

Basin Electric Power Cooperative

Expanded Summary of Board of Directors Meeting

May 10-11, 2022

At Basin Electric Headquarters in Bismarck, North Dakota

1. Basin Electric committees met Tuesday morning:

- Finance: The group talked about a deferral of gain on interest rate hedges related to a potential bond offering this spring. They discussed Securities and Exchange Commission registration and cybersecurity as well.
- Marketing and Planning: The group discussed Southwest Power Pool capacity purchases and natural gas storage strategies.
- Operations: The group got an update on the fire damage on the cooling tower at the Great Plains Synfuels Plant. They also talked about union negotiation. The group got a progress update on research and development work on carbon capture at Dry Fork Station. There was an update on the Laramie River Station outage and purchase of a scraper. They discussed the need for new microwave equipment in Wyoming, and the project authorizations associated with the Southwest Power Pool Integrated Transmission Plan.

2. Dakota Gasification Company

- Dale Johnson, vice president and Synfuels Plant manager, said there was a small naphtha spill due to a valve malfunction, which was reported to the Environmental Protection Agency. The mid-April snow storm resulted in two feet of snow at the plant site. Some oxygen air intake filters were plugged with snow, and the snow also caused some issues with wet coal. Damage assessment continues on the cooling tower following a fire in April. It's expected that cells 9 and 11 should be back in full service by early June, but work on cell 10 will take 4-5 months because of the timeframe for getting materials. The feed gas ID fan on the ammonia plant tripped due to a failed motor bearing, which also caused some production interruptions for urea. For the majority of products, production was higher than budget.
- Tyler Schilke, supervisor of mechanical engineering, gave an update on construction of the carbon dioxide pipeline for the 45Q project. Construction contractor Precision West mobilized in early April. The mid-April storm meant they had to do extra work at the site to remove snow and water along the right-of-way. North Dakota Industrial Commission and Department of Environmental Quality completed reviews of the storage facility permit application. A hearing is scheduled for July. The project is on track to be operational in September, pending receipt of the storage facility permit.
- Daniel Gallagher, director of commodity sales and trading, said Russia has suspended fertilizer exports. They were the world's largest fertilizer exporter prior to invading Ukraine. China has cut off much of its fertilizer exports, likely in an attempt to keep domestic fertilizer prices down. Industry stakeholders believe more corn acres will be planted than projected by the USDA; the report was compiled before Russia invaded Ukraine. Corn continues to be more profitable than soybeans and wheat. Ammonia sales are starting to pick up. Spring storms

have delayed application, so sales that were expected in April will likely occur in May and June. Dakota Gas competitors will have challenges filling ammonia tanks via railcar due to rail lag time and production issues. Urea pricing is volatile due to wet conditions in the United States and the unpredictability of imports. DAK SUL 45 shipments for May will be high because of the April blizzard. Northern Border Pipeline cut natural gas nominations during the blizzard due to its Operational Flow Order, and Dakota Gas issued force majeure notices as a result of those curtailments.

- Production (see slides below)

3. Dakota Coal Company

- Colleen Peterson, superintendent of fuel and transportation, said the coal pile at Leland Olds Station is at 342,291 tons or 27.3 days of burn at the end of April (target is 39.9 days of burn). At Laramie River Station, the coal pile is at 67.9 days of burn (target is 34.6 days). There were issues with wet coal at Leland Olds Station related to the mid-April storm.
- Randy Banning, manager of Dakota Coal and Montana Limestone, said Wyoming Lime Producers received a Perfect Safety Record certification of achievement from the Wyoming State Mine Inspector. In the kiln, brickwork was patched, a new kiln motor and ID motor were installed and aligned, and kiln leaf seals were replaced.

4. Basin Electric

- Western Fuels: Colleen Peterson, superintendent of fuel and transportation, said the Surface and Transportation Board held a public hearing Apr. 26-27 regarding urgent issues with rail service.
- Mark Foss, senior vice president and general counsel
 - Dakota Energy filed an appeal on Apr. 27. All briefs are due July 17, with oral arguments expected this fall with a decision next spring. Staff is watching for a possible appeal in the Marlboro v. Central Electric case in South Carolina.
 - The Federal Energy Regulatory Commission denied United Power's request on Apr. 28 for a conditional notice of termination from Tri-State G&T. On Apr. 29, both United Power and Northwest Rural Public Power District (NWRPPD) filed non-conditional notices of termination.
 - On Apr. 29, NWRPPD filed a notice of intent to withdraw from Tri-State.
 - Basin Electric is picking up increased load from six members in Minnesota (members that also receive power supply from Great River Energy). Because of this, Basin Electric may exceed the existing 4% of retail sales of electricity set by Minnesota and therefore may need to file an Integrated Resource Plan with the state as early as 2023.
 - The proposed Interstate Ozone Transport federal implementation plan for Wyoming would require selective catalytic reduction on all Wyoming coal units by 2026.

- ACTION: Basin Electric directors authorized a 50-year easement renewal with the Bureau of Indian Affairs/Crow Creek Sioux Tribe for the Leland Olds Station to Fort Thompson 345-kilovolt line.
- Tyler Hamman, vice president of Government Relations
 - Work continues on the Build Back Better bill. U.S. Sen. Joe Manchin is meeting with Republicans to explore potential bipartisan energy and climate legislation, as well as continuing negotiations on legislation that could pass with only Democratic votes under budget reconciliation. Energy tax credits and direct pay remain part of both discussions.
 - The NRECA DC Fly-In was held May 1-4. Topics of focus included Rural Utilities Service repricing, direct pay for energy tax credits, and infrastructure legislation. Representatives also discussed regional ozone with the Wyoming delegation.
 - 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. It is currently awaiting consideration as part of an omnibus tax bill.
 - Minnesota: Working on an omnibus energy bill. Expected to adjourn May 22.
 - North Dakota: The Energy Development and Transmission Committee interim hearing focused on coal conversion facility reclamation.
 - ACTION: Basin Electric directors approved the 2022 Resolutions Committee to meet in person and selected Jerry Beck to participate on the committee.
- Troy Tweeten, senior vice president of Operations
 - At Pioneer Generation Station, seven foot snow drifts blew in around the plant during the late April blizzard. Employees used ladders to get into the plant site.
 - Actual Generation (see slide below)
 - Levi Mickelsen, Laramie River Station plant manager, said Babcock & Wilcox are not meeting the schedule to deliver a replacement reheater for Unit 2, which has caused the outage to extend to June. 30. Excavation has begun on the bottom ash pond 3 work for the Coal Combustion Residuals Rule. Extensive damage was found in the scrubber absorber towers during outage, along with excessive stack buildup and additional boiler repairs.
 - ACTION: Basin Electric directors authorized an amendment to the 2022 outage budget at Laramie River Station to fund discovery repairs during the Unit 2 outage.
 - ACTION: Basin Electric directors authorized the acquisition of a 2022 657 Scraper to be used at Laramie River Station.

- Becky Kern, vice president of Resource Planning and Rates
 - The Apr. 21 District Manager Meeting agenda included an update on the Dakota Gas sale negotiation, a power supply update, financial forecast assumptions, rates, and communication opportunities.
 - Discussion continues on the concept of a large load rate. A targeted timeline for implementation is January 2023.
 - The U.S. Dept. of Commerce announced an investigation on Mar. 28 regarding anti-dumping of solar cells from four southeast Asian countries. Suppliers have indicated they may stop shipments from those countries until a final ruling is issued. This is anticipated to have a big impact on the U.S. solar market, potentially putting 80% of planned solar projects in jeopardy. Preliminary findings are expected Aug. 30.
 - ACTION: Basin Electric directors authorized the CEO and general manager to execute the Wild Springs Solar and Crocker Wind capacity purchase agreements.
 - ACTION: Basin Electric directors authorized the CEO and general manager to execute the necessary agreements to purchase up to 200 megawatts of capacity in the Southwest Power Pool for the 2023-2030 time period at a price not to exceed the then effective cost of new entry.
 - Staff continues evaluating MISO capacity and MISO and SPP wind proposals.
- Val Weigel, vice president of Asset Management and Commodity Strategy
 - Wind generation is offsetting high natural gas prices in Southwest Power Pool. Higher than average wind speeds across central and eastern United States occurred during the first quarter of 2022. Montana wind projects experienced wind speeds 16.4% above normal during that time.
 - The late April storm had an impact on load in the Upper Missouri Power area due to transmission line outages.
 - Over the last three years, wind generation is up across Southwest Power Pool while coal and both simple cycle and combined cycle natural gas generation is down.
 - On the west and in the Montana area, access to DC ties meant much lower power prices for Basin Electric members than what others were seeing. For example, on Apr. 19, others' day-ahead peak prices were \$80-97 while Southwest Power Pool's south hub was \$21.
 - In MISO, projections are that there are not enough firm resources to cover typical peak summer loads.
- Pius Fischer, vice president of Transmission
 - Staff is keeping an eye on the Grid United - North Plains Connector transmission project, which is being developed across Basin Electric's

service area in North Dakota and Montana. The goal of the project is to connect Southwest Power Pool and MISO to the Western Interconnection. Basin Electric is not affiliated with the project but may have ownership of a new substation where they connect into Southwest Power Pool's system.

- The Infrastructure Investment and Jobs Act would award grants to states and Indian tribes to support investments for preventing outages and enhancing the resilience of the electric grid. Staff is investigating any opportunities that would qualify on Basin Electric and member systems.
- Derik Johnson, manager of Transmission System Maintenance
 - Failure on a transformer at the Pioneer Switchyard was determined to be a manufacturing defect.
 - The late April storm caused up to 10 high voltage transmission lines to be out of service at one time. All lines were re-energized by Apr. 27 at 5 p.m. Basin Electric lineworkers were able to assist the membership with requested equipment and services. There is potential for increased future maintenance issues due to storm stresses.
- Gavin McCollam, vice president of Engineering and Construction
 - Large Capital Projects (see slide below)
 - ACTION: Basin Electric directors authorized a preliminary survey and investigation work order amendment for Pioneer Generation Station Phase 4.
 - ACTION: Basin Electric directors authorized the Northeast Wyoming Microwave Equipment Upgrade Project.
 - ACTION: Basin Electric directors authorized to formally accept the Notice to Construct and commitment to construct the projects associated with the 2021 Southwest Power Pool Integrated Transmission Plan.
 - ACTION: Basin Electric directors authorized the East Loop 345-kilovolt transmission project.
 - ACTION: Basin Electric directors authorized the Roundup to Kummer Ridge 345-kilovolt transmission project.
 - ACTION: Basin Electric directors authorized the East Fork 345/115-kilovolt substation project
- Chris Baumgartner, senior vice president of Member Services and Administration
 - Planning has begun for the 2022 annual meeting. There was discussion on a theme and keynote speaker.
 - The new Basin Members website was launched May 2.
 - The 2021 annual report has been printed and mailed.

- Security and Response Services had some of its busiest days on record while supporting members during the late April blizzard. The dispatch center took 23,000 calls in three days, which is the number usually taken in three weeks.
- The Security and Response Services User Group meeting was held May 3-4. There were 33 attendees from 20 distribution cooperatives in attendance.
- Strategic planning will be held June 13-14, with topics to include: Nemadji Trail Energy Center, Rural Utilities Service, energy independence, and more.
- Procurement continues to see issues with inflation and the supply chain.
- Shelly Wanek, interim director of Human Resources
 - Thirty-nine employees have announced retirements in 2022.
 - Work continues on the Workforce Plan in coordination with all departments.
 - The Casual for a Cause program raised \$18,875 with 151 employees participating. Proceeds went to Prevent Child Abuse North Dakota.
 - In Medical Services, 100 MRI's have been completed in the last year. At Basin Electric and Dakota Gas, 1,781 X-rays have been completed in the last five years.
- Steve Johnson, senior vice president and chief financial officer
 - The Federal Reserve is working to curb inflation and avoid a recession. The unemployment rate remains at 3.6% in April. The consumer price index rose 1.2% in March, which was the largest monthly increase since September 2005; it rose 8.2% year over year, which is the largest 12-month increase since the period ending December 1981.
 - ACTION: Basin Electric directors authorized \$41,142,827 related to settlement of interest rate hedges to be deferred and amortized into rates over a yet to be determined term.

Generation

Total energy available for sale in April 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 April was estimated at 2.1 million MWh compared to the forecast of 2.2 million MWh. Surplus sales were estimated at 453,000 MWh, compared to the forecast of 363,000 MWh.

At the Great Plains Synfuels Plant, deliveries to the pipeline averaged 86.5 million standard cubic feet per day of natural gas produced from coal. The plant operated at 96.2% of capacity during the month.

Total tons of saleable fertilizer produced was 49,799 tons. That includes anhydrous ammonia, granular urea, urea content in diesel exhaust fluid, and ammonium sulfate.

Synfuels Plant production

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

Anhydrous ammonia – 27,060 tons produced

Urea – 30,809 tons produced

Dak Sul 45 (ammonium sulfate) – 8,347 tons produced

Carbon dioxide – About 2,734 million standard cubic feet were delivered during the month.

Financial data

Basin Electric Consolidated NET INCOME AFTER TAX UNAUDITED

(in millions)	April 2022					
	Monthly			YTD		
	Actuals	Budget	+ /(-) Budget	Actuals	Budget	+ /(-) Budget
Basin Electric	\$ 22.5	\$ 18.6	\$ 3.9	\$ 113.2	\$ 67.6	\$ 45.6
Dakota Gasification Company	17.5	19.9	(2.4)	50.6	29.8	20.8
Dakota Coal Company	(2.8)	(2.3)	(0.5)	1.6	2.2	(0.6)
Interco. Eliminations & Other*	(17.4)	(19.9)	2.5	(50.5)	(29.7)	(20.8)
Consolidated Net Income/(Loss) After Tax	\$ 19.8	\$ 16.3	\$ 3.5	\$ 114.9	\$ 69.9	\$ 45.0

* Includes elimination of income/loss on investment in DGC

Basin Electric

For the month of April, Basin Electric reported an after-tax margin of \$22.5 million compared to a budgeted after-tax margin of \$18.6 million.

- Member sales were below budget; an unfavorable variance of \$3.8 million mainly due to lower energy and April actualization.
- Surplus sales were above budget; a favorable variance of \$7.2 million due to higher volumes and prices.
- Operating expenses were higher than budget; an unfavorable variance of \$1.6 million related to higher purchased power and fuel offset by lower wheeling and production costs.
- Maintenance expenses were \$7.1 million lower than budget related to timing of projects at Dry Fork.
- Dakota Gas' results were less than expected; an unfavorable variance of \$2.4 million.

Dakota Gas

For April, Dakota Gasification reported an after-tax net income of \$17.5 million compared to a budgeted net income of \$19.9 million.

- Synthetic natural gas revenue was higher than budget due to pricing (+\$1.96/dt) offset by lower volumes (-19k dt) sold; a favorable variance of \$6.4 million.

- By-product and co-product sales were lower than budget; an unfavorable variance of \$15.7 million primarily related to delay of fertilizer sales.
 - Ammonia revenue was \$16.1 million lower, urea revenue was \$7.7 million lower due to lower volumes sold offset by higher pricing; DEF revenue was \$3.4 million higher, tar oil revenue was \$4.3 million higher as a result of higher prices and higher volumes.
- Operating expenses were lower than budget; a favorable variance of \$8.2 million.
 - Inventory clearing \$11.3 million lower offset by higher natural gas purchases (-\$2.7 million) and coal expense (-\$.5 million).
- Income tax expense was \$1.5 million higher than budget due to difference in tax rate vs. budget.

Dakota Coal

For the month of April, Dakota Coal Company reported after-tax net loss of \$2.8 million compared to a budgeted net loss of \$2.3 million.

- An unrealized loss of \$6.2 million was recorded on mine closing fund investments.
- Lignite coal sales were \$3.9 million higher than budget as a result of more tons sold.
- Lignite coal purchases were \$2.1 million lower than budget.

Slides of interest:

Dakota Gas Production

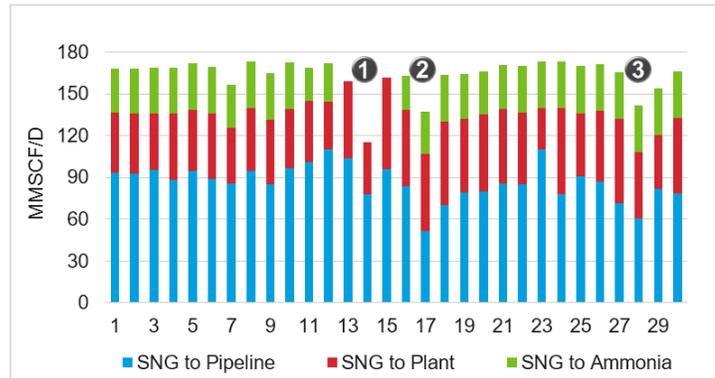
Synthetic Natural Gas (SNG)

Actual Capacity Factor	96.2%
Budgeted Capacity Factor	87.0%
YTD Actual Capacity Factor	93.2%
YTD Budget Capacity Factor	88.1%

Availability	99.1%
Utilization	97.1%

Actual Production (dts)	2,549,406
Budget (dts)	2,762,760
YTD Actual Production (dts)	9,555,337
YTD Budget (dts)	11,192,905

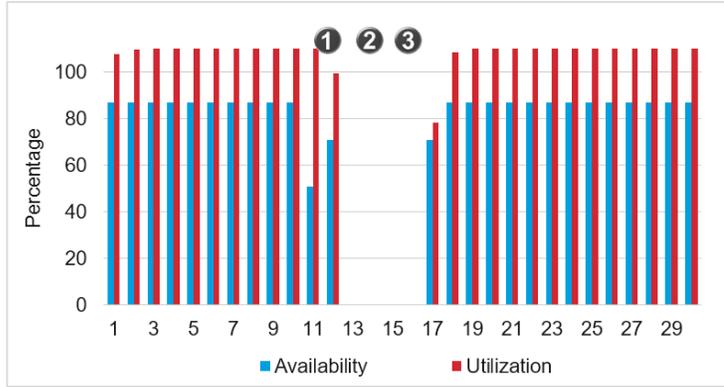
Delivery Average (MMSCF/D)	86.5
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Production Impacts (MMSCF)	
① Oxygen air intake filters plugged with snow due to storm	32
② B-train air compressor trip/repair to oxygen leak in backup system	11
③ Wet coal/high coal fines creating high outlet gas temps	6

Ammonia

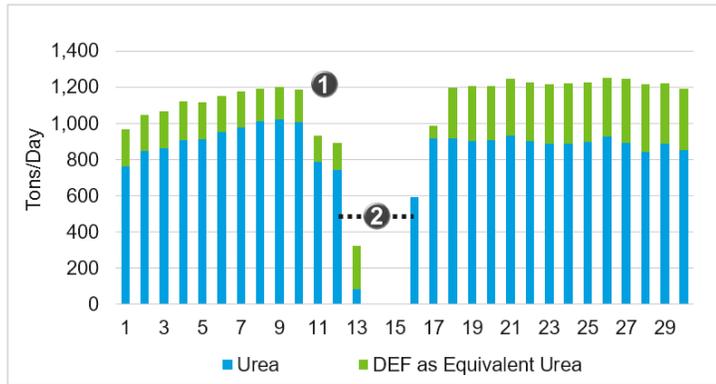
Actual Capacity Factor	85.9%
YTD Capacity Factor	85.5%
Ammonia Production (tons)	28,351
Ammonia Budget (tons)	27,060
YTD Actual Production (tons)	112,908
YTD Budget (tons)	108,240



Production Impacts (tons)		
1	Ammonia trip during control systems upgrade	328
2	Feed gas ID fan tripped due to failed motor bearing	375
3	ID fan damper malfunctioned delaying startup	3562

Urea

Actual Capacity Factor	93.4%
YTD Capacity Factor	90.6%
Urea Independent Capacity Factor	103%
Actual Equivalent Production (tons)	30,809
DEF as Equivalent Urea (tons)	6,821
Budget (tons)	29,460
YTD Actual Equivalent Production (tons)	118,570
YTD Budget (tons)	117,840
Ammonia Consumed (tons)	17,708
YTD Ammonia Consumed (tons)	68,658



Production Impacts (tons)		
1	Reduced rate due to ammonia plant trip	53
2	Out of CO ₂ backup/shutdown due to ammonia plant ID fan failure	3,105

Diesel Exhaust Fluid (DEF)

Total Actual Production (gal)	2,868,895
Budget (gal)	2,342,310
YTD Actual Production (gal)	9,535,462
YTD Budget (gal)	9,369,240



Production Impacts (gal)		
Inventory management		5,180
Out of CO ₂ backup/shutdown due to ammonia plant ID fan failure		315,033

Ammonium Sulfate (Dak Sul 45[®])

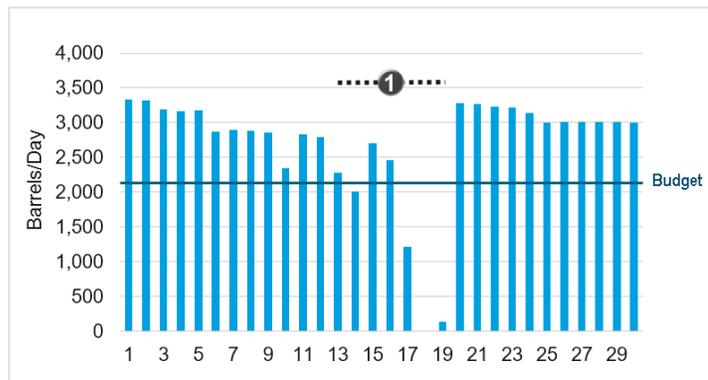


Actual Production (tons)	8,347
Budget (tons)	8,730
YTD Actual Production (tons)	28,369
YTD Budget (tons)	39,145

Production Impacts (tons)	
Out of feed/no loader for reclaim	92
Miscellaneous repairs	900

Fuel Grade Tar Oil

Actual Production (bbl)	80,621
Budget (bbl)	63,418
YTD Actual Production (bbl)	347,727
YTD Budget (bbl)	256,949



Production Impacts (bbl)	
1 Inventory management/no railcars onsite to load	5,110

Co-Products

	CO ₂	Naphtha	Phenol	Cresylic Acid	Krypton Xenon	Liquid CO ₂	Nitrogen
	MMSCF	gallons	gallons	gallons	liters	tons	gallons
Actual Production	2,734	631,315	317,623	287,428	226,235	1,689	46,998
Budget	2,700	638,940	145,256	140,554	241,950	420	60,000
YTD Actual Production	12,639	2,523,962	1,197,503	1,097,745	979,126	4,362	118,916
YTD Budget	10,800	2,588,737	778,514	753,315	980,261	1,680	240,000

Production Impacts	
Low customer demand for liquid CO ₂ and nitrogen	

Actual Generation

		April				YTD			
FUEL SOURCE		BUDGETED	ACTUALS	OVER / (UNDER)		BUDGETED	ACTUALS	OVER / (UNDER)	
 COAL	AVS	552,391	362,720	(189,671)	(34.33)%	2,187,293	1,787,434	(399,859)	(18.30) %
	DFS	178,224	116,888	(61,336)	(34.40)%	817,800	663,845	(153,955)	(18.88) %
	LOS	162,978	227,038	64,060	39.30%	1,054,324	1,124,591	70,267	6.7 %
	LRS	496,747	684,754	188,007	137.85%	2,899,343	3,031,599	132,256	4.6 %
		1,388,957	1,391,083	2,126	.20 %	6,949,437	6,608,027	(341,410)	(4.9) %
<i>* Reported generation for coal is based on sales calculations.</i>									
 WIND		56,818	69,625	12,807	22.5 %	205,600	282,422	76,822	37.4 %
<i>* PWND, Minot Wind/ PWSD, Chamberlain</i>									
GAS / OIL		123,123	123,888	565	.50 %	540,084	642,340	102,256	18.9 %
<i>* CGS, DCS, GGS, LCS, PGS, SMS, WDG</i>									
FLEET TOTALS:		1,569,098	1,584,596	15,498	1.00 %	7,695,121	7,532,789	(162,332)	(3.74) %

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	\$40.6	\$51.2	December 2022
LOS 345kV Equipment Upgrades	\$21.8	\$1.1	\$21.8	January 2024
AVS 345kV Equipment Upgrades	\$13.5	\$0.6	\$13.5	June 2025
LRS U3 480V Switchgear Upgrade	\$13.5	\$6.8	\$12.0	December 2025
Nemadji Trail Energy Center	\$260.0	\$23.0	\$260.0	Spring 2027