Approved December 14, 2021

BASIN ELECTRIC POWER COOPERATIVE
BISMARCK, NORTH DAKOTA
MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
November 8-9, 2021

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Bismarck, North Dakota
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The regular meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building at 1717 East Interstate Avenue Bismarck, ND 58503 beginning at 10:19 a.m. CST on Monday, November 8, 2021.

1. **Call to Order**.

The meeting was called to order by Chairman Wayne Peltier, who presided, and Secretary/Treasurer Charles H. Gilbert kept the minutes thereof.

2. **Roll Call**.

After calling the roll, the Secretary reported the following Directors present in person:

Paul Baker	Kermit Pearson
Leo Brekel	Wayne Peltier
Charles H. Gilbert	Troy Presser
Daniel Gliko, Jr.	Allen Thiessen
Mike McQuistion	David Meschke
	Thomas Wagner

Said persons being all of the Directors of the Cooperative. Also present in person were CEO & General Manager Todd E. Telesz, former CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, Basin Electric staff members Chris Baumgartner, Kelly Bergquist, Tracie Bettenhausen, Andy Buntrock, Tom Christensen, Tammy DeWitt, Joe Fiedler, Pius Fischer, Dan Gallagher, Tyler Hamman, Darla Jensen, Steve Johnson, Kerry Kaseman, Becky Kern, Jon Klein, Gavin McCollam, Kimberly Miller, Dale Niezwaag, Dave Raatz, Jean Schafer, Tyler Schilke, Susan Sorenson, Troy Tweeten, Katrina Wald, Shelly Wanek, Val Weigel, and Tiffany Zablotney, Dakota Gasification Company (**DGC**) Vice President Dale Johnson, and DGC staff members Trinity Turnbow and Brian Dillman. Also present were Corn Belt Power Cooperative (**Corn Belt**) director Jerry Beck and Kathleen Neset, President Neset Consulting Service, Inc. (**Neset Consulting**).

3. **Approval of the Agenda**.

The Directors considered the agenda for the conduct of the meeting. Chairman Peltier noted that Kathleen Neset would be speaking to the Board at 3:00 p.m. and that 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 the Minutes**.

The minutes of the Regular Meeting of the Board of Directors held on October 12-13, 2021, were presented. After an opportunity for corrections, there was a motion that was seconded and carried to approve the minutes as presented.

5. General Manager's Report.

CEO & General Manager Telesz said he had nothing more to report above and beyond his weekly written report to the Directors.

A. Western Fuels Update.

Superintendent of Fuels & Transportation Joe Leingang reported on the October 28, 2021, Western Fuels Association (**WFA**) and Western Fuels Wyoming (**WFW**) board meetings. Through September, 2021 total WFA revenue is (2.6%) under budget as a result of tons sold being slightly under budget. Tons sold to the Laramie River Station (**LRS**) are (7.1%) under budget while deliveries to the Dry Fork Station (**DFS**) are (6.2%) under budget. The expectation is that LRS will finish the year close to budget, but DFS is not expected to catch up. The good news is that expenses are (8.9%) under budget with much of the savings due to the COVID-19 pandemic. As a result, net margins are $112,273 better than budget which should result in a reduction to the WFA management fee and/or an increase to the patronage allocation.

In terms of the 2022 WFA budget, cost reductions will be realized as a result of the closure of the WFA office in Westminster, Colorado and allowing all of the employees that worked at that office to work from home. The pandemic has demonstrated this is an effective strategy as employees have been working remotely for almost two years and this will allow WFA to keep good and experienced employees. He reported that WFA chief executive officer Meri Sandlin, who announced her retirement earlier this year, has agreed to stay on until mid-2023, working a modified work schedule.

The WFA cost of service that needs to be recovered from member sales will fall from 18¢/ton in 2021 to 16.8¢/ton for 2022. As a result, the per ton rate for LRS will fall from 20¢/ton to 18.7¢/ton from 2021 to 2022 and the DFS tons will drop from 10.8¢/ton to 10.1¢/ton.

In terms of the Dry Fork Mine (**DFM**), through September 30, 2021, 2,750,896 tons have been delivered, 38,787 tons or (1.4%) below the budget. In terms of pricing, the actual net price to date at LRS is $10.121/ton compared to Basin Electric's budget of $12.956/ton. At DFS, the net pricing is $12.389/ton compared to the $14.825/ton that Basin Electric had budgeted.

As this was Mr. Leingang's last Board meeting, Mr. Leingang thanked the Board for providing employees such a great place to work and the Board thanked Mr. Leingang for his many years of dedicated service and wished him well in his retirement.

6. Office of General Counsel Report.

A. Legal Report.

General Counsel Mark Foss began his report talking about two asbestos cases that the Cooperative is defending in the State of Illinois. In both cases, the plaintiffs have agreed to dismiss the Cooperative without prejudice.

While the Federal Energy Regulatory Commission (**FERC**) has not issued a decision in Basin Electric's dispute with the Southwest Power Pool (**SPP**), the nomination of the likely fifth commissioner, Willie Phillips, was approved by the Senate Energy and Natural Resources Committee and is expected to also clear the Senate. In the Cooperative's wholesale power contract (**WPC**)/Rate Schedule A case before the FERC, staff is busy preparing testimony and responding to discovery requests.

Mr. Foss said the biggest surprise this month was the U.S. Supreme Court granting certiorari in the Section 111(d) litigation agreeing to set forth the scope of the Environmental Protection Agency (**EPA**) authority with respect to the regulation of carbon dioxide. It remains to be seen if EPA will go ahead and issue proposed regulations before the court decides the case. Briefs are due on December 13, 2021.

Mr. Foss updated the Board on the continued negotiations for transmission right-of-way for the existing transmission line the Cooperative has on the Crow Creek Indian Reservation. He reported that in the McKenzie Electric Cooperative lawsuit, there was a hearing on discovery disputes despite the fact that the discovery deadlines are months away. To date, the judge has not ruled on the motions to dismiss.

In the Dakota Energy Cooperative (**Dakota**) lawsuit, the Cooperative submitted rebuttal expert reports from Mary McBride, former president of CoBank, ACB (**Co Bank**), and Jim Jura, former administrator of the Bonneville Power Authority and former chief executive officer of Associated Electric Cooperative. In addition, the magistrate has ruled that the letter of intent between Guzman Energy (**Guzman**) and Dakota and the presentation that Guzman made to the Dakota board of directors that led Dakota to sign the letter of intent must be produced in discovery. However, the common interest agreement between Guzman and Dakota is subject to the attorney/client privilege and will not need to be produced in discovery.

Mr. Foss said the most troubling development over the past month was the October 29, 2021 FERC order accepting the Tri-State Generation and Transmission Association (**Tri-State**) modified Contract Termination Payment (**CTP**) methodology subject to refund and hearing procedures. While FERC did not direct settlement procedures, it did order a Section 206 proceeding to determine if the CTP calculation and Tri-State's proposed procedures are just and reasonable. In this proceeding, Basin Electric made the claim that because the Tri-State methodology gives Tri-State's Nebraska members the right to unilaterally terminate their WPC's with Tri-State, the methodology constitutes a breach of Tri-State's all requirements WPC with Basin Electric for Tri-State's loads in the Eastern Interconnection. FERC disagreed stating the FERC's approval of the Tri-State modified CTP Methodology does not constitute a breach of the Eastern Interconnection WPC because that methodology provides the Tri-State members with the tools to exit and no Tri-State member is terminating its WPC with Tri-State. Mr. Foss noted several Tri-State members have requested buying out of their WPC with Tri-State. FERC will review both the procedures and the CTP payment calculation in the proceeding.

B. Appointment of Todd Telesz to N-7 Board.

Mr. Foss recommended that the Board of Directors appoint Mr. Telesz to the N-7, LLC board of directors. There was a motion that was seconded and carried to adopt the following resolution:

R01.11-08-21 **RESOLVED**, that effective November 8, 2021, Todd E. Telesz is hereby appointed as the Cooperative's director on the N-7, LLC board of directors to succeed Paul M. Sukut.

C. Government Relations Report.

Vice President Dale Niezwaag gave the government relations report. Starting with federal matters, Mr. Niezwaag mentioned that the bi-partisan infrastructure bill (**BIF**) had passed on Friday November 5, 2021, and the President Biden is expected to sign the BIF within the next week to 10 days. The BIF has a $100 billion energy title that focuses on grid reliability, clean energy, and energy efficiency. Of great importance to Bakken Energy, the BIF provides for $8 billion to establish four regional clean hydrogen hubs. Bakken Energy claims that it has discussed the Great Plains Synfuels Plant as one of those hubs with the Department of Energy (**DOE**). The BIF will also provide $2.5 billion of forgivable loans for transmission development for renewables as well as $12 billion for carbon capture development including large scale demonstration and pilot projects, storage, and transportation infrastructure.

In terms of the hydrogen hub selection process, proposals must be submitted to the DOE within 180 days following passage of the BIF and DOE must make its final selection within one year. The BIF requires that the hubs demonstrate feedstock diversity requiring hydrogen production from nuclear energy, fossil energy, and renewable energy as well as different end uses including electric generation, industrial utilization, residential heating, and transportation. The BIF requires that the hydrogen hubs be located in different regions of the United States with a preference that two of the hubs be located in natural gas producing regions of the country.

Meanwhile, the reconciliation bill remains in the U.S. House of Representatives. This bill's size continues to be whittled down and is currently estimated to be a $1.75 trillion package and as far as the energy industry is concerned, contains $5 billion for communities with coal plant closures, $2 billion for grants for new high capacity transmission lines, $800 million DOE for grants to state siting authorities to analyze the impacts of transmission projects and siting corridors, and $9.7 billion for grants to rural electric cooperatives to install renewable energy, carbon capture, and/or to retire debt on nonrenewable energy (e.g. fossil fuel units). There is a 10% limit ($970 million) on the amount that may be received by any one cooperative. To date, the reconciliation bill does not contain President Biden's Clean Electricity Performance Program. In terms of the reconciliation bill's tax provisions, the solar investment tax credit (**ITC**) and the wind production tax credit (**PTC**) would be extended (without a phase out) through 2026, the ITC would be extended to energy storage and high-capacity transmission lines, and a $3.00.kg PTC would be added for clean hydrogen. In terms of the next steps, a vote by the House of Representatives is contingent on receiving the reconciliation bill's score from the Congressional Budget Office no later than the week of November 15, 2021, which would trigger a vote on the bill as currently written. Assuming that happens, Mr. Niezwaag expects Senate consideration would drag well into December. He discussed the implications of the bill in its current form on the DGC Section 45Q project and changes that would be needed for the DGC project to qualify for the $85/ton credit. Basin Electric is working with and through the Carbon Utilization Research Council, the National Rural Electric Cooperative Association, Red Trail Energy, Minnkota Power Cooperative (**Minnkota**) and Senators Joe Manchin (D-WV) and Tina Smith (D-MN) offices to fix the flaws in the current bill.

In response to President Biden's Office of Safety and Health Administration and federal contractor COVID-19 vaccine mandates, Basin Electric, Minnkota, Montana-Dakota Utilities, and Otter Tail Power Company sent a letter to the various Congressional delegations seeking assistance. East River Electric Power Cooperative, Inc. and South Dakota Rural Electric Association (**SDREA**) sent a similar letter to the South Dakota

Congressional delegation. Meanwhile, republican attorney generals from ten states (including Iowa, Montana, North Dakota, South Dakota, and Wyoming) filed suit against the mandate with the 8th Circuit Court of Appeals.

7. Operations Report.

A. Generation.

Senior Vice President Operations Troy Tweeten gave the operations report. Operations had another good safety month with no medical treatments and one Days Away, Restricted or Transferred (**DART**) incident. The DART incident involved an employee stepping down and feeling discomfort in his leg, seeing his doctor, and subsequently being placed on restriction. Year-to-date (**Y-T-D**), Operations has had eight medical treatments and 14 DART incidents.

For the month of October 2021, generation at the coal plants was (13.1%) below budget, at the oil and gas plants was 12.1% above budget, and wind generation was (17%) below budget. For October 2021, fleet generation was (11.3%) below budget. Y-T-D generation at the coal plants is (8.8%) below budget, at the oil and gas plants is 62.4% above budget, and wind generation is (22.3%) below budget. Y-T-D fleet generation is (5.1%) below budget.

In terms of expenses, October 2021, expenses at the coal-fired plants were (13.4%) below budget, the oil and gas expenses were (20.53%) below budget, and wind generation expenses were (20.99%) below budget. For the month, fleet expenses were (14.11%) below budget. Y-T-D expenses at the coal-fired plants are (12.11%) below budget, the oil and gas expenses are 127.58% above budget, and wind expenses are (19.34%) below budget. Y-T-D fleet expense are 1.70% above budget.

Mr. Tweeten then reviewed the running plant capacity factors, availability percentages, and forced outage rates for the coal units. He pointed out that Leland Olds Station (**LOS**) Unit No. 2 and LRS Unit No. 3 are currently in outage, LRS Unit No. 1 continues to see some economic outages, and that most of the forced outages were caused by water wall tube leaks.

Mr. Tweeten then talked about the Operations' employees' reaction to President Biden's Executive Order 14042 mandating COVID-19 vaccines for federal contractor employees and employers with more than 100 employees. Mr. Tweeten reported he had a call with the International Brotherhood of Electrical Workers business managers about the executive order on October 20, 2021, and that on October 26, 2021, there was a small group of DFS and LRS employees that staged a protest of the mandate near the DFS plant site gates. He said a similar protest was held at LRS on November 5, 2021. He reviewed some of the work being performed as part of the LOS Unit No. 2 outage, which he said he expects will be completed on schedule and under budget. He also talked about work on feedwater heater No. 6 at LRS Unit No. 2.

B. PGS Unit No. 3 Hot Section Replacement.

Mr. Tweeten stated that while General Electric (**GE**) has recommended that at a minimum the high pressure turbine (**HPT**) stage 2 nozzle assembly (including stage 1 blade shroud) should be replaced at Pioneer Generation Station (**PGS**) Unit No. 3, GE is strongly recommending that the Cooperative replace the entire HPT hot section at PGS Unit No. 3. There are over 17,700 fired hours on the unit and typically such a replacement would be done at the 20,000 hour mark. He said the parts are readily available and the unit is scheduled to run heavily during the December through February time period. He provided a breakdown of the costs of the replacement and noted this work had been budgeted for 2022.

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

R02. 11-08-2021 **WHEREAS**, replacement of the Pioneer Generation Station Unit No. 3 hot section is recommended by the original equipment manufacturer and should be done as soon as possible based on the run limit hours and the considerable thermal barrier coating loss from the stage 1 and stage 2 shrouds,

NOW THEREFORE BE IT RESOLVED, that the purchase of the materials to replace the hot section presented to this meeting of the Board of Directors with an estimated cost of $1.7MM be approved; and

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

C. PGS Unit No. 3 Combustor Replacement.

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

R03.11-08-2021 **WHEREAS**, replacement of the Pioneer Generation Station Unit No. 3 combustor is recommended by the original equipment manufacturer and would allow for continued operation of the combustion turbine for a number of years and another 15,000 or more of fired hours,

NOW THEREFORE BE IT RESOLVED, that the purchase of the materials to replace the combustor presented at this meeting of the Board of Directors with an estimated cost of $265,000 be approved; and

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

8. Risk Management Report.

Manager of Commodity Risk Kerry Kaseman gave the Commodity Risk Management Report. In terms of Basin Electric natural gas purchases, these are divided into Basin South (which includes natural gas purchases for both the Groton Generation Station and Deer Creek Station) and Basin North (which includes natural gas purchases for Lonesome Creek Station (**LCS**), the PGS, and Culbertson Generation Station). He pointed out that the summer season consists of the months April through October, the winter season consists of the months November through March, and the profit and loss (**PNL**) report is broken out by season. For both Basin South and Basin North, the forward price risk includes the NYMEX price, the basis, plus the indexed physical.

Mr. Kaseman showed the changes to the Basin Electric forward position for both seasons for both Basin South and Basin North. For Basin South, from September 30, 2021, burn expense saw an increase of ($1.1 million) (to $23 million), the physical purchase PnL increased by $0.1 million to $0.1 million, and the Financial PnL decreased ($1.2 million) to $9.8 million. Combined, Basin South saw a ($2.2 million) increase to expense leaving a net expense of ($13.2 million) as of October 31, 2021.

For Basin North, from September 30, 2021, the burn expense increased ($1.6 million) to ($42.4 million), the physical purchase PnL increased $0.3 million to $1.2 million, and the financial PnL decreased ($1.2 million) to $21 million. Combined, the Basin North ($17.8 million) net expense as of September 30, 2021, increased $2.5 leaving a net expense as of October 31, 2021, of ($20.3 million).

9. Asset Management, Resource Planning & Rates Report.

A. General Report.

Director Long-Term Utility Planning Becky Kern began her report talking about the October 27, 2021, District Manager Meeting and follow-up. She reminded the Board that last month the Board elected to extend the 2021 load incentive rate into 2022. In terms of the approval criteria, Basin Electric will review its ability to economically serve the load during the discount period taking into consideration transmission deliverability, resource availability, and cost. The second criteria is the likelihood the load will continue to take electric service after the discount period.

During the discount period, the energy sales would be subject to a power cost adjustment if the average daily on peak market price is above $55/MWh. This adjustment would be calculated by subtracting $55/MWh from the average daily on peak market price for each day of the month that the average daily on peak-market price is above $55/MWh, provided that the resulting average rate that the load pays for a calendar year cannot exceed the average of the Base Demand and Energy Rate that the load would have paid if it was not receiving the discount.

The managers continue to be interested in the development of a large load (≥50MW) incentive rate and staff was asked to visit with the Board to see if the Board would support continued work on a long-term large load market based rate. This topic will be added to the December Board agenda. Ultimately, the issue comes down to whether Basin Electric should contract for or build new generation and/or transmission for a large load that generates a minimal margin.

Ms. Kern said that the District Managers' Meeting is scheduled for December 9, 2021 in Denver, following the Midwest Consumers Electric Association meeting. The agenda will cover the language and usage of the 2022 load incentive rate as well as an update on the Basin Electric proceedings at FERC.

B. Marketing Report.

Director of Asset Management & Commodity Strategy Valerie Weigel gave the October Marketing report. The monthly day ahead load zone price in SPP in October was $32.65 compared to $21.84 in October 2020. The average Ventura Gas Daily price in October 2021 was $5.20 compared to $2.19 in October 2020. So gas prices more than doubled and SPP energy prices went up by a little more than a third. She compared the load zone day ahead Y-T-D average for 2020 with the Y-T-D 2021 average both with and without the February event. The Y-T-D 2020 average was $16.55 compared to the Y-T-D 2021 average of $69.41 including the February event and $23.81 carving the February event out. In October 2021, SPP saw a wind to load penetration of 39.5% compared to 34.5% in October 2020. She pointed out that approximately 25% of the coal generation in SPP was in outage during October. In October, Basin Electric's open economic position was (23.1%) in the on-peak and (27.4%) in the off-peak.

The SPP market monitor issued his summer state of the market report. For the summer of 2021, coal was the primary fuel type with 42% of the generation. Wind was second at 24% tied with natural gas which was also 24%. Market commitment status continues its steady rise and now stands at 80% of the capacity being offered. Average summer day ahead prices rose from $20.32 in 2020 to $33.30 in 2021.

In the Western Energy Imbalance Service (**WEIS**), the market monitor's summer report states that WEIS is a net exporting market. Coal generation stands at 60%, hydro is second at 27%, while wind generation contributes 6%. Prices averaged $70 in June, $50 in July, and $37 in August. Congestion remains limited. The monitor noted limited ramping capability in WEIS, the limited dispatchability of some resources, and that these factors contribute to price volatility.

In Midcontinent Independent System Operator (**MISO**), the average day ahead load zone price in October 2021 was $40.29 compared to $16.50 in October 2020. In MISO, you saw spreads better reflecting the 2020 to 2021 spread in natural gas prices. In MISO North, the wind to load penetration in October 2021 was 47.5% compared to 48.2% in October 2020. Basin Electric's open economic position in MISO for October was (46.8%) in the on-peak and (40.4%) in the off peak. She noted that much of that position is protected by financial hedges.

She reviewed the FERC/North American Electric Reliability Corporation (**NERC**) preliminary findings on the February weather event which largely echo the SPP findings. NERC's tier one recommendations center on fuel assurance, resource planning and availability, and the generator retirement process.

In terms of the outlook for winter, weather in the United States is expected to be in a La Nina pattern. The warm mid-fall has allowed gas storage to come more in line with the five year average. The price curve remains backwardated with NYMEX prices at $3.75 for 2022 falling to $3.00 through 2024. Over the next few years, North American gas prices will be strongly influenced by associated natural gas production and liquefied natural gas exports. Power sector demand is not expected to be a strong factor given the continued growth of renewables. Higher oil prices could support more associated gas production.

10. Transmission, Engineering, & Construction.

A. SPP West Update.

Senior Vice President Transmission, Engineering & Construction Tom Christensen told the Board that Basin Electric cast the only two "No" votes as the SPP West proposal was approved in concept by SPP sending the message that unless and until the proposal satisfactorily addresses the economic value of the DC ties to Basin Electric, Basin Electric will not move forward with SPP West. He reminded the Board that Public

Service Company of Colorado (**PSCo**), Black Hills Energy (**Black Hills**), Arizona Public Service, PacifCorp, and Platte River Power Authority (**Platte River**) had announced on October 5, 2021, their plans to evaluate joining a regional transmission organization by 2026. Since then, PSCo, Black Hills, and Platte River have reached out and made inquiries about SPP West. Whether this represents a real interest in SPP West or is merely a stalling tactic remains to be seen. The planned decision date on SPP West was April 18, 2022. However, Western Area Power Administration (**Western**) Colorado Storage Project (**CRSP**) has asked for a delay. Western CRSP has a new administrator, is dealing with drought conditions, and given the outreach by the Colorado utilities, would like more time to study. As a result, Western CRSP has asked for a delay in the decision date until mid-July 2022.

B. <u>Engineering & Construction Report</u>.

Vice President Engineering & Construction Gavin McCollam gave the engineering and construction report. He began by discussing large capital projects. Starting with LCS Unit No. 6, he noted that the unit had gone into commercial operation and they are in the process of closing the project out. It appears the project will come in substantially under budget. He also provided a brief update on the DGC Section 45Q CO_2 pipeline and injection well project.

C. <u>Neset to Northshore Construction Contract</u>.

Mr. McCollam reviewed the project history noting that SPP issued the Notice to Construct in May of 2020 and the Board approved the project with a budgeted cost of $57.4 million in June 2020. The project consists of a substation addition at Neset, the Neset to Northshore transmission line, and a new substation at Northshore.

In terms of this construction contract, work would begin next spring and the line is scheduled to be energized by October 2022. Mr. McCollam went over the various bids for the Work and pointed out that the low bid was submitted by FB Timberline. He recommended that the Board adopt a resolution awarding the construction contract to FB Timberline.

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

R04.11-08-2021 **RESOLVED**, that the Neset to Northshore transmission line construction contract presented to this meeting of the Board of Directors be awarded to FB Timberline in the amount of $7,737,100; and

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

11. <u>Kathleen Neset</u>.

Kathleen Neset of Neset Consulting provided an update to the Board on oil and gas development in the Bakken, where it is now and where she thinks it is going. She said they are busy, but not necessarily busy drilling. She reminded the Board that the United States remains the world's largest oil producer, ahead of both Russia and Saudi Arabia thanks to the shale oil wells that go down 10,000 feet and then go laterally 10,000 feet in several directions. She said there are 19 oil bearing zones in the Bakken. She pointed out that there are salt zones approximately 6,000-8,000 feet down and exploratory work is being performed to determine if these zones could be used for salt cavern development. She said in North Dakota, salt water caverns would be made and not found.

She talked about the carbon dioxide storage potential in North Dakota, how ideal the geology is in the Bakken for this type of storage, and the discussions taking place to connect a series of ethanol plants in Iowa, Illinois, Minnesota, and Nebraska by pipeline to dispose of their CO_2 in the Bakken. She described in detail the five layers of protection used in a Class VI well to protect the potable water zone.

She said that she too was excited about the potential hydrogen conversion of the Great Plains Synfuels Plant proposed by Bakken Energy and agrees that hydrogen is the fuel of the future. She also described the difference between "blue" hydrogen (made from natural gas) and "green" hydrogen (made from renewables or carbon free energy).

12. Member Services & Administration.

Senior Vice President Member Services & Administration Chris Baumgartner updated the Board on preparations for the 2021 Basin Electric Annual Meeting of the Membership. He said there were currently 776 people registered for the annual meeting, including 64 people who plan to attend online. He compared that to attendance from 2017 to 2020, noting this would be an increase over the 2019 attendance. As to the Day Two, Members Only Meeting, he said that currently there are 409 people registered, not including Basin Electric employees. This shows strong interest by the membership.

13. Recess and Reconvention.

At 4:10 p.m. CST, Chairman Peltier recessed the meeting. The meeting was called back to order on Tuesday, November 9, 2021, at 7:57 a.m. CST with Chairman Peltier continuing to preside and Secretary/Treasurer Gilbert continuing to keep the minutes thereof.

After calling the roll, the Secretary reported the following Directors present in person:

Paul Baker	Kermit Pearson
Leo Brekel	Wayne Peltier
Charles H. Gilbert	Troy Presser
Daniel Gliko, Jr.	Allen Thiessen
Mike McQuistion	David Meschke
	Thomas Wagner

Said persons being all of the Directors of the Cooperative. Also present in person were CEO & General Manager Todd E. Telesz, former CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, Basin Electric staff members Chris Baumgartner, Kelly Bergquist, Tracie Bettenhausen, Andy Buntrock, Tom Christensen, Tammy DeWitt, Dan Gallagher, Darla Jensen, Steve Johnson, Becky Kern, Jon Klein, Dale Niezwaag, Dave Raatz, Susan Sorenson, Troy Tweeten, Katrina Wald, Sheila Wald, Shelly Wanek, and Val Weigel, DGC Vice President Dale Johnson, and DGC staff member Trinity Turnbow. Also present were Corn Belt director Jerry Beck and Sheridan Electric Cooperative, Inc. manager Scott Westlund.

14. **Finance Report**.

A. **Economic Update**.

Senior Financial Analyst Kelly Bergquist gave the economic update. She reported that the Federal Open Market Committee (**FMOC**) had begun its "tapering" by reducing its $120 billion/month of Treasury purchases by $15 billion a month with the plan to slowly and methodically continue to reduce those purchases over time meanwhile keeping the Fed funds rate in a target of 0-25 basis points. Thus, the FMOC plans to keep the low interest rates for longer.

Meanwhile, Treasuries have been steadily climbing during 2021, but uncertainty remains given inflation fears, COVID variants, and how the FMOC will respond to any improvement in the labor market. While the economy added 531,000 jobs during the prior month and the unemployment rate dropped to 4.6%, there were 4.3 million people that left their jobs in August, an all-time high. This phenomenon is being variously called the "Great Resignation" or the "Big Quit". There are varying theories as to why this is happening and who is quitting.

B. **Financing Update**.

Ms. Berquist stated that Finance continues to execute its financing plan for 2021 and beyond. It started with the renewal/extension of DGC's $100 million line of credit with the RBC Royal Bank and continued with the closing of the twelve bank syndicated $500 million line of credit for Basin Electric that was recently renewed. Two banks dropped out of this transaction: Bank of West (which is owned by the French bank BNP Paribas) and Key Bank (which has decided to exit the cooperative utility business). The plan is to close the long-term private placement in February 2022, go to the long-term public market in May of 2022, and thereafter, renew the Cooperative's other $500 million revolving line of credit as well as the National Rural Utilities Cooperative Finance Corporation $130 million revolver.

Ms. Berquist reviewed the 2021 private placement plan and Senior Vice President & CFO Steve Johnson reviewed the private placement allocations and pricing. The allocations were for $167 million of 20 year first mortgage notes, $61 million of 30 year notes, and $72 million of forty year notes at credit spreads of 120 basis points, 135 basis points, and 155 basis points, respectively. Both CoBank and Voya had planned to participate, but dropped out as they were hoping for wider credit spreads. Meanwhile, Finance continues to watch Treasury rates closely to see if it can lock in favorable rates on the $100 million portion of the 2022 public issuance that has not been hedged.

C. **Capital Credit Retirement**.

Mr. Johnson told the Board that the staff is recommending that the Board authorize the retirement in December 2021 of the remaining portion of the 2004 capital credits in the amount of $34,504,693.62. This number is slightly greater than the annual target of paying out 1/30th the of the capital credits available for retirement (approximately $1.03 billion).

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

R05.11-08-2021 **RESOLVED**, that the retirement of patronage capital credits in the amount of $34,504,693.62 associated with year 2004 business be authorized and approved in accordance with the provisions of the Cooperative's Bylaws.

D. Draft 2022 Operating & Capital Budgets.

Manager of Financial Reporting and Planning Darla Jensen presented the draft 2022 operating and capital budgets. She started by outlining the variances from the Financial Forecast pointing out that the higher projected natural gas prices results in an anticipated shift in the amount of generation expected at Basin Electric's coal-fired power plants. In addition, as our wind resources age, they are generating less. The budgeted margin is $70 million. She reviewed the $210.3 million of 2022 capital commitments noting that budgeted 2022 capital project cash flow is $105.4 million.

She then reviewed the consolidated operating and capital budget numbers and told the Board she would be back in December asking for approval.

15. MREA Meetings: Delegate and Alternate.

There was a motion that was seconded and carried to appoint Dave Meschke and Wayne Peltier as Basin Electric's Delegate and Alternate, respectively, to the Minnesota Rural Electric Association meetings.

16. SDREA Board Director.

There was a motion that was seconded and carried to name Kermit Pearson and Mike McQuistion as the Basin Electric director and alternate, respectively, to the SDREA board of directors.

17. Directors Reports.

Director McQuistion reported that Rushmore Electric Power Cooperative has announced that Kory Hammerbek will replace the retiring Vic Simmons as general manager. Director Thiessen said that the search continues for a manager at Upper Missouri G&T Electric Cooperative, Inc. Director Gilbert noted that this was his last meeting as a Director. He thanked the Board and told them to carry on their good work.

18. Executive Session.

At 9:02 a.m. CST, there was a motion that was seconded and carried to go into executive session to discuss the presentations in the Day Two, Members Only Meeting, former employees and directors giving depositions in Cooperative related litigation and FERC proceedings, and the Tri-State modified CTP methodology and its effect on Basin Electric's all requirements WPC with Tri-State for the Tri-State loads in the Eastern Interconnection.

At 11:15 a.m. CST, the Board of Directors arose from their executive session.

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

Chairman Peltier noted that the next meeting of the Board of Directors would begin on Tuesday, December 14, 2021, at the headquarters building in Bismarck, North Dakota.

20. **Adjournment**.

At 11:16 a.m. CST, Director Peltier made a motion to adjourn the meeting that was seconded and carried.

Paul Baker
Secretary-Treasurer