

**BASIN ELECTRIC POWER COOPERATIVE
MADISON, SOUTH DAKOTA
MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
September 14, 2020**

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**Basin Electric Power Cooperative
Madison, South Dakota
Minutes of the Regular Meeting of the Board of Directors
September 14, 2020**

The regular meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the East River Electric Power Cooperative, Inc. (**East River**) headquarters building 211 Harth Avenue, Madison, South Dakota, 57042 beginning at 2:10 p.m. CDT on Monday, September 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 in person:

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 Company. Also present in person were CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, Basin Electric staff members Chris Baumgartner, Tom Christensen, and Dave Raatz, Central Montana Electric Power Cooperative, Inc. manager Doug Hardy, Central Power Electric Cooperative, Inc. manager Tom Meland, Corn Belt Power Cooperative manager Ken Kuyper, East River manager Tom Boyko, L&O Power Cooperative manager Curt Dieren, Members 1st Power Cooperative manager Mike Easley, Rushmore Electric Power Cooperative, Inc. manager Vic Simmons, Tri-State Generation and Transmission Association, Inc. (**Tri-State**) senior vice president Brad Nebergall, and Upper Missouri Power Cooperative, Inc. (**Upper Missouri**) manager Claire Vigesaa.

In addition, the following person were present by means of Webex Video Conference: Basin Electric staff members Kelly Bergquist, Tracie Bettenhausen, Dean Bray, Andrew Buntrock, Eric Carufel, James Decker, Shawn Deisz, Tammy DeWitt, Pius Fischer, Daniel Gallagher, Daniel Graham, Melissa Hatzenbuhler, Darla Jensen, Scott Johnson, Steve Johnson, Kerry Kaseman, Jon Klein, Gavin McCollam, Faye Miller, Kimberly Miller, Diane Paul, Mike Paul, Terri Schuette, Susan Sorensen, Troy Tweeten, Katrina Wald, and Sheila Wald, Dakota Gasification Company (**DGC**) Vice President Dale Johnson, DGC staff members Brian Dillman and Trinity Turnbow, and Northwest Iowa Power Cooperative manager Matt Washburn.

3. **Approval of the Agenda.**

The Directors considered the agenda for the conduct of the meeting. Chairman Peltier noted there would be an executive session scheduled at the end of the meeting to review the financial forecast as well as a few alternative forecasts. There was a motion that was seconded and carried to approve the agenda as presented.

4. **Approval of Minutes.**

The minutes of the August 11-13, 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.**

General Manager Sukut said he had nothing more to report to the Board above and beyond his weekly notes to the Board since the Board meeting.

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

A. **Legal Report.**

General Counsel Mark Foss gave the legal report. He started by reporting that oral arguments on the appeal of the Affordable Clean Energy rule would be held before the D.C. Circuit Court of Appeals on October 8, 2020. He then reported on the Cooperative's response to the Minnesota Public Utilities Commission (**MN PUC**) concerning the Basin Electric Optional Integrated Resource Plan (**O-IRP**). Basin Electric is allowed to file an O-IRP versus a full integrated resource plan because Basin Electric's sales represent less than four percent of Minnesota electrical sales (currently 2.6%). The Cooperative filed both general objections and specific objections, provided an in-depth discussion of our load forecasting methodology, identified our generation facilities with less than fifteen years remaining depreciable life, and provided an overview of the renewable energy purchases we have entered into over the past five years. The Cooperative did not provide information to the MN PUC concerning past and projected capital additions at its generating facilities nor did the Cooperative provide the commercial terms of our renewable purchases.

Mr. Foss then turned to the Wholesale Power Contract and Rate Schedule A dockets at the Federal Energy Regulatory Commission (**FERC**). He described the comments the Cooperative made to FERC in the Motion for Leave to Answer and Answer filed on August 21, 2020. He said the expectation was that FERC would issue an order that afternoon. He reported that on September 8, 2020, FERC issued three orders in the Basin Electric transmission dockets, including Basin Electric's Missouri Basin Power Project (**MBPP**) transmission tariff and stated rate without setting either matter for hearing and settlement conference. If no party requests rehearing, these orders will go into effect on October 8, 2020. With these transmission approvals, we also expect that FERC will approve Basin Electric's Westside application for market based rate sales authority.

In what turned out to be an important decision for Basin Electric, on August 28, 2020, in a new order on rehearing, FERC reversed itself with respect to its earlier ruling that FERC had concurrent jurisdiction with the Colorado Public Utility Commission concerning exit fees when a member leaves the Tri-State system finding in the new order that FERC has exclusive jurisdiction because an exit charge is a jurisdictional rate.

This reversal became important when on September 11, 2020, the judge in the McKenzie Electric Cooperative (**McKenzie**) case denied both Basin Electric's and Upper Missouri's motions to dismiss based in part on the Court's finding, based on the earlier FERC Tri-State ruling, that the lawsuit was not preempted by FERC jurisdiction. Basin Electric and Upper Missouri will file motions for reconsideration with the Court based upon this new FERC Tri-State ruling.

Mr. Foss also mentioned that the Bylaw Review Committee voted to recommend approval to the membership of all four of the proposed amendments to the bylaws at their September 11, 2020, online meeting.

Meeting the same day (also online), the Resolution Committee did mostly clean-up work on the resolutions. There was an extended discussion on Resolution E-6 Great Plains Synfuels Plant. With no clear consensus, the committee voted to remove the resolution and revisit it at their next meeting.

B. Expiring Crow Creek Easements.

Mr. Foss requested that the Board of Directors adopt a resolution authorizing the CEO & General Manager to execute and submit an application to the Bureau of Indian Affairs on behalf of the Cooperative for right-of-way across the Crow Creek Indian Reservation for the Leland Olds Station to Fort Thompson 345 kV transmission line.

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

R01.09-14-20

RESOLVED, that the CEO & General Manager of the Cooperative is authorized to sign and submit a Right-of-Way Application to the Bureau of Indian Affairs for the Leland Olds Station to Fort Thompson, South Dakota 345 kV transmission line on the Crow Creek Indian Reservation.

C. Authorization for Trading Account with Mizuho.

Mr. Foss explained that Mizuho Securities has requested authorization to establish a trading account. He noted that the resolution is similar to those the Board has adopted to establish bank accounts.

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

R02.09-14-20

RESOLVED: That it is in the best interest of this Corporation to open one or more accounts with Mizuho Securities USA LLC ("MSUSA") for the purpose of trading in : (a) commodities, contracts for the future delivery of commodities, and related options contracts (collectively, "Commodity Contracts"); and (b) swap agreements, forward contracts, options, or similar contracts, agreements or transactions entered into by Customer on a principal-to-principal basis or executed or traded on or subject to the rules or trading protocols of a designated contract market, derivatives transaction execution facility, board of trade, trading facility, trading platform, exempt commercial market, exempt board of trade, communication network or auction facility (collectively referred to as "Cleared Transactions");

RESOLVED: That the following officers of this Corporation:

Wayne Peltier President

Kermit Pearson Vice President

Charles Gilbert Secretary/Treasurer

Paul M. Sukut Chief Executive Officer & General Manager

Steven P. Johnson Senior Vice President & Chief Financial Officer or any employee or agent of this Corporation designated by any such officer be and hereby is authorized to act for the Corporation in every respect concerning the Corporation's account(s) with MSUSA, the authority hereby granted including, without limitation, the power to do any or all of the following acts and actions necessary in connection with the account(s) and the Commodity Contract transactions and Cleared Transactions effected therein:

- (a) To open one or more accounts in the name of the Corporation with MSUSA for the purpose of trading in Commodity Contracts and Cleared Transactions, and to execute in the name of the Corporation and execute and deliver to MSUSA any and all agreements, documents, instruments or notices necessary to the opening, maintenance and/or trading of such account(s);
- (b) To buy, sell and trade and agree to buy, sell and trade Commodity Contracts and Cleared Transactions, on margin or otherwise, which power shall include the power to sell "short";
- (c) To receive and promptly comply with any request or demand for additional margin, any notice of intention to liquidate, and any notice or demand of any other nature;
- (d) To borrow funds from MSUSA (on a secured basis) or its affiliates to finance any Commodity Contract transactions and Cleared Transactions effected through or with MSUSA; and
- (e) To take such other actions as may be necessary or desirable to carry out the intent of the foregoing and the satisfaction of each and every obligation of the Corporation in connection with the account and the Commodity Contract transactions and Cleared Transactions effected therein.

RESOLVED: That any and all past transactions of the kind provided for by these Resolutions which have been previously made by MSUSA on behalf of or with this Corporation be and hereby are ratified, confirmed and approved in all respects; and

RESOLVED: That MSUSA and any interested third party is authorized to rely and act upon the authority of these Resolutions until receipt by MSUSA of written notice showing

rescission, amendment or modification thereof, and that this Corporation will indemnify MSUSA and hold MSUSA harmless from and against any liability, loss, cost or expense it incurs in continuing to act in reliance upon these Resolutions prior to its actual receipt of any such certificate.”

7. Operations Report.

Senior Vice President of Operations Troy Tweeten gave the operations report. He reported that there were two recordable medical treatments and one Days Away, Restricted or Transferred (**DART**) safety incident in August. The DART involved a Transmission System Maintenance (**TSM**) employee who heard his wrist pop, visited the clinic, and was put on restricted duty. Year-to-date (**Y-T-D**) there have been a total of eight recordables and eleven DART incidents.

In reviewing the coal-fired plants’ operations, he pointed out the high forced outage rates for Laramie River Station (**LRS**) Unit Nos. 2 and 3 (9.23% and 10.97%, respectively). He said much of this is attributable to tube leaks in superheater portion of the boilers due to failing Conforma Clad cladding. He said LRS Unit No. 3 will have a 10-13 day outage starting later in September to replace thirty three tubes. When that work is done, they will replace the tubes at LRS Unit No. 2.

He reported that we experienced a short-lived, but nonetheless disconcerting interruption in deliveries recently, as on Monday, August 31, the Spring Creek rail bridge/trestle on the BNSF Antelope Valley - Twin Cities Division, Zap Line Spur caught fire and sustained substantial damage and interrupting coal traffic from Freedom Mine to Leland Olds Station, as well as outbound traffic from the Great Plains Synfuels Plant. The fire was extinguished but reignited early the next morning. The BNSF Railway Company demolished the badly damaged structure and replaced it with a new steel and concrete structure which was declared fit for rail traffic at 2:30 a.m. the morning of Tuesday, August 8.

He referred the Board to the additional material in the appendix to his report which could be found in BoardPaq.

8. Risk Management Report.

Manager of Commodity Risk Kerry Kaseman referred the Board to his report which could be found in BoardPaq.

9. Asset Management, Resource Planning & Rates Report.

A. General Report.

Senior Vice President Asset Management, Resource Planning and Rates Dave Raatz began by reporting on the new all-time summer peak. Based upon the supervisory control and data acquisition system results, the peak was 3,839 MW compared to the prior peak of 3,783 MW set in July 2019 (an increase of 56 MW). The budgeted peak was 4,027 MW. The biggest contributor (almost 40 MW) to the new peak was reduced power supply by Great River Energy (**GRE**) fixing members.

Mr. Raatz then talked about the three options available six of the GRE fixing members. The first option would be to follow the mechanisms contemplated by the existing wholesale power contract in which all the requirements that GRE met with the Coal Creek Station (**CCS**) would be provided to these cooperatives by Basin Electric when the CCS is shutdown, at the Basin Electric base rate. The second alternative would be for Basin Electric to provide all future GRE retirement quantities with a modification to the Basin Electric transmission reimbursement methodology. The third option would be for the member to terminate its contract with GRE with Basin Electric supplying 100% of the member's power needs and Basin Electric being responsible for 100% of the FERC proforma transmission service assessments.

Mr. Raatz outlined the savings that each of the GRE fixing members would realize under the three options. He talked about the increased Basin Electric power supply obligations of the three options. He said that staff would be providing written proposals to the six GRE fixing members later in September and he hoped to be in a position to ask for Board of Director action in October.

Mr. Raatz then updated the Board on negotiations with Wyoming Municipal Power Authority (**WMPA**). The contracts are ready to be finalized and the WMPA board of directors is expected to approve the agreements at their September 17, 2020, meeting. He mentioned that the Bylaw Review Committee recommended that the membership approve the changes to the Cooperative's bylaws that would allow WMPA to become a Class A member of the Cooperative in District No. 9.

B. Marketing Report.

Mr. Raatz noted that the monthly marketing report was in BoardPaq

10. Member Services & Administration Report.

Senior Vice President Member Services & Administration Chris Baumgartner said that staff has continued to work on a dual path with respect to the Annual Meeting. Due to the large number of COVID-19 cases in the Bismarck area and to avoid a situation where we were precluded at the last minute by health regulations from holding a gathering that large, staff is recommending that the Cooperative hold its 2020 annual meeting on a virtual basis. Staff anticipates two viewing options: a live stream for the general public and a Webex events/meeting for the voting delegates and managers. For the Members-Only-Meeting, there would be a Webex invite sent to each manager with registration required prior to the event. He shared the draft agendas for both days. The board did want Dr. Scott Tinker to give the keynote address. He also reviewed the theme and proposed graphics and the Board agreed with the "Listen & Lead" theme.

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

R03.09-14-20

RESOLVED, that the Cooperative hold its 2020 Annual Meeting on a virtual basis utilizing CISCO Webex video conferencing that will allow delegates to ask questions, make motions and seconds, and vote as well as to determine if a quorum is present.

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

A. **SPP Update.**

Senior Vice President Transmission, Engineering & Construction began his report mentioning that the Southwest Power Pool (SPP), as reliability coordinator, had signed up Gridforce Energy Management, which owns and operates eight generating facilities. In addition, the Northwest Power Pool has hired SPP as its resource adequacy program developer. As to the Western Energy Imbalance Service tariff, FERC rejected the filing on July 31, 2020, and while SPP is ready to refile with FERC, the FERC staff has asked for one more prefiling meeting. SPP expects to file prior to October 1, 2020.

B. **Transmission.**

Vice President Transmission Pius Fischer gave the transmission report by reviewing the status of the 2020 SPP integrated transmission planning (ITP) process. The 2020 ITP project list released by SPP includes 49 projects at a projected cost of \$500 million. In the Upper Missouri Zone, there are eight projects listed with a projected cost of \$27 million. The list includes the Watford City transformer replacement project. The Western Area Power administration (**Western**) owns the Watford City substation while Basin Electric owns the two transformers, so the notice to construct could be directed to either Western or the Cooperative. The SPP Markets and Operations Policy and board of directors are expected to formally approve the projects at their October meetings.

With respect to the Red Butte Wind generator interconnect agreement, Red Butte, LLC cured its default on the initial payment by making payment to the Cooperative of \$2.7 million. Mr. Fischer also noted the FERC's approval, on September 8, 2020, of the Basin Electric MBPP transmission filings. He also talked about the recent settlements of FERC cases.

C. **Long Range Engineering Plan.**

Vice President Engineering & Construction Gavin McCollam presented the Long Range Engineering Plan (LREP) for the years 2021-2030. He said that in the past few years there has been an increased focus on the first three years of the LREP. This exercise was initiated in response to regulations of the Rural Utilities Service, but has since become an integral part of both the financial forecast and the capital budget. He described the types of capital projects, the LREP process, and the major projects by facility.

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

R04.09-14-20

RESOLVED, that the 2021-2030 Long Range Engineering Plan as presented to this meeting of the Board of Directors is approved.

12. Financial Services Report.

A. Economic Update.

Senior Vice President & Chief Financial Officer Steve Johnson said that in the interest of time he would forego his usual economic report noting that it could be found in BoardPaq.

B. 2019 Federal and State Income Tax Returns.

Director of Tax, Scott Johnson presented on the 2019 federal and state income tax returns. He started by talking about alternative minimum tax (**AMT**) credits and the benefit to the Cooperative of taking the early election on the 2016 and 2017 tax returns to get AMT refunds. He reviewed the significant book versus tax differences for 2019, the calculation of 2019 federal taxable income compared to financial statement income, the carry-forward periods, and the carry forward of tax attributes. He reviewed the states and provinces where the Cooperative family files tax returns and the aggregate amounts of the various taxes paid. He asked that the Board of Directors approve the filing of the 2019 returns and authorize himself and Steve Johnson to represent the Cooperative as attorneys-in-fact for tax related matters.

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

R05.09-14-20

BE IT FURTHER RESOLVED, that the CEO and General Manager is authorized and directed to execute and deliver, on behalf of Basin Electric and its consolidated entities, the federal and state income tax returns for the tax year 2019; and

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

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

C. Accounting Report.

Manager Financial Reporting/Accounts Receivable Katrina Wald gave the accounting report. For August, Basin Electric had a net margin of \$24.1 million compared to the budgeted margin of \$29.6 million. August sales to members were \$151.5 million compared to the budgeted sales of \$156 million. MWH's sold to members were 2,380,200 compared to the 2,448,600 budgeted.

Surplus sales revenue was \$14.5 million compared to a budget of \$14.1 million. On the expense side, operations expenses were \$99 million compared to the budget of \$98.4 million. August maintenance expenses were \$7.3 million compared to the \$9.8 million that was budgeted. She noted the significant items contributing to the variances. The consolidated net after tax income for August was \$27.1 million which was (\$2.3 million) under the \$29.4 million budgeted. The Y-T-D consolidated net after tax income is \$113.9 million which is \$32.1 million over the \$81.8 million that was budgeted.

13. WFA - Director Nominee.

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

R06.09-14-20 **RESOLVED**, that the Cooperative nominates Paul Baker to the Board of Directors of Western Fuels Association, Inc.

14. WFA Annual Meeting - Delegate and Alternate.

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

R07.09-14-20 **BE IT RESOLVED**, that the following named persons are hereby appointed as the Cooperative's Delegates and Alternate Delegates:

Paul Baker - Delegate

Paul Sukut - Delegate

Dean Bray - Alternate Delegate

Joe Leingang - Alternate Delegate

to the 2020 Annual Meeting of the Members of Western Fuels Association, Inc.

15. WF-W Annual Meeting Delegate/Alternate.

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

R08.09-14-20 **BE IT RESOLVED**, that the following named person are hereby appointed as the Cooperative's Delegates and Alternate Delegate:

Paul Baker - Delegate

Paul Sukut - Delegate

Dean Bray - Alternate Delegate

Joe Leingang - Alternate Delegate

to the 2020 Annual Meeting of the Stockholders of Western Fuels-Wyoming, Inc.

16. Directors' Report.

Director Pearson reported that East River held its annual meeting on September 9, 2020, with about one hundred people attending. He thanked Paul Sukut for attending and speaking. Director Glicko reported on the Resolutions Committee meeting which he attended as the Boards' representative. He felt it was a positive meeting. Director Baker reported that Powder River Energy Corporation held its annual meeting on August 22, 2020, celebrating its 75th anniversary. He said that Walt Christensen stepped down as the board chair and that Mr. Christensen will be missed.

17. Executive Session.

At 4:19 p.m. CDT, there was a motion that was seconded and carried to go into executive session to review and discuss the ten year financial forecast and certain financial projections based upon variations to that forecast. At 6:29 p.m., CDT, the Board arose from its executive session.

18. 2021 - 2030 Financial Forecast.

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

R09.09-14-20 **RESOLVED**, that the Cooperative's 2021-2030 Financial Forecast in the form presented to this meeting is approved.

19. Date and Place of Next Meeting.

Chairman Peltier said that the next meeting of the Board of Directors would be held on October 13, 2020, at a location to be determined.

20. Adjournment.

Chairman Peltier adjourned the meeting at 6:30 p.m. CDT.



Charles H. Gilbert
Secretary-Treasurer