

Basin Electric Power Cooperative

Expanded Summary of Board of Directors Meeting

Mar. 15-16, 2022

At Basin Electric Headquarters in Bismarck, North Dakota

1. Basin Electric committee met Tuesday morning.

- Finance: The group talked about the 2021 audit and patronage allocation. They discussed 2022 liquidity limits as calculated using the 2022 approved budget, and talked through a “hurdle rate,” how it’s calculated, and how it helps with the economic analysis of projects.
- Marketing and Planning: The group talked through the re-negotiation of the Wild Springs Solar project in western South Dakota. They also discussed annual congestion hedging.
- Operations: The group talked about carbon dioxide compression at the Great Plains Synfuels Plant. They also received updates on a generator fault on Groton Generation Station Unit 2, the triennial outage at Dry Fork Station, and union negotiations.
- Audit: The Board Audit Committee discussed the 2021 financial statements, and received the results of the 2021 external audits completed by Deloitte & Touche.
 - ACTION: The Basin Electric, Dakota Gas, Souris Valley Pipeline, and Dakota Coal boards accepted the 2021 audits.

2. Dakota Gasification Company

- ACTION: Dakota Gas directors authorized an amendment to the revolving credit agreement between Dakota Gas and Basin Electric.
- Dale Johnson, vice president and Synfuels Plant manager, said the ammonia plant rate was restricted at the end of last month due to ice damage in one cell of the cooling tower. A specialty contractor will be onsite to complete the repairs in mid-march, and the work is expected to last about 2 to 3 weeks. The ammonia plant rate will be slightly limited during this repairs. Employees had a chance to ask questions of the Bakken Energy group during an employee meeting on Mar. 17.
- Tyler Schilke, supervisor of mechanical engineering, gave an update on the Great Plains CO₂ Sequestration Project. Permitting continues on the wells. The North Dakota Industrial Commission provided comments on the draft storage facility permit application, and the storage facility permit application was updated and formally submitted. KLJ completed the design of the well sites, and recording of seismic survey data was completed. Basin Electric right-of-way continues working with private landowners on pore space leases. An open house was held to educate the public about the project.
- ACTION: Dakota Gas directors authorized the sale of a parcel of land near the Great Plains Synfuels Plant.
- Daniel Gallagher, director of commodity sales and trading, said the Russian invasion of Ukraine is impacting commodities and commodity prices, and

additional supply chain disruptions are likely. Prices for grains are hitting record highs, with wheat seeing the largest rise in six decades of data. There are concerns with rail, barge, and truck transportation. Urea pricing is up drastically, with imports expected to be harder to come by and more expensive.

- Production (see slides below)

3. Dakota Coal Company

- Colleen Peterson, superintendent of fuel and transportation, said the coal pile at Leland Olds Station has fallen to 368,682 tons or 29.4 days of burn at the end of February (target is 39.9 days of burn). At Laramie River Station, the coal pile is at 64.5 days of burn (target is 34.6 days).
- ACTION: Dakota Gas directors approved the financing of the rebuild of two CAT 793C end-dump trucks for the Freedom Mine.

4. Basin Electric

- ACTION: Basin Electric directors authorized an amendment to the revolving credit agreement between Dakota Gas and Basin Electric.
- Mike Ferguson, Western States Power Corporation, gave an overview.
- Mark Foss, senior vice president and general counsel
 - Trial date for McKenzie Electric lawsuit pushed to May 23-June 30, 2023.
 - The Sierra Club filed a letter with the Minnesota Public Utilities Commission regarding Basin Electric's Optional Integrated Resource Plan, which was filed on June 30, 2021.
 - Oral arguments came before the Supreme Court on Feb. 28, 2022, regarding Section 111(d).
 - ACTION: Basin Electric directors authorized Pius Fischer, Jeremy Severson, and Trinity Turnbow are each reappointed to a two-year term on the Business Practices Committee.
- Tyler Hamman, vice president of government relations
 - U.S. Sen. Joe Manchin has offered policy proposals that he could support through the reconciliation process: 1) prescription drug pricing reform; 2) repeal of some 2017 tax cuts; 3) any remaining revenue split between climate/social spending and deficit reduction.
 - The earliest the U.S. Senate could take up new legislation incorporating these policies to replace Build Back Better would be late April or early May.
 - Pres. Joe Biden formally nominated Ketanji Brown Jackson to the Supreme Court on Feb. 25; Senate consideration to begin in April.
 - Pres. Joe Biden issued an executive order which directs agencies to develop reports and policy recommendations regarding cryptocurrency.

- Iowa: A digital sales parity bill passed the House. It would allow electric co-ops and municipalities to access the sales and use tax exemption for digital goods and services.
- North Dakota: State Investment Board held a special meeting to divest \$5.9 million in state funds from Russian investments.
- Minnesota: Public Utilities Commissioner John Tuma's reappointment is awaiting confirmation.
- South Dakota: Adjourned Mar. 10. Recreational marijuana failed to pass. Veto Day is Mar. 28.
- Wyoming: The carbon dioxide title bill passed.
- Tyler and Todd Telesz made visits to U.S. Senators from South Dakota, Montana, and Wyoming on Mar. 1-2. They also with the North Dakota delegation and U.S. Rep. Dusty Johnson from South Dakota.
- Troy Tweeten, senior vice president of Operations
 - Actual Generation (see slide below)
 - Joe Fiedler, manager of distributed generation, said work was done to repair the roof of the heat recovery steam generator at Deer Creek Station during the fall 2021 outage. At Groton Generation Station, work will be done on the generator and turbine in Unit 2. The combustor at Lonesome Creek Station Unit 3 is scheduled for replacement. Maintenance is in progress at Pioneer Generation Station Units 14-15. The two Nordex wind turbines at Minot Wind, which were built in 2002, were removed on Mar. 14.
- Becky Kern, vice president of Resource Planning and Rates
 - ACTION: Basin Electric directors authorized the 2021 Renewable Energy Credit allocation.
 - Western Area Power Administration is considering a rate increase to go into effect January 2023.
 - ACTION: Basin Electric directors authorized the CEO and general manager to execute the restatement/amendment to the Wild Springs Solar power purchase agreement under final terms and conditions acceptable to the CEO and general manager.
- Val Weigel, vice president of asset management and commodity strategy
 - Wind to load penetration in Southwest Power Pool in February was the highest overall at 43%; coal served 34% of load in February.
 - Surplus sales were good due to higher than average wind speeds and coal availability was good.
 - About 80% of natural gas is hedged for power generation in 2022. Hedges in 2024-2025 have natural gas locked in at \$3.63-\$3.64.

- Work continues on the Southwest Power Pool Improved Resource Availability Task Force, with a focus on the most critical items regarding fuel assurance and resource planning and availability.
- Pius Fischer, vice president of transmission
 - The Southwest Power Pool (SPP) sent final Notice to Construct with Conditions (NTC-C) on Mar. 11 to Basin Electric from the 2021 Integrated Transmission Plan. This will come to the board for consideration in April or May.
- Gavin McCollam, vice president of engineering and construction
 - Large Capital Projects (see slide below)
 - Work on the Nemadji Trail Energy Center continues. The plant's air permit application was accepted by the Wisconsin Department of Natural Resources December 2021. A draft Rural Utilities Service Environmental Assessment was submitted February 2022. The Army Corps of Engineers will wait until a Finding of No Significant Impact is reissued before issuing their wetland permit. Construction is expected to begin later this year.
- Chris Baumgartner, senior vice president of Member Services and Administration
 - Survey results show high satisfaction with the 2022 Winter Member Managers Conference.
- Shelly Wanek, interim director of Human Resources
 - Thirty-three employees have announced retirements in 2022.
 - The 2022 Summer Work Program is being reinstated following COVID restrictions.
 - In the current workforce, 12.2% of employees are Baby Boomers, 42.9% are Generation X, 42.8% are Millennials, and 2.1% are Generation Z.
- Katrina Wald, vice president and controller
 - The Consumer Price Index rose 7.9% year over year in February, which indicates the largest inflation since January 1982. The unemployment rate is down to 3.8%.
 - ACTION: Basin Electric directors authorized a patronage allocation of \$57.85 million.

Generation

Total energy available for sale in February was estimated to be 2.9 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 February was estimated at 2.5 million MWh compared to the forecast of 2.5 million MWh. Surplus sales were estimated at 454,000 MWh, compared to the forecast of 367,000 MWh.

At the Great Plains Synfuels Plant, deliveries to the pipeline averaged 73.5 million standard cubic feet per day of natural gas produced from coal. The plant operated at 90.3 percent of capacity during the month.

Total tons of saleable fertilizer produced was 45,413 tons. That includes anhydrous ammonia, granular urea, urea content in diesel exhaust fluid, and ammonium sulfate.

Synfuels Plant production

Production data for February 2022 for selected products at the Great Plains Synfuels Plant were as follows:

Anhydrous ammonia – 28,423 tons produced

Urea – 27,314 tons produced

Dak Sul 45 (ammonium sulfate) – 5,464 tons produced

Carbon dioxide – About 2,835 million standard cubic feet were delivered during the month.

Financial data

Basin Electric Consolidated						
NET INCOME AFTER TAX						
UNAUDITED						
February 2022						
(in millions)	Monthly Actuals	Monthly Budget	Over/(Under) Budget	YTD Actuals	YTD Budget	Over/(Under) Budget
Basin Electric	\$ 30.0	\$ 20.7	\$ 9.3	\$ 56.8	\$ 32.2	\$ 24.6
Dakota Gasification Company	5.7	2.6	3.1	20.8	7.2	13.6
Dakota Coal Company	0.6	1.3	(0.7)	0.5	4.6	(4.1)
Interco. Eliminations & Other*	(5.7)	(2.5)	(3.2)	(20.8)	(7.2)	(13.6)*
Consolidated Net Income/(Loss) After Tax	\$ 30.6	\$ 22.1	\$ 8.5	\$ 57.3	\$ 36.8	\$ 20.5

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

Basin Electric

For the month of February, Basin Electric reported an after-tax margin of \$30.0 million compared to a budgeted after-tax margin of \$20.7 million.

- Member sales were above budget; a favorable variance of \$1.6 million mainly due to higher demand volumes.
- Surplus sales were above budget; a favorable variance of \$2.4 million mainly due to higher volumes.
- Operating expenses were lower than budget; a favorable variance of \$0.6 million related to higher fuel offset by lower transmission wheeling and production expense.
- Maintenance expenses were \$1.6 million lower than budget related to timing of projects at Pioneer and Dry Fork.
- DGC's results were better than expected; a favorable variance of \$3.1 million.

Dakota Gas

For the month of February, Dakota Gas reported an after-tax net income of \$5.7 million compared

to a budgeted net income of \$2.6 million.

- Synthetic natural gas revenue was higher than budget due to pricing (+\$.07/dt) offset by lower volumes (-8k dt) sold; a favorable variance of \$.3 million.
- By-product and co-product sales were higher than budget; a favorable variance of \$6.4 million.
 - Urea revenue was \$3.6 million higher, tar oil revenue was \$1.5 million higher, and phenol revenue was \$.9 million higher all as a result of higher prices and higher volumes.
- Operating expenses were higher than budget; an unfavorable variance of \$2.3 million.
 - Utilities (-\$3.0 million) natural gas purchase (-\$2.6 million), inventory +\$2.4 million, and maintenance +\$.8 million.
- Income tax expense was \$1.2 million higher than budget due to higher income before taxes vs. budget.

Dakota Coal

For the month of February, Dakota Coal Company reported after-tax net income of \$0.6 million compared to a budgeted net income of \$1.3 million.

- An unrealized loss of \$2.1 million was recorded on mine closing fund investments.
- Lignite coal sales were \$0.9 million higher than budget as a result of more tons sold.

Slides of interest:

Dakota Gas Production

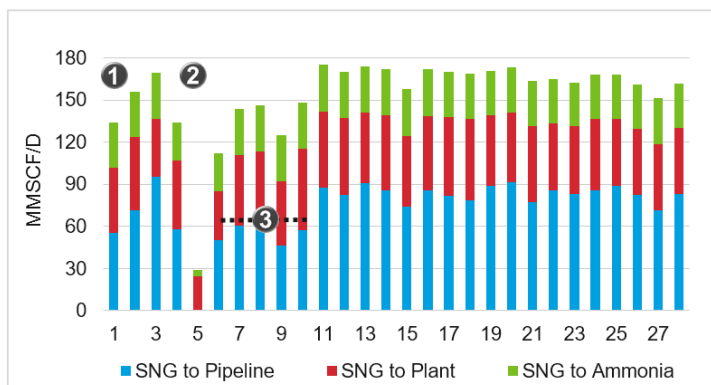
Synthetic Natural Gas (SNG)

Actual Capacity Factor	90.3%
Budgeted Capacity Factor	88.2%
YTD Actual Capacity Factor	88.2%
YTD Budget Capacity Factor	88.6%

Availability	90.8%
Utilization	99.4%

Actual Production (dts)	2,019,612
Budget (dts)	2,631,440
YTD Actual Production (dts)	4,122,469
YTD Budget (dts)	5,549,749

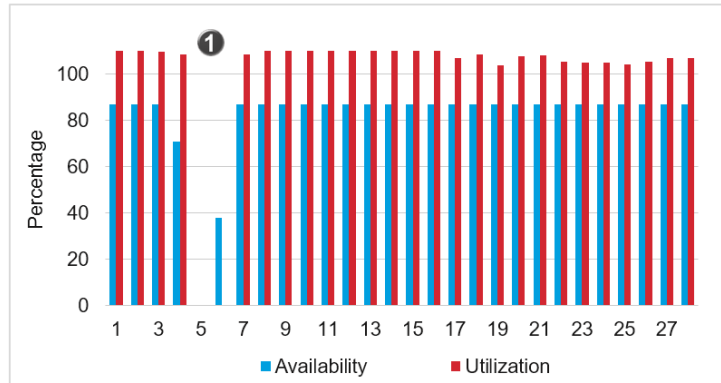
Delivery Average (MMSCF/D)	73.5
----------------------------	------



Production Impacts (MMSCF)	
① CO ₂ compressor trip - excess CO ₂ to boilers	16
② Dirty cooling water leak	137
③ Coal belt failure	75

Ammonia

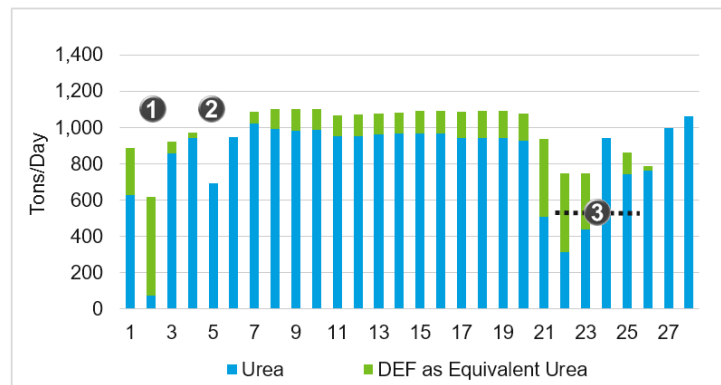
Actual Capacity Factor	92.3%
YTD Capacity Factor	89.4%
Ammonia Production (tons)	28,423
Ammonia Budget (tons)	25,256
YTD Actual Production (tons)	58,010
YTD Budget (tons)	53,218



Production Impacts (tons)	
1 Main plant dirty cooling water repair	1,460

Urea

Actual Capacity Factor	88.7%
YTD Capacity Factor	90.3%
Urea Independent Capacity Factor	89.8%
Actual Equivalent Production (tons)	27,314
DEF as Equivalent Urea (tons)	3,920
Budget (tons)	27,496
YTD Actual Equivalent Production (tons)	58,605
YTD Budget (tons)	57,938
Ammonia Consumed (tons)	15,788
YTD Ammonia Consumed (tons)	33,630



Production Impacts (tons)	
1 Product crusher damage	524
2 Main plant dirty cooling water repair	335
3 Granulation air blower trip (suction frosted over)	876

Diesel Exhaust Fluid (DEF)

Total Actual Production (gal)	1,648,662
Budget (gal)	2,186,156
YTD Actual Production (gal)	3,613,342
YTD Budget (gal)	4,606,543



Production Impacts (gal)	
Dirty cooling water leak and granulation air heater trip	486,074
Declining market demand and limited railcar availability	488,598

Ammonium Sulfate (Dak Sul 45[®])

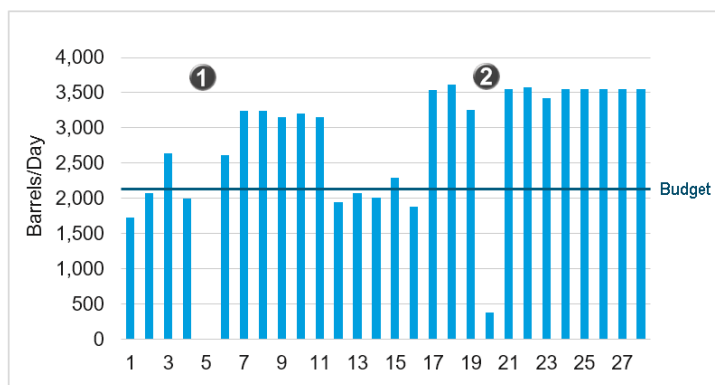
Actual Production (tons)	5,464
Budget (tons)	9,800
YTD Actual Production (tons)	11,467
YTD Budget (tons)	20,681



Fuel Grade Tar Oil

Actual Production (bbl)	76,362
Budget (bbl)	60,031
YTD Actual Production (bbl)	166,614
YTD Budget (bbl)	127,069

Production Impacts (tons)	
Cable tray failure and mechanical repairs	3,627
High CO ₂ flow to Canadian customers	1,160



Production Impacts (bbl)	
1 Dirty cooling water leak	--
2 Heat exchanger repair	--

Co-Products

	CO ₂	Naphtha	Phenol	Cresylic Acid	Krypton Xenon	Liquid CO ₂	Nitrogen
	MMSCF	gallons	gallons	gallons	liters	tons	gallons
Actual Production	2,835	587,391	268,118	242,289	247,742	971	19,078
Budget	2,520	604,800	196,427	190,070	229,012	392	56,000
YTD Actual Production	6,951	1,210,000	553,015	512,369	484,170	1,835	47,299
YTD Budget	5,310	1,280,197	415,785	402,326	484,762	826	118,000

Actual Generation

GENERATION (MWh)

		FEBRUARY				YTD			
FUEL SOURCE		BUDGETED	ACTUALS	OVER / (UNDER)		BUDGETED	ACTUALS	OVER / (UNDER)	
COAL	AVS	500,132	483,107	(17,025)	(3.4)%	1,086,134	950,968	(135,166)	(12.4) %
	DFS	255,830	190,397	(65,433)	(25.6)%	539,071	456,495	(82,576)	(15.3) %
	LOS	273,354	306,412	33,058	12.1%	599,266	639,047	39,781	6.6 %
	LRS	772,445	762,339	(10,106)	(1.3)%	1,623,523	1,522,147	(101,376)	(6.2) %
		1,801,761	1,742,255	(59,506)	(3.3) %	3,847,994	3,568,657	(279,337)	(7.3) %
* Reported generation for coal is based on sales calculations.									
	WIND	47,684	70,013	22,329	46.8 %	98,243	153,835	55,592	56.6 %
* PWND, Minot Wind / PWSD, Chamberlain									
	GAS / OIL	150,000	170,468	20,468	13.6 %	300,263	397,721	97,458	32.5 %
* CGS, DCS, GGS, LCS, PGS, SMS, WDG									
FLEET TOTALS:		1,999,446	1,982,736	(16,710)	(0.8) %	4,246,501	4,120,213	(126,288)	(3.0) %

Large Capital Projects

Large Capital Projects

Project Name	Approved Budget (M)	Total Committed (M)	Forecast at Completion (M)	Completion Date
Neset to Northshore 230kV	\$57.4	\$36.6	\$52.2	December 2022
LOS 345kV Equipment Upgrades	\$21.8	\$1.0	\$21.8	January 2024
LRS U3 480V Switchgear Upgrade	\$13.5	\$7.3	\$12.0	December 2025
Nemadji Trail Energy Center	\$260.0	\$21.2	\$260.0	Spring 2027