

## Expanded Summary of Board of Directors Meeting

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Dec. 15-17, 2020

Via Webex

1. There were no Basin Electric committees meeting this month.
2. Board reorganization and shareholder meetings were held on Dec. 15.
  - Basin Electric, Basin Cooperative Services
    - Wayne Peltier, president
    - Kermit Pearson, vice president
    - Charlie Gilbert, secretary-treasurer
    - Leo Brekel, assistant secretary
    - Non-director assistant secretary: Mark Foss, Basin Electric general counsel
    - Other directors: Paul Baker, Dan Gliko, Mike McQuiston, David Meschke, Troy Presser, Allen Thiessen, Thomas Wagner
  - Dakota Gas reorganization
    - Mike McQuiston, chairman
    - Thomas Wagner, vice chairman
    - Dan Gliko, treasurer
    - Non-director secretary: Mark Foss, Basin Electric general counsel
    - Other directors: Allen Thiessen, Leo Brekel, Charlie Gilbert, Kermit Pearson, Paul Baker, David Meschke, Troy Presser, Wayne Peltier
  - Dakota Coal/Montana Limestone reorganization
    - Troy Presser, chairman
    - Paul Baker, vice chairman
    - David Meschke, treasurer
    - Non-director secretary: Mark Foss, Basin Electric general counsel
    - Other directors: Dan Gliko, Wayne Peltier, Leo Brekel, Charlie Gilbert, Kermit Pearson, Allen Thiessen, Mike McQuiston, Thomas Wagner
3. Dakota Gasification Company
  - Dale Johnson, vice president and Synfuels Plant manager, said the plant has recently completed three safety audits. On Nov. 10, Dakota Gas reached 40 million metric tons of carbon dioxide sequestration. A maintenance turnaround was completed with 172 work tasks completed. A presentation was given about the possibility of installing a primary reformer at Dakota Gas.
  - ACTION: Dakota Gas directors approved the replacement and installation of the secondary reformer steam generator's exchanger shell.
  - ACTION: Dakota Gas directors approved the 2021 operating and capital budgets.

- Daniel Gallagher, manager of commodity sales and trading, said the Midwestern ammonia market saw a very good fall season. Spring prepay is off to a good start with relatively strong prices and a lot of demand. FERC rejected Northern Border's Gas Quality Tariff Amendment, ending the possibility of BTU pairing in the near future. Natural gas prices have fallen to the lowest level in two months because of the mild weather. Negotiations with Dakota Gas' primary tar oil customer have led to a strong likelihood of securing tar oil sales for all production through 2022. Marketing has secured the shipment of one barge of naphtha in December and is working toward an additional barge in January. Marketing is also finalizing a master sales agreement and transportation plans for a new product, tar acids. No capital was spent -- existing equipment was repurposed to produce it.
- ACTION: Dakota Gas directors authorized the funds for engineering and environmental to work on the progression of the carbon dioxide pipeline.
- ACTION: Dakota Gas directors approved the extension of the water supply and project service agreements.
- ACTION: Dakota Gas directors approved the extension of the carbon dioxide pipeline transportation agreement.
- Production (see slides below)

#### 4. Dakota Coal Company

- Dean Bray, manager of Dakota Coal and Montana Limestone, said the coal pile at Leland Olds Station was at 32.7 days of burn at the end of November (target is 47.9 days of burn). At Laramie River Station, the coal pile is at 92 days of burn (target is 34.6 days). BNSF Railway is continuing to hold the rail rate steady to November 2021. There has been no rate increase since 2015. Staff is working on the mine plan.
- ACTION: Dakota Coal directors approved Dakota Coal's 2021 operating and capital budgets.

#### 5. Basin Electric

- Western Fuels update
  - Joe Leingang, fuel and transportation superintendent, said expenses are 7.3% under budget. Tri-State is withdrawing from Western Fuels. Dry Fork Mine coal has a chance to become the lowest cost coal in the United States again this year.
- Mark Foss, senior vice president and general counsel
  - ACE Rule: With the new administration, the D.C. Circuit Court will likely withdraw the current lawsuit, and a new rule will likely be developed.
  - The new Crow Creek easements will likely not be finalized before the current easements expire.
  - A hearing was held on the McKenzie vs. Basin Electric and Upper Missouri Power Cooperative case on Nov. 16. FERC ruled that the contract between Basin Electric and Upper Missouri can only be terminated in 2075 because Basin Electric bylaws state that members

cannot withdraw until the contractual obligations are met. The judge said that the court has jurisdiction, not FERC, because FERC didn't have jurisdiction until last November.

- Dakota Energy filed a lawsuit against East River for the right to terminate its contract and get a price on buying out of its power supply contract.
- ACTION: Basin Electric directors approved the restatement of the project service agreement between Basin Electric and Dakota Gas.
- ACTION: Basin Electric directors approved the restatement of the water supply agreement between Basin Electric and Dakota Gas.
- Dale Niezwaag, vice president of government relations
  - Niezwaag gave an overview of the November elections and some of the implications they may have on Basin Electric.
  - Government Relations has been working on a direct pay option for 45Q. The goal is to have the final 45Q regulations by the end of the year.
  - With the appointment of two new FERC commissioners, FERC has a full slate of commissioners for the first time in many years.
  - Wyoming is facing a budget shortfall of \$500 million-\$1 billion.
- Chris Baumgartner, senior vice president of Member Services and Administration
  - There were 624 attendees at the annual meeting, including 100 voting delegates.
  - There were 172 signed into the members-only meeting, however, several members had multiple people watching together, so attendance was likely much higher.
  - The Manager's Conference is scheduled for Feb. 17-18 in Sioux Falls, South Dakota., but a virtual option is being considered, as well.
  - Press releases on Phase 3 of the Wyoming CarbonSAFE project, West River Solar project, and the 40 million metric ton carbon sequestration milestone were sent to the media.
  - Robert Johnston, executive advisor and managing director of energy climate, and resources at the Eurasia Group gave a presentation to the board on the global geopolitical outlook and its implications on the energy industry.
- Troy Tweeten, senior vice president of Operations
  - Actual Generation (see slide below)
  - XPRIZE contestants wrapped up onsite testing at Dry Fork Station. They are now offsite and working on presentations of their findings.
  - Basin Electric and GE have come to an agreement on the turbine warranty/damage issue at Lonesome Creek Station.

- Dave Raatz, senior vice president of Asset Management, Resource Planning, and Rates
  - There are several resource strategy options being considered to meet the future needs in MISO, including firm capacity and energy purchases, renewables, market purchases, new build, and a combination of all of these.
  - The final Bakken Midstream report, which includes a more accurate cost estimate, will be completed in early January.
  - Jason Mazigian, RTO market specialist
    - The Western Energy Imbalance Service (WEIS) is scheduled to go live Feb. 1.
    - It looks promising that the WEIS tariff will be approved in the next week or so.
  - Val Weigel, director of asset management and commodity strategy
    - Basin Electric staff members from several departments are working on WEIS implementation.
    - We are experiencing the mildest winter in 50 years. As a result, loads were significantly down in November.
- Tom Christensen, senior vice president of Transmission, Engineering, and Construction
  - Basin Electric and several other western utilities sent letters of intent to Southwest Power Pool to work toward expanding the regional transmission organization into the west.
  - Basin Electric received a Notice to Construct to replace the Watford City, North Dakota, substation.
- Gavin McCollam, vice president of engineering and construction
  - Large Capital Projects (see slide below)
  - ACTION: Basin Electric directors approved the Laramie River Station Fixed Washdown Phase 4 project.
- Diane Paul, senior vice president of Human Resources
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  - Employee count is down by 20 percent and 31 percent for Basin and Dakota Gas respectively, compared to our highest numbers about four years ago.
  - HR has received over 100 requests for pension projections from eligible employees. Due to favorable pension rates for 2021, the low number of retirements the past couple years, and the number of employees eligible to retire, Basin Electric may see a higher number of retirements in 2021 than in the past two years.

- There have been 355 positive cases of COVID-19 since March. Over 22 percent of North Dakota employees have tested positive since the beginning of the pandemic. Medical Services has completed an application with the State of North Dakota to obtain the vaccine. Additionally, we have implemented a face covering policy which complies with North Dakota and Wyoming mask mandates.
- Steve Johnson, chief financial officer and senior vice president
  - Meetings with the ratings agencies were held in November and early December.
  - A meeting was held on Dec. 10 with the banks that participate in our credit facilities. There were 71 bankers registered for the virtual meeting.
  - Virtual meetings were held with CFC and CoBank.
  - ACTION: Basin Electric directors approved the 2021 operating and capital budgets.

## Generation

Total energy available for sale in November was estimated to be 2.6 million megawatt hours (MWh). (Note: This line used to signify total generation from Basin Electric's resource portfolio. This number now includes purchases in the Southwest Power Pool.)

Electricity sold to member systems during November was estimated at 2.2 million MWh compared to the forecast of 2.4 million MWh. Surplus sales were estimated at 449,000 MWh, compared to the forecast of 381,000 MWh.

At the Great Plains Synfuels Plant, deliveries to the pipeline averaged 91.7 standard cubic feet per day of natural gas produced from coal. The plant operated at 90.7 percent of capacity during the month.

Total tons of saleable fertilizer produced was 29,080 tons. That includes anhydrous ammonia, granular urea, urea content in diesel exhaust fluid, and ammonium sulfate.

## Synfuels Plant production, shipment, and storage

Production, shipment, and storage data for November 2020 for selected products at the Great Plains Synfuels Plant were as follows:

Anhydrous ammonia – 14,378 tons produced; 12,124 tons were shipped.

Urea – 18,265 tons produced; 5,869 tons shipped.

DAK SUL 45 (ammonium sulfate) – 6,864 tons produced; 6,894 tons were shipped.

Carbon dioxide – About 2,867 million standard cubic feet were delivered during the month.

## Financial data

**Basin Electric Consolidated**  
NET INCOME AFTER TAX

UNAUDITED						
November 2020						
(in millions)	Monthly Actuals	Monthly Budget	Over/(Under) Budget	YTD Actuals	YTD Budget	Over/(Under) Budget
Basin Electric	\$ 16.9	\$ 20.0	\$ (3.1)	\$ 141.7	\$ 117.6	\$ 24.1
Dakota Gasification Company	(10.0)	(1.9)	(8.1)	(111.7)	(35.0)	(76.7)
Dakota Coal Company	3.3	1.0	2.3	1.1	0.8	0.3
Interco. Eliminations & Other*	10.1	1.9	8.2	112.0	35.3	76.7
Consolidated Net Income/(Loss) After Tax	<b>\$ 20.3</b>	<b>\$ 21.0</b>	<b>\$ (0.7)</b>	<b>\$ 143.1</b>	<b>\$ 118.7</b>	<b>\$ 24.4</b>

\* Includes elimination of income/loss on investment in DGC.

### Basin Electric

For the month of November, Basin Electric reported an after-tax margin of \$16.9 million compared to a budgeted after-tax margin of \$20.0 million.

- Member sales were under budget; an unfavorable variance of \$10.2 million mainly due to lower demand and energy volumes.
- Operating expenses were lower than budget; a favorable variance of \$14.3 million.
  - Mainly due to lower fuel costs, other power supply, transmission wheeling, production expenses and administration.
- Maintenance expenses were lower than budget; a favorable variance of \$1.4 million.
- DGC's net loss was higher than expected; an unfavorable variance of \$8.1 million.

### Dakota Gas

For the month of November, Dakota Gasification reported an after-tax net loss of \$10.0 million compared to a budgeted net loss of \$1.9 million.

- Synthetic natural gas revenue was lower than budget mostly due to lower volumes; an unfavorable variance of \$0.4 million.
- By-product and co-product sales were lower than budget; an unfavorable variance of \$15.2 million.
  - Urea revenue was \$7.7 million lower, tar oil was \$2.7 million lower, and sulfate \$1.6 million lower all as a result of lower prices and lower volumes.
  - Ammonia revenue was \$0.6 million lower due to lower prices as volumes were over budget.
- Operating expenses were less than budget; a favorable variance of \$5.4 million.
- The income tax benefit for the month was \$2.0 million more than budgeted due to a greater net loss than budgeted.

### Dakota Coal

For the month of November, Dakota Coal Company reported after-tax net income of \$3.3 million compared to a budgeted net income of \$1.0 million.

- An unrealized gain of \$4.1 million was recorded on mine closing fund investments.
- Lignite coal sales were \$1.6 million lower than budget as a result of fewer tons sold.

Slides of interest:

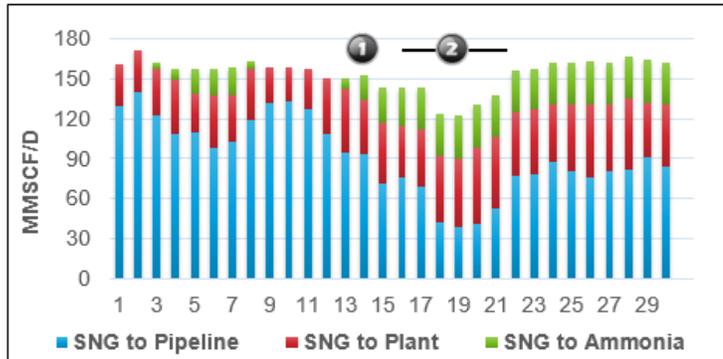
# Synthetic Natural Gas (SNG)

Actual Capacity Factor	90.7%
Budgeted Capacity Factor	95.3%
YTD Actual Capacity Factor	83.6%
YTD Budget Capacity Factor	88.4%

Availability	94.3%
Utilization	90.0%

Actual Production (dts)	2,702,896
Budget (dts)	3,062,040
YTD Actual Production (dts)	26,766,558
YTD Budget (dts)	30,653,024

Delivery Average (MMSCF/D)	91.694
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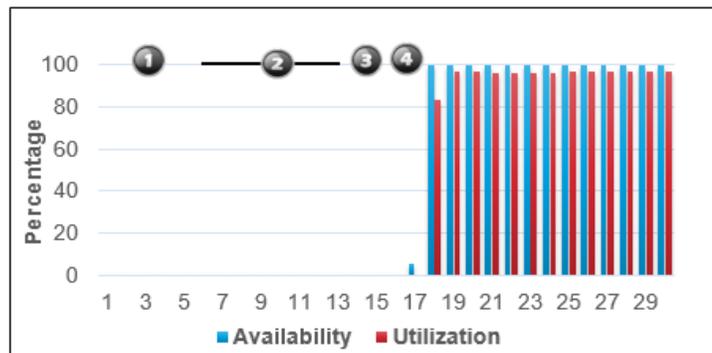
## Production Impacts (MMSCF)

1 FGD limited due to internal damage	59.12
2 FGD outage	197.35

# Ammonia

Average Capacity Factor	43.6%
YTD Capacity Factor	71.4%

Ammonia Production (tons)	14,378
Ammonia Budget (tons)	29,700
YTD Actual Production (tons)	263,173
YTD Budget (tons)	331,650



## Production Impacts (tons)

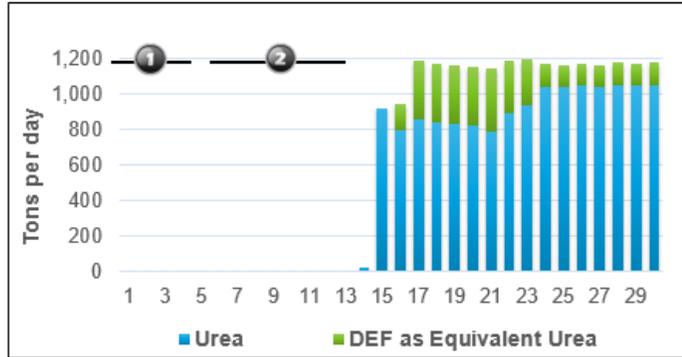
1 Planned turnaround	6,930
2 Secondary reformer steam generator tube leak	7,920
3 Air compressor vacuum problems - delay in startup	990
4 Syngas compressor check valve leak	936

Average Capacity Factor	55.3%
YTD Capacity Factor	73.3%
Urea Independent Capacity Factor	60.4%

Actual Equivalent Production (tons)	18,265
DEF as Equivalent Urea (tons)	3,241
Budget (tons)	31,200
YTD Actual Equivalent Production (tons)	270,066
YTD Budget (tons)	341,970

Ammonia Consumed (tons)	10,427
YTD Ammonia Consumed (tons)	154,315

# Urea



Production Impacts (tons)		
1	Planned turnaround	6,240
2	Secondary reformer steam generator tube leak	8,506

# Diesel Exhaust Fluid (DEF)

Total Actual Production (gal)	1,363,324
Budget (gal)	1,636,620
YTD Actual Production (gal)	16,096,612
YTD Budget (gal)	18,275,590

Production Impacts (gal)	
Planned turnaround	327,324
Secondary reformer steam generator tube leak	490,986
Inventory control	12,056



# Ammonium Sulfate (Dak Sul 45®)

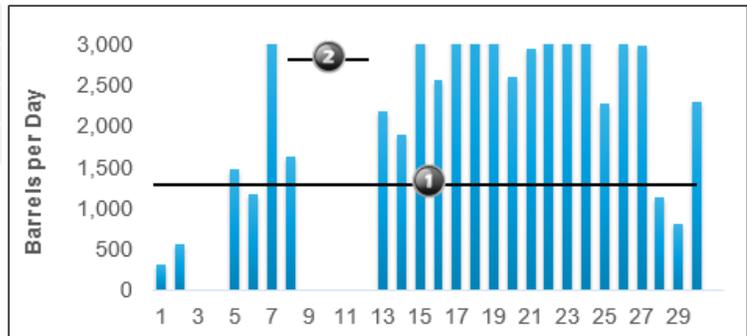
Actual Production (tons)	6,864
Budget (tons)	10,170
YTD Actual Production (tons)	83,136
YTD Budget (tons)	102,317

Production Impacts (tons)	
FGD limitations and resulting outage	3,491



# Fuel Grade Tar Oil

Actual Production (bbl)	48,000
Budget (bbl)	76,680
YTD Actual Production (bbl)	326,058
YTD Budget (bbl)	716,478



Production Impacts (tons)	
1 Periodic high sediment resulting in off-spec product	924,098
2 High flash point and high sediment resulting in off-spec product	475,063

# Co-Products

	CO <sub>2</sub>	Naphtha	Phenol	Cresylic Acid	Krypton Xenon	Liquid CO <sub>2</sub>	Nitrogen
	MMSCF	gallons	gallons	gallons	liters	tons	gallons
<b>Actual Production</b>	2,867	660,959	207,851	195,799	321,980	393	81,198
<b>Budget</b>	2,850	719,190	308,100	288,390	291,600	2,400	90,000
<b>YTD Actual Production</b>	28,313	6,873,741	2,218,188	1,887,457	2,941,730	9,292	554,282
<b>YTD Budget</b>	31,525	7,454,081	3,085,202	2,887,843	3,022,320	41,470	576,000

## Production Impacts

- All co-products were impacted by reduced gas path rate throughout the majority of the month

## Actual Generation

# Actual Generation\*

Facilities	2020 November		%	2020 Year-to-Date		%
Coal Plants	Budgeted MW's	2,091,744	<b>-27.2</b>	Budgeted MW's	23,057,411	<b>-21.2</b>
	Actual MW's	1,523,240		Actual MW's	18,159,626	
	<b>Difference</b>	<b>-568,504</b>		<b>Difference</b>	<b>-4,897,785</b>	
Oil / Gas Plants	Budgeted MW's	157,905	<b>-29.6</b>	Budgeted MW's	2,307,684	<b>-10.4</b>
	Actual MW's	111,106		Actual MW's	2,068,698	
	<b>Difference</b>	<b>-46,799</b>		<b>Difference</b>	<b>-238,986</b>	
Wind	Budgeted MW's	93,873	<b>-31.6</b>	Budgeted MW's	937,129	<b>-15.5</b>
	Actual MW's	64,201		Actual MW's	791,643	
	<b>Difference</b>	<b>-29,672</b>		<b>Difference</b>	<b>-145,486</b>	
Fleet	Budgeted MW's	2,343,522	<b>-27.5</b>	Budgeted MW's	26,302,224	<b>-20.1</b>
	Actual MW's	1,698,547		Actual MW's	21,019,967	
	<b>Difference</b>	<b>-644,975</b>		<b>Difference</b>	<b>-5,282,257</b>	

\*Solid Fuel Plants includes 100% of DFS and LRS / Wind, Oil and Gas include only Basin Electric Owned/Operated Facilities

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# Large Capital Projects

Project Name	Approved Budget (M)	Total Committed (M)	Forecast at Completion (M)	Completion Date
LRS SCR	\$337.1	\$201.1	\$201.5	May 2021
Dickinson Second Transformer	\$12.6	\$8.7	\$9.6	August 2021
Lonesome Creek 6	\$63.7	\$33.7	\$43.7	December 2021
Neset to Northshore 230kV	\$57.4	\$1.1	\$50.8	December 2022
LRS U3 480V Switchgear Upgrade	\$13.5	\$7.0	\$12.0	June 2023
LRS CCR Holding Ponds Closure and Reconstruction	\$42.0	\$19.1	\$36.3	October 2025