Approved March 10, 2020

BASIN ELECTRIC POWER COOPERATIVE
BISMARCK, NORTH DAKOTA

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
February 11-12, 2020

Basin Electric Power Cooperative
Bismarck, North Dakota

Minutes of the Regular Meeting of the Board of Directors
February 11-12, 2020

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 7:56 a.m. CST on Tuesday, February 11, 2020.

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 in person:

Paul Baker	Kermit Pearson
Leo Brekel	Wayne Peltier
Charles H. Gilbert	Troy Presser
Daniel Gliko, Jr.	Allen Thiessen
Mike McQuistion	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 Tracie Bettenhausen, Eric Carufel, Tom Christensen, Tammy DeWitt, John Jacobs, Steve Johnson, Dave Raatz, Sheila Wald, and Val Weigel, and Dakota Gasification Company (**DGC**) vice president Dale Johnson. Also present was North West Rural Electric Cooperative (**North West**) director Jeff Rehder.

3. **Approval of the Agenda**.

The Directors considered the agenda for the conduct of the meeting. Chairman Peltier noted that the meeting would break for the Board Committee meetings, reconvene for the Board Committee reports, and recess for the Subsidiary Board meetings. These meetings would be followed by a Board Audit committee meeting after which the Board of Directors meeting would reconvene. He stated that the Paulsen Group would present as part of the Member Services & Administration report first thing Wednesday morning and to accommodate that schedule, the Operations Report would be moved to Wednesday following the Member Services & Administration 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 January 14-15, 2020, 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. Recess and Reconvention.

At 7:58 a.m. CDT, Chairman Peltier recessed the meeting. Chairman Peltier called the meeting back to order at 9:52 a.m. CDT. Chairman Peltier continued to preside and Secretary/Treasurer Gilbert continued to keep the minutes with the following Directors present in person:

Paul Baker	Kermit Pearson
Leo Brekel	Wayne Peltier
Charles H. Gilbert	Troy Presser
Daniel Gliko, Jr.	Allen Thiessen
Mike McQuistion	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 Kelly Bergquist, Tracie Bettenhausen, Nicole Braunberger, Andy Buntrock, Lenora Dockter, Daniel Gallagher, Daniel Graham, Tyler Hamman, Steve Johnson, Trisha Johnson, Kerry Kaseman, Tom Leingang, Kimberly Miller, Melissa Munson, Ashley Ollenburger, Diane Paul, Dave Raatz, Tom Radenz, Susan Sorensen, Kevin Tschosik, Sheila Wald, Justin Weichel, Valerie Weigel, and Tiffany Zablotney, DGC vice president Dale Johnson and DGC staff members Brian Dillman, Hunter Eslinger, Claude O'Berry, and Trinity Turnbow. Also present was North West director Jeff Rehder.

6. Board Committee Reports.

Director Meschke gave the Marketing Committee Report. He said that Val Weigel gave a presentation on electric markets explaining the difference between the Western Energy Imbalance Service (**WEIS**) a day ahead market as opposed that you have with the Southwest Power Pool (**SPP**) and Midwest Independent System Operator (**MISO**). She also outlined the difference between self-committing a resource which we do for the Antelope Valley Station (**AVS**), the Leland Olds Station (**LOS**) and some of our wind generation and a market commitment which is how Laramie River Station (**LRS**) Unit No. 1 is offered into the market. She said that Marketing will continue to evaluate the economics to determine if and when we may also offer LOS Unit No. 1 on a market offer basis. Alycia Kramer spoke about transmission congestion and the various products available to mitigate the congestion exposure. She discussed Transmission Congestion Rights and Annual Revenue Rights and both the allocation and subsequent auction of those rights. Dan Gallagher reviewed the sales and pricing levels of DGC's fertilizer products and byproducts as well as inventory levels.

Director Thiessen reported on the Finance Committee meeting. Steve Johnson discussed the use of bond sinking funds where funds are placed in a dedicated fund over a period of time which fund is dedicated to the eventual repayment of bonds as they mature. Generally, he said the downside of using such sinking funds is the loss of liquidity and not being able to utilize these funds to provide initial financing for the build out of capital assets. Sue Sorensen walked the committee through a calculation of Basin Electric's liquidity which includes cash in the Member Investment Program, but excludes the cash necessary to operate for 45 days, presently assumed to amount to $30 million. Kerry Kaseman walked the committee through the new PnL statements for DGC natural gas noting that next month he would have the PnLs for Basin Electric's gas hedging activities. Shawn Diesz talked about the two sets of auditors that are presently reviewing the

Cooperative's books and records and mentioned that the SPP auditors would be here on April 1, 2020. The final discussion involved forecasting natural gas prices.

Director Brekel provided the Operations Committee Report. He mentioned that the committee's first order of business was discussing the level of detail in the committee's minutes and the committee has elected to continue with such detail. The committee reviewed DGC 2019 production outlining the lost opportunity and breaking out both the reduction in production or sales from budget (and the causes) as well as price degradation. Jeff Graney presented on DGC's measures to insure pipeline safety and integrity.

7. Recess and Reconvention.

At 10:05 a.m. CST, Chairman Peltier recessed the meeting. The meeting reconvened at 2:20 p.m. CST with Chairman Peltier continuing to preside and Secretary/Treasurer Gilbert continuing to keep the minutes with the following directors present in person.

Paul Baker	Kermit Pearson
Leo Brekel	Wayne Peltier
Charles H. Gilbert	Troy Presser
Daniel Gliko, Jr.	Allen Thiessen
Mike McQuistion	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 Kelly Bergquist, Tracie Bettenhausen, Nicole Braunberger, Andy Buntrock, Lenora Dockter, Daniel Gallagher, Daniel Graham, Tyler Hamman, Steve Johnson, Trisha Johnson, Kerry Kaseman, Tom Leingang, Kimberly Miller, Melissa Munson, Ashley Ollenburger, Diane Paul, Dave Raatz, Tom Radenz, Susan Sorensen, Kevin Tschosik, Sheila Wald, Justin Weichel, Valerie Weigel, and Tiffany Zablotney, DGC vice president Dale Johnson, and DGC staff members Brian Dillman, Hunter Eslinger, Claude O'Berry, and Trinity Turnbow. Also present was North West director Jeff Rehder.

8. Office of General Counsel Report.

A. Legal Report.

General Counsel Mark Foss updated the Board on the challenge to the Environmental Protection Agency (**EPA**) Affordable Clean Energy (**ACE**) rule. The D.C. Circuit Court of Appeals (**D.C. Circuit**) granted numerous motions to intervene (including Basin Electric's) on November 18, 2019. On November 22, 2019, the D.C. Circuit denied a motion to expedite filed by the respondents. The petitioners' brief is due March 27, 2020, and the respondents' brief in support of EPA is due June 22, 2020. Final briefs are due July 30, 2020. As it appears highly unlikely this litigation will be finalized before the election, if President Trump is not re-elected it would appear the ACE rule will likely experience the same fate as President Obama's Clean Power Plan.

He noted that in the lawsuit filed by McKenzie Electric Cooperative, Inc. (**McKenzie**) against the Cooperative and Upper Missouri G&T Electric Cooperative, Inc. (**Upper Missouri**), both Basin Electric and Upper Missouri have filed motions to dismiss, all of the briefs have been filed, and a hearing on the motions have been set for April 28, 2020.

In the Tri-State Generation and Transmission Association, Inc. (**Tri-State**) proceedings before the Federal Energy Regulatory Commission (**FERC**), Tri-State refiled prior to the end of the year and also requested that FERC issue a declaratory order that Tri-State is subject to FERC jurisdiction. Basin Electric has filed a doc-less intervention in the declaratory order docket.

With respect to Basin Electric's filings with the FERC, he reported that we have had two tele-conferences with the FERC staff and plan to submit our re-filings sequentially as opposed to all at once as we did the first time. FERC staff has requested detailed cost based information to justify all of our rates as well as our margins. FERC staff has requested that Basin Electric submit signed conformed copies of our Wholesale Power Contracts. We have requested that the National Rural Electric Cooperative Association (**NRECA**) reprise their past practice of providing the FERC staff, on an annual basis, a primer on rural electric cooperatives. We are trying to line up a date with NRECA and FERC staff which would also be our first face-to-face meeting since our petitions were rejected without prejudice.

Mr. Foss reminded the Board that in December he reported that the Treasury Department had sent their proposed Section 45Q guidance to the Office of Management and Budget for review. The Revenue Procedure on partnership allocations will be released first, followed by guidance on what constitutes the commencement of construction and a notice of proposed rulemaking will be issued in March.

B. Government Relations Report.

Senior Legislative Representative Jean Schafer gave the Government Relations Report. Starting with state matters, she talked about the progress the wind energy industry in North Dakota has made in terms of the installation of light mitigation technology. With respect to the six wind projects presently subject to these lighting requirements, three are in compliance, two are out of compliance, and one project is not yet operational. Basin Electric is waiting to hear from the Department of Defense with respect to our light mitigation near the Minot Air Force Base.

In South Dakota, a similar bill requiring the retrofit of light mitigation has been introduced. A critical infrastructure protection bill has also been introduced and we are working to clarify that both transmission lines as well as towers are included. On the South Dakota electric service territorial issue, several bills have been introduced.

As to the legislative session in Iowa, it appears the legislators are experiencing some energy policy fatigue. There is some proposed wind setback legislation as well as a transmission right of first refusal bill. We provided feedback to the Iowa Statewide as we believe the definition of a regional transmission organization in that bill is unclear.

She reported that in Minnesota, Senate Republicans have introduced their Clean Energy First Legislation. The environmentalist's however were quick to rename the bill the "coal and gas forever" bill.

She also talked about the State Implementation Plan for the ACE rule and a proposal to fast track the approval of an ACE permit for Dry Fork Station (**DFS**). In the end, an evaluation led to the conclusion that there was more downside versus any benefits to pursuing that now.

She reported that the Cooperative did get back to the Chairman of the Three Affiliated tribes with respect to an easement across the Figure Four Ranch and told him that an easement with a 20-25 year term was a non-starter.

The Lignite Energy Council wrote a letter to North Dakota's U.S. Senators expressing disappointment with respect to their vote to approve the budget bill which included an extension of the production tax credit for wind. The letter ended on a more positive note by outlining issues where the Congressional delegation could be helpful to the coal industry.

At the FERC, Bernard McNamee announced that he will not run for another term. As a result, three open seats at FERC will need to be filled, two Republicans and one Democrat. James Danly still needs a full Senate vote to be confirmed.

Representative Scott Peters (D-CA) has introduced the USE IT Act in the House of Representatives. It is identical to Senator Barrasso's bill in the Senate.

9. Human Resources.

Senior Vice President Human Resources provided a Human Resources update. As of January 2020, Basin Electric had 1,323 employees and DGC had 525. Over the course of 2019, the Basin Electric employee count went down 11 and the DGC count went down 9. While the two companies only had a combined total of 16 retirements in 2019, given that the two companies have 53 employees age 62 and older and 324 employees age 55 and older, she believes 2020 will see a greater number of retirements. To date this year, we have received notices from 9 employees of their intent to retire. Another statistic to note is the Cooperative's turnover rate. Currently that rate is 4.7% for Basin Electric and 7.4% for DGC.

She reviewed the savings since 2006 with respect to changes in the retirement plan which have resulted in a total savings of approximately $157 million since 2006. She reviewed 2019 medical claims which were 4.27% over budget, reviewing in generality some of the most sizable claims.

Manager Learning & Development/Safety Tom Radenz gave the 2019 Safety Summary. He said the companies saw 48 injuries in 2019, the same as 2018. He provided a breakdown of the types of injuries for each year. He said he was very pleased with the 66% reduction in the instances of foreign object in an eye which has been a focal point.

Director Compensation/Benefits Shelly Wanek first reviewed the 2019 affirmative action goals for females and minorities as well as the progress made toward those goals. She pointed out that these are Basin Electric only goals as DGC is not legally required to have an affirmative action program. She reviewed the year-end statistics and the 2020 Affirmative Action Plan goals. She told the Board that our outreach efforts have increased and we will continue to do so. She recommended that the Board approve the 2020 plan.

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

R01.02-12-20 **RESOLVED**, The 2020 Basin Electric Power Cooperative Affirmative Action Plan is approved.

10. Risk Management Report.

Manager Commodity Risk Kerry Kaseman told the Board that the goals of PnL's are to measure the price volatility mitigated and the value added. In terms of the Basin Electric natural gas purchases, Mr. Kaseman explained that these are divided into what we refer to as "Basin South" which covers purchases for the Groton Generating Station and the Deer Creek Station, and "Basin North" which covers the natural gas purchases for the Lonesome Creek Station (**LCS**), the Pioneer Generating Station, and the Culbertson Generating Station.

In both instances, the components of price risk include the NYMEX plus basis plus indexed physical. In Basin South, the projected total burn expense for the balance of 2020 is expected to be $22.4 million at an average price of $1.89/MMBtu with a 20.5% price volatility. The financial PnL for Basin South is ($4.8) million as a result of an average hedge price of $3.22. Notwithstanding the fact that the hedges are out of the money, the price volatility was reduced from 20.5% to 11.3%. In Basin North the projected total burn expenses for the balance of 2020 is $24.7 million at an average price of $1.61/MMbtu with a projected price volatility of 19.2%. For Basin North the PnL for the physical purchases Basin Electric has contracted for is $2.9 million. On the financial side, given the average hedge price of $3.22 MMBtu the financial PnL is ($4.2 million) resulting in a combined ($1.3 million) PnL. Again, notwithstanding the value erosion of ($1.3 million), the Basin North price volatility was reduced from 19.2% to 14.6%.

11. Asset Management Resource Planning & Rates.

A. General.

Senior Vice President Asset Management, Resource Planning & Rates Dave Raatz updated the Board of Directors with respect to discussions with the Wyoming Municipal Power Agency (**WMPA**). He reminded the board that WMPA had sent out a request for proposal (**RFP**) for scheduling services. The Cooperative informed WMPA that we would not be providing them a quote, but instead suggested that a discussion about WMPA becoming a member of Basin Electric might make more economic sense. WMPA provides electric services to eight communities in Wyoming, has a generation portfolio of 50-60 MW, serves about 40 MW of load, and has a staff of five. WMPA is looking to register with the WEIS and operating in a market will present a challenge for them. They are doing their economic analysis and reviewing the terms and conditions of their municipal bond finance documents to see what the best path forward will be for them.

Mr. Raatz then reviewed preliminary anticipated costs of serving growing member loads with a new large scale generating resource. Assuming reciprocating engines and natural gas prices in the $3.00 to $3.50 range, the cost of power from the resource would be in the $43 to $47/mwh range, reserves and losses would add approximately $5.00/mwh, and transmission and ancillary services would be in the range of $7.00 to $9.00, for a total cost of serving growing member loads of approximately $55-$61/mwh. He made the point that while we believe this cost figure is high in that it assumes a major transmission build-out, we believe there are other lower cost opportunities in the market to serve a portion of the member load growth.

He then talked about the ethane issue in the Bakken. Much gas within the Bakken (and particularly in the Williston area north of the lake) contains a relatively high percentage of ethane, which make it a "hot" gas. Northern Border has a maximum Btu content in its pipeline transportation speciation which, as a practical matter, limits the amount of the hot gas that can be transported by Northern Border. We suspect this is not a long term phenomenon as at some point one would assume another pipeline will be built specifically to take this ethane rich gas to an ethane processing facility. The Cooperative has been having discussions with a firm that has proposed building an ethane processing facility in the Bakken which would include power generation that would use ethane as part of its fuel source. Mr. Raatz informed the Board that we have signed an early works agreement with this company to conduct studies concerning the environmental regulatory framework of generating with ethane, the potential supply and cost of purchasing ethane, the hardware to generate using up to 100% ethane, the cost of transporting ethane, and the timeline to permit and build such a facility which we will then compare to a natural gas fired facility.

As a project of this magnitude would take four years to build, another alternative would be for Basin Electric to purchase power from small (5-20 MW) generators that could be installed in the field at the Distributed Generation Rate. We could possibly pay a premium to market and the applicable distribution cooperative would become a Distributed System Operator. We believe the cost of power purchased from these small generators would be comparable to or lower than a new large scale generating resource.

Mr. Raatz noted that Dairyland Power Cooperative (**Dairyland**) announced that it would close its Genoa 3 power plant in 2021. Genoa 3 is a 345 MW coal-fired power plant that went into service in 1969 that burns coal delivered by barge. Basin Electric has two contracts with Dairyland. Once is unit contingent (Genoa 3) with a remaining term of June 2021 through May 2023 and the other is system contingent which runs from June 2023 through May 2033. Dairyland wants to continue this second contract and will be forwarding a letter to that effect to us shortly.

B. Long Term Resource Planning.

Director Long Term Utility Planning Becky Kern opened her presentation with a review of the timing if we proceed with building the hardware necessary to meet our projected load growth. Presently, the schedule calls for LCS No. 6 (45 MW) to be completed in the fall of 2021 with the next new resource (400MW) coming on line in the spring of 2023, and the next new resource (400MW) in the spring of 2024. She then showed a graph depicting those new resources and identifying the capacity we need to pick up in the interim.

She then discussed two different proposals for capacity and/or capacity and energy. Another alternative would be to look at one or more of the solar and wind project offers we have received in response to our RFP. She showed a map, identifying the location of the various proposed projects in both MISO and SPP. She said they are doing a counter party credit evaluation of 4 or 5 of the respondents, looking at our projected open energy position and how one or more of these projects could delay the need for the Cooperative to build a large resource. She said staff may come back and request authority to proceed with one of these renewables projects in April or May.

C. January Market Update.

Director Short-Term Trading & Financial Analysis Val Weigel provided the short-term market update. She shared a graph with the Board illustrating on peak power prices in January.

In SPP, the monthly average day ahead load zone price in January was $19.51 compared to $24.10 in January of 2019. Day ahead prices in the load zone averaged $19.51 compared to an average real time price of $18.11. In terms of the Cooperative's open position in the SPP for the month, on peak it was (18.9%) and off peak it was (19.7%). The monthly average day ahead price in MISO was $19.50 in January 2020 compared to $30.29 in January 2019.

She also showed the Board a graph illustrating the wind to load penetration in SPP over the month. On February 3, 2020, at 3:15 a.m. SPP hit an all-time record high wind penetration of 71.3% of load. The chart also illustrated the ramp up of wind energy on January 20-21, 2020, when over the course of 34 hours wind generation jumped form 2,000 MW's to 17,000 MW's, a ramp rate of 442/MW/hour.

She reviewed transacted pricing in the West. The average day ahead price for January was $24.24 compared to an average real time price of $31.93.

Ms. Weigel reviewed spring and summer weather projections which currently indicate hotter than average summer temperatures on both coasts and in the Southwest. Nationally, it appears that December and January might be the warmest since 1950. Natural gas storage is currently 23.6% above where it was one year ago and 7.6% above the 5-year average. The annual average NYMEX price in 2019 was $2.52 and is currently expected to be $1.93 in 2020. Both the Energy Information Agency and IHS/CERA don't expect gas production to decline until 2021.

She then shared an update on coal plant economics. We offer both AVS units into the market on a self-commit basis and both units were profitable every day of the month. We also self-commit both LOS units and there were a few days over the course of the month where one or both units lost a small amount of money. LRS Unit No. 1, on the other hand, we offer into the market on an economic basis and that unit was in an economic outage from January 1 through January 17, 2020. Marketing continues to evaluate the plant offering parameters and has hired Black & Veatch to assist us in this endeavor.

D. Wyoming Distributed Generation.

Becky Kern provided the historical backdrop of why we built the Wyoming Distrusted Generation (**WDG**) units noting that we had a marginal power supply, inadequate high voltage transmission, and an inadequate subtransmission system in the area to serve the load growth associated with coal bed methane. Kevin Tschosik told the Board that the WDG plants at Arvada, Barber Creek, and Hartzog were commissioned in September 2002. The Arvada site is the furthest north and is served by Meritage Midstream. As coal bed methane gas is no longer available in the north, the Arvada units are served by a 55 mile gas pipeline with rich gas from oil wells. To transport this gas this long distance, the fixed monthly fee was increased from $1,500/month to $5,000/month with a Basin Electric right to terminate. One of the three units at the Arvada site has two blades missing in stages 4 and 5 of the compressor. The estimated cost of this repair is $1.3 million. The current, book value of this rotor is $1.5 million and the company that sold these units to Basin Electric (Solar Turbines) is willing to pay Basin Electric $152,000 for the engine only.

Val Weigel noted these are expensive units to operate and while Basin Electric was in the Rocky Mountain Reserve Group, we used these units for our 53 MW reserve requirement. Now that we are in the North West Power Pool we are only required to hold 26 - 42 MW in reserves.

Kevin Tschosik reviewed the fact that the Cooperative did look at moving the Solar Turbines to the Bakken. Given the high cost of the move and the low efficiency of the units, this would be a lot of money to spend on old units. Right now it appears the right decision would be to sell the rotors, keep the balance of the units for spare parts inventory, and decommission the Arvada site.

Shawn Diesz reviewed the financial statement impact of such a decision. Staff told the Board that they would be back for potential action on this item later in the year.

12. Recess and Reconvention.

At 5:15 p.m. CST, Chairman Peltier recessed the meeting. He reconvened the meeting the following morning at 7:53 a.m. CST, Wednesday, February 12, 2020. Chairman Peltier continued to preside and Secretary/Treasurer Gilbert continued to keep the minutes with the following directors present in person:

Paul Baker	Kermit Pearson
Leo Brekel	Wayne Peltier
Charles H. Gilbert	Troy Presser
Daniel Gliko, Jr.	Allen Thiessen
Mike McQuistion	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 Chris Baumgartner, Kelly Bergquist, Tracie Bettenhausen, Andrew Buntrock, Eric Carufel, Tom Christensen, Kelly Cosby, Tammy DeWitt, Pius Fischer, John Frank, Dan Gallagher, Daniel Graham, John Jacobs, Steve Johnson, Annie Masset, Gavin McCollam, Sally Meier, Darla Miller, Diane Paul, Dave Raatz, Jean Schafer, Jeremy Severson, Laura Skager, Susan Sorensen, Katrina Wald, Sheila Wald, Val Weigel, and Melinda Weninger, and DGC vice president Dale Johnson. Also present were North West director Jeff Rehder, Paulsen vice president strategic direction Mark Smither, Paulsen vice president client services Marcus Squier, and Paulsen account specialist Allyse Steffen.

13. Member Services & Administration.

A. Cooperative Awareness Campaign.

Senior Vice President Member Services & Administration Chris Baumgartner introduced the Paulsen team, Mark Smither, Marcus Squier, and Allyse Steffen. Mr. Squier provided background information on Paulsen noting it is a full service marketing and research company that specializes in rural America. It was formed in 1951, is based in Sioux Falls, SD, and has 22 employees. Mr. Squier listed Paulsen's other rural and cooperative clients, noting in particular their prior work for East River Electric Power Cooperative, Inc. (**East River**). He then walked the Board through how Paulsen conducts their in-depth interviews and focus groups and how the information gained is then analyzed and reported (what he referred to as the "Paulsen Process"). He outlined the work they would do for the first two phases of the Basin Electric project at which point, Basin Electric would need to determine if a next step is necessary and how to proceed. Mr. Squier reviewed a few case studies done for other clients and the Paulsen representatives answered questions from both the Board and staff.

Mr. Baumgartner thanked the Paulsen representative and reported that currently there were 93 people from 70 different cooperatives registered for the February 13-14, 2020, Member Managers Conference in Sioux Falls. He informed the Board that the 2019 annual report is on track to be completed by the middle of April. He talked about a program that tracks references to Basin Electric and DGC on social media and mentioned the A/V support Basin Electric has provided to the electric cooperative family.

In terms of strategic planning, he mentioned that Robert Johnston would provide a short presentation at the April Board meeting. He discussed another possible speaker, Bruce Vincent, inquired about the Strategic Dashboard, and shared a DGC strategic planning diagram with the Directors.

14. Operations.

A. Generation Report.

Senior Vice President Operations John Jacobs reported that Operations had one recordable medical treatment case and two Days Away, Restricted or Transferred (**DART**) incidents during January 2020.

For the month of December 2019, generation at the solid fuel plants was (10.2%) below budget, at the oil and gas plants generation was 90.8% over budget, and wind generation was (25%) below budget. For the month, fleet generation was (6%) under budget. For the year 2019, generation at the solid fuel plants was (13.53%) below budget, at the oil and gas plants generation was 82.86% above budget, and wind generation was 13.32% above budget. Fleet generation during 2019 was (6.8%) below budget. In terms of expenses, December expenses were (6.8%) below budget and further, fleet expenses for 2019 were (7.12%) below budget.

For the month of January 2020, generation at the solid fuel plants was (16.9%) below budget, at the oil and gas plants generation was 64.7% over budget, and wind generation was (14.7%) below budget. For the month, fleet generation was (12.2%) under budget. In terms of expenses, January expenses were (19.01%) below budget.

He reviewed coal plant operations on a unit-by-unit basis as well as a breakdown of outages, their duration, and their causes. He showed slides of some of the repair work performed at AVS, DFS, and LRS.

B. Distributed Generation Report.

Manager Distributed Generation gave the distribute generation (**DG**) report. In terms of safety, 2019 was a pretty good year with one injury and one near miss. The DG group has now worked 472,473 hours without a DART incident. He highlighted the substantial number of hours that each of the units generated, which in certain cases were four to five times what had been budgeted, He also reviewed the DG units' capacity factors which likewise were very high. He updated the Board concerning the Cooperative's warranty claim against General Electric Company (**GE**) with respect to LCS Unit No. 3. Basin Electric has offered to pay GE $500,000 to settle the matter. He reviewed the DG planned 2020 outage schedule and the work that would be performed. Finally, he talked about the DG community outreach program to recognize the volunteer fire departments that serve to protect the communities where our DG facilities are located.

15. Transmission, Engineering, & Construction.

A. SPP Update.

Senior Vice President Transmission, Engineering & Construction Tom Christensen reported that Barbara Sugg had been selected as the new president and CEO of SPP replacing Nick Brown who is retiring. Ms. Sugg will be visiting Basin Electric on March 30, 2020. With Carl Monroe retiring, Lanny Nickell was named as the new chief operating officer. Mr. Christensen talked about the SPP strategic planning committee meeting. That the committee saw the need to address its expansion to the west as issue No. 3 in terms of importance. The SPP Board and Member Committee both voted to approve the WEIS tariff. While there weren't any "No" votes, there were 7 abstentions. He shared a Google white paper which revealed that Google has not closed the door with respect to carbon capture as a means to reach their goal of reaching carbon neutrality.

He spoke briefly about WEIS which became effective September 9, 2020. He said that both Black Hills Energy and Deseret Power Electric Cooperative (**Deseret**) have engaged in discussions and he believes that Deseret will put at least a portion of their system into WEIS. There will be a meeting on February 19 to discuss WEIS becoming a full blown regional transmission organization and we hope to reach a consensus that the group will proceed with or without Public Services Company of Colorado. An obvious issue will be cost shifts. We will also need SPP's eastern member acceptance which we think we will get only so long as going forward will not cost these SPP members anything. The biggest advantage to Basin Electric would be the integration of the DC ties as part of a single market solution.

B. <u>Transmission</u>.

Vice President Pius Fischer gave the Transmission Report. The Upper Missouri Zone (**UMZ**) Coordinating Group is working to establish a set of performance standards based upon the ability to reliably serve load. The group identified at least 500 miles of additional non-tariff transmission facilities that could benefit from the Megawatt-Mile criteria.

In the Common Use System, Basin Electric, PRECorp, and Black Hills Energy (**BHE**) have identified deficiencies in the existing Remedial Action Scheme used to ramp back the Rapid City DC Tie in certain scenarios that would overload transmission lines in the western interconnect. Basin and BHE own the DC Tie on a 65%/35% basis which may be the cost allocation methodology used for the upgrades to the system, however this is still being negotiated. Currently, this project is undergoing internal review and will likely be brought to the Board for approval next month. He reviewed the call with FERC staff to discuss the Basin Electric Missouri Basin Power Project transmission tariff filing and the additional information FERC staff has requested.

Mr. Fischer highlighted the very large number of Generator Interconnection (**GI**) requests filed with both SPP and MISO. SPP has 740 requests to interconnect 123,609 MW, (keeping in mind that SPP peak load is approximately 50,000 MW). In the Basin Electric portion of the SPP foot print, there are 60 GI requests for 9,107 MWs. In MISO's west region, there are 158 requests for 24,145 MW. He went over the process and timeline for SPP to evaluate and approve a GI request, noting that SPP is currently about to act on requests that were made in 2016.

Mr. Fischer then discussed two GI requests that Next Era Energy has made to SPP. Two and possibly three 150MW projects would connect to the LRS-Stegall and LRS-Sidney 345 kV transmission lines. Basin would also be responsible for a 345 kV line terminal at Sidney to connect a new 345 kV transmission line that Nebraska Public Power District is responsible to build. These improvements would be prefunded by NextEra.

C. **Engineering & Construction**.

Vice President Engineering & Construction Gavin McCollam reviewed the list of Large Capital Projects noting the addition of LCS Unit No. 6. With respect to that project, detailed engineering has commenced, there was a kickoff meeting on January 22, and Burns & McDonald visited the site on February 6. We are in the final stages of negotiations for the GE turbine/generator. It is located in Hungary, has been inspected, and we have received the inspection report. Staff is preparing RFP's for the long-lead time items, (including the control module) and we are targeting April for issuing the RFP for construction. We believe we will have all necessary permits by August 2020 and that construction will be completed by the end of August 2021.

In terms of the Bakken generation project, looking for a good site can be very frustrating as it seems as if every time you think you have found an appropriate site, you subsequently discover it has one or more fatal flaws. As to engineering, work has begun on specifications for both reciprocating internal combustion engines (**RICE**) as well as combustion turbines, site arrangement options, and project scope and cost estimate. In terms of permitting, initial modeling has started for a 24 RICE project and North Dakota and Montana permitting requirements are being identified.

16. **Financial Services**.

A. **DGC Revenue Variances**.

Senior Vice President & CFO Steve Johnson reviewed the variances between DGC 2019 budgeted sales and actual sales and further broke those variances down between sales/production and price. Breaking these numbers show how much lower production or the inability of one or more customers to take product actually hit harder than the lower prices. Perhaps the best example of that in 2019 was tar oil. We were unable to deliver approximately 170,000 barrels (of the 635,000 barrels produced) due to the problems our buyer had at the terminal it initially hired to handle our product. In the case of anhydrous ammonia, a number of repairs and lost sales due to the very cool, wet fall resulted in lost production of approximately 48,000 tons compared to DGC's 2019 production of 274,000 tons. Lost opportunity with respect to both urea and diesel exhaust fluid were much the same.

B. **Liquidity**.

Mr. Johnson stated that Basin Electric started 2020 with liquidity of approximately $1.2 billion including an assumed $200 million of Member Investment Program funds, but excluding the $150 million of deferred revenue which has been restricted. We are projected to close the year with an estimated $1 billion of liquidity and hope to be able to build the deferred revenue account to $200 million by the end of 2020.

C. **Moody's Review**.

CFO Johnson shared an excerpt from Moody's Investor Services (**Moody's**) most recent credit review of the Cooperative. Aware of the McKenzie lawsuit, Moody's did not mention the lawsuit and stressed Basin Electric's good relationship with its members. That said, Moody's continues to ding the Cooperative for the 2016 rate hike despite the fact that we lowered rates for 2020 and our rates are lower than those of our regional cooperative peers.

D. **Economic Update/Interest Rates**.

Mr. Johnson reported that Gross Domestic Product (**GDP**) for the fourth quarter of 2019 came in at 2.1%. This quarterly GDP number may be revised on February 27, 2020 when the second estimate is released. The U.S. Economy added 225,000 jobs in January and despite that, the unemployment rate jumped to 3.6%. Meanwhile the labor participation rate bumped up .2% to its highest rate in eight years. Given the uncertainty caused by the coronavirus which has further exacerbated the "flight to quality", there was an 85 basis point drop in Treasuries yields between February 1 and February 3. The forecasters are now saying that there is a 50/50 chance the Federal Reserve will end up dropping interest rates at its July meeting. The other thing we are seeing again is a return to an inverted yield curve. As to other economic highlights, holiday sales were up 4.1% year over year, and the Consumer Price Index was up 2.3% year over year, (so we continue to see very modest inflation). The U.S./Mexico/Canada trade agreement was signed. Mr. Johnson noted the United State's trade with Canada and Mexico is twice that of our trade with China. Consumer confidence posted it second strongest rating in two decades. Finally, the markets more or less completely ignored the impeachment.

China's economy only grew 6% in 2019 and the prediction is that 2020 growth will only be about 5% with expectations of a negative first quarter due to the coronavirus.

E. **CFC Debt Issuance**.

The National Rural Utilities Cooperative Finance Corporation (**CFC**) issued both senior unsecured and senior secure debt on January 22, 2020. CFC issued $500 million of 2 year unsecured debt at a coupon rate of 1.75%. The deal was three times oversubscribed. CFC issued $500 million of secured debt with an average tenor of 10.1 years at a coupon rate of 2.4%. That is the lowest spread to Treasuries that CFC has ever enjoyed. Also, the secured bonds were 2.6 times oversubscribed.

F. **Duane Arnold Decommissioning Fund Update**.

Senior Financial Analyst Kelly Bergquist first reviewed with the Board that the Duane Arnold Energy Center is scheduled to shut down on October 30, 2020. The closing is scheduled to be completed 60 years from that date and the Department of Energy is scheduled to begin accepting spent fuel in 2030. The total cost of decommissioning is anticipated to amount to $957 million and Corn Belt Power Cooperative is responsible for 10% of those costs ($95.7 million). She noted that given the long-term nature of the fund, it is 75.1% invested in equities, mostly U.S. equities since inception. For 2019, the fund enjoyed a 23% return after fees and since inception, a 5.39% return compared to a 6.7% assumed return. She reminded the Board of Directors that in December they approved splitting this fund into two funds, 85% to cover spent fuel and 15% to return that plant site into greenfield conditions.

G. **Accounting Report**.

Accounting Analyst III Melinda Weninger gave the January accounting report. For the month, the Cooperative had a net margin of $16.7 million compared to a budgeted margin of $14.1 million. January sales to members were $152.3 million compared to budgeted member sales of $152.8 million. MWHs sold to members were 2.607 thousand MWHs compared to a budget of 2.614 thousand MWHs. Surplus sales revenues were $8.3 million compared to the budget of $12.7 million. On the expense side, January operating expenses were $100.7 million compared to the budget of $109.1 million. Maintenance expenses for January were $6.6 million compared to the $10.5 million budgeted. The consolidated net income after tax for January was $18.4 million, $2.6 million above the $16.4 million budgeted.

17. **CFC annual Meeting Delegate and Alternate**.

There was a motion that was seconded and carried to name Kermit Pearson and Troy Presser as the Cooperative's delegate and alternate, respectively, to the 2020 CFC Annual Meeting.

18. **Minnkota Annual Meeting Delegate and Alternate**.

There was a motion that was seconded and carried to name Troy Presser and Steve Johnson as the Cooperative's delegate and alternate, respectively, to the 2020 Minnkota Power Cooperative Annual Meeting.

19. **Directors Reports**.

Director Pearson thanked Steve Johnson and Chris Baumgartner for attending East River's 2020 Energize Forum.

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

Chairman Peltier noted that the March Board of Directors meeting would be held on Tuesday, March 10, 2020.

19. **Adjournment**.

At 10:28 a.m. CST, there was a motion that was seconded and carried to adjourn the meeting.

Charles H. Gilbert
Charles H. Gilbert
Secretary-Treasurer