

BASIN ELECTRIC POWER COOPERATIVE
MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
April 14, 2020

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Basin Electric Power Cooperative

Minutes of the Regular Meeting of the Board of Directors April 14, 2020

The regular meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held by means of a Webex video conference beginning at 11:16 a.m. CST on Tuesday, April 14, 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:

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 Chris Baumgartner, Tracie Bettenhausen, Dean Bray, Andrew Buntrock, Eric Carufel, Tom Christensen, James Decker, Shawn Deisz, Pius Fischer, Daniel Gallagher, Daniel Graham, Tyler Hamman, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Jon Klein, Gavin McCollam, Dale Niezwaag, Diane Paul, Corey Perman, Dave Raatz, Kevin Tschosik, Sheila Wald, and Val Weigel. Also present was Dakota Gasification Company (DGC) Vice President Dale Johnson and DGC staff member Trinity Turnbow.

3. Approval of the Agenda.

The Directors considered the agenda for the conduct of the meeting. Chairman Peltier pointed out that an executive session was scheduled for the end of the meeting. There was a motion that was seconded and carried to approve the agenda as presented.

4. Approval of Minutes.

The minutes of the March 10-11, 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. General Manager's Report.

Mr. Sukut said he had nothing more to report above and beyond the lengthy weekly reports he had been providing to the Board of Directors since the last Board meeting.

6. **Office of General Counsel Report.**

A. **Legal Report.**

General Counsel Mark Foss discussed a recent ruling by the Minnesota Court of Appeals requiring that the Minnesota Public Utilities Commission conduct an environmental review of the Nemadji River Trail Project prior to approving Minnesota Power's request to go forward with that project, despite the fact that the project is proposed to be constructed in the state of Wisconsin. The Minnesota Supreme Court has agreed to hear an appeal of this case.

He reminded the Board that in 2011 the Federal Energy Regulatory Commission (**FERC**) ended the federal right of first refusal (**ROFR**) to build regional transmission projects. Since that time, many states including Minnesota have filled that void by enacting a state ROFR. Recently, the 8th Circuit Court of Appeals upheld a decision by a Minnesota federal district court dismissing a challenge, on the basis of the dormant commerce clause of the U.S. Constitution, of Minnesota's ROFR. The court ruled that the Minnesota ROFR law applies even handedly as both in-state and out-of-state companies with transmission assets in Minnesota can exercise the ROFR. There was also a recent Texas U.S. District Court case where the court dismissed the same type of claim based upon the same reasoning.

Mr. Foss then discussed the efforts by Tri-State Generation and Transmission Association, Inc. (**Tri-State**) to avoid having the Colorado Public Utilities Commission (**Colo PUC**) determine both the methodology and the price to be paid by Colorado distribution member cooperatives buying out of their wholesale power contracts with Tri-State. The good news is that FERC ruled that Tri-State became subject to FERC jurisdiction on September 3, 2019. FERC ruled that the buy-out methodology is a matter that affects the rates Tri-State charges its members and is therefore, a matter subject to FERC jurisdiction. As to the question of federal preemption, FERC ruled that the Colo PUC and FERC currently have concurrent jurisdiction unless and until the Colo PUC issues an order that conflicts with a FERC order on the matter. Tri-State had not filed its buy-out methodology with the FERC at the time of the order. Since then Tri-State has submitted to FERC for approval both its buy-out agreement with Delta Montrose Electric Association as well as its buy out methodology. Tri-State has also requested a ruling from FERC that at this point the Colo PUC is pre-empted with respect to these buy-outs. Director Brekel noted that the commissioner on the Colo PUC who seemed determined to force the Colo PUC to assert jurisdiction over Tri-State is now off the commission and has been replaced by a new commissioner who was formerly a distribution cooperative director.

Mr. Foss noted that as a result of the COVID-19 pandemic, arguments on the Motions to Dismiss in the McKenzie Electric Cooperative litigation have been pushed back to July 9, 2020. He reported Basin Electric had filed with FERC for market-based rate sales authority in the Southwest Power Pool (**SPP**) and the Midwest Independent System Operator (**MISO**). We are just about ready to file our open access transmission tariff (**OATT**) for our Missouri Basin Power Project (**MBPP**) transmission rights as well as our whole sale power contracts and Rate Schedule A's. We will forward final drafts of our filings to the FERC staff and meet with staff prior to making our formal submissions. The deadlines in the appeal of the Affordable Clean Energy rule have been extended as a result of the pandemic.

B. Government Relations Report.

Vice President Government Relations Dale Niezwaag gave the government relations report. He started with the state legislatures. In Montana, the remainder of the legislative session was cancelled, March committee meetings were cancelled, and the legislators are planning to come back and have their meetings in June. Likewise, while the North Dakota legislature does not go back into session until 2021, it has cancelled all legislative meetings until May, but did authorize increased spending for the state's response to the COVID-19 pandemic. Iowa suspended their session until April 30 but did give the Governor emergency spending authority. The South Dakota legislature passed the emergency spending requested by Governor Noem. Minnesota recessed until after April and the Wyoming legislature will hold a planning session, probably in May.

On the federal front, Mr. Niezwaag talked about the Coronavirus Aide, Relief, and Economic Security (**CARES**) Act, a \$2.3 trillion relief package. He talked about a fourth phase of this stimulus package.

James Danly, former general counsel of FERC, was sworn in as a FERC commissioner on the March 31, 2020. Two openings remain on the commission, one for a Republican and one for a Democrat.

The other bit of good news is that the Environmental Protection Agency released proposed rules to grant the Wyoming Department of Environmental Quality primacy over Class VI injection wells in Wyoming.

7. Operations Report.

A. Generation Report.

Senior Vice President Operations John Jacobs reported that Operations had two recordable medical treatment cases and one Days Away, Restricted or Transferred (**DART**) incident during March. The DART incident involved an employee at the Leland Olds Station (**LOS**) whose knee popped as he got up from a kneeling position. As a result, he was restricted for two days. Mr. Jacobs reviewed the coal generation numbers pointing out that Laramie River Station (**LRS**) Unit No. 1 has generated only 12.74% of budget and has only a 62.59% running plant capacity factor (when it is operating) as it continues to struggle to clear the market given transmission congestion issues. At next week's MBPP Engineering and Operations Committee meetings, staff will discuss the economics of returning LRS Unit No. 1 to the western interconnection and LRS Unit No. 3 to the eastern interconnection, as they were originally configured.

For the month, generation at the solid fuel plants was (17.8%) below budget, at the oil and the gas plants was 102% above budget, and wind generation was 2.9% above budget. For the month, fleet generation was (10.3%) below budget. Year-to-Date (**Y-T-D**) generation at the solid fuel plants is (17.4%) below budget, at the oil and gas plants is 109.2% above budget, and wind generation is (6.9%) below budget. Y-T-D fleet generation is (10.9%) below budget.

In terms of expenses, for March expenses at the solid fuel plants were (14.9%) under budget, the oil and gas plants were 23.84% over budget, and wind generation was (11.16%) under budget. For the month, the fleet expenses were (11.26%) under budget. Y-T-D, expenses at the solid fuel plants are (17.94%) under budget, the oil and gas plants expenses are 38.44% above budget and wind expenses are (16.55%) below budget. Y-T-D generation expenses are (12.76%) under budget.

Mr. Jacobs then discussed the 2020 planned spring outages. We were confronted with two primary considerations. The first was that many of the contractor workers that would otherwise have been coming to the plant sites would be from states that we would require that they be quarantined for 14 days prior to their coming on to the plant site. Secondly, given the essential nature of the work performed by our employees at the plants, it makes no sense putting our employees at any greater risk by bringing more people on to the plant sites. The biggest issue we confronted with delaying these outages is the North Dakota requirement to have our boilers recertified every three years. We consulted with both the North Dakota State Engineer and our insurer, who both signed off on delaying the major outages in North Dakota. So as things currently stand, the Antelope Valley Station (**AVS**) Unit No. 1 eight week outage that was scheduled to begin on April 17, 2020, will now take place starting in April 2021. The LOS Unit No. 1 four week outage scheduled for this fall will be moved to the spring of 2021 while the spring 2020 one week outage scheduled for LOS Unit No. 2 will be moved to the fall of 2021. Finally, the LRS Unit No. 3 seven week outage scheduled for this spring will be moved to the spring of 2021.

He then reviewed our proactive approach to address the challenge the COVID-19 virus as we run our power plants. Operations has been conducting weekly conference calls with the business managers, plant managers, and the Human Relations department. He said we have established a temporary work plan (which he discussed), have increased both cleaning our facilities and promoting social distancing, have a quarantine policy, have continuously communicated with our employees to minimize public outings, and have participated with our peers who operate power plants in the area. Only one North Dakota power plant operator (Great River Energy) proceeded with its outage plans and brought 300-500 people to their plant site. To date, they have experienced no cases of COVID-19 in their workforce.

Mr. Jacobs then went over the slagging problem experienced at LOS Unit No. 2 as well as the trip to the power line that serves the Great Plains Synfuels Plant. A lightning storm caused the trip.

B. DFS IBEW Local 415 Contract.

Mr. Jacobs reported that a two year extension of the labor agreement with the International Brotherhood of Electrical Workers Local 415 at the Dry Fork Station (**DFS**) had been negotiated and approved by the local. He requested Board of Director approval.

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

R01.04-14-20 **RESOLVED**, that the Labor Agreement with the International Brotherhood of Electrical Workers Local 415 is approved; and that the officers of the Cooperative are authorized to execute the same for and on behalf of the Cooperative.

C. CGS - GGS IPT Replacements.

Manager of Distributed Generation Kevin Tschosik showed the Board an illustration of an LMS-100 General Electric Company (GE) engine and the location of the intermediate pressure turbine (IPT). There appears to be design issues within the fleet with the IPT's as we are seeing small cracks develop in the IPT at the Culbertson Generating Station and the IPTs at the Groton Generating Station. GE previously replaced these IPTs in 2015 and 2014, respectively. We are working with GE to provide an extended warranty on the new replacements. This effort is still in progress. GE is currently working on a root cause analysis of the cracking and these engines are currently on the inspection watch list.

He went onto say that the problem is that GE does not presently have the required parts in inventory and there is a serious lack of suppliers that can provide these highly engineered components. We anticipate a 12-15 month lead time once GE receives our purchase order. As a result, the 2020 cash flow will be for only 25% of the capital project request. He requested that the Board approve the acquisition of the IPT replacements.

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

R02.04-14-20 **RESOLVED**, that the Culbertson Generation Station Intermediate Pressure Turbine Replacement Project presented to this meeting of the Board of Directors with an estimated cost of \$3,109,619, is approved; and

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

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

R03.04-14-20 **RESOLVED**, that the Groton Generation Station Units 1 and 2 Intermediate Pressure Turbine Replacement Project presented to this meeting of the Board of Directors with an estimated cost of \$3,137,451 and \$3,122,195, respectively, is approved; and

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

8. Risk Management Report.

Chairman Peltier noted that there was a written Risk Management Report in Boardpaq and Manager of Commodity Risk Kerry Kaseman was available to answer any questions.

9. Asset Management, Resource Planning & Rates.

A. General Report.

Senior Vice President Asset Management, Resource Planning & Rates Dave Raatz began by updating the Board with respect to the refiling of Rate Schedule A with FERC. The first step was having the National Rural Electric Cooperative Association staff provide the FERC staff on March 20 with an overview of the electric cooperative industry

and how cooperatives work followed by a discussion of the first draft of our rate filing. He said a second session is planned with staff to review what we hope is our final draft.

We shared the conformed wholesale power contracts with our members on March 27 and may have some minor clean-up work down the road. We hope to file Rate Schedule A and the conformed copies of the contracts with FERC by the third week of April.

Basin Electric filed for market based rate sales authority in SPP and MISO with FERC on April 7, 2020. We will supplement that filing with a filing to get market based sales authority in the west which will be made concurrently with our MBPP OATT filing in early May.

He pointed out that the 2020 load forecast which staff started in 2019 and the Board approved last January is significantly different from the reality we are experiencing today with the COVID-19 virus pandemic. He said they plan to insert a "lost year" of growth for 2020-2021. This should, coupled with the AVS Unit No. 2 lease extension, provide us with sufficient generation in our load forecast to cover us until at least the spring of 2024 when we are projected to be slightly short of generation.

He talked about the Early Works Agreement the Board had previously approved. The counterparty completed their studies and submitted their report to Basin Electric on March 31, 2020. Given the disruption that has been caused by the COVID-19 virus, he recommended making no further commitments to this project until the May Board of Directors meeting at the earliest. He then reviewed the agenda for the April 23, 2020, Class A District Managers' Meeting.

B. WMPA Update.

Director Long-Term Utility Planning Becky Kern provided an update on discussions with the Wyoming Municipal Power Agency (**WMPA**). First, she pointed out that 81% of WMPA's consumers are residential which would offset Basin Electric's large concentration of commercial loads.

In our discussions to date, we have talked about WMPA becoming a Class A member within District 9 (with WMPA's 8 full service members becoming Class B or C members). This would require amending the Basin Electric Bylaws. Based upon 2018 rate numbers and the same methodology we have used in the past, we would be talking about a parity adder of \$1.20/mwh for a period of 15 years. As to the term of a WMPA contract, since their contracts with their full service members go out to 2048, they are thinking of 2050 contract (and the 2050 contract rate). WMPA would retain their Western Area Power Administration (**Western**) allocation (assuming the used and useful methodology for billing purposes). WMPA would be responsible for their Western deliveries and Basin Electric would be responsible for delivery of Basin Electric power to WMPA. WMPA would retain their 1.37% ownership interest in LRS, Basin Electric would compensate WMPA for its LRS costs, WMPA would be responsible for their pro-rata share of LRS retirement obligations, WMPA would sell its 7.1% ownership interest in DFS to Basin Electric at net book value, and Basin Electric would be responsible for all DFS retirement obligations. WMPA has paid off its LRS bonds, but still has outstanding bonds on DFS and this approach would solve issues related to the WMPA bond indenture.

This structure would provide an estimated \$2 million to \$3 million annual benefit to Basin Electric, would increase the Basin Electric residential consumer base, and would illustrate that Basin Electric's rates are competitive. She noted that it will become increasingly difficult for these various small municipal utilities, given their lack of

economies of scale, to provide low cost electricity to their consumers. On the downside, this would add 50 mw of coal to the Basin Electric portfolio.

From the WMPA perspective, it looks as though joining Basin Electric would provide them with an estimated \$700,000 annual benefit. Joining Basin Electric would greatly reduce WMPA's need to deal with the issues involved in joining a market, provide stability, mitigate their need for contracted services, and have them relying on a much more diversified generation portfolio. She provided the Board with both a list of the contracts that would be required with WMPA and a proposed timeline. The Board supported going forward with documentation, but suggested that WMPA should be responsible for their proportionate share of DFS retirement costs.

C. March Marketing Update.

Director Asset Management & Commodity Strategy Val Weigel provided the short-term market report. She reviewed March on peak power prices noting that by the end of the month the peak prices in all of the markets had converged reflecting the demand destruction cause by the COVID-19 virus. In SPP, the monthly average day ahead load zone price in March 2020 was \$14.86 compared to \$29.51 in March 2019 (or half). The Ventura Gas Daily Average Price for March 2020 was \$1.49 compared to \$3.31 for March 2019 (or less than half). This is only the second time we have seen a monthly average day ahead load zone price below \$15.00. So far in April, she said, we have seen the average day ahead load zone price in the \$13.00 range.

She reviewed the March SPP wind to load penetration pointing out that for several days during the month Basin Electric purchased negative priced energy in SPP, backed down our units on the west, and used the ties to move this negative priced energy to serve load in the west.

In terms of the Cooperative's economic open position in SPP for the month of March, on peak it was (10.9%) and off peak it was (22.5%). She walked the Board through a graph illustrating transacted prices in the west in March as well as another chart illustrating the back downs of generation in the west throughout the month of March.

Much like SPP, the monthly average day ahead load zone price in MISO for March 2020 was \$14.99 compared to \$25.77 in March 2019. She also reviewed the number of economic outages during the month in MISO.

D. Coal Plant Economics.

Ms. Weigel said the percentage of electricity generated from coal in the U.S. fell from 38.6% in 2014 to just 23.4% in 2019 and is predicted to drop to less than 10% in 2025. The issues that continue to pressure coal include strong competition from gas, solar, and wind, limitations on the availability of financing and insurance for coal, the shift by investor owned utilities away from coal, and a certain amount of second guessing by cooperatives and municipals of their steadfast support for coal. She showed charts of U.S. generation by fuel type noting how far coal generation in 2020 has dropped below both the five year average as well as 2019 coal generation levels. She reviewed market margins for the Basin Electric coal units in March with AVS Units No. 1 and No. 2 seeing market margins for the month of \$2 million and \$2.3 million, respectively. LOS Units No. 1 and No. 2, on the other hand, saw market margins for the month of \$200,000 and \$600,000, respectively. She also pointed out the monies saved when the LOS units had economic or maintenance outages. She reminded the Board that we had to run LRS

Unit No. 1 during March for its relative accuracy test audit. LRS Unit No. Unit 1 has yet to make a market margin in 2020.

10. **Transmission, Engineering & Construction Report.**

A. **SPP/WEIS Update.**

Senior Vice President Transmission Engineering & Construction Tom Christensen reminded the Board that SPP is both a market operator as well as a reliability coordinator. SPP has implemented their Pandemic Plan based upon guidelines from the Center for Disease Control, the Arkansas Department of Health, and the North American Energy Reliability Corporation. SPP has activated its Incident Command Structure and locked down both its campus and offices. SPP has eliminated in-person meetings, eliminated traffic between their headquarters and operations center, developed parallel operations, and has put up a third, fall back operations center should it be necessary. As of April 14, no SPP employees had tested positive for the COVID-19 virus. As to the Western Energy Imbalance System (**WEIS**), Val Weigel has been elected to the position of the Chair of the Western Markets Working Group. The WEIS market protocols have been approved, and work continues on the WEIS tariff filing proceedings at the FERC.

Mr. Christensen also mentioned that the Board should be aware of a couple studies being conducted by SPP. The first will investigate whether it would make economic sense to add another D.C. tie, either at Burlington, Colorado or at the LRS. The second study, (which is being conducted by Texas A&M University) is to determine if it would now be feasible to close the east/west electrical separation. The study is expected to be complete by December 2020.

B. **Transmission.**

Vice President Transmission Pius Fischer gave the Transmission Report. He reviewed SPP's issuance on October 17, 2019, of a Notice to Construct (**NTC**) for the Tande to Northshore project which calls for Basin Electric to construct 27 miles of 230 kV transmission line and 20 miles of 115 kV transmission to be constructed by Mountrail-Williams Electric Cooperative (**Mountrail Williams**). In December, Basin Electric accepted the NTC, but requested that SPP upgrade the 230 kV transmission line to 345 kV. Basin Electric provided SPP with a mitigation plan in March 2020 which SPP is still evaluating. In the meantime, Mountrail-Williams has requested that SPP issue a separate NTC for its 115 kV transmission line as it would like to proceed with construction to address reliability concerns that it has in this area.

With respect to the 12 generator interconnect requests Mr. Fischer mentioned last month, Nextera has dropped three of those requests as it has elected not to go forward with its proposed Chugwater wind project near LRS given the sizable investment it would be required to make in transmission facilities in this area. He again mentioned that the Cooperative had been requested by Western to build an addition to the Winchester Butte Substation near Linton, North Dakota to accommodate serving Energy Transfer Partners' expansion of the Dakota Access Pipeline. Western has also asked that Basin Electric request that Western fund the static var compensator at the Witten, South Dakota substation in order to serve the Keystone XL Pipeline.

Mr. Fischer talked about the work that's been done by the Upper Missouri Coordinating Group to establish its local planning criteria (**LPC**). The LPC has now been accepted by the SPP.

With respect to re-filing with FERC the OATT for the Cooperative's interest in the MBPP transmission facilities, staff had a conference call with the FERC staff on January 28, 2020, during which the FERC staff outlined the additional information they would like to see in this OATT filing.

He then discuss the Rapid City DC Tie Project which the Board approved last month. Black Hills Energy is the project sponsor and they learned from the Western Energy Coordinating Council that the project deadline will be delayed for the one year and there will not be as much work required on the remedial action scheme as was outlined at last month's Board Meeting.

C. Engineering & Construction.

Vice President Engineering & Construction Gavin McCollam reviewed the Large Capital Project List noting that the LRS Unit No. 3 selective catalytic converter project's completion date has been pushed out to July 2020 as a result of unfinished paperwork and the COVID-19 virus. He then quickly went over the list of small capital projects.

With respect to the Lonesome Creek Station (**LCS**) Unit No. 6, a kick off meeting was conducted via Webex in late March. The generator step-up transformer bids were evaluated and awarded to SPX Corporation. The Power Control Module proposal was received and is being evaluated. The air permit application was submitted to the North Dakota Public Service Commission. The construction request for proposal will be ready to be issued shortly, however, the Process Assessment Team (**PAT**) is reviewing the Cooperative's alternatives with respect to the timing and economics of when to proceed with construction of LCS Unit No. 6.

He likewise reviewed work to date on the proposed Bakken large generator project. The PAT is reviewing this project as well. It would appear, under the current circumstances, there may be a long delay of this project.

D. Chapelle Creek Construction Contract.

Mr. McCollam noted that this 345 kV interconnection work is to interconnect the Triple H Wind Farm. He reviewed the switchyard work pointing out that the Board approved the project last month and we have received the monies to fund construction. Five companies were given the opportunity to bid, but only three did so. As the low bidder could not meet the scheduled completion date, staff is proposing to award the contract to the second lowest bidder. He requested that the Board approve the contract award.

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

R04.04-14-20 **RESOLVED**, that the Chapelle Creek General Construction Contract with Great South Western Construction, Inc. presented to this meeting of the Board of Directors with an estimated cost of \$5,340,848 is approved; and

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

11. Member Services & Administration Report.

Senior Vice President Member Services & Administration Chris Baumgartner began his presentation by informing the Board that the Annual Report was at the printers. With respect to traditional news and social media exposure, it was a fairly quiet month. With respect to Security & Response Services (SRS), all shifts are being covered. To date, two coops have requested 24 hour/7 days a week coverage. If needed, SRS has both the technology and a plan for people to work from home. Procurement is busy working with contractors on the postponed outages. A COVID-19 questionnaire and protocols have been developed for the few contractor personnel that will be coming onto any of our plant sites. He highlighted the latest updates to the dashboard and it generally appears that everyone is quite pleased with how the dashboard turned out and it is getting a lot of use. The Robert Johnson Eurasia Group update was postponed and the Board prefers an in person presentation as opposed to a video conference. The Paulsen Group completed the Board of Directors, staff, and Class A manager interviews. The Class A board of director and Class A member advisory committee visits have been postponed until a later date.

12. Human Resources Report.

Senior Vice President Diane Paul started with the employee counts. Basin Electric currently has 1,326 employees while DGC has 527, compared to 1,629 and 750, respectively, on January 1, 2017. That's a 19% reduction for Basin Electric and a 30% reduction for DGC. In terms of employee related initiatives in response to the COVID-19 pandemic, we have implemented a hiring freeze and are closely scrutinizing both the number of contractors as well as temporary employees.

With respect to the pandemic, Medical Services has directed 199 employees to self-isolate due to travel or close contact concerns and 196 of those employees have returned to work. Two employees have tested positive for COVID-19, one at DFS who has recovered and is back at work and the other, a headquarters employee that became ill over the weekend and to date, is doing well.

In terms of our workplace response to the virus, we updated our Pandemic Plan and very early restricted both business and personal travel. We also closed the headquarters offices and all of our fitness centers and directed all non-essential employees to work from home. Medical Services is available days, evenings, and weekends to confer with respect to the COVID-19 virus. We have issued letters to all essential employees identifying them as such and Paul Sukut has been communicating with all of the employees on at least a weekly basis.

The Cooperative has also instituted some temporary COVID-19 policies. We are providing time off with pay (without using sick leave or vacation) for both a confirmed diagnosis of COVID-19 as well as 14 day self-isolations. We are also extending paternity/maternity leave as physicians are recommending that parents quarantine before expected birthdate. We are also allowing employees to take both sick leave and

vacation up to an 80 hour negative balance under certain circumstances. We are also temporarily allowing people to carry over above the 320 hour vacation limit.

Ms. Paul talked about changes to the Section 401(k) program required by the CARES Act. One change will be to temporarily waive the minimum distribution requirements. The other will allow employees to defer loan repayments to their 401(k) accounts.

She then reviewed the side agreements that have been reached with the union locals representing AVS, DFS, and LOS that would be implemented, if necessary, to modify plant operations should it become necessary. Likewise, the local representing DGC has agreed to allow, starting on March 30, 2020, maintenance, warehouse, lab, and pipeline employees to work 12 hour rotating dayshifts and to split into two crews. DGC Operations will stay on their current schedule unless and until a change is needed.

Ms. Paul then asked Director Peltier to present the proposed resolution the Board had requested recognizing the employees of the Cooperative and its subsidiaries for their steadfast service as essential service employees during these trying times.

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

R05.04-14-20 **WHEREAS**, COVID-19 has been declared a pandemic by the World Health Organization;

WHEREAS, the services the Cooperative and its subsidiaries provide have been deemed to be essential; and

WHEREAS, our employee have continued to work tirelessly during these trying times to keep our business operating efficiently.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors on behalf of the membership, publicly recognizes and acknowledges the exemplary services of employees of the Cooperative and its subsidiaries.

13. Financial Services Report.

A. Economic Update/Interest Rates.

Senior Vice President and Chief Financial Officer Steve Johnson noted that unemployment grew by 701,000 during the first two weeks of March jumping from 3.5% to 4.4%. This was the first decline in employment numbers since 2010 and will be overwhelmed by the number of people that filed for unemployment since then, with 6.5 million the week ending March 8, 3.3 million for the week ending March 21, and 6.6 million for the week ending April 4, 2020. The previous weekly record was 695,000 in 1982. S&P Global Ratings (**S&P**) has stated that if this recession worsens, the economic damage could far exceed that of the Great Recession. He then reviewed the various predictions concerning the contraction of the economy. S&P has changed the outlook for the entire public service sector to negative.

Mr. Johnson reviewed the U.S. Treasury Yield Curve comparing the yields on April 1, 2019 to yields on April 1, 2020, pointing out the 220 basis point reduction on the front end and the 163 basis point reduction on the 30 year Treasury Bond yield. While the

rates are low, the spreads have widened so much that they have more than offset the drop in rates.

Despite that, Mr. Johnson said that the capital markets are certainly open for business. For the week of March 30 - April 3, the primary markets had a second banner week with 50 "household name" issuers and a volume of \$117.9 billion breaking the previous all-time record set the week before of \$109.3 billion. This combined \$227.2 billion over two weeks represents a staggering 40.8% of the total \$556.995 billion issued in 2019. On average, these transactions were four to seven times oversubscribed.

He pointed out that in the utility space, the spread on single A rated debt widened to approximately 135 basis points during March while the spread on BBB rated debt widened to as much as 300 basis points.

He then reviewed the CARES Act noting that is the largest stimulus package ever. This act earmarks \$532 billion for big business and local government loans and assistance (including \$61 billion for the airlines), \$377 billion for small business, \$290 billion of tax cuts, \$260 billion to expand unemployment benefits, and \$150 billion for state and local stimulus.

B. AVS Unit No. 2 Lease.

Following authorization to make an offer to extend the two remaining AVS Unit No. 2 leveraged leases, Mr. Johnson reported that the Cooperative has reached an understanding to add two successive five year renewal terms to these two leases. He asked for the Board to authorize the execution of the two lease supplements for these extensions.

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

R06.04-14-20 **RESOLVED**, that the CEO & General Manager, or his designee, is authorized to execute two lease supplements with U.S. Bank National Association, as Owner Trustee, extending the two Facility Leases dated November 1, 1985, as amended and supplemented, of the two undivided interests in and to Antelope Valley Station Unit No. 2 not owned by the Cooperative for two consecutive five (5) year Fair Market Renewal Terms, the first ending on December 30, 2025, and the second ending on December 30, 2030.

C. Capital Credit Retirement.

Mr. Johnson said that concerns have been expressed by Class A and Class C members that the pandemic may create liquidity pressures. He suggested that the Board of Directors authorize the retirement of capital credits in an amount equal to the remaining balance associated with the year 2003 business.

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

R07.04-14-20 **RESOLVED**, that the retirement of patronage capital credits in the amount of \$18,565,555.99 associated with year 2003 business

be authorized and approved in accordance with the provisions of the Cooperative's Bylaws.

D. Accounting Report.

Vice President & Controller Shawn Deisz gave the March accounting report. For the month, the Cooperative had a net margin of \$12.5 million compared to a budgeted margin of \$13.5 million. January sales to members were \$132.3 million compared to budgeted member sales of \$139.4 million. MWHs sold to members were 2,297 thousand MWHs compared to a budget of 2,314 thousand MWHs. Surplus sales revenue was \$11.3 million compared to the budget of \$13.4 million. On the expense side, operations expenses were \$90.2 million compared to the budget of \$102.5 million. Maintenance expenses for March were \$10.1 million compared to the \$9.9 million budgeted. She noted the significant items contributing to the variances. The consolidated net income after tax for March was \$11.7 million, \$2.8 million below the \$14.5 million budgeted.

Y-T-D consolidated income stands at \$41.8 million compared to the \$43.6 million budgeted. In terms of liquidity, at month's end. Basin Electric had total cash and cash equivalents of \$463.1 million, including \$331.3 million from the Member Investment Program.

14. Director Reports.

Director Brekel reported that due to the COVID-19 pandemic, the Tri-State annual meeting had been rescheduled for August 5-6, 2020.

15. Executive Session.

At 4:40 p.m. CST, the Board retired into executive session to discuss sensitive price information, inventory levels, and sales projections as well as certain potential business opportunities which are subject to confidentiality agreements.

The Board arose from their executive session at 4:58 p.m. CST.

16. Date and Place of Next Meeting.

Chairman Peltier noted that the May Board of Directors' meeting is scheduled for Tuesday May 12, 2020, hopefully at the headquarters building in Bismarck.

17. Adjournment.

Chairman Peltier adjourned the meeting at 4:59 p.m. CST.



Charles H. Gilbert
Secretary-Treasurer