

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

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
September 11 and 12, 2018**

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

**Minutes of the Regular Meeting of the Board of Directors
September 11-12, 2018**

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, on September 11, 2018, starting at 11:42 a.m. CDT.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Charles H. Gilbert, who 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 Dakota Gasification Company (**DGC**) Director Allen Klein, Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff member Chris Baumgartner.

3. Receipt of Resolutions

General Counsel Mark D. Foss noted that Corn Belt Power Cooperative (**Corn Belt**) had forwarded several resolutions that had been adopted by certain members of Corn Belt (copies of which are attached to these minutes). After an opportunity for discussion, a motion was made, seconded, and carried to acknowledge the Board of Directors' receipt of such resolutions.

4. Recess/Reconvention

At 11:43 a.m. CDT, there was a motion which was seconded and carried to retire into Executive Session to discuss personnel matters. At 12:00 noon, there was a motion that was seconded and carried to come out of executive session. At 12:00 Noon President Peltier recessed the meeting, until 12:51 p.m. CDT, at which time the meeting reconvened with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

5. 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
Allen Thiessen
Troy Presser

Wayne Peltier
Thomas Wagner

Said persons being all of the directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Tracie Bettenhausen, Dean Bray, Kurt Capouch, Joan Dietz, Dale Johnson, Tammy Langerud, John Jacobs, Steve Johnson, Diane Paul, Dave Raatz, Ken Rutter, Dave Sauer, and Sheila Wald. Also present were Steven Liebelt, and David Schramm of N-7 LLC, (N-7) and DGC Vice President Dave Sauer.

President Peltier lead the meeting with the Pledge of Allegiance to recognize the memorial of 911. There was a short discussion concerning Board Committee charters.

6. Recess for Board Committee Meetings/Reconvention

At 12:57 p.m. CDT, the meeting was recessed for Board Committee Meetings until 3:13 p.m. CDT, at which time the meeting reconvened with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

7. Roll Call

After calling the roll, the Secretary reported the following directors present:

Paul Baker
Charles H. Gilbert
Mike McQuiston
Kermit Pearson
Allen Thiessen

Leo Brekel
Daniel Gliko, Jr.
David Meschke
Wayne Peltier
Thomas Wagner

Said persons being all of the directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Tracie Bettenhausen, Kurt Capouch, Eric Carufel, Tammy DeWitt, Joan Dietz, Dale Johnson, Bryan Keller, Tammy Langerud, John Jacobs, Steve Johnson, Diane Paul, Dave Raatz, Ken Rutter, and Sheila Wald. Also present was DGC Vice President Dave Sauer.

8. Approval of the Agenda

The directors considered the agenda for the conduct of the business of the meeting. After an opportunity for the addition and deletion of items, a motion was made, seconded, and carried that the agenda be approved as modified.

9. Approval of the Minutes

The minutes of the August 14-15, 2018, Regular Meeting of the Board of Directors were presented. After an opportunity for corrections, a motion was made, seconded, and carried that the minutes be approved as presented.

10. Board Committee Reports

Marketing Committee

In the absence of Committee Chair Troy Presser, committee member Tom Wagner reported working on a committee name change. Work continues on the charter and next month the committee will review the proposed changes and make a recommendation to full board. The committee received an overview of many things the trading and risk management groups are doing. The committee discussed whether our hedging program should be looking to minimize losses or as an opportunity to increase revenue and margin. The committee also looked at the options available for the purchase of additional power and energy. He encourage Board Members to review the materials in the appendices in BoardPaq.

Operations Committee

Committee Chair Mike McQuiston reported on two committee recommendations, one on the Crocker Wind Farm Interconnect and the other on a contract to sell the Mandan Transmission System Maintenance (TSM) facility. The committee also heard an update on the acquisition of a replacement transformer to serve the Great Plains Synfuels Plant. Bids are currently pending. Three alternatives will be discussed next month.

Finance Committee

Committee Chair Leo Brekel reported RD Reimers gave the 2017 income tax review. Approval of these returns will go to the Audit Committee. We filed a preliminary return in March to maximize the refund associated with the phase out of the alternative minimum tax. The final return will be filed in September. Tiffany Zablone reviewed the risk assessment interview process. The contract calls for KPMG to give its final report in November. Mark Thompson reviewed cyber security. He reported that Basin Electric cyber security is up-to-date. Steve Johnson reported on the interest rate swaps and the need to post collateral. The committee reviewed its charter, will review the proposed changes next month, and will make a recommendation to the full Board of Directors at next month's Board of Directors meeting.

11. Recess and Reconvention

At 3:25 p.m. CDT, President Peltier recessed the meeting. On September 12, 2018, at 10:15 a.m. CDT, the meeting reconvened with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

12. Roll Call

After calling the roll, the Secretary reported the following directors present:

Paul Baker	Leo Brekel
Charles H. Gilbert	Daniel Gliko, Jr.
Alan Klein	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 Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff member Chris Baumgartner, Tracie Bettenhausen, Tammy DeWitt, Chad Edwards, John Jacobs, Steve Johnson, Kerry Kaseman, Bryan Keller, Becky Kern, Gavin McCollam, Steve Mittelsteadt, Mike Murray, Dale Niezwaag, Diane Paul, Dave Raatz, Ken Rutter, Dave Sauer, Jean Schafer, Sue

Sorenson, Tara Vesey, Sheila Wald, and Val Weigel. Also present was Rushmore Electric Power Cooperative (**Rushmore**) General Manager Vic Simmons, Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) Director Vernard Frederick, and Resolution Committee Members: Northwest Iowa Power Cooperative (**NIPCO**) Director Louis Reed, Members 1st Power Cooperative (**Members 1st**) Director Philip Habeck, L&O Power Cooperative (**L&O**)/Federated Rural Electric Association (**Federated**) Director David Hansen, and Upper Missouri Power Cooperative (**Upper Missouri**) Director David Sigloh.

13. CEO and General Manager's Report.

Mr. Sukut asked Joe Leingang to give the Western Fuels report.

A. Western Fuels Update

Joe Leingang, Fuels and Transportation Superintendent, gave an update on the Western Fuels Association (**WFA**), Western Fuels-Wyoming (**WF-W**), and Western Fuels Service Corp. annual & reorganizational meetings which were held in Bismarck in conjunction with the August 30 regular board meetings. The WFA board declined the proposal for enhanced board representation from the American Coalition for Clean Coal Electricity and WFA will remain a Tier 1 member. Employee Handbooks for both the WF-W and the Dry Fork Mine (**DFM**) are being updated. The Basin Electric and Tri-State Generation & Transmission Association, Inc. (**Tri-State**) human resources departments typically vet these changes. DFM reported that through July, the mine had gone 890 days without a Lost Time Accident and 220 days without a reportable injury.

14. Office of General Counsel Report

Senior Vice President and General Counsel Mark D. Foss reported that we had received minor comments from the Environmental Protection Agency (**EPA**) Headquarters on the Laramie River Station (**LRS**) Best Available Retrofit Technology settlement document, so we know that they were working on the Federal Register notice. The notice is expected to be published on October 5, 2018. On August 21, 2018, the D.C. Circuit Court of Appeals rescinded various portions of Obama Administration's coal combustion residuals rule. As concerns Basin Electric, the court remanded the provision that allowed unlined impoundments to continue to operate. We are assessing the impact at LRS. EPA has not established a timeline for compliance.

On August 21, EPA proposed the Affordable Clean Energy (**ACE**) plan, its revised emission guidelines to replace the Obama Administration's Clean Power Plan (**CPP**). EPA proposes to make a determination that heat rate improvement measures are the best system of emission reductions (**BSER**) for existing generating units (within the fence approach). EPA would determine the "most impactful" heat rate improvement (**HRI**) measures and issue a list of candidate technologies that constitute BSER. States would then conduct their own unit specific evaluations to determine applicability and technical feasibility of each BSER technology to specific units taking into account factors such as remaining useful life to determine how the standard should be employed. EPA also proposes to change the timing of submittals and review of State Implementation Plans (**SIP**) and Federal Implementation Plans. EPA recognized that compliance with a SIP under the ACE plan could require changes to a source that could trigger New Source Review (**NSR**) permitting requirements. EPA is proposing to allow states to add a new hourly emissions test to

the existing major NSR applicability process that states may elect to incorporate in determining if the improvement is a major modification under NSR. EPA intends that the NSR revision, if finalized, would be severable from the ACE plan for purposes of judicial review. In other words, if a court was to vacate the NSR revisions, the other provisions of ACE plan would not automatically be affected. Comments on the proposed ACE plan are due to EPA by October 30, 2018.

In a September 4, 2018, motion to D.C. Court of Appeals, the CPP intervenors have asked that court to lift its abeyance of the CPP appeal that has been in place for a year and a half. The coalition claims that the abeyance coupled with the Supreme Court's stay has allowed EPA to avoid its statutory duty under the Clean Air Act to regulate greenhouse gases from power plants. Their motion was filed days after EPA issued its ACE proposal to replace the CPP. The consortium notes that the ACE plan does not include any federal limits on greenhouse gases, but merely outlines efficiency projects states can consider for power plants within their borders. They also claim that easing NSR permitting threshold could result in increased CO₂ emissions. EPA has requested that the court continue its abeyance and told the court that it expects the ACE plan rule making process to be completed within the next five to six months.

A. Government Relations Report

Vice President of Government Relations Dale Niezwaag presented the Government Relations Report. The Wyoming Industrial Energy Consumers are pushing for choice/open access legislation in Wyoming based upon the Texas model. Basin Electric, Tri-State and Wyoming Rural Electric Association (**WREA**) have hired a consultant to counter the applicability of the Texas model in Wyoming.

Basin Electric along with Minnkota Power Cooperative and Great River Energy are opposing initiated Measure No. 1 in North Dakota. The measure attempts to set up an ethics commission in the state. The problem is not with the ethics commission but the way in which the measure is written. Among other things the language is placed in the state constitution and contains a supremacy clause that would trump anything in the existing state constitution.

At the request of the North Dakota's Lieutenant Governor, staff provided an update on Basin Electric and DGC.

15. Operations Report

Senior Vice President of Operations John W. Jacobs recognized Bryan Keller and Steve Mittelsteadt for their many years of service and wished them both the best on their upcoming retirement.

There were no Recordables or Days Away, Restrictions or Transferred (**DART**) during the month of August. With the Enhanced Voluntary Separation Plan (**EVSP**), the managers will be operating coal plants with 85 less people. Mr. Jacobs reviewed the running plant capacity factors, availability and forced outage rates and compared the operations to budget. Coal fired generation was 4.4 percent over budget for the month, the oil/gas plants were 1 percent under budget and wind generation was 14.4 percent below budget. For the month, the fleet's generation was 3.5 percent over budget. For the year-to-date, generation is 1.5 percent below budget. He noted that with the EVSP, dispatch services were moved to the Deer Creek Station (**DCS**). He

discussed the repair work for a tube leak at DCS and the stack demolition work at Leland Olds Station Unit No. 2.

A. TSM Land Sale - Action Item

Property and Right-of-Way Manager Mike Murray noted that the Cooperative is presently constructing a new TSM facility near Menoken, North Dakota. Basin Electric's current TSM facility is located off of Interstate 94 on the north end of Mandan, North Dakota. The Cooperative originally purchased this 7.34 acre parcel for approximately \$60,000 and made \$1.9 million of improvements since that time with a current depreciated balance of approximately \$200,000. The parcel was appraised in 2015 for \$1.5 million. While other parties expressed interest in acquiring the property, they either rescinded their interest, wanted us to donate the property to them, or lost interest. Mor-Gran-Sou has offered \$1.69 million to purchase the facility representing the 2015 appraised value escalated to 2018. Staff believes that it's a fair market value price and is requesting authority from the Board of Directors to sell the property to Mor-Gran-Sou for that price.

A motion was made, seconded, and carried to adopt the following resolution:

R01.09-12-18

WHEREAS, Basin Electric Power Cooperative is currently building a new Transmission System Maintenance (TSM) Facility near Menoken, North Dakota; and

WHEREAS, Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) desires to purchase Basin Electric's current Mandan TSM facility located in north Mandan, North Dakota which consists of 7.34 acres of land and a three building shop/office complex consisting of approximately 26,260-square feet of gross building area.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors hereby authorizes the sale of the Mandan TSM facility to Mor-Gran-Sou for the appraised price of one million six hundred and ninety thousand dollars (\$1,690,000); and

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes the CEO & General Manager or his designee to execute all necessary documents required to effectuate the sale.

B. AVS Plant Update

Antelope Valley Station (**AVS**) Plant Manager Chad Edwards reviewed the AVS safety record. As of August 18, 2018, AVS employees had worked 155 days without a DART case. The total case incident rate year-to-date is 3.26. AVS generation for August was 107 percent of budget. Year-to-date, generation is 101 percent of budget. He went over future AVS projects and showed a picture from the AVS/DGC/The Coteau Properties Company volunteer ditch cleaning project.

16. Risk Management Report

Manager of Commodity Risk Kerry Kaseman reviewed hedging items that were discussed in the DGC Board of Directors meeting. Information concerning the KPMG risk assessment will be reviewed with the Board in November.

17. Asset Management, Resource Planning & Rates Report

Senior Vice President of Asset Management, Resource Planning & Rates Dave Raatz discussed the Keystone XL Pipeline going through Montana and South Dakota. While it was previously thought that the Big Bend to Witten route would be a good transmission line option, the Western Area Power Administration (**Western**) preliminary transmission study identified three alternative options: a Static Var Compensator at Witten 115 kV, a Fort Randall to Witten 230 kV line, or a Lake Platte to Witten 230 kV line. Basin Electric sent a letter to the State Department declaring that the Big Bend to Witten transmission line was no longer a good alternative based on Western's study.

Discussion concerning gas generation continues with one of the major producers in the Bakken. Specifically under discussion is a 10 MW pilot generating facility that would utilize unprocessed natural gas as fuel and the generation output of which would be sold to Basin Electric. If the pilot plant demonstrates feasibility and reliability, this arrangement could be expanded.

A. Wind Economics Follow-up

Director of Utility Planning Becky Kern provided an update on wind project economics. She reviewed the phase out of production tax credits and showed an illustration of Basin Electric's wind portfolio and the weighted average cost of wind purchases power overtime. She discussed the current options the Cooperative has to purchase more wind energy. Val Weigel Director Short-term Trading and Finance Analysis discussed the potential effect purchasing more wind energy would have on the Basin Load Zone pricing in the Southwest Power Pool (**SPP**). She showed the average 2017 breakeven price of the Basin Electric wind resources with curtailments and compared that to what it would be if this wind capacity was added to this market. It was also noted that just because Basin Electric doesn't contract to purchase this wind energy doesn't mean the wind farm does not get built.

B. Short-Term Market Summary

Director of Short-Term Trading and Financial Analyst Valerie Weigel reported on the following matters:

August West Market Financial Highlights West operations were \$1.7 million favorable to budget with surplus sales totaling \$14.0 million versus the budget of \$6.7 million. The average sales price was \$40.73/MWh versus the budget of \$28.63/MWh

Strong market pricing led to surplus sales above budget. Higher surplus sales and higher loads led to increased generation.

August SPP Market Financial Highlights

SPP operations were (\$6.4 million) unfavorable to budget with the average surplus sales price of \$22.33/MWh versus the budget of \$34.66/MWh. The

average purchase price was \$23.33/MWh versus the budget of \$26.00/MWh. Above budget member energy loads led to higher than budget purchased power expense. Wind generation was below budget. Surplus sales volumes and prices were below budget.

Highlights of MISO August Market Results

Midwest Independent System Operator (MISO) operations were \$2.8 million favorable to budget. The average MISO surplus sales price was \$27.55/MWh versus the budget of \$30.90/MWh and the average purchase price was \$27.03/MWh versus the budget of \$38.07/MWh. Below budget market prices and generation outages/derates led to lower than budget contracted purchases.

18. Recess and Reconvention

At 12:10 p.m. CDT, the meeting was recessed for lunch until 1:00 p.m. CDT, at which time the meeting reconvened with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

19. 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
Allen Thiessen	Thomas Wagner

Said persons being all of the directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Eric Carufel, Tammy DeWitt, Joan Dietz, Pius Fischer, John Jacobs, Steve Johnson, Matt Kolling, Jason Krebsbach, Gavin McCollam, Lori Leier, Dale Niezwaag, Diane Paul, Dave Raatz, RD Reimers, Ken Rutter, Jeremy Severson, Tara Vesey, Amanda Wangler, Katrina Wald, Sheila Wald, and Valerie Weigel. Also present was Rushmore General Manager Vic Simmons, Mor-Gran-Sou Director Vernard Frederick, Resolution Committee Members NIPCO Director Louis Reed, Members 1st Director Philip Habeck, L&O /Federated Director David Hansen, and Upper Missouri Director David Sigloh. Also present was DGC Vice President Dave Sauer.

20. Asset Management, Resource Planning & Rates Report

Fall Outlook

Tara Vesey reported on the fall 2018 demand outlook. A mild fall is predicted in the Central Plains. She reviewed the fall wind forecast, the fall pricing expectations, the congestion outlook, gas prices, and member demand projections.

C. Heartland MBPP Asset Sale

Becky Kern reviewed the Board of Director's prior approval of a transaction pursuant to which the Cooperative's two participation power agreement (**PPAs**) with Heartland Consumers Power District (**Heartland**) would be cancelled and Heartland would sell its interest in the Missouri Basin Power Project (**MBPP**) to Tri-State. She reviewed the various agreements necessary to effect the transaction, including an extension of the term of the MBPP project agreement as well as the current status of these agreements. As Heartland's offer to terminate the PPA's was conditioned on the sale of its interest in MBPP, Heartland has requested that the Cooperative honor its original offer to purchase the Heartland interest in MBPP in the event the sale to Tri-State falls through. She noted that it was highly unlikely the sale to Tri-State would fall through and noted the more favorable Basin Electric economics if Tri-State purchases the Heartland interest in MBPP rather than Basin Electric.

After discussion, there was a motion, which was seconded and carried, to approve the following Resolution:

R02.09-12-18

BE IT RESOLVED, that the CEO & General Manager, or his designee, is hereby authorized to execute, on behalf of the Cooperative, one or more agreements and such other documents, instruments, and certificates as he may deem necessary to purchase the undivided interest in the Missouri Basin Power Project (**MBPP**) owned by Heartland Consumers Power District (**HCPD**) including any associated amendment to the Laramie River Station Electric Generating Station and Transmission System Participation Agreement, as amended, if the purchase by Tri-State Generation & Transmission Association, Inc. of HCPD's interest in MBPP is not consummated

21. Transmission, Engineering & Construction Report

Vice President of Engineering & Construction Gavin McCollam reported on the status of the Cooperative's large capital projects noting that the Menoken TSM Facility should come in just under \$30 million versus the \$38.8 million budget.

Senior Electrical Engineer Amanda Wangler provided an overview of the Menoken TSM Facility. Ms. Wangler presented drone footage from August 31 showing the new facility, a site overview, photographs, and renderings of the project. The schedule for this project was approved last year in July and construction on the project began in August 2017. There is a planned 18-month construction period and the contractor is predicting the project will be completed around Christmas. So the project is projected to be finished ahead of schedule and well under budget.

Vice President of Transmission Pius Fischer started out announcing that the agreements for the Patent Gate to Lonesome Creek Project with McKenzie Electric Cooperative were finally executed. The board originally approved these agreement in 2011. He then discussed the details and agreements with Mountrail Williams Electric Cooperative for the Judson to Williston line project.

A. Crocker Wind Interconnect

Mr. Fischer reviewed the history of the Crocker Wind interconnect project. The original Large Generator Interconnect Agreement was executed with the former Integrated System. Subsequently, Geronimo Energy put its request into suspension and recently took that request out of suspension. In the interim, Western and Basin Electric joined SPP. Under the proposed arrangement, Geronimo Energy would contract with Western for the transmission service and Western would contract with Basin Electric to build and own the interconnect switchyard at Crocker, South Dakota. Geronimo Energy would pre-fund construction of the project which is estimated to cost \$18.7 million.

After discussion, there was a motion, which was seconded and carried to approve the following Resolution:

R03.09-12-18

BE IT RESOLVED, that the Crocker Wind Interconnect switchyard project be approved in an amount not to exceed \$18.7MM pre-funded by the Interconnect Customer, and

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

22. Member Services & Administration Report

Senior Vice President of Member Services & Administration Chris Baumgartner noted that Mark P. Mills, Senior Fellow with the Manhattan Institute, would be the Annual Meeting speaker. A member manager's conference is scheduled for September 17. Currently 125 people are registered. An additional member meeting will be held in Great Falls on October 4.

After a brief discussion, there was a motion, which was seconded and carried to reaffirm Board Policy: 05. Director Compensation & Travel Policy.

There was a second motion which was seconded and carried to reaffirm Board Policy 06. General Safety & Health Policy.

23. Financial Services Report

Senior Vice President & CFO Steve Johnson reported that the rating agency trip would be December 4-6. Meetings will be held with Fitch Ratings, Inc., S&P Global Ratings, and Moody's Investor Services. A meeting with Goldman Sachs is still being considered since our last Goldman meeting occurred last fall.

Mr. Johnson discussed the National Rural Utilities Cooperative Finance Corporation (CFC) annual financial results. There was a 3 percent increase in loans to members. CFC has \$25.2 billion of total gross loans outstanding with no non-performing loans in its electric portfolio for the fifth consecutive year. Adjusted net income for the fiscal year was \$151 million. CFC has almost \$27 billion in total assets and liquidity of \$9.2 billion. Basin Electric has \$297 million of loans outstanding from CFC.

CoBank, ACB (CoBank) made an approximately \$96 million special retirement of patronage as result of tax reform legislation. The Basin Electric family received nearly \$600,000 of that amount.

24. Recess and Reconvention

At 3:00 p.m. CDT, the meeting was recessed for the Board Audit Committee Meeting until 3:10 p.m. CDT, at which time the meeting reconvened with President Peltier continuing to preside and Secretary-Treasurer Charles H. Gilbert continuing to keep the minutes.

25. 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
Allen Thiessen	Thomas Wagner

Said persons being all of the directors of the Cooperative. Also present were Chief Executive Officer and General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss, and Basin Electric staff members Chris Baumgartner, Tracie Bettenhausen, Eric Carufel, Tammy DeWitt, Joan Dietz, Pius Fischer, John Jacobs, Steve Johnson, Matt Kolling, Jason Krebsbach, Gavin McCollam, Lori Leier, Dale Niezwaag, Diane Paul, Dave Raatz, RD Reimers, Ken Rutter, Jeremy Severson, Tara Vesey, Amanda Wangler, Katrina Wald, Sheila Wald, and Valerie Weigel. Also present was Rushmore General Manager Vic Simmons, Mor-Gran-Sou Director Vernard Frederick, Resolution Committee Members NIPCO Director Louis Reed, Members 1st Director Philip Habeck, L&O /Federated Director David Hansen, and Upper Missouri Director David Sigloh. Also present was DGC Vice President Dave Sauer.

26. Financial Service Report (continued)

A. Accounting Report

Accounting Analyst III Melinda Weninger reported that the August 2018 Statement of Operations reflects a net income of \$36.1 million compared to the budgeted net income of \$28.6 million for a favorable variance of approximately \$7.5 million.

Estimated member revenue for August is \$143.8 million. Member sales were approximately \$3.5 million higher than budget. The \$3.5 million above budget includes July negative actualization of \$0.3 million. August sales were \$3.8 million more than originally forecasted. A positive volume variance of \$6.8 million (103k MWh) and a negative price variance of \$3.0 million is estimated.

Estimated surplus sales revenue for August is \$21.1 million compared to the budget of \$19.8 million. Surplus sales were approximately \$1.3 million higher than budget. The \$1.3 million above budget includes July positive actualization of \$1.3 million. August sales are estimated to be as originally forecasted. A positive volume variance of \$0.9 million and negative price variance of \$0.9 million is estimated. Westside volumes and prices were higher offset by lower SPP volumes and prices.

Operating costs were approximately \$1.6 million less than budget. Fuel expenses were \$1.0 million more than anticipated. Purchased power was

\$1.7 million more than budget due to lower generation partially offset by higher Transmission Congestion Rights and Annual Revenue Rights amounts.

27. Midwest Electric Consumers Association Annual Meeting - Delegate & Alternate

President Wayne Peltier asked for nominations for a delegate and alternate for the Midwest Electric Consumers Association Annual Meeting

After discussion, there was a motion, which was seconded and carried to name Leo Brekel as the delegate and Allen Thiessen as the alternate.

28. Representative on the Wyoming Rural Electric Association Board of Directors

President Wayne Peltier asked for nominations for the Cooperative's board seat on the WREA Board of Directors.

After discussion, there was a motion, which was seconded and carried to name Paul Baker as the board member.

29. Directors' Report

Director Pearson reported that East River had its annual meeting. Mike Risan received the Distinguished Service Award.

Director Baker reported that Members 1st held its annual meeting and appreciated Paul Sukut and Chris Baumgartner attending the meeting.

Director Pressor reported Central Power will be holding elections on September 25.

Director Gilbert reported Cornbelt held its annual meeting and thanked Paul Sukut, Steve Johnson, Chris Baumgartner and Wayne Peltier for attending the meeting. He noted he had been re-elected.

30. Executive Session

At 3:25 p.m. there was a motion which was seconded and carried to go into executive session to discuss union contracts and administrative salaries. At 4:35 p.m. there was a motion which was seconded and carried to come out of executive session.

There was a motion which was seconded and carried to adopt the following resolution.

R04.09-12-18

RESOLVED, that the Labor Agreement between Basin Electric Power Cooperative and the International Brotherhood of Electrical Workers Local 415 be approved; and

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

There was then a motion which was seconded and carried to adopt the following resolution

R05.09-12-18 RESOLVED that the Board of Directors adopts the salary recommendations presented by Human Resources.

31. **Date and Time of Next Board Meeting**

President Peltier reported that the next regularly scheduled meeting of the Board of Directors will begin on Tuesday, October 9, 2018, starting at approximately 8:00 a.m. CDT.

32. **Adjournment**

President Peltier adjourned the meeting at 4:43 p.m. CDT.



Charles H. Gilbert
Secretary-Treasurer