

**BASIN ELECTRIC POWER COOPERATIVE
DENVER, COLORADO**

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
December 9, 2019**

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**Basin Electric Power Cooperative
Denver, Colorado**

**Minutes of the Regular Meeting of the Board of Directors
December 9, 2019**

The regular meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the Grand Hyatt Hotel 1750 Welton Street, Denver, Colorado, beginning at 10:24 a.m. MST on Monday, December 9, 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	Kermit Pearson
Leo Brekel	Wayne Peltier
Charles H. Gilbert	Troy Presser
Daniel Gliko, Jr.	Allen Thiessen
Mike McQuiston	Thomas Wagner
David Meschke	

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 Dean Bray, Chris Baumgartner, Tracie Bettenhausen, Tom Christensen, Tammy DeWitt, Pius Fischer, Dan Gallagher, Steve Johnson, Gavin McCollam, Darla Miller, Dale Niezwaag, Susan Sorensen, Sheila Wald, and Val Weigel, and Dakota Gasification Company (**DGC**) Vice President Dale Johnson. Also present were Lower Yellowstone Rural Electric Association, Inc. director Dennis Schmierer, Mid-Yellowstone Electric Cooperative, Inc. director Kevan Kimball, and Minnesota Valley Cooperative Light & Power Association director Mark Peterson.

3. Approval of the Agenda.

The Directors considered the agenda for the conduct of the meeting. Chairman Peltier noted the Legal Report would be moved to the end of the agenda and the Board would go into Executive Session to hear that report.

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

4. Approval of Minutes.

The minutes of the November 4-5, 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 presented.

5. **Committee Assignments.**

Chairman Peltier announced that Directors Baker, Thiessen, and Wagner would serve on the Finance Committee in 2020, Directors Gliko, McQuiston, Meschke, and Pearson would serve on the Marketing Committee, and Directors Brekel, Gilbert, and Presser would serve on the Operations Committee.

6. **General Manager Report.**

A. **Western Fuels Update.**

It was reported by Mr. Sukut and Mr. Baker that Nebraska Public Power District was strongly considering joining Western Fuels Association which would result in the potential of a two to three cent per ton reduction in the cost of coal for the Dry Fork Station (DFS) and up to a 10.5 cent reduction for the Laramie River Station (LRS).

7. **Office of General Counsel Report.**

A. **Government Relations Report.**

Vice President Government Relations Dale Niezwaag gave the Government Relations report. With respect to state matters, the South Dakota study committee looking at the South Dakota Electric Service Territory Legislation approved a recommendation to the Legislature on an 8-1 vote at its November meeting. The proposed legislation would allow for these territorial disputes to be referred to the South Dakota Public Utility Commission (SDPUC). This legislation continues to be a work-in-progress going into the session, The cooperatives support the legislation in its current form, the SDPUC and the South Dakota investor owned utilities support the legislation but would like to see some changes added, and the municipals oppose any effort that would constrain their ability to serve annexed areas.

On the federal front, efforts continue to encourage the Internal Revenue Service (IRS) to issue proposed regulations for Internal Revenue Code Section 45Q. Outgoing Secretary of Energy Rick Perry sent a letter urging the IRS to issue guidance by the end of the year. Basin Electric sent a second set of comments to the IRS and we are working together with a party interested in a Section 45Q project with DGC to influence the IRS to come out with regulatory guidance that would allow for a project involving the Great Plains Synfuels Plant.

After having met with the investor owned utilities, the House Energy & Commerce Committee Democratic staff met with public power representatives on November 8, 2019 to discuss 100% Clean Energy legislation. Attendees included the American Public Power Association, the National Rural Electric Cooperative Association (NRECA), Ogelthorpe Power Corporation, PNGC Power, BARC Electric Cooperative, and Basin Electric. The main question to the group was: "What is your utility doing to reduce carbon pollution?" The cooperatives and municipals pointed out: a) how difficult it is for them to monetize tax incentives, b) the need for the federal government to fund research for carbon capture, and c) stranded assets are a major concern for the electric cooperative industry. The committee plans to release a framework bill before Congress recesses.

House Democrats released an energy tax bill on November 19, 2019. The bill would: a) extend the production tax credit for wind at a 60% value for five more years, b) extend the investment tax credit for solar for another five years, c) extend the date to start construction to qualify for Section 45Q credits one year to January 1, 2025, d) increase

the vehicle cap for the tax incentives associated with electric vehicles to 600,000 vehicles from the current 200,000 vehicles, and e) fix the current glitch in Section 48A to provide for investment tax credits for carbon capture equipment.

At the Federal Energy Regulatory Commission (**FERC**), several Republican Congressmen inquired as to the status of the FERC docket opened in January of 2018 looking into grid resiliency.

Dan Brouillette is the new Secretary of Energy. He was formerly the Deputy Secretary at the Department of Energy (**DOE**). He supports both the “all of the above” approach to energy as well as President Trump’s goal of American energy dominance.

Mr. Niezwaag discussed both the push back and positive feedback he had received on a power point slide in his annual meeting presentation concerning certain organizations that are trying to impose their anti-carbon agenda on rural electric cooperatives.

He also brought up that the Resolutions Committee serves at the request of the Board of Directors. Over the past few years, these meetings have gotten much shorter given the change in the format of the resolutions and the fact that there are fewer resolutions due to consolidations and eliminations. He queried whether the Board wished to consider an alternative approach such as having a meeting every other year or only meeting on the Tuesday before the Annual Meeting and eliminate the earlier September meeting. The direction from the Board was to allow for a September face-to-face meeting or a September conference call meeting at the discretion of the Resolutions Committee Chairman.

8. Operations Report.

Senior Vice President Operations John Jacobs reported that Operations experienced one recordable medical treatment and no Days Away, Restricted or Transferred (**DART**) incidents in November. Year-to-date (**Y-T-D**), there have been eight recordable medical treatments and 10 DARTS. He noted that DFS was down approximately five days during the month to address turbine vibration at close to full load. The HP/IP rotor was moved axially and balanced. When the unit was brought back online, the vibration was still there and is apparently being caused by a rub. The plan is to run until next spring or when it’s next convenient, or the problem could possibly correct itself. Mitsubishi will do the repair work at no cost and we are seeking a letter from Mitsubishi telling us that we may continue to operate with the rub.

For the month of November, generation at the solid fuel plants was (22.%) below budget, at the oil and gas plants generation was 122.8% above budget, and wind generation was (19.9%) below budget. For the month, fleet generation was (17.6%) under budget. Y-T-D, generation at the solid fuel plants is (12.9%) below budget, at the oil and gas plants generation is 156.9% above budget, and wind generation is (16.6%) below budget. Y-T-D fleet generation is (6.8%) below budget.

Mr. Jacobs noted that LRS Unit No. 1 was in economic shutdown status 15 days in October and 16 days in November. These are the collective numbers but the shut downs came in starts and stops. He pointed out the amount of fuel oil burned at the Spirit Mound Station (**SMS**). To date, SMS Unit No. 1 has had 17 runs in 2019 and SMS Unit No 2 has had 13 runs. In the years 2008-2018, SMS burned approximately one million gallons of fuel oil. Y-T-D, SMS has burned 800,000 gallons. The half million gallon tank at SMS provides enough fuel to run one unit for 90.76 hours. He reported that a contractor accidentally cut a cable at Prairie Winds North Dakota taking six towers out of service for 16 days. At DFS, TDA Research, Inc. (**TDA**) has completed its hook-

ups at the Integrated Testing Center. TDA plans to do startup commissioning the week of December 9, 2019. He also briefly talked about repair work being performed on a structure on the Rapid City/New Underwood/Dry Creek 230 kV Line.

9. **Risk Management Report.**

Senior Vice President & CFO Steve Johnson informed the Board that the Risk Management Report could be found in BoardPaq.

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

A. **General Report.**

Senior Vice President Asset Management, Resource Planning & Rates Dave Raatz started his report updating the Board on the status of the 2020 Load Forecast. At this point, 82% of the Class C members have approved their load forecasts as have four of the ten Class A members. The plan is to bring the forecast for Board of Director approval next month and have a discussion specifically about load growth in the Bakken. He presented a graph showing the Cooperative's actual summer peaks in 2018 and 2019, the 2019 load forecast, the 2019 forecast with the changes submitted by McKenzie Electric Cooperative, Inc. (**McKenzie**) and Mountrail - Williams Electric Cooperative (**Mountrail - Williams**) as well as the preliminary results of the 2020 load forecast, with the latter two lines more or less sitting on top of one another. Mr. Raatz noted that was a little misleading as the 2020 forecast line reflects load growth in the Southwest Power Pool (**SPP**) netted down as a result of lower projected loads for Powder River Energy Corporation and in the Midwest Independent System Operator (**MISO**). Given the expected increase in load obligations, we are looking at new gas generation in SPP and will likely look to the MISO capacity auction so long as it remains an economic alternative.

Mr. Raatz reported on the various alternatives the Cooperative is looking at in terms of Bakken area generation. These include self-build, purchasing from a potential midstream plant's cogeneration project, and purchasing from one or more producers' small flare gas generation units. We also continue to explore the possibility of getting a long-term natural gas supply that would fuel self-built generation. It will not be possible to have any serious discussions about such a supply unless and until generation sites are chosen.

Mr. Raatz then discussed the Request for Proposal (**RFP**) the Cooperative released on November 25, 2019, for solar and wind projects. Interested parties were required to submit an indication of interest by November 6, 2019, and Mr. Raatz shared a list of a total of 56 companies that intend to bid. The submittal deadline is December 23, 2019, with the short list being announced in late January and Board discussion on action in February, March, and April 2020. We requested up to 400-500 MW of solar proposals in MISO and SPP with no more than 200 MW in MISO. We requested "economically priced" wind proposals in both MISO and SPP.

Mr. Raatz then reviewed with the Board the agenda for the December 12, 2019, Class A District managers' meeting.

B. November Market Update.

Director Asset Management & Commodity Strategy Val Weigel began her report showing the surprising run up in peak power prices caused by the cold weather in early November.

In SPP, the monthly average day ahead load zone price in November was \$21.08 compared to \$34.65 in November of 2018. This tracked closely with natural gas prices as the Ventura Gas Daily average price for November of 2019 was \$2.48 compared to \$4.05 in November 2018. Day ahead prices in the load zone averaged \$21.08 compared to an average real time price of \$20.99. In terms of Cooperative's open position in the SPP for the month, on peak it was (18.8%) and off peak it was (24.2%). The monthly average day ahead price in MISO was \$21.02 in November 2019 compared to \$30.42 in November 2018. This too was obviously affected by the drop in natural gas prices.

Ms. Weigel informed the Board that she had earlier emailed November's Generator Profit/Loss Statement to them.

C. Update on Coal Plant Economics.

Ms. Weigel showed the Board a graph illustrating Basin Electric coal unit margins 2019 Y-T-D. While the Antelope Valley Station (**AVS**) units consistently make margins in the energy market, certain units, such as LRS Unit No. 1 and Leland Old Station (**LOS**) Unit No. 1 (and at times, LOS Unit No. 2) make minimal margins. The question becomes: "How do we best offer these units into the market and not incur additional short-term and long-term expenses at the plants?" She reviewed the AVS market margins for the month and pointed out that our AVS market offer only covers the variable fuel expenses for AVS as we incur the fixed costs regardless of whether we take coal or not. For the LOS units, while there were days during the month with small negative margins, the total missed opportunity for the month was only \$1,406. Given the congestion faced by LRS Unit No. 1, it is much more challenging to get that unit into the market. As a result, that unit has experienced a number of economic shutdowns and the total November avoided losses amounted to \$66,407. She reminded the Board that the minimum run time for LRS Unit No. 1 has been increased from 24 hours to 64 hours. She reviewed the unique factors that challenge each of the facilities. She noted that AVS will likely need to deal with the end of the AVS Unit No. 2 leveraged lease which could create some fairly complicated problems in terms of offering AVS into the market.

D. Winter SPP Forecast.

She continued comparing the winter of 2018-19 to the coming winter. We will not be dealing with an El Nino pattern this winter and as a result we should not expect the warm anomalies in the Gulf of Alaska. As to SPP, Oklahoma City expects warmer than average temperatures but as you go north you can expect average temperatures and above average precipitation. SPP members plans to construct 44 new transmission projects, including 166 miles of 345 kV transmission line. These improvements are expected to reduce SPP congestion costs by 21%. She reviewed a recent wind project which is expected to cause increasing north to south power flows within SPP.

In terms of natural gas in storage, March of 2019 was the lowest ending storage balance since 2004 and this was followed by the second largest injection season ever. Needless to say, the outlook is bearish. She predicted that 2019/2020 day ahead prices would be

very similar to 2018/2019 winter prices. The other factor that she noted could affect power prices is that more and more natural gas generation is in outage.

11. NDAREC Annual Meeting Delegate & Alternate.

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

R01.12-9-2019 **RESOLVED**, that Troy Presser and Allen Thiessen are named as the Cooperative's delegate and alternate, respectively, to the North Dakota Association of Rural Electric Cooperatives 2020 Annual Meeting.

12. NDAREC - 2020 Director & Alternate.

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

R02.12-9-2019 **RESOLVED**, that Troy Presser and Allen Thiessen are named as the Cooperative's director and alternate, respectively, on the Board of Directors of the North Dakota Association of Rural Electric Cooperatives.

13. NRECA 2020 Annual Meeting - Delegate & Alternate.

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

R03.12-9-2019 **RESOLVED**, that David Meschke and Leo Brekel are named as the Cooperative's delegate and alternate, respectively, to the National Rural Electric Cooperative Association 2020 Annual Meeting.

14. NRTCA 2020 Annual Meeting - Delegate & Alternate.

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

R04.12-9-2019 **RESOLVED**, that Leo Brekel and David Meschke are named as the Cooperative's delegate and alternate, respectively, to the National Rural Telephone's Cooperative Association's 2020 Annual Meeting.

15. Recess & Reconvension.

The meeting broke for lunch at 11:50 a.m. MST and reconvened at 12:58 p.m. MST with Chairman Peltier continuing to preside and Secretary/Treasurer Gilbert continuing to keep the minutes.

16. Transmission, Engineering & Construction Report.

A. Transmission.

Vice President Transmission Pius Fischer provided an update on the SPP Westside Energy Imbalance System (**WEIS**). The WEIS tariff will be filed with FERC in February 2020. We have conducted discussions concerning WEIS with Black Hills Energy, Municipal Electric Association of Nebraska and Deseret Power Electric Cooperative. The WEIS participants had a good pre-filing meeting with FERC on December 4, 2019.

The Western Joint Dispatch Agreement has been amended and restated to provide for a House/Senate type voting structure. The "Go-Live Date" remains February 1, 2021. SPP took over full control as the Western Reliability Coordinator on December 3, 2019, after shadowing that operation during October and November 2019.

Along with the Cooperative's other filings, the Cooperative's west side transmission tariff was rejected by FERC without prejudice on November 26, 2019. The submitted rate was based upon 2003 data and the FERC said that the Cooperative has the burden of demonstrating that the rate is just and reasonable.

B. Tande to Northshore Project.

SPP issued its Notice to Construct (NTC) for the Tande to Northshore Project on October 17, 2019, conditioned on receipt of updated cost information. Basin Electric's portion of the project consists of 28 miles of 230 kV transmission from Tande to North Shore at an estimated cost of \$42.2 million, the Northshore 230kV/115kV Substation at an estimated cost of \$20.9 million, and the Northshore 230 kV/115kV transformer at an estimated cost of \$3.2 million. The Mountrail Williams portion of the project consists of the Northshore to New Town 115 kV transmission line and the New Town 115 kV terminal addition. This NTC was issued by SPP in response to a request by Mountrail Williams.

Staff recommends accepting the NTC and then requesting an upgrade to 345 kV. This would add an estimated \$14 million to the cost of the transmission line. The cost of both 115 kV and 230 kV facilities are shared 33% regionally and 67% zonally (Upper Missouri Zone) while 345 kV facilities are shared on a 100% regionally. In addition, a 345 kV line from Tande to Northshore could be the first link of an "east loop" around Lake Sakakawea.

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

R05.12-9-2019 **RESOLVED**, that staff is authorized to formally accept the Southwest Power Pool Notice to Construct SPP-NTC-C-210531 with estimated costs of: Tande to Northshore 230kV transmission line (\$42.2M), Northshore 230/115kV substation (\$20.9M), and Northshore 230/115kV transformer (\$3.2M); and

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

C. Large Capital Projects.

Vice President Gavin McCollam reviewed the large capital projects that were being closed out this month including the Crocker Wind Switchyard which was budgeted for \$18.7 million and is expected to be closed out at \$11 million. Mr. McCollam provided the Board with an explanation as to why the costs came in so much lower. He explained that the Crocker Wind Farm would receive a refund of its deposit for the difference.

D. Wyoming CarbonSAFE.

Wyoming CarbonSAFE is a project investigating the feasibility of practical, secure, and permanent geologic storage of carbon dioxide (CO₂) emitted from coal-based electrical

generation facilities located near Gillette, Wyoming. Sponsors of the project include DOE, the University of Wyoming, the University of North Dakota, the Energy and Environmental Research Center, Basin Electric and Schumberger Limited. Basin Electric offered a letter of support for Phase I of the project and committed to provide up to \$500,000 of in-kind support for Phase II (which is coming to a close). Phase III of the project calls for the finalization of preparations for long-term CO₂ injection including the design, permitting, and construction of one or more Class VI injection wells near the DFS as well as developing a business case for CO₂ capture (which could involve the utilization of Section 45Q credits). The Cooperative has been requested to contribute \$500,000/year for three years for a total of \$1.5 million. While the contributions can be in cash or in-kind, Mr. McCollam acknowledged there would likely be little opportunity for the Cooperative to provide in-kind contributions.

He re-familiarized the Board with our in-house Horizon's Team, its purpose, the work it does, and its members. He pointed out that both the Horizon's Team and the Optimization Group recommended providing the requested \$500,000/year for three years of support for the project.

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

R06.12-9-2019 **RESOLVED**, that the contribution to Phase III of the University of Wyoming CarbonSAFE project presented to this meeting of the Board of Directors with a cost of \$1.5 million is approved; and

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

E. Bakken Generation PS&I Work Order.

Mr. McCollam reviewed with the Board the options being investigated in terms of additional Cooperative owned gas generation in the Bakken. One option is the construction of a sixth unit at the Lonesome Creek Station replicating the existing five units and having a commercial in-service date in the fall of 2021. The other possibility is a large (up to 800 MW) simple or combined cycle generation north of Lake Sakakawea located on a single site or two sites. The anticipated commercial operation date of this generation would be later, possibly 2023 or 2024. He showed the Board a Power Point slide identifying the members of Bakken Generation Project Team as well as an outline of the work that needs to be accomplished leading to a request to the Board for project approval(s) in March or April 2020. The first step in that direction is to bring a consulting engineer on board. Mr. McCollam provided a list of the engineering firms that were interviewed, the evaluation criteria, and the final four firms considered and told the Board the plan is to hire Burns & McDonnell.

Given the increased effort, Mr. McCollam said that staff was requesting an increase in the authorized amount for the preliminary survey and investigation (**PS&I**) work order for this effort to a total amount of \$5 million. The amounts spent on the PS&I would be rolled into the Capital Project should it be authorized by the Board.

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

R07.12-9-2019 **RESOLVED**, that the authorized amount for the PS&I Work Order for the development of the Bakken Generation Project is amended to a total amount of \$5M; and

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

17. Member Services & Administration.

Senior Vice President Member Services & Administration Chris Baumgartner mentioned stories on the Cooperative on Prairie Public Radio and in the Wall Street Journal as well as the appearance by staff on the Scott Hennen KFYP radio show. In terms of the Annual Meeting, 780 people attended and 700 people attended the banquet. The second day members - only meeting saw almost 360 people attending. He showed the substantial reduction in the cost of the Annual Meeting that we have achieved the past two years. He reviewed the survey results. Upcoming meetings include the Strategic Planning Session on January 13 & 14, 2020, and the Member Managers Conference February 13 & 14, 2020.

18. Financial Services Report.

A. Economic Update/Interest Rates.

Senior Vice President & CFO Steve Johnson informed the Board that the Gross Domestic Product for third quarter 2019 had been revised up to 2.1% from 1.9%. The U.S. economy added 266,000 jobs in November compared to the consensus 180,000 estimate. It should be pointed out that the November number includes 41,000 General Motors employees that went back to work following their strike. October employment growth was revised from 128,000 to 156,000. The 3.5% unemployment rate is the lowest since 1969.

He reviewed the across the board drop in the yield curve over the past 12 months and observed that the yield curve is no longer inverted.

He shared a PowerPoint slide illustrating the week over week volatility of interest rates and observed that there appears to be a 0% chance the Federal Reserve will lower interest rates at any time in the foreseeable future.

B. Wall Street Journal Article on Cybersecurity.

He discussed a November 25, 2019, Wall Street Journal article that identified more than a dozen U.S. utilities that were targets in a recent wave of cyber-attacks. The hackers attempted to get malware installed on the utilities' computer systems through "phishing" emails. The attackers left identifying information on their targets briefly exposed on a server in Hong Kong.

C. Meetings with Goldman Sachs/Rating Agencies/Banks.

Mr. Johnson shared the agenda of the Goldman Sachs meetings with the Board. Goldman's economic outlook is for continued growth in 2020, continued low inflation, the Federal Reserve will hold interest rates, only a 20% risk of a recession, and the likelihood we continue with a split government.

In terms of our approach with the rating agencies and banks, the Cooperative stressed our proven commitment to environmental, social, and democratically elected governance.

The meetings with the rating agencies went very well, perhaps the best meetings the Cooperative has had.

D. Proposed Amendment to Purchase Power Agreement with Corn Belt.

Mr. Johnson explained that Corn Belt Power Cooperative (**Corn Belt**) has the contractually responsibility to maintain its proportionate share of the Duane Arnold Energy Center decommissioning funds. There are currently two funds: a) an external decommissioning fund required as a condition of the Nuclear Regulatory Commission (**NRC**) licenses, and b) an internal decommissioning fund established to pay for spent fuel expenses and the cost to return the plant site to green field. The estimated cost (in 2008 dollars) when Basin Electric and Corn Belt signed the Purchase Power Agreement (**PPA**) in 2008 was \$482.8 million for the NRC license fund, \$234.4 million for the spent fuel management, and \$40.7 million for the green field expenses for a total of \$757.9 million. Corn Belt's share is 10% or \$75.79 million. The PPA currently contains a very complicated formula to determine which dollars in the internal fund are related to spent fuel costs and which are related to green field costs. Corn Belt has proposed and Basin Electric staff supports splitting the internal fund in two separate funds based upon the costs identified in the 2008 decommissioning study: approximately 85.2% for spent fuel and 14.8% for green field costs.

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

R08.12-9-2019 **RESOLVED**, that the CEO & General Manager, or his designee, is authorized to execute the necessary documents to amend section 6.11.2.9 of the Purchase Power Agreement between Corn Belt Power Cooperative and Basin Electric Power Cooperative to facilitate the separation of the Internal Decommissioning Fund into two separate funds: one for spent fuel expense and one for green field costs.

E. Accounting Report.

Mr. Johnson gave the November accounting report. For the month, the Cooperative had a net margin of \$13.9 million compared to a budgeted margin of \$13.5 million. November sales to members were \$153.9 million compared to a budgeted member sales of \$136.1 million. MWHs sold to members were 2,470 thousand MWHs compared to a budget of 2,182.9 thousand MWHs. Surplus sales revenues were \$7 million compared to the budget of \$9.9 million. On the expense side, operating expenses were \$95.1 compared to the budget of \$91.2 million. Maintenance expenses for November were \$11.8 million compared to the \$12.4 million budgeted. The consolidated net income after tax for November was \$14.1 million above the \$15 million budgeted. Including the Member Investment Program, the Cooperative had \$411.7 million in cash at the end of the month.

F. 2020 Operating and Capital Budgets.

Manager Financial Planning/Forecasting Darla Miller discussed with the Board the variances from the draft 2020 budgets reviewed in November. The operating budget contemplates operating revenue of \$1.824 billion and operating expenses of \$1.77 billion and a margin after tax of \$88 million. The capital project commitments total \$233 million including \$39.6 million for generation, \$173.2 million for transmission, and \$20.2 million for general.

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

R09.12-9-2019 **RESOLVED**, that the Board of Directors approves the 2020 Operating and Capital Budgets for Basin Electric Power Cooperative as presented.

Ms. Miller then reviewed the consolidated operating and capital budgets. The budgeted Basin Electric and Dakota Coal Company (**DCC**) margins together with the eliminations and net of DGC losses is projected to result in a consolidated net income after tax of \$90.5 million. On the capital project side, adding to the \$233 million Basin Electric capital budget are \$12.5 million for DGC capital projects and \$31.1 million for DCC capital projects, resulting in consolidated capital projects of \$276.6 million.

19. Directors' Reports.

Director Wagner reported the Iowa Statewide Annual Meeting was held last week and he thanked Chris Baumgartner and Jean Schafer for attending. Director Gilbert likewise thanked the two. Director Brekel reported that the Tri-State Generation and Transmission Association, Inc. (**Tri-State**) board of directors approved a 2% carve out from the Tri-State all requirements contract for community garden solar projects, subject to a new cap. The Tri-State board anticipates releasing their Responsible Energy Plan sometime after the first of the year. Director Thiessen reported that Upper Missouri Electric Cooperative just finished a two day meeting and thanked Pius Fischer and Jeremy Severson who attended the meeting to talk about transmission.

20. Executive Session.

At 3:00 p.m. MST there was a motion that was seconded and carried for the Board to retire into executive session during which General Counsel Foss could discuss the two lawsuits filed against the Cooperative by McKenzie as well as the November 26, 2019, FERC order denying the Basin Electric petitions without prejudice. At 3:29 p.m. MST the Board arose from executive session.

21. Date and Place of Next Meeting.

Chairman Peltier reminded the Board of Directors that strategic planning would start at noon on Monday, January 13, 2020 with the Board of Directors meeting scheduled to start at 1:00 p.m. CST on Tuesday January 14, 2020, at the Basin Electric headquarters building.

22. Adjournment.

At 3:30 p.m. MST, there was a motion that was seconded and carried to adjourn the meeting.



Charles H. Gilbert
Secretary-Treasurer