

## Expanded Summary of Board of Directors Meeting

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Nov. 2-3, 2020

Via Webex

1. There were no Basin Electric committees meeting this month.
2. Dakota Gasification Company
  - Dale Johnson, vice president and Synfuels Plant manager, said the plant is going through a process safety management third-party audit. During the fertilizer turnaround, the urea CO<sub>2</sub> compressor was rebuilt, repairs were done on two ammonia plant heat exchangers, the feed gas heater pressure switch was upgraded, and about 200 additional tasks were completed.
  - Daniel Gallagher, manager of commodity sales and trading, says soil temperatures are rising again in North Dakota following a short freeze. As long as soil temperatures are above freezing, anhydrous ammonia can be applied, and also fields will dry out which will also encourage application. Urea sales are going well; Dakota Gas sold three unit trains at higher values than truck sales. However, urea buyers across North America are reluctant to purchase as they watch pricing. Pricing and demand for DAK SUL 45 have increased because there is limited transportation availability on the Mississippi River. Demand for diesel exhaust fluid in November will be strong. October volumes were up 15% from September. However, Dakota Gas has limited production capacity choice between urea and diesel exhaust fluid. N-7 is providing more railcars to help with sales during the fall outage. The natural gas market is increasingly volatile due to a tighter market because of colder weather and operational issues on a compressor station on the Northern Border Pipeline. Production challenges with tar oil means shipments will be reduced to about 55,000 gallons for the month of November.
    - Production (see slides below)
3. Dakota Coal Company
  - Dean Bray, manager of Dakota Coal and Montana Limestone, said reassembly has begun on the Letourneau loader at the Freedom Mine. The State of Wyoming Inspector of Mines visited the Frannie Lime Kiln. At Montana Limestone, work has been completed on the quarry's Caterpillar 988 loader rebuild and the machine has been delivered.
4. Basin Electric
  - Mark Foss, senior vice president and general counsel
    - Anticipated trial dates for McKenzie Electric v. Upper Missouri Power Cooperative and Basin Electric: February-April 8, 2022.
    - On Oct. 14, Wheatbelt, McKenzie Electric, Meeker Electric, and Dakota Energy filed for rehearing with the Federal Energy Regulatory Commission (FERC). Wheatbelt is asking for clarification that its issues will be determined in the Tri-State G&T docket. Meeker and Dakota are claiming that FERC violated the Federal Power Act by not requiring

Basin Electric to file exit charges and early termination procedures. McKenzie objected to the FERC finding that none of the protestors challenged the specific termination provisions that are in the wholesale power contract. Basin Electric filed an answer on Oct. 29, and supported Wheatbelt's position that its wholesale power contract with Tri-State G&T should be addressed in that proceeding. The first settlement conference is scheduled for Nov. 13.

- Dale Niezwaag, vice president of government relations
  - The Midwestern Governors Association held a meeting at which a representative from Google spoke. The representative said Google is in favor of carbon capture, utilization, and sequestration, and also said regional transmission organizations save consumers a lot of money.
  - The Resolutions Committee received a couple of resolutions that were considered at the committee's meeting on Nov. 2.
- Troy Tweeten, senior vice president of Operations
  - At Laramie River Station, the upper section of the Unit 3 boiler needs to have 89 panels of tubes replaced due to long-term overheating.
- Dave Raatz, senior vice president of Asset Management, Resource Planning, and Rates
  - Crow Wing Electric and L&O Power are two of the Minnesota fixing members (eight members that have wholesale power contracts with both Great River Energy and Basin Electric) considering enhanced all-supplemental contracts with Basin Electric, to commence when the Coal Creek Station is retired in 2022.
  - ACTION: Basin Electric directors authorized the CEO and general manager to execute the necessary agreements to effectuate the option 2 discussed during the board meeting (related to fixing members).
  - Val Weigel, director of asset management and commodity strategy
    - October was colder on average across much of the Midwest. Day ahead daily volatility in Southwest Power Pool is up to 20% in 2020; it was 8.2% in 2017. The reason is increased wind generation. In November wind-to-load penetration in Southwest Power Pool is expected to hit a record high (perhaps 80%; the last record high was 72%). Even though forward-looking natural gas prices are higher, forward-looking power prices are lower due to the additional wind and solar in Southwest Power Pool.
- Tom Christensen, senior vice president of Transmission, Engineering, and Construction
  - Generation Interconnects in Southwest Power Pool are being negotiated. Two interconnects in Wyoming (Chugwater) have been withdrawn and replaced with one smaller interconnect (from two 150-megawatt to one 200-megawatt). Another in North Dakota (Northern Divide) has some impact on the MISO system.

- Gavin McCollam, vice president of engineering and construction
  - The ship transporting the 230/115-kilovolt transformer to the United Station departed on Oct. 9.
  - At Lonesome Creek Unit 6, concrete pours for the turbine/generator base and pedestal, and selective catalytic reduction stack base have been completed.
  - At the Neset-to-North Shore 230-kilovolt project, about 20% of the easements have been acquired.
  - Excavation of coal combustion residuals waste continues at the Laramie River Station holding ponds site.
- Large Capital Projects (see slide below)
- Chris Baumgartner, senior vice president of Member Services and Administration
  - Annual Meeting will be held via Webex Events the morning of Nov. 4. The Members-Only Meeting will be held via Webex Events that afternoon.
- Steve Johnson, chief financial officer and senior vice president
  - ACTION: Basin Electric directors authorized the retirement of \$14,036,179.77 in patronage capital credits.

## Generation

Total energy available for sale in October 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 October was estimated at 2.3 million MWh compared to the forecast of 2.2 million MWh. Surplus sales were estimated at 450,000 MWh, compared to the forecast of 468,000 MWh.

At the Great Plains Synfuels Plant, deliveries to the pipeline averaged 52.7 million standard cubic feet per day of natural gas produced from coal. The plant operated at 69.3 percent of capacity during the month.

Total tons of saleable fertilizer produced was 37,593 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 October 1-25, 2020, for selected products at the Great Plains Synfuels Plant were as follows:

Anhydrous ammonia – 21,064 tons produced; 9,011 tons were shipped.

Urea – 21,331 tons produced; 15,300 tons were shipped.

DAK SUL 45 (ammonium sulfate) – 7,200 tons produced; 6,525 tons were shipped.

Carbon dioxide – About 2,341 million standard cubic feet were delivered during the month.

## Financial data

### Basin Electric

For the month of October, Basin Electric reported an after-tax margin of \$8.6 million compared to a budgeted after-tax margin of \$2.8 million.

- Member sales were over budget; a favorable variance of \$4.1 million mainly due to a budgeted bill credit not realized.
- Operating expenses were lower than budget; a favorable variance of \$4.5 million.
  - Mainly due to lower fuel costs, transmission wheeling, transmission operations partially offset by higher purchased power.
  - Maintenance expenses were lower than budget; a favorable variance of \$7.9 million related to timing of maintenance.

### Dakota Gas

For the month of October, Dakota Gasification reported an after-tax net loss of \$12.2 million compared to a budgeted net loss of \$1.7 million.

- Synthetic natural gas revenue was lower than budget due to lower prices; an unfavorable variance of \$1.2 million.
- By-product and co-product sales were lower than budget; an unfavorable variance of \$15.5 million.
  - Urea revenue was \$6.0 million lower, ammonia was \$4.0 million lower, tar oil \$1.5 million lower, and sulfate \$1.1 million lower all as a result of lower prices and lower volumes.
- Operating expenses were less than budget; a favorable variance of \$3.4 million.
- The income tax benefit for the month was \$2.7 million more than budgeted due to a greater net loss than budgeted.

### Dakota Coal

For the month of October, Dakota Coal Company reported after-tax net loss of \$2.8 million compared to a budgeted net income of \$0.8 million.

- An unrealized loss of \$1.5 million was recorded on mine closing fund investments.
  - Lignite coal sales were \$1.3 million lower than budget as a result of fewer tons sold.
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Slides of interest:

Dakota Gas Production

# Synthetic Natural Gas (SNG)

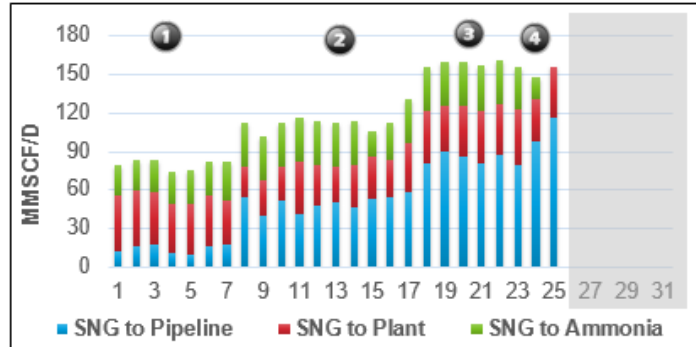
Actual Capacity Factor	69.3%
Budgeted Capacity Factor	92.4%
YTD Actual Capacity Factor	82.6%
YTD Budget Capacity Factor	87.7%

Availability	85.7%
Utilization	80.6%

Actual Production (dts)	1,291,154
Budget (dts)	2,437,725
YTD Actual Production (dts)	23,266,112
YTD Budget (dts)	27,005,930

Delivery Average (MMSCF/D)	52.714
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Data from October 1-25



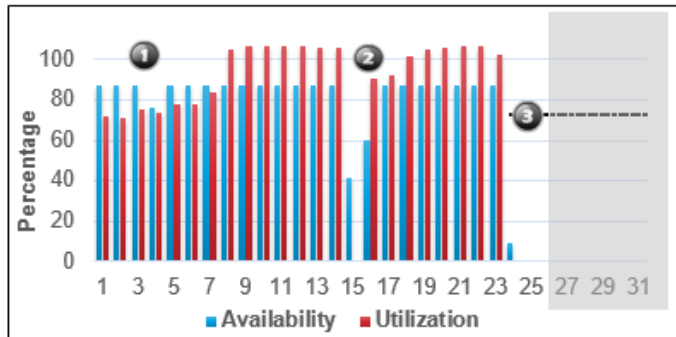
Production Impacts (MMSCF)		
1	Rectisol compressor (GB1402) seal repair	539.96
2	Methanation piping repairs	436.45
3	Rectisol heat exchanger restriction	2.28
4	Low demineralized water tank	10.30

# Ammonia

Average Capacity Factor	76.6%
YTD Capacity Factor	75.6%

Ammonia Production (tons)	21,064
Ammonia Budget (tons)	24,750
YTD Actual Production (tons)	248,795
YTD Budget (tons)	296,010

Data from October 1-25



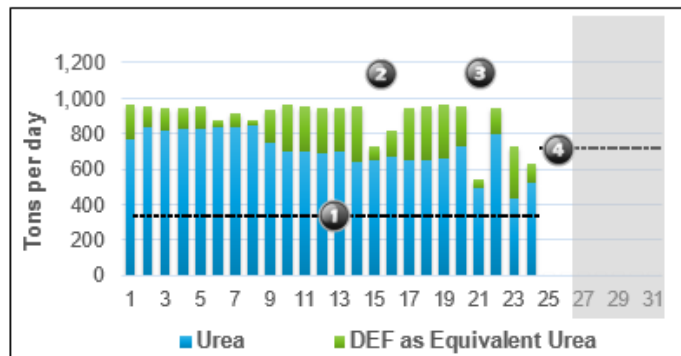
Production Impacts (tons)		
1	Low gas path rate - Rectisol compressor repair	1,680
2	Feed gas heater trip - failed pressure switch	893
3	Fall turnaround	1,980

Average Capacity Factor	61.9%
YTD Capacity Factor	76.6%
Urea Independent Capacity Factor	60.5%

Actual Equivalent Production (tons)	21,331
DEF as Equivalent Urea (tons)	4,309
Budget (tons)	26,000
YTD Actual Equivalent Production (tons)	251,800
YTD Budget (tons)	304,530

Ammonia Consumed (tons)	12,002
YTD Ammonia Consumed (tons)	143,888

# Urea



Production Impacts (tons)		
1	CO2 compressor limited due to vibrations on oil skid	3,629
2	Rate reduced due to ammonia plant trip	362
3	CO2 compressor trip	500
4	Fall turnaround	1,040

Data from October 1-25

# Diesel Exhaust Fluid (DEF)

Total Actual Production (gal)	1,812,218
Budget (gal)	1,363,850
YTD Actual Production (gal)	14,733,288
YTD Budget (gal)	16,311,646

Production Impacts (gal)	
Inventory management	113,269
Ammonia plant trip - ran on CO <sub>2</sub> bottles	21,713
CO <sub>2</sub> compressor trip	34,135
Scheduled turnaround	64,536



Data from October 1-25

# Ammonium Sulfate (Dak Sul 45®)

Actual Production (tons)	7,200
Budget (tons)	7,850
YTD Actual Production (tons)	75,311
YTD Budget (tons)	90,263

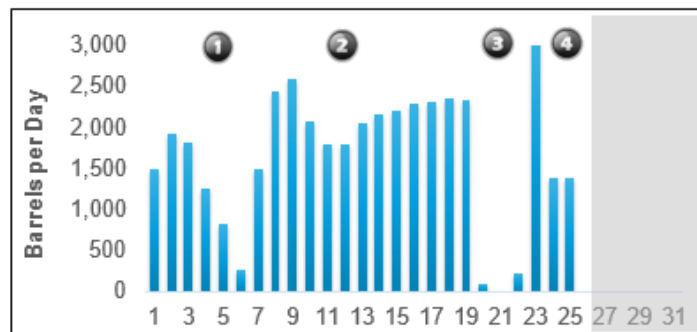
Production Impacts (tons)	
A-compactor roll replacement	275
Low gas path rate - <u>Rectisol</u> compressor	1,031
<u>Methanation</u> piping repairs	237
1400 B-train C stage ammonia chiller restriction	258



Data from October 1-25

# Fuel Grade Tar Oil

Actual Production (bbl)	41,924
Budget (bbl)	69,200
YTD Actual Production (bbl)	367,982
YTD Budget (bbl)	785,678



Production Impacts (bbl)	
① Low gas path rate - <u>Rectisol</u> compressor	429,161
② <u>Methanation</u> piping repairs	245,083
③ Fouled reboiler/outage to swap reboilers	369,930
④ High sediment	114,914

Data from October 1-25

# 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>	2,016	488,545	124,050	171,577	234,828	732	31,349
<b>Budget</b>	2,375	580,825	248,825	288,796	235,500	3,750	75,000
<b>YTD Actual Production</b>	24,811	6,071,425	1,972,971	1,707,379	2,555,118	8,899	458,691
<b>YTD Budget</b>	28,105	6,595,493	2,777,102	2,717,384	2,674,200	38,170	468,000

## Production Impacts

- All co-products were impacted by reduced gas path rate throughout the majority of the month
  - CO<sub>2</sub> (to Canada) limited to due motor exciter issues

*Data from October 1-25*

## Large Capital Projects

# Large Capital Projects

Project Name	Approved Budget (M)	Total Committed (M)	Forecast at Completion (M)	Completion Date
LOS Bottom Ash Dewatering/Pond Closure/Coal Pond Expansion	\$81.6	\$73.6	\$73.6	October 2020
Chapelle Creek Switchyard	\$22.5	\$15.3	\$15.5	October 2020
LRS SCR	\$337.1	\$201.1	\$201.5	May 2021
Dickinson Second Transformer	\$12.6	\$7.8	\$9.6	August 2021
Lonesome Creek 6	\$63.7	\$35.8	\$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	\$35.9	\$18.1	\$33.7	October 2025

