

BASIN ELECTRIC POWER COOPERATIVE

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS November 2-3, 2020

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Basin Electric Power Cooperative

Minutes of the Regular Meeting of the Board of Directors November 2-3, 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 1:36 p.m. CST on Monday, November 2, 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 Company. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, Basin Electric Power Cooperative (**Basin Electric**) staff members Chris Baumgartner, Kelly Bergquist, Tracie Bettenhausen, Dean Bray, Andrew Buntrock, Eric Carufel, Tom Christensen, James Decker, Shawn Deisz, Tammy DeWitt, John Frank, Daniel Gallagher, Daniel Graham, Melissa Hatzenbuhler, Darla Jensen, Steve Johnson, Kerry Kaseman, Becky Kern, Jon Klein, Sally Meier, Kimberly Miller, Dale Niezwaag, Diane Paul, Mike Paul, Dave Raatz, Susan Sorensen, Troy Tweeten, Sheila Wald, and Val Weigel, Dakota Gasification Company (**DGC**) Vice President Dale Johnson, and DGC staff members Brian Dillman and Trinity Turnbow. Also present were Central Power Electric Cooperative, Inc. (**Central Power**) manager Tom Melland, Corn Belt Power Cooperative (**Corn Belt**) manager Ken Kuyper, L&O Power Cooperative (**L&O**) manager Curt Dieren, and Upper Missouri Power Cooperative, Inc. (**Upper Missouri**) manager Claire Vigesaa.

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 at 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 October 13-14, 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 last Board meeting.

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

A. **Legal Report.**

General Counsel Mark Foss gave the legal report. He began by talking about the Cooperative's reply brief in support of its motion for reconsideration in the lawsuit filed by McKenzie Electric Cooperative, Inc. (**McKenzie**) against Basin Electric and Upper Missouri. Our brief pointed out that the Federal Energy Regulatory Commission (**FERC**) found that the Basin Electric/Upper Missouri wholesale power contract was just and reasonable without an early termination provision which preempts McKenzie's fifth and sixth claims which are based upon Basin Electric's failure to provide Upper Missouri with a buy out/buy down price. We further noted that FERC had ordered a Section 206 investigation of Basin Electric's rates (including any DGC related issues). In accordance with the principle of judicial deference to agency expertise, the court should wait until FERC has ruled and only then adopt the FERC rationale. The judge conducted a scheduling conference with the parties and his clerk offered dates for a trial which all three parties accepted. Those dates are February 28, 2022 to April 8, 2022. Mr. Foss then turned to the wholesale power contract and Rate Schedule A matters at FERC. On October 14, 2020, Dakota Energy Cooperative (**Dakota**), Meeker Cooperative Light and Power Association (**Meeker**), and Wheat Belt Public Power District (**Wheat Belt**) filed for rehearing. Wheat Belt requested clarification from the FERC that Wheat Belt's buy-out/buy down issues with Tri-State Generation and Transmission Association, Inc. (**Tri-State**) be determined in the pertinent Tri-State docket at FERC. Dakota and Meeker claim that FERC violated the Federal Power Act (**FPA**) by not requiring Basin Electric to file exit charges and early termination procedures citing as precedent FERC's August ruling stating that FERC has exclusive jurisdiction with respect to buy-out/buy-down charges. They also claimed that FERC erred by setting for hearing the question of the applicability of the Mobile-Sierra presumption. McKenzie took exception to the FERC fact finding that none of the protesters challenged the existing termination provisions in the wholesale power contracts. McKenzie further claims these existing termination provisions were not freely negotiated and that they violate the cooperative principles of "voluntary and open membership."

The Cooperative filed its answer with FERC on October 29, 2020. The Cooperative supported Wheat Belt's position that the buy down of its wholesale power contract with Tri-State should be addressed in the Tri-State proceeding. With respect to Dakota and Meeker, we pointed out that setting the Mobile-Sierra presumption for hearing and settlement is a procedural matter not subject to rehearing. Further FERC action will be required following this step, at which time a motion for reconsideration would then be appropriate. As to McKenzie, we pointed out that the FERC specifically found the existing termination provisions in the Basin Electric wholesale power contract to be just and reasonable.

Mr. Foss then mentioned that the staff was able to have an hour and one half meeting with the settlement judge FERC assigned to our dockets, Judge Suzanne Krolikowski, and that our first settlement conference is scheduled for November 13, 2020.

B. Government Relations Report.

Vice President Government Relations Dale Niezwaag gave the government relations report. He began by talking about the MID GRID Phase 2 meeting which is an effort started by the Midwest Governor's Association for regional transmission organizations (RTO) to implement state renewable mandates. During the course of the meeting, the representative for Alphabet (Google's parent company) made it clear that Google supports RTO's and in a follow-up discussion, we also learned that Google supports carbon sequestration as a means to continue to be able to utilize fossil fuel fired generation.

Mr. Niezwaag then turned to the "Resiliency Docket" opened at FERC three years ago. The American Coalition for Clean Coal Energy (ACCCE) recently sent a letter to FERC referencing the blackouts in California this summer and asking the FERC to act on what is now a 34 month old docket. ACCCE asks the FERC: what exactly does "resilience" mean, what are the attributes that would make the bulk electric system reliant, and based upon these first two questions, is the current build power system truly resilient?

He then discussed the Resolutions Committee meeting that would be held (virtually) in a few minutes. He said while the vast majority of changes were minor edits, the committee did decide to rearrange the resolutions based upon their priority. Based upon a National Rural Electric Cooperative Association (NRECA) resolution, the committee consolidated resolutions dealing with equal access and sue and settle lawsuits and added additional language on tort reform. He mentioned that a draft resolution on DGC that was submitted that morning and he was asked to report back following the Resolutions Committee meeting.

7. General Manager's Report (cont.).

A. WFA/WFW Report.

Superintendent Fuel and Transportation Joe Leingang reported on the October 29, 2020, board of director meetings for Western Fuels Association (WFA) and Western Fuels Wyoming (WFW). He started by reviewing the WFA financials as of the end of the third quarter. While revenue is 0.7% over budget, tons sold are (9%) under budget. While the Missouri Basin Power Project (MBPP) cut its nomination by one million tons earlier in the year, the biggest short fall belongs to Southern Minnesota Municipal Power Authority which is (50%) below its budgeted tons. Expenses are (6.5%) under budget due to an unfilled position and cost savings as a result of the COVID-19 pandemic. He then turned to the budget and 2021-2030 financial forecast. The budgeted 2021 tonnage is approximately 20% less than the original 2020 budget. The cost of service on the tons sold has increased from \$0.247/ton to \$0.25/ton. With the fewer tons sold, the budgeted 2021 management fee is \$0.1804/ton compared with \$0.1527/ton for 2020. In terms of the share of the management fee paid by Basin Electric, the Cooperative pays for itself (for the Dry Fork Station) and on behalf of the MBPP participants, 66.7% of the total WFA management fees and Basin Electric is financially responsible for 36.3% of these fees. He mentioned the draft agreement pursuant to which Tri-State would withdraw from the WFA and the Escalante Western Railway Operations Termination Agreement. This agreement will likely be approved at the December 3, 2020, WFA board meeting.

He mentioned that WFA had its annual meeting, followed by a reorganization meeting at which Paul Baker was elected vice president of WFA.

Turning to the WFW board meeting, the Dry Fork Mine (DFM) has worked 1,682 days (4.6 years) without a Lost Time Accident and 191 days without a Reportable Injury. Staffing at the DFM stands at 61 full time equivalents (FTE) versus the budget of 77 FTE. The DFM employed 82 FTE at the end of April 2019.

Looking at the WFW 10-year plan, the DFM was a 6.4 million ton/year mine and is now projected to be capable of from 3.7 to 4.2 million tons/year. It appears the 2020 price to MBPP and DFS will come in \$0.15/ton and \$0.01/ton, respectively, better than the May 11, 2020, target price. Reflecting the benefits of the DFM reduction-in-force, the budgeted price/ton for MBPP and DFS have dropped (\$0.468/ton) and (\$0.411/ton), respectively.

8. Operations Report.

Senior Vice President Troy Tweeten gave the operations report. He reported that in October, Operations had no recordable medical treatments and had one Days Away, Restricted or Transferred (DART) incident when an employee broke a bone in his foot. Year-to-date (Y-T-D), Operations has had eight recordable medical treatments and 13 DART incidents. In reviewing the Y-T-D coal plant operations, he pointed out the impact the boiler tube leaks were having on Laramie River Station (LRS) Unit Nos. 2 and 3 running plant capacity factors. He showed a slide that illustrated the internal oxidation that has occurred on the reheat outlet tubes and another showing their location in the upper reaches of the LRS Unit No. 3 boiler. There are 90 panels across the boiler that all need to be replaced due to long-term overheating. There is no domestic source for these materials, so we need to order them from the supplier in Europe with a lead time of 45 weeks. As a result, the plan is to move the LRS No. 3 outage from the spring to the fall of 2021. This work is expected to take seven weeks and the unbudgeted expenses will be \$300,000 for 2020 and \$4.7 million for 2021.

9. Risk Management Report.

Manager of Commodity Risk Kerry Kaseman stated that when available, the commodity risk report for October would be posted in BoardPaq.

10. Asset Management, Resource Planning & Rates Report.

A. General Report.

Senior Vice President Asset Management, Resource Planning and Rates Dave Raatz began his report by informing the Board of the re-pricing for the next ten years of the 12 MW capacity purchase, through Corn Belt, from the Estherville, Iowa 12 MW diesel generator.

B. GRE Fixing Members.

Mr. Raatz then discussed the three options that Basin Electric offered to the Great River Energy (GRE) fixing members. That offer expires on November 30, 2020. He explained that the option that got the most focus was Option No. 2, which calls for all future GRE retirement quantities to be served by Basin Electric. Two of the GRE fixing members have expressed interest in this second option: 1.) Crow Wing Power and Light Company (Crow Wing) which is located in Zone 1 of Midwest Independent System Operator (MISO) and 2.) Federated Rural Electric Association (Federated), a member of L&O, which is located in MISO Zone 3. The Crow Wing board of directors has taken action and the L&O board of directors is waiting for draft contract prior to taking action. Mr. Raatz reported that he had discussions earlier in the morning with East River Electric Power Cooperative, Inc. (East River) and was told that the GRE fixing East River members have chosen not to pursue any of the three options at this time. He reminded the Board that the Basin Electric offer expires at the end of November 2020. He said the goal is to get the Crow Wing and Federated/L&O documents finalized yet this month so that they can be submitted to FERC and approved by February 1, 2021. In response to a question from the Board, Mr. Raatz clarified that having elected Option No. 2, Option No. 3 (terminate/ buyout the GRE contract) would continue to be available to Crow Wing and Federated/L&O. He said that assuming these contracts are finalized, with the retirements of GRE's Coal Creek Station, the addition to Basin Electric's summer peak demand would service would be 44 MW. He outlined the additional capacity the Cooperative would need to secure in Zone 1 and Zone 3 of MISO. He then requested approval to move forward to finalize the Option 2 arrangements with Crow Wing and L&O.

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

R01.11-02-20 **RESOLVED**, that the CEO & General Manager is authorized to execute the necessary agreements to effectuate Option 2 (the enhanced all supplemental requirements contract) with Crow Wing Power and Light Company and L&O Power Cooperative as presented to this meeting.

C. Marketing Update.

Director of Asset Management & Commodity Strategy Valerie Weigel gave the marketing update. She started with weather conditions observing that October temperatures were well below average. November temperatures are predicted to be above average while December temperatures are anticipated to be near the average. The back story in SPP for October was that there was approximately 30,000 MW of generation that was in outage as a result of postponed spring outages that were postponed due to the COVID-19 pandemic. She showed a map illustrating these outages and pointed out that the Cooperative had 700 MW of gas generation in outage toward the end of October. She shared a graph of the October wind penetration in SPP pointing out that it dropped from 37.5% in October 2019 to 35.1% in October 2020 despite the fact that there is now a total of 28,137 MW of wind installed in SPP (although not all of it is fully operational). She did share that the SPP wind penetration for the coming weekend is expected to reach the 80% range.

The average day ahead price in the load zone for October 2020 was \$18.92 compared to \$16.57 in October 2019. The higher price reflects the colder weather, the large number of units in outage, and the lower congestion in October 2019. She showed a graph illustrating the prices at which the Antelope Valley Station (AVS) and Leland Olds Station (LOS) are offered into the market plotted against the SPP hourly day ahead load zone price and pointed out that the Cooperative avoided losses of \$800,000 over the course of the month by offering AVS and LOS on market status. She also showed a graph that illustrated the increased volatility caused by the increased wind generation in SPP. Daily volatility has increased from 8.2% in 2017 to 20% in 2020. Over the course of October, you saw day ahead load zone congestion move from negative to positive.

She said that the Cooperative's open economic position in SPP during October was (27%) on peak and (28.3%) off peak. When the Cooperative was short without a backstop, the average cost was \$31.02.

As to natural gas prices, the industry is slowly eating away at the surplus gas in storage. Meanwhile, feed gas for liquefied natural gas terminals is expected to increase from 9 Bcf/d to 11 Bcf/d. As a result, the Henry Hub 2021 forward curve is trading at its highest level in more than four years. With these projected price increases, burns at our gas units are expected to drop. Forward power prices in SPP are expected to continue to drop because of the increase in the installation of both wind and solar generation.

In MISO, the monthly day ahead load zone price in October 2020 was \$15.45 compared to \$18.04 in October 2019. Part of the difference between MISO and SPP is you did not see the congestion in MISO that you saw in SPP. For the month, the Cooperative was (27.2%) economically short on peak and (22.3%) short off peak.

11. **Recess and Reconvension.**

At 3:04 p.m. CST Chairman Peltier recessed the meeting. The meeting was called back to order at 9:00 a.m. CST on Tuesday, November 3, 2020. Chairman Peltier continued to preside and Secretary/Treasurer Gilbert continued to keep the minutes with 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 Company. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, Basin Electric staff members Chris Baumgartner, Kelly Bergquist, Tracie Bettenhausen, Dean Bray, Andrew Buntrock, Eric Carufel, Tom Christensen, James Decker, Shawn Deisz, Tammy DeWitt, John Frank, Daniel Gallagher, Daniel Graham, Melissa Hatzenbuhler, Darla Jensen, Steve Johnson, Kerry Kaseman, Becky Kern, Jon Klein, Sally Meier, Kimberly Miller, Dale Niezwaag, Diane Paul, Mike Paul, Dave Raatz, Susan Sorensen, Troy Tweeten, Sheila Wald, and Val Weigel, DGC Vice President Dale Johnson, and DGC staff members Brian Dillman and Trinity Turnbow. Also present were Central Power manager Tom Melland, Corn Belt manager Ken Kuyper, East River manager Tom Boyko, L&O

manager Curt Dieren, Members 1st Power Cooperative manager Mike Easley, Northwest Iowa Power Cooperative manager Matt Washburn, Tri-State senior vice president Brad Nebergall and Upper Missouri manager Claire Vigesaa.

12. Office of General Counsel (cont.)

C. Resolutions Committee.

Dale Niezwaag provided an update on the Resolutions Committee meeting. He said the committee approved the consolidation of the three “legal” resolutions somewhat similar to the NRECA resolution. The committee adopted a resolution opposing carbon pricing. The committee also adopted a resolution proposed by East River addressing DGC which was edited based upon suggestions from Mike Easley and staff such that the Cooperative itself resolves to address the issues at DGC.

This DGC resolution is Resolution E-1. Director Gliko, who is the Board of Directors’ representative on the Resolutions Committee pointed out that the committee voted to prioritize the resolutions putting the most important ones first.

13. Transmission, Engineering & Construction Report.

A. SPP Update.

Senior Vice President Transmission, Engineering Construction Tom Christensen reported that on October 27, 2020, the SPP board of directors and members committee formally approved the 2020 Integrated Transmission Plan (ITP), which included the Watford City transformer project. He informed the Board that the Western Energy Imbalance Service tariff was refiled with FERC on October 1, 2020. On October 22, 2020, Black Hills Energy and Public Service Company of Colorado filed protests. While much work remains, we are still working towards the February 1, 2021, “go live” date.

B. Transmission.

Vice President Transmission Pius Fischer gave the transmission report and started by showing a chart that illustrated that work on the 2020 ITP, 2021 ITP, 2022 ITP, and 2023 ITP processes all overlap one another and said that it is a credit to Jeremy Severson and his staff that they can ably manage having all of these balls in the air. He showed a map illustrating the generator interconnect requests that Basin Electric has received, their current status, the size of the generator, and the location of the interconnect. He reminded the Board of the proposed Western Area Power Administration (**Western**) Winchester Butte project which would be located in the KEM Electric Cooperative service territory to serve the increased pumping load for Energy Transfer Partners expansion of the Dakota Access Pipeline. Western has requested that Basin Electric build the interconnection and going forward would require future Board of Director action.

Mr. Fischer reviewed the Cooperative’s 2021 rate year filing with SPP. There was a formula rate template change as a result of going from the Rural Utilities Service Form 12 to the FERC Form 1. The Cooperative’s annual transmission revenue requirement (ATTR) for 2021 is \$124 million and the SPP net revenue ATTR for 2021 is \$61 million, which includes a \$12 million true up. Of the \$112 net amount, \$69 million is in the Upper

Missouri Zone (where Basin Electric pays between 56-57%) and \$43 million is in the SPP regional zone (where Basin Electric pays between 6-7%).

C. Transmission System Maintenance.

Derek Johnson, Manager Transmission System Maintenance gave the transmission system maintenance (TSM) report. He reported that there were no TSM safety incidents in October, however, there was a deer/vehicle accident at the beginning of November. Y-T-D, TSM has had one DART incident. He reviewed transmission line availability breaking the information down by voltage. The 345 kV line availability was 94.22% solely as a result of scheduled outages. He reviewed the work that was performed during the three separate maintenance outages. He showed the Board pictures of the three day outage to replace a pole top on the New Underwood - Dry Creek 230 kV line and the one day outage to replace a pole on the Logan-Blaisdell 230 kV line.

D. Engineering & Construction.

Vice President Engineering & Construction Gavin McCollam gave the engineering and construction report. He started with the large capital projects noting that they were closing out the capital portion of the LOS bottom ash dewatering/pond closure/coal pond expansion project at approximately (\$8 million) under budget. The Chapelle Creek switchyard project is also being closed out this month ahead of schedule, approximately (\$7.2 million) under budget, and with no serious safety incidents.

He reported that the ocean-going vessel carrying the 230/115 kV transformer for the Dickinson Second Transformer project left port on October 9, 2020, and is expected to be delivered to the site in December, with a commercial in-service date next summer. At the Lonesome Creek Station (LCS) Unit No. 6 project, the major concrete pours were completed and work continues on the foundations, duct banks, and underground piping. The combustion turbine had its service bulletin work completed in Houston. It will be returned to Hungary for installation into enclosure, and will then be delivered to the LCS site in January in plenty of time for the planned August 2021 commercial operation date. On the Naset to Northshore 230 kV line, approximately 20% of the easements have been acquired and the substation design contract was awarded to HDR, Inc. On the LRS coal combustion residual holding ponds, we are trying to get the Bottom Ash Pond No. 1 liner installed before it gets too cold as it is difficult to manipulate the liner in the colder temperatures.

14. Member Services.

Senior Vice President Member Services & Administration Chris Baumgartner reported that there were 55 delegates (to date) that had registered for the annual meeting WebEx. As not all of the registered delegates have registered for WebEx, his staff is following up with calls to the delegates. Thus far, there have been 92 cooperatives (out of 140) that have registered for the members-only meeting. Dr. Scott Tinker has agreed to give his keynote speech live, although staff has recorded a back-up just in case.

15. Financial Services.

A. Economic Update/Interest Rates.

Senior Vice President & Chief Financial Officer Steve Johnson began his report talking about jobs and unemployment. The initial jobless claims totaled .84 million, .90 million, .79 million, and .75 million for the weeks ending October 3 through October 24th. Over that same time period, continuing unemployment claims were estimated to be 11.0 million, 9.4 million, 8.4 million, and 7.9 million.

As to Gross Domestic Product (**GDP**), following the 31.7% decline for the second quarter, the initial estimate for the third quarter pegs GDP growth at 33.1%. At the same time, consumer confidence dipped slightly in October and it remains to be seen what effect the resurgence of the COVID pandemic will have on these numbers.

As to interest rates, while the 3 month, 6 month, and two year U.S. Treasury yield curve remained flat month over month, both the 10-year and 30-year yields were up 14 basis points, the 10-year being as high as it has been since June. Year-over-year, short term rates are down 143 basis points, the yield on the 10 year bond is down 87 basis points, and the yield on the 30 year bond is down 56 basis points.

B. Capital Markets.

There were \$90 billion of investment grade corporate bonds issued in October bringing the Y-T-D total \$321 billion over 2019. Another \$70-75 billion is expected to be issued in November.

C. Capital Credit Retirement.

Mr. Johnson then discussed the proposed December 2020 capital credit retirement. At year's end 2019, the Cooperative had \$1,003,581,866.75 of undistributed margins to which were added the 2019 Basin Electric/Basin Cooperative Services allocated margin of \$59,470,185.97. To calculate the distribution, you then need to subtract the \$85 million of the margin representing 2008 DGC dividends, which leaves a balance of \$978,052,072.72. One thirtieth of that amount is \$32,601,735.76. Subtracting from that amount the \$18,565,555.99 that was distributed to the membership in May 2020 leaves a balance of \$14,036,179.77, which is the amount staff is recommending that the Cooperative retire in December 2020. After such a distribution, of the \$48.5 million allocated in 2004, \$34.5 million would be remaining.

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

R02.11-03-20

RESOLVED, that the retirement of patronage capital credits in the amount of \$14,036,179.77 (associated with the year 2004 business) be authorized and approved in accordance with the provisions of the Cooperative's Bylaws.

D. Duane Arnold Decommissioning Fund.

Senior Financial Analyst Kelly Bergquist reminded the Board that the Duane Arnold Energy Center was scheduled to shut down on October 30, 2020. However, it was shut down early in August 2020 following substantial damage to the cooling water facilities caused by a derecho. The total estimated decommissioning cost at year's end 2018 was

\$956.7 million and Corn Belt's share is \$96 million. Both Corn Belt and the decommissioning fund manager, Morgan Stanley, project that the decommissioning costs will be fully funded. Morgan Stanley's general recommendations in the current market are to favor equities and credit and to underweight interest rate risk. Their advice is driven by the fiscal policy response to the COVID-19 pandemic which far exceeds that of the Great Depression. In fact there are fears that U.S. debt could reach a percentage of GDP not seen since the end of World War II.

She compared the five largest stocks in the S&P 500 (Alphabet, Amazon, Apple, Facebook, and Microsoft) and how they have outperformed the balance of the market. While the expectation is for short-term rates to remain low, at some point these federal debt levels are expected to increase inflation. She then reviewed the historic performance of the equity markets based upon the different possible outcomes of the elections. She reviewed the fund asset allocations noting that the allocation is in compliance with the target ranges. As of September 30, 2020, 74.4% of the fund is allocated to equities and 49.1% was invested in U.S. Large Cap Growth stocks. Morgan Stanley began managing this fund in 2007, (right before the Great Recession) and as a result, the fund's performance to date is 5.9% versus the target of 6.7%. The \$61.5 million September 30, 2020, balance remains flat Y-T-D. She reviewed some minor adjustments to the framework and asset allocation.

E. Draft Operating & Capital Budgets.

Manager Financial Planning/Forecasting Darla Kay Jensen presented the draft 2021 operating and capital budgets noting that she would be seeking Board of Director approval next month. She pointed out that the financial model had been adjusted for natural gas price increases since the end of August. While it initially looked like there would be five outages in 2021 as a result of the three planned 2020 outages that were deferred until 2021 because of the COVID-19 pandemic, the decision was made to defer the LRS Unit No. 1 outage to 2022. The after tax 2021 margin is budgeted at \$131 million, not including the planned revenue deferral of \$42.6 million. In terms of that planned revenue deferral, she explained that with the changes from the financial forecast, the revenue deferral was adjusted down from \$64 million in order to maintain the targeted \$90 million consolidated margin. She showed the budgeted operating statement summary which, including the deferred revenue and the DGC loss on investment, results in a stand-alone budgeted margin of \$88 million. On the capital side, the budget calls for capital projects totaling \$213.5 million with 2021 cash flow of \$118.1 million. She then turned to the budgeted consolidated numbers. The budget calls for Basin Electric stand-alone income of \$88.4 million including the \$43 million revenue deferral, a DGC loss of (\$74.9 million), Dakota Coal Company (DCC) income of \$4 million, and an intercompany elimination of \$75 million resulting in a consolidated net income after tax of \$92.7 million, slightly above the \$90 million target. She pointed out that the Basin Electric numbers include the accelerated depreciation for both LOS Unit 1 and Arvada.

As to the consolidated capital project commitments, DGC and DCC are projecting \$11.2 million and \$9.9 million, respectively for both capital projects cost and cash flow. That brings the consolidated totals to 2021 capital project commitments of \$234.6 million and \$139.5 million of 2021 cash flow.

F. Accounting Report.

Mr. Johnson said the Accounting Report would be available in BoardPaq by Monday, November 9, 2020.

16. Executive Session.

At 10:24 p.m. CST, there was a motion that was seconded and carried to go into executive session to discuss the availability of tax credits for sequestering carbon dioxide, to receive an update on the agreements with the Wyoming Municipal Power Authority, and a possible opportunity to purchase generation in MISO. The Board of Directors arose from their executive session at 11:29 a.m. CST.

17. Date and Place of Next Meeting.

Chairman Peltier said that the next meeting of the Board of Directors would be held on Tuesday, December 15, 2020, at a location yet to be determined.

18. Adjournment.

There being no further business to come before the meeting, Chairman Peltier adjourned the meeting at 11:30 a.m. CST.



Charles H. Gilbert
Secretary-Treasurer