

**BASIN ELECTRIC POWER COOPERATIVE
BISMARCK, NORTH DAKOTA**

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
June 11-12, 2019**

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**Basin Electric Power Cooperative
Bismarck, North Dakota**

**Minutes of the Regular Meeting of the Board of Directors
June 11-12, 2019**

The regular meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, beginning at 1:45 p.m. CDT on Tuesday, June 11, 2019.

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

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, Basin Electric staff members Chris Baumgartner, Andy Buntrock, Eric Carufel, Tom Christensen, Kelly Cosby, Tammy DeWitt, John Jacobs, Steve Johnson, Tammy Langerud, Becky Kern, Gavin McCollum, Dale Niezwaag, Diane Paul, Mike Paul, Dave Raatz, Susan Sorensen, Val Weigel, and Sheila Wald, Dakota Gasification Company (**DGC**) director Alan Klein, DGC Vice President David Sauer and DGC staff members Dale Johnson and Trinity Turnbow. Also present were East River Electric Power Cooperative, Inc. (**East River**) director Ervin Fink and Prairie Energy Cooperative (**Prairie Energy**) manager Tim Marienau.

3. Approval of the Agenda.

The Directors considered the agenda for the conduct of the business of the meeting. Chairman Peltier noted that the meeting would break for the Board Committee meetings, reconvene for the Board Committee meeting reports, and then break for the subsidiary board meetings. He said the Board of Directors would go into executive session at the end of the meeting to discuss labor matters.

4. Approval of the Minutes.

The minutes of the May 14 & 15, 2019, Regular Meeting of the Board of Directors were presented. After an opportunity for corrections, a motion was made, seconded, and carried to approve the minutes as presented.

5. Recess and Reconvention.

At 1:48 p.m. CDT, Chairman Peltier recessed the meeting for the Board Committee meetings. The meeting reconvened at 8:00 a.m. CDT on Wednesday, June 12, 2019, with Chairman Peltier continuing to preside and Secretary/Treasurer Gilbert continuing to keep the minutes with the following Directors present:

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

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, Basin Electric staff members Chris Baumgartner, Nichole Braunberger, Derik Bucholtz, Eric Carufel, Tom Christensen, Tammy DeWitt, Lenora Dockter, Ryan Drevlow, Pius Fischer, Dan Gallagher, Tyler Hamman, John Jacobs, Derek Johnson, Mark Johnson, Steve Johnson, Kerry Kaseman, Becky Kern, Jon Klein, Matthew Kolling, Tammy Langerud, Gavin McCollum Sally Meier, Kim Miller, Dale Niezwaag, Diane Paul, Mike Paul, Dave Raatz, Jean Schafer, Jeremy Severson, Susan Sorensen, Tom Stalcup, Katrina Wald, Sheila Wald, Val Weigel, and Melinda Wenninger, DGC director Alan Klein, DGC Vice President Dave Sauer, and DGC staff member Dale Johnson. Also present were East River director Ervin Fink and Prairie Energy manager Tim Marienau.

6. Board Committee Reports.

Director Gilbert gave the Finance Committee report. Shawn Diesz provided the committee with background information on financial elimination accounting entries and how these entries eliminated the duplication of DGC's 2018 write off. Troy Skelton spoke to the committee about cyber security. He noted that 90% of the breaches of computer systems are through email and that the average breach lasts 191 days. Mr. Skelton talked about the recent cyber security architecture review by the Federal Energy Regulatory Commission (**FERC**). The committee also received an update on the activities of the Process Assessment Team and that team's efforts to make the Cooperative's workforce approach their work in a more collaborative manner. Mark Thompson updated the committee on efforts at Information Services & Telecom. The Cooperative is in the process of migrating to Windows 10, with 400 upgrades done and 1,900 to go. Finally, the committee reviewed the history of deferrals at Basin Electric. Mr. Sukut pointed out that to date, none of the revenues that Basin Electric has deferred have been member revenues.

Director Gliko reported on the Operations Committee meeting. Dale Johnson provided the committee an update on fertilizer operations. The new dust suppression system successfully passed a 6,000 ton test following installation. Both the anhydrous ammonia (97%) and urea (93%) facilities had good availability rates for the month. Mr. Gliko informed the Board that the committee was recommending Board approval of the two transmission infrastructure upgrades as well as phase 3 of the Laramie River Station (**LRS**) coal wash down system. Dale Johnson updated the committee on the work being performed by the Energy & Environmental Research Center at the University of North Dakota on bio-gasification, a marketing study to evaluate the market for argon, and the

results of the Company's research into selling the carbon dioxide produced by the ammonia plant as food grade carbon dioxide.

Director Wagner provided a report on the Marketing and Planning Committee meeting. Dan Gallagher updated the committee on the fertilizer marketing strategy. Mr. Gallagher also talked about the struggles that CITGO (DGC's sole naphtha customer) has had at their refinery. Unfortunately, almost all other refineries no longer accept coal based liquid fuels. He added that the Company will soon be selling directly to CITCO as opposed to going through a broker. He also discussed plans to have a pilot plant installed to strip the sulfur compounds out of the naphtha. Becky Kern talked to the committee concerning the NextEra repowering proposal for the Wilton 2, Day County, and Baldwin wind projects. The committee voted to recommend to the full Board of Directors approval of these NextEra repowering contract amendments. Ms. Kern then talked about a proposal received from NextEra Energy Marketing for capacity in the Midwest Independent System Operator (**MISO**). The committee agreed with the staff recommendation to rely on the MISO annual capacity auction in lieu of buying this capacity

7. **Recess and Reconvention.**

At 8:25 a.m. CDT, Chairman Peltier recessed the meeting for the subsidiary board meetings and at 10:45 a.m. CDT, he called the meeting back to order. He continued to preside and Secretary/Treasurer Gilbert continued to take the minutes.

8. **Office of General Counsel.**

A. **Legal Report.**

General Counsel Foss asked Mr. Sukut to review a conversation he had earlier in the week with Tri-State Generation & Transmission Association, Inc. (**Tri-State**) General Manager Duane Highly concerning Tri-State's review of becoming subject to FERC regulation. By way of background, the Cooperative looked at this issue in 2015 with the buy-out from the Rural Utilities Service (**RUS**). At that time, Basin Electric received an opinion that the RUS buy-out would not subject the Cooperative to FERC regulation so long as Basin Electric's distribution members were either RUS borrowers or sold less than 4 million MWH at retail.

Tri-State is dealing with two state public utility commissions (Colorado and New Mexico) both of whom want to regulate Tri-State. In addition, the Colorado commission has asserted that it has jurisdiction in a contract dispute between Tri-State and one of its members. The Colorado commission takes the position it has the authority to set the buy-out number for this member to buy out of its contract with Tri-State. Tri-State believes that being subject to FERC jurisdiction would, at the very least, result in one rate to its membership. To accomplish this, Tri-State is considering adding a member that sells more than 4 million MWH at retail. As this member would also be a distribution member/owner of Basin Electric, this step would likewise cause Basin Electric to be subject to FERC regulation.

Subsequent to discussions with Tri-State, a review of our member sales levels revealed that Basin Electric has at least one Class C member, McKenzie Electric Cooperative (**McKenzie**), who may have more than 4 million MWH of retail sales as early as yet this year. Staff will study this matter further and report back to the Board of Directors what, if any, options there may be.

As to the Joint Defense Agreement (**JDA**), Dakota Energy Cooperative (**Dakota**) recently posted a picture on the Dakota's Facebook page of Guzman Energy representatives visiting Dakota's headquarters. Dakota has also requested a transmission rate from East River and other related information. As a result, Basin Electric and East River will work together and East River will ask its members (excluding Dakota and Meeker Cooperative Light & Power Association) to sign the JDA and join in the efforts to protect the interests of the membership.

Mr. Foss said that the Cooperative now has 42% (needing at least 50%) of the required consents to survey for new easements on the Lake Traverse and Crow Creek Indian Reservations.

B. Government Relations.

Vice President of Government Relations Dale Niezwaag gave the Government Relations report. Mr. Niezwaag reported that no substantive energy policy legislation passed in Minnesota and their legislative session is now over. He reported the University of Wyoming will begin offering a class on cooperatives. He mentioned a group of South Dakota legislators toured the headquarters building trading floor, the Antelope Valley Station (**AVS**), the Great Plains Synfuels Plant, and the Freedom Mine. He presented a video of the legislators' comments following their tour.

On the federal front, while we were all led to believe that with the expiration of Production Tax Credits (**PTC**) we would see the end of the massive tax payer subsidies for solar and wind energy, legislation has been introduced by Senators Klobuchar (D-MN) and Wyden (D-OR) that would replace PTC's with tax credits for what is referred to as "Clean Energy". Meanwhile, there is a bipartisan group in the House of Representatives working on a fix to Internal Revenue Code Section 48A. Finally, the leading Democratic presidential candidate, former Vice President Joe Biden, has released his plan for a Clean Energy Revolution and Environmental Justice. This plan calls for net-zero emissions by 2050, new fuel economy standards that would require all new light and medium duty vehicles to be electric, accelerated deployment of carbon capture, and a determination of the future of nuclear energy.

9. Operations Report.

A. Operations.

Senior Vice President Operations John Jacobs reported that Operations had one medical treatment and no Days Away, Restricted or Transferred (**DART**) incidents in May. Year-to-date, there have been six DART incidents. He reported that with the exception of Laramie River Station (**LRS**) Unit No. 1, all of the turnarounds at the solid fuel plants were now completed. With respect to LRS Unit No. 1, the unit remains on schedule to come back online on June 20, 2019, at which time the selective catalytic reduction (**SCR**) unit will be commissioned.

For the month of May, generation at the solid fuel plants was (13.3%) below budget, at the oil and gas plants was 233.2% above budget, and for wind was (25%) below budget. For the month, fleet generation was (4.6%) below budget. In terms of expenses, he said that while May's generation expenses were (0.36%) below budget, it is important to remember that three units were in major outage. Year-to-date generation expenses are (1.57%) below budget.

He then reviewed the year-to-date operating statistics for the distributed generation units noting that in many cases the units have already almost reached their budgeted

generation for the year. He talked briefly about the Cooperative's claim against General Electric (GE) relating to the damage sustained by Lonesome Creek Station Unit No. 3 as a result of what appears to have been a washer that got sucked through the turbine. If not resolved, it is likely the Cooperative's insurer will file a lawsuit against GE.

Mr. Jacobs described the issues with and showed pictures of the generator flex connectors at AVS and the stack reliner project at AVS Unit No. 1.

B. DFS Update.

Dry Fork Station (DFS) plant manager Tom Stalcup informed the Board that DFS was now at full load. He reviewed the DFS safety statistics noting that there were 428 people on the plant site on April 16, 2019, 28 at the CarbonSAFE II Test Well drill site and 400 working on the DFS major outage. He stressed the importance of reporting near misses as that provides opportunities to make improvements.

In terms of plant performance, the plant did not operate in May and the year-to-date numbers are below budget because DFS was derated from 45 to 85 net MW since January due to the SCR pluggage. On the environmental front, the plant has achieved 100% compliance year to date for SO₂, NO_x, CO and Hg. Mr. Stalcup provided an overview of the work performed during the DFS major outage including replacing 16,512 bags in the bag house. These bags lasted 6 years as opposed to their 3 year expected useful life. Mr. Stalcup believes that we may be able to get as many as nine years out of the new set of bags. He said that a lot of wear was discovered in the boiler, where 184 tubes were replaced. He noted that the outage needed to be extended because it was discovered that the casing for the high pressure turbine was out of round. The estimated final cost of the major outage was \$14,791,814, a little more than \$1 million over the budget. These additional monies were the result of the additional work on the boiler tubes and shields. He showed a number of pictures of the turnaround work.

10. Risk Management Report.

Manager of Community Risk Kerry Kaseman noted the Risk Management Report was in BoardPaq. Mr. Kaseman clarified that due to an erroneous calculation DGC's average natural gas hedge price for 2020 is \$2.04/MMBtu instead of \$4.61/MMBtu as presented to the DGC Board of Directors.

11. Asset Management, Resource Planning & Rates Report.

A. General Report.

Senior Vice President Asset Management, Resource Planning & Rates Dave Raatz updated the Board of Directors on the responses to the request for proposals (RFP) for firm power and the June 5, 2019, Class A member meeting. Mr. Raatz stated that three marketing organizations will be responding to the RFP. He reviewed the agenda from the June 5 Class A District meeting. There was lots of support for the proposal to purchase the output of the Siouxland Energy Cooperative's (Siouxland) cogeneration, however, we have since learned there are complications under the California Air Resources Board rules. Evidently, to claim the credit, Basin Electric cannot buy the energy and sell it back to Siouxland. Staff also discussed with the managers everything that is involved in servicing firm load and began a discussion about the 2020 rate schedule.

With respect to rates, the consensus of the managers is to begin walking down rates starting in 2020. The managers support a member owned trial battery rate schedule. They also requested that Basin Electric extend the load incentive rate another year (through 2023) despite the fact that Basin Electric to date has not received any applications for this rate.

Mr. Raatz also mentioned that the North Dakota Public Service Commission had voted 3-0 to deny NextEra a siting permit for the Burke Wind Project. That project was scheduled to go commercial by December 31, 2019, and there is a penalty for failing to meet that date. NextEra will likely have other projects they will want to talk to us about if they are unable to build at Burke. NextEra has told Mr. Raatz they have not decided whether to petition for reconsideration.

B. Bakken Load Forecast.

Mr. Raatz noted that the state of North Dakota hired Barr Engineering to perform a twenty year load forecast for the Bakken. The Barr study predicts a twenty year consensus load growth rate of 2.35% per year and a low growth rate of 1.7% per year. The Basin Electric 2019 load forecast projects the Bakken load to grow at an annual rate of 1.97%. That said, as of May 2019, both McKenzie and Mountrail-Williams Electric Cooperative have exceeded their 2019 forecast. As there are transmission constraints in the Williston load pocket because the Round-Up to Kummer Ridge 345 kV transmission line has not been constructed (as the SPP turned down the project based upon the old load forecast). Mr. Raatz discussed other alternatives to help serve this load in the interim. Jeremy Severson talked about SPP's Integrated Planning Process and noted that to have this process move faster through the SPP, their High Priority Incremental Load Service process requires SPP board of director approval.

C. MISO Capacity Purchase.

Director Long-Term Utility Planning Becky Kern showed the Board of Directors a graph illustrating the Cooperative's future load obligations in MISO. She also reviewed an excerpt from the Cooperative's Power Supply Strategy Statement addressing the obligation to acquire capacity. The statement calls for securing capacity to cover both expected and some level of unanticipated load growth five years in advance. She compared the proposal the Cooperative received from NextEra Energy Marketing to relying on the MISO capacity auction for a five year period. The MISO capacity auction process provides that if the annual auction does not have sufficient capacity to meet resource adequacy, the price will settle at that year's Cost of New Entry (**CONE**) which is based upon the cost of building a new resource. The auction option would allow the Cooperative to take advantage of lower capacity prices and leaves other options on the table. Director Wagner mentioned that the Marketing & Planning Committee agreed with the staff recommendation and supported participation in the annual capacity auction for this relatively small block of capacity in MISO.

D. NextEra Repowering.

Ms. Kern relayed the history of the NextEra wind repowering proposals. At the direction of the Board of Directors, staff has negotiated amendments to the contracts for the Wilton II, Day County, and Baldwin projects. She walked through the two options NextEra had offered and recommended the shorter options for these three projects. With these amendments in place, the Cooperatives weighted average cost of wind should be about \$.50/mwh lower. Director Gliko stated that the Marketing and Planning Committee had recommended these three repowering amendments.

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

R01.06-12-19 RESOLVED, that the CEO/General Manager or his designee is hereby authorized to execute the necessary amendments and agreements, under final terms and conditions acceptable to him, to facilitate the repowering of the following NextEra wind projects: Day County Wind Project, Baldwin Wind Project and Wilton II Wind Project.

E. Load Forecast Work Plan.

Ms. Kern said that the staff are starting to work on the 2020 Load Forecast. The 2020 Load Forecast will then be incorporated into our Financial Planning, Rate Analysis, Transmission Planning, and Resource Development. She outlined the timeline to perform the study and noted that RUS borrowers must perform their load forecasts in accordance with the RUS Guidelines which call for a Load Forecast Work Plan.

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

R02.06-12-19 RESOLVED, that the 2020 Load Forecast Work Plan is hereby approved; and
BE IT FURTHER RESOLVED, that the CEO and General Manger or his Designee is hereby authorized to execute any necessary documentation.

F. RMRG Transition to NWPP.

Director Short-Term Trading & Financial Analysis Val Weigel explained that utilities in bilateral markets join reserve groups to hold contingencies for the loss of generation. In the west, Basin Electric has belonged to the Rocky Mountain Reserve Group (**RMRG**). Each participant has a reserve obligation based upon the capacity of the single largest contingency, the utilities peak demand and the participant's largest hazard. Presently, Basin Electric's reserve obligation within the RMRG is 50 MW.

Given the sizable build-out of wind in the RMRG, there are concerns that the Cooperative's reserve could increase by 1.5x to 70MW. To avoid this problem, parties are looking to have the RMRG members join the Northwest Power Pool (**NWPP**), which is a much larger organization. Basin Electric estimates that Basin Electric would be required to carry only 38MW of reserves in the NWPP. The current time frame calls for joining NWPP by August 1, 2019.

G. Marketing Update.

Ms. Weigel provided the short-term marketing update. In SPP, the monthly average day ahead load zone price was \$22.44 compared to \$25.38 in May of 2018 (which was one of the warmest Mays on record). Day ahead prices in the load zone for the month averaged \$22.44 compared to the average real time price of \$20.90. The market cost to serve load for the month was (\$23.02) which was offset by generation margins of \$4.33 resulting in a net cost to serve load of (\$18.69). The average daily Ventura gas price for the month was \$2.26 compared to an average Bakken price of \$2.01. The Ventura first of the month price was \$2.17. In terms of economic position in SPP for May, the Cooperative had a (16.8%) open position on -peak and a (25.6%) open position in the off peak. In MISO, the monthly day ahead price was \$19.43 compared to \$26.27 in May 2018. The Cooperative maintained a relatively consistent long economic position in MISO for the month.

Ms. Weigel then provided an update on the 2019 Annual Congestion Auction in SPP.

As to forward pricing, both the west and east coasts are expected to have warmer than average temperatures over the balance of the summer. She reviewed the Basin Electric forward natural gas burn noting that Basin Electric projected July natural gas burn is approaching the quantity of gas DGC currently produces and sells.

12. Transmission Engineering & Construction Report.

A. SPP Report.

Senior Vice President Transmission Engineering & Construction Tom Christensen reported that Pius Fischer and Jeremy Severson went down to SPP to justify SPP's accelerated consideration of the Round Up to Kummer Ridge 345 kV line and did a good job. He acknowledged that we are playing catch up. He talked about the recommendations made by the SPP Holistic Integrated Tariff Team which will now go to the SPP board of directors for a vote. He reviewed the efforts by the Cooperative and other utilities in SPP to reverse the ruling by FERC disallowing exit fees.

B. West Side Activities.

Mr. Christensen talked about the prior efforts of the Mountain West Transmission Group to establish a market on the West. After that effort fell apart when the Public Service of Colorado (**PSCo**) backed out, the first efforts in terms of a reboot was the proposal to have SPP provide reliability coordination services in the West.

The latest bump in the road is the recent legislation in Colorado directing the state Public Utilities Commission (**PUC**) to investigate having Colorado utilities (subject to their jurisdiction) participate in energy imbalance markets, regional transmission organizations (**RTO**), power pools, or joint tariffs. While this is generally good news, the timeline is a step backwards as the legislation directs the PUC to begin the investigation by January 2020, hold public hearings by July 1, 2021, issue a decision by December 1, 2021, and if the PUC determines such participation is in the public interest, direct appropriate action by July 1, 2022. Mr. Christensen outlined several alternative courses of action including an SPP energy imbalance market with a December 1, 2020, go live date or a full RTO. These options are based on the assumptions that the PSCo will not be in a position to join an energy imbalance market any time soon and that the California Independent System Operator will continue to attempt to grow to the east. The Board of Directors indicated they favor moving forward with an SPP energy imbalance market in the west with Basin Electric, Tri-State, and the Western Area Power Administration, with the ultimate goal being the establishment of an SPP West RTO.

C. Large Capital Projects.

Vice President of Engineering & Construction Gavin McCollum pointed out that the Menoken TSM Shop and the LRS selective non-catalytic conversion reduction project have both come off the large capital project list. He then reviewed the remaining projects on the list. The Leland Olds Station Bottom Ash Dewatering/Pond Closure/Coal Pond Expansion Project is scheduled to be complete by this November. The approved project budget is \$81.6 million and the forecasted cost at completion is \$73.7 million. The LRS Unit No. 1 SCR project is scheduled to be completed this December. The approved budget is \$337.1 million and the forecasted cost at completion is \$201 million. The Crocker Wind Switchyard is also scheduled to be completed this December at a

forecasted cost at completion of \$16 million compared to the approved budget of \$18.7 million.

D. Stegall 230kV Equipment Upgrades & Stegall 345 kV Tie line Relay Upgrade Project.

Mr. McCollum stated that the scope of this project includes power circuit breakers, disconnect switches, potential transformers, and relaying upgrades. The estimated cost of the project is \$3.7 million (\$1.56 million Basin Electric cost). The engineering will be done in-house as will the construction management. He recommended approval of the project.

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

R03.06-12-19 RESOLVED, that the Stegall 230 kV Equipment Upgrades & Stegall 345kV Tie Line Relays Project presented to this meeting of the Board of Directors with an estimated cost of \$3.7MM (\$1.56MM Basin Electric cost) is approved; and

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

E. LRS 230kV Substation Equipment Upgrade Project.

Mr. McCollum pointed out that the scope of this project includes disconnect switches, potential transformers, surge arrestors, relay upgrades, control building upgrades, and station service switchgear. The estimated cost of the project is \$4.9 million (\$2.1 million Basin Electric cost). He recommended approval of the project.

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

R04.06-12-19 RESOVLED, that the Laramie River Station 230kV Substation Equipment Upgrade Project presented to this meeting of the Board of Directors with an estimated cost of \$4.9 MM (\$2.1 MM Basin Electric cost) is approved; and

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

F. Phase 3 LRS Fixed Wash Down System Project.

Mr. McCollum explained that this was the third and final phase of the wash down system that will provide the dust control mandated by the Office of Safety and Health Administration. The project involves the design and installation of a fixed wash down system for conveyor tubes 5, 6, 7, and 8, the scraper loadout, and below the coal silos. The project has an estimated cost of \$5 million (\$2.1 million Basin Electric share). He recommended Board of Director approval of the project.

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

R05.06-12-19 RESOLVED, that the Phase 3 Laramie River Station Fixed Wash Down System Project presented to this meeting of the Board of Directors with an estimated cost of \$5MM (\$2.1MM Basin Electric cost) is approved; and

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

G. Phase 3 LRS Wash Down Project Contract Award.

Mr. McCollum pointed out that when Phase I was bid out, we had four bidders. The successful bidder was Automated Wash Down Systems, LLC (**AWS**) of Gillette, Wyoming. The next closest bidder was 25% higher. AWS was awarded the Phase II work based upon equivalent pricing and staff is recommending awarding the Phase III work to AWS based upon equivalent pricing and their work product on Phases 1 and 2. The contract amount is \$3.4 million (\$1.5 million Basin Electric share). He recommended Board of Director approval.

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

R06.06-12-19 RESOVLED, that the contract for the Phase 3 LRS Fixed Wash Down Equipment and Installation be awarded to Automated Wash Down Systems, LLC for \$3.4 million (\$1.5 million Basin Electric cost).

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

13. Member Services & Administration.

A. Communications.

Senior Vice President Member Services & Administration Chris Baumgartner inquired as to whether the Board wanted to continue the same annual meeting format with the second day members-only meeting. The consensus was to continue the format but to start the second day earlier so that attendees can get back on the road no later than noon. He reviewed the cost of the meeting over the past five years. He reviewed the support provided for member annual meetings, a key account master course, and the TSM/safety meetings.

B. SRS.

Mr. Baumgartner showed a map illustrating the locations of the cooperatives around the country that have contracted for the security and response services provided by the Cooperative. He has reached out to the members of Minnkota Power Cooperative and there appears to be interest from their Minnesota members in contracting for these services.

14. Human Resources.

Senior Vice President Human Resources Diane Paul updated the Board that currently Basin Electric and DGC have 1,848 employees. She noted that 92 employees have left the cooperative since the end of the Early Voluntary Separation Program. To date in 2019, we have had 12 retirements. She reviewed some of the open positions we have posted and the recruitment challenges we are facing, using summer temps to help fill the gaps. She talked about remodeling the medical services area at headquarters to enable the installation of an X-ray machine. Dr. Kaspari is now our medical review officer drug testing. She reviewed the new approach to the Our Power My Safety Program, provided information on the Cooperative's scholarship program, and noted that Casual for a Cause had raised \$14,500 for the Bismarck Cancer Center this summer. She also discussed Learning & Development's BE Leaders program and a new initiative, the Lunch 'n Learn monthly employee educational sessions.

15. **Financial Services.**

A. **Economic Update/Interest Rates.**

Senior Vice President & CFO Steve Johnson gave an economic update pointing out that June marked the ten year anniversary of the present economic expansion, which is a record. Gross Domestic Product for the first quarter grew at a rate of 3.1%. Going forward, the economy will have to deal with the country's changing demographics. At its peak in 1998-2000, the 16-64 years of age cohort expanded at a rate of 2.5 million people per year. Currently, it is increasing by 250,000 annually. In the United States, 15.4% of the population is 65 years old or older compared to the world average of 8.7%. The U.S. added 75,000 jobs in May compared to the consensus estimate of 175,000. While the unemployment rate is listed at 3.6%, 17.5% of those aged 25-54 are neither working nor looking for work. He pointed out the big drop in the U.S. Treasury Curve from a year ago. He said that the latest drop in the 10-year Treasury increases the odds that the Federal Reserve will cut the Fed Funds rate. Currently, the market has an 81% expectation of a July rate cut.

B. **Cyber Security.**

Mr. Johnson said that with the greater integration of supply chains, connectivity, and access to data, the vulnerabilities of government and business cyber systems has only increased. As the attackers become more sophisticated, defense lines need to be raised as well. In addition, the financial impact of individual events has reached into the billions of dollars. While the utility industry faces a "medium-high" cyber risk as the industry has the ability to recover the losses from a cyber event, utilities remain highly attractive targets.

C. **Fitch Short-Term Rating Review.**

As mentioned last month, Fitch Ratings, Inc. (**Fitch**) is establishing new criteria for short-term ratings and hopes to provide a more differentiated analytical view of short-term risks between issuers and plans to expand the number of long-term ratings that can correspond to more than one short-term rating from three to five. He reviewed Fitch's analytical conclusion regarding the Basin Electric F-1+ short-term rating and pointed out our short term ratings range from high of Fitch's F-1+ rating down to the P-2 rating we have with Moody's Investor Service.

D. **Accounting Report.**

Accounting Analyst III Melinda Wenninger gave the accounting report. For the month, the Cooperative had a net deficit of (\$13.9 million) compared to a budgeted net deficit of (\$8.6 million). April sales to members were \$119.1 million compared to a budget of \$118.2 million. May surplus sales were \$5.9 million compared to the \$9.4 budget. On the expense side, operating expenses in May were \$87 million, \$4.2 million more than the \$82.8 million budget primarily as a result of increased transmission wheeling expenses of \$4.6 million and \$2.9 million of additional fuel expenses. She reviewed the year-to-date average fuel costs at both the coal-fired and natural gas fired plants. Maintenance expenses were \$32.53 million, very close to the budget of \$32 million.

Year-to-date net income for the consolidated group stands at \$48.2 million.

16. Directors' Reports.

Director Meschke reported that Federated Rural Electric has a legislative meeting coming up and the Minnesota Rural Electric Cooperative Association will be involved. Director Brekel said with respect to the consideration of bylaw changes at Tri-State, the Bylaw Committee had their initial meeting which Dave Saggau of Great River Energy attended. Director Thiessen thanked Greg Wheeler for attending the Lower Yellowstone Rural Electric Cooperative annual meeting. Director Peltier thanked staff for their participation in the District 9 meeting.

17. Executive Session.

At 5:05 p.m. CDT there was a motion that was seconded and carried to go into executive session to discuss the labor contracts with Local #1593 and Local #532 of the International Brotherhood of Electrical Workers and the difference of opinion between Cooperative and Corn Belt Electric Cooperative (**Corn Belt**) with respect to certain billings under Corn Belt's contract rate of delivery contract. At 5:45 p.m. CDT the Board of Director's arose from executive session.

18. Approval of Labor Contracts.

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

R06.06-12-19 RESOLVED, that the Labor Agreement with the International Brotherhood of Electrical Workers Local #1593 is approved and that the officers of the Cooperative are authorized to execute the same for and on behalf of the Cooperative.

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

R07.06-12-19 RESOLVED, that the Labor agreement with the International Brotherhood of Electrical Workers Local #532 is approved and that the officers of the Cooperative are authorized to execute the same for and on behalf of the Cooperative.

21. Date and Place of Next Meeting.

Chairman Peltier noted that the next meeting of the Board of Directors would be held on Tuesday, July 9, 2019, at the Basin Electric headquarters building.

22. Adjournment.

At 5:47 p.m. CDT, there was a motion that was seconded and carried to adjourn the meeting.


Charles H. Gilbert
Secretary-Treasurer