

R04.09-10-19 WHEREAS, Basin Electric Power Cooperative (“Basin Electric”) has maintained the Basin Electric Health and Welfare WRAP Plan since October 2016 (“Plan”); and

WHEREAS, Basin Electric desires to amend and update the Plan.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors hereby authorizes the changes to the Plan as presented.

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes the CEO & General Manger or his designee to execute all necessary documents required for adoption of the changes to the Plan.

19. **Financial Services Report.**

A. Economic Update/Interest Rates.

Senior Vice President & CFO Steve Johnson noted that Gross Domestic Product fell below 3% for the second quarter. One of the more troubling domestic statistics is the growth of consumer debt which has now reached \$13.8 trillion, exceeding the prior peak of \$12.68 trillion in the third quarter of 2008. Much of this growth has been driven by student loans (now \$1.48 trillion) and auto loans (now \$1.3 trillion). Credit card debt has climbed to near the 2009 peak and stands at \$870 billion. While the Federal Reserve has reduced short-term rates, that has not had and is not expected to have any effect on credit card interest rates. Last year alone consumers paid \$149 billion of credit card interest. The good news is that the unemployment rate remains unchanged and year-to-date, the economy has added an average of 158,000 jobs per month. As part of that employment growth, the United States government is in the process of hiring 25,000 temporary workers to conduct the 2020 census. He compared September 4, 2018, U.S. Treasury yields to September 3, 2019, pointing out that the yield on the ten-year bond had dropped 130 basis points while the 30-year bond yields had dropped 97 basis points. The interest rate yield curve remains inverted. While bond yields have dropped in the United States, they remain positive unlike Japan and a number of European countries where the yields are negative. He finished with a number of quotes from President Trump and Federal Reserve Chairman Jay Powell and observed that it seems highly unlikely that Chairman Powell will cave to political pressure.

B. Accounting Report.

Accounting Analyst III Melinda Weninger gave the August accounting report. For the month, the Cooperative had a net margin of \$25 million compared to a budgeted margin of \$28 million. July sales to members were \$145.8 million compared to budgeted member sales of \$144 million. MWHs sold to members were 2,242 thousand MWHs compared to a budget of 2,192 thousand MWHs. Surplus sales revenues were \$12.3 million compared to the budget of \$14.0 million. On the expense side, August operating expenses were \$93 million compared to the budget of \$91.2 million. She reviewed the year-to-date average fuel costs at both the coal fired and natural gas fired plants. Maintenance expenses for August were \$9.4 million compared to the \$10.3 million budgeted. The consolidated net income after tax for August was \$27.1 million, \$1.4 million below the \$28.5 million budgeted. Year-to-date after tax net income is \$99.7 million compared to the budgeted number of \$93.5 million.

C. Recess/Reconvention Audit Committee Meeting.

At 9:52 a.m. Chairman Peltier recessed the meeting for the Audit Committee meeting to discuss the 2018 Federal and State Tax Returns. At 10:07 a.m. the meeting was reconvened with Chairman Peliter continuing to preside and Secretary-Treasurer Gilbert continuing to keep the minutes.

D. 2018 Federal & State Income Tax Returns.

Chairman Peltier noted that the Audit Committee had recommended that the full Board of Directors approve filing the 2018 returns and appoint Steve Johnson as the Cooperative's attorney-in-fact.

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

R05.09-10-19 **BE IT HEREBY RESOLVED**, that the CEO and General Manager is authorized and directed to execute and deliver, on behalf of Basin Electric and its consolidated entities, the federal and state income tax returns for the tax year 2018;

BE IT FURTHER RESOLVED, that the federal returns for the years described above are hereby approved in the forms presented to the Board for its review; and

BE IT FURTHER RESOLVED, that Steve Johnson is hereby designated as attorney-in-fact, with full power and authority to receive information and sign and file all returns, instruments, certificates, and all other such documents and otherwise to take any and all other actions required, on behalf of the Cooperative and its consolidated entities, to obtain refunds and otherwise resolve all matters relating to the returns and tax years including but not limited to, payments of tax, settlements of disputes, and filing of all returns and amended returns described hereinabove.

20. Midwest Electric Consumers Association Annual Meeting - Delegate & Alternate.

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

R06.09-10-19 **RESOLVED**, that Allen Thiessen and Dave Meschke be named as the Cooperative's delegate and alternate, respectively, to the Midwest Electric Consumers Association annual meeting.

21. Director's Reports.

Director Pearson reported that the East River Electric Power Cooperative, Inc. annual meeting held on September 5, 2019, went well. He thanked Paul Sukut for attending and thought the handful of questions Paul received were good questions for which Paul had good answers. Mr. Pearson said that South Dakota has a Rural Economic Development Fund which is used to fund the construction of homes in rural communities. Avera Health has contributed \$2 million to that \$10 million fund. Director McQuiston announced that Rushmore Electric Power Cooperative will hold their 2020

annual meeting on April 9 & 10. Director Baker thanked Chris Baumgartner, Andy Buntrock, and Joe Leingang for attending the Powder River Energy Corporation annual meeting. Director Presser mentioned he had attended the Corn Belt joint meeting along with Paul Sukut and thanked the Corn Belt board of directors for their hospitality. Director Wagner reported that Siouxland Energy Cooperatives project has experienced increased costs yet remains scheduled to be operational by May 2020. Director Gilbert mentioned that in August, Corn Belt had their joint meeting with their managers and they then invited their partners in. He thanked both Paul Sukut and Director Presser for attending and thought Paul received some good questions. Finally, one of Corn Belt's members is converting their solar project from fixed panels to a single axis tracking system. Finally, Director Thiessen reported that Upper Missouri is busy preparing to file with FERC and expects to do so on schedule without the need for a waiver. He commented about the very strong growth being experienced by both McKenzie Electric Cooperative and Mountrail-Williams Electric Cooperative.

22. Executive Session.

At 10:22 a.m. there was a motion that was seconded and carried to go into executive session with senior staff to review the talking points from the strategic planning session. At 11:10 a.m. CDT the Board of Directors arose from its executive session.

23. Date and Place of Next Meeting.

Chairman Peltier noted the next Board meeting would be held on Tuesday, October 15, 2015, at the headquarters building in Bismarck.

24. Adjournment.

At 11:10 a.m. CDT, there was a motion that was seconded and carried to adjourn the meeting.



Charles H. Gilbert
Secretary-Treasurer