

## Basin Electric Power Cooperative

# Expanded Summary of Board of Directors Meeting

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September 14, 2020

Madison, South Dakota

1. There were no Basin Electric committees meeting this month.
2. Dakota Gasification Company
  - Dale Johnson, vice president and Synfuels Plant manager, said the Responsible Care re-certification audit is complete. There were two minor nonconformities: hoses found laying on walkways and a ladder in poor condition, and a recent ammonia syngas leak did not receive a formal investigation as is standard procedure. The urea CO<sub>2</sub> compressor will be going through a metallurgy upgrade during a two week turnaround set to begin on Oct. 26.
    - Production (see slides below)
  - ACTION: Dakota Gas directors approved the 2021-2030 financial forecast.
3. Dakota Coal Company
  - Dean Bray, manager of Dakota Coal and Montana Limestone, said the coal pile at Leland Olds Station was at 39.6 days of burn at the end of August (target is 47.9 days of burn). At Laramie River Station, the coal pile is at 97.2 days of burn (target is 34.6 days of burn). Lignite tons sold is about 675,000 tons less than projected year to date to Dakota Gas, Antelope Valley Station, and Leland Olds Station. The cost of producing lignite is about 0.051/mmbtu less than projected year to date.
  - ACTION: Dakota Coal directors approved the 2021-2030 financial forecast.
4. Basin Electric
  - Mark Foss, senior vice president and general counsel
    - ACE Rule: Oral arguments are scheduled for Oct. 8, before the DC Circuit.
    - Basin Electric responded to information requests by the Minnesota Public Utilities Commission on Sept. 1 regarding the optional Integrated Resource Plan (O-IRP). The cooperative qualifies to file an O-IRP because Basin Electric's sales in Minnesota represent less than 4% of Minnesota's annual electricity sales.
    - Basin Electric expects a Federal Energy Regulatory Commission order on the Wholesale Power Contract and Rate Schedule A dockets the week of Sept. 14.
    - On Sept. 8, the Federal Regulatory Commission issued three orders in the Basin Electric transmission dockets. The Missouri Basin Power Project tariff and stated rate matters were not set for hearing or settlement conference. If no one seeks a rehearing, the orders are final on Oct. 8. With those approvals, the Westside Market Based Rates authority application is expected to be approved as well.

- On Aug. 28, in a new order on rehearing, the Federal Energy Regulatory Commission reversed itself with respect to an earlier ruling that the regulatory body had concurrent jurisdiction with the Colorado Public Utilities Commission regarding exit fees when a member leaves the Tri-State G&T system.
- On Sept. 11, both Basin Electric and Upper Missouri Power Cooperative's motion to dismiss were denied on an across-the-board basis. This lawsuit is not preempted by the Federal Energy Regulatory Commission because it does not involve rates, and it arises from incidents that occurred prior to November 2019, when Basin Electric became subject to FERC jurisdiction. Basin Electric will file a motion for reconsideration on the basis that FERC reversed itself with respect to Tri-State G&T and ruled that if a matter would affect rates, it is subject to the exclusive jurisdiction of FERC.
- Basin Electric's Bylaws Committee met and recommends all of the amendments to the membership.
- The Resolutions Committee met Sept. 11. There was extended discussion concerning the Great Plains Synfuels Plant, because as written, the resolution does not state a position, direction, or action on Dakota Gas. The committee does not have a clear, unified direction on Dakota Gas, and decided to remove the resolution. It will be revisited at its next meeting Nov. 2.
- ACTION: Basin Electric directors authorized the CEO and General Manager to sign and submit a right-of-way application to the Crow Creek Sioux Tribe realty office for right-of-way for the Leland Olds Station to Fort Thompson 345-kilovolt transmission line on the Crow Creek Indian Reservation.
- ACTION: Basin Electric directors authorized personnel to trade commodity contracts on behalf of the cooperative through a trading account with Mizuho Securities USA LLC.
- Troy Tweeten, senior vice president of Operations
  - Actual Generation (see slide below)
  - A rail bridge burned and disrupted lime and coal deliveries to Antelope Valley Station and Leland Olds Station. It also disrupted deliveries out of the Great Plains Synfuels Plant. The bridge was repaired in about one week.
- Dave Raatz, senior vice president of Asset Management, Resource Planning, and Rates
  - Basin Electric hit a new all-time summer peak in August. Final billing is still be conducted, though it appears the peak was about 56 megawatts over the old all-time summer billing peak. Contributors were some growth and hot weather in North Dakota and western South Dakota, and Great River Energy power supply.

- Staff continues discussions with Great River Energy's fixing members, which are members of both Basin Electric and Great River Energy, due to the impending closure of Coal Creek Station.
- The Wyoming Municipal Power Agency board will vote on final approval for joining Basin Electric as a Class A member in District 9 during its meeting Sept. 17.
- Tom Christensen, senior vice president of Transmission, Engineering, and Construction
  - Southwest Power Pool released its 2020 Integrated Transmission Plan. There are 49 projects, totaling \$500 million. In the Upper Missouri Zone, there are eight projects totaling \$27 million. The plan requires Southwest Power Pool board approval.
  - The Red Butte Wind generator interconnect agreement was executed May 19, but Red Butte LLC failed to meet its initial payment to Basin Electric on June 28. Red Butte notified Southwest Power Pool it was placing the project in suspension until January 2022. Basin Electric sent a Notice of Breach to Red Butte on Sept. 9. However, on Sept. 14, Red Butte made the necessary payment to continue the interconnection process.
  - Large Capital Projects (see slide below)
  - ACTION: Basin Electric directors approved the 2021-2030 Long-Range Engineering Plan.
- Chris Baumgartner, senior vice president of Member Services and Administration
  - The board decided the 2020 Annual Meeting will be held virtually due to the COVID-19 global pandemic. More information will be sent to members soon on both the annual meeting and members-only meeting. Both meetings will be held Nov. 4.
- Steve Johnson, chief financial officer and senior vice president
  - ACTION: Basin Electric directors authorized the CEO and General Manager to execute on behalf of Basin Electric and its consolidated entities, the 2019 Federal and State income tax returns.
  - ACTION: Basin Electric directors approved the 2021-2030 financial forecast.

## Generation

Total energy available for sale in August was estimated to be 3.0 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 August was estimated at 2.4 million MWh compared to the forecast of 2.4 million MWh. Surplus sales were estimated at 459,200 MWh, compared to the forecast of 478,000 MWh.

At the Great Plains Synfuels Plant, deliveries to the pipeline averaged 85.7 million standard cubic feet per day of natural gas produced from coal. The plant operated at 87.9 percent of capacity during the month.

Total tons of saleable fertilizer produced was 50,140 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 September 2020 for selected products at the Great Plains Synfuels Plant were as follows:

Anhydrous ammonia – 31,063 tons produced; 6,440 tons were shipped.

Urea – 27,762 tons produced; 18,178 tons shipped.

DAK SUL 45 (ammonium sulfate) – 7,018 tons produced; 15,772 tons were shipped.

Carbon dioxide – About 2,660 million standard cubic feet were delivered during the month.

### Financial data

Basin Electric Consolidated						
NET INCOME AFTER TAX						
UNAUDITED						
July 2020						
(in millions)	Monthly Actuals	Monthly Budget	Over/(Under) Budget	YTD Actuals	YTD Budget	Over/(Under) Budget
Basin Electric	\$ 22.6	\$ 15.7	\$ 6.9	\$ 83.3	\$ 51.7	\$ 31.6
Dakota Gasification Company	(13.9)	(12.2)	(1.7)	(61.9)	(17.2)	(44.7)
Dakota Coal Company	0.8	1.5	(0.7)	3.3	0.5	2.8
Interco. Eliminations & Other*	13.9	12.2	1.7	62.1	17.4	44.7
<b>Consolidated Net Income/(Loss) After Tax</b>	<b>\$ 23.4</b>	<b>\$ 17.2</b>	<b>\$ 6.2</b>	<b>\$ 86.8</b>	<b>\$ 52.4</b>	<b>\$ 34.4</b>

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

#### Basin Electric

For the month of July, Basin Electric reported an after-tax margin of \$22.6 million compared to a budgeted after-tax margin of \$15.7 million.

- Member sales were under budget mainly due to lower volumes; an unfavorable variance of \$7.1 million.
- Surplus sales were under budget due to lower prices and DGC sales; an unfavorable variance of \$0.8 million.
- Operating and maintenance expenses were lower than budget; a favorable variance of \$15.6 million.
  - Mainly due to lower maintenance expenses, lower fuel costs and transmission wheeling.

#### Dakota Gas

For the month of July, Dakota Gasification reported an after-tax net loss of \$13.9 million compared to a budgeted net loss of \$12.2 million.

- Synthetic natural gas revenue was lower than budget due to lower prices (\$0.69/dt); an unfavorable variance of \$2.4 million.
- By-product and co-product sales were lower than budget, an unfavorable variance of \$4.6 million.
  - Ammonia revenue was \$2.7 million lower and tar oil revenue was \$1.9 million lower, both as a result of lower volumes. Urea was \$2.4 million higher as a result of higher volumes partially offset by lower prices.
- Operating expenses were lower than budget; a favorable variance of \$1.9 million.
- The income tax benefit for the month was \$3.2 million more than budgeted due to a greater net loss than budgeted.

#### Dakota Coal

For the month of July, Dakota Coal Company reported after-tax net income of \$0.8 million, compared to a budgeted net income of \$1.5 million.

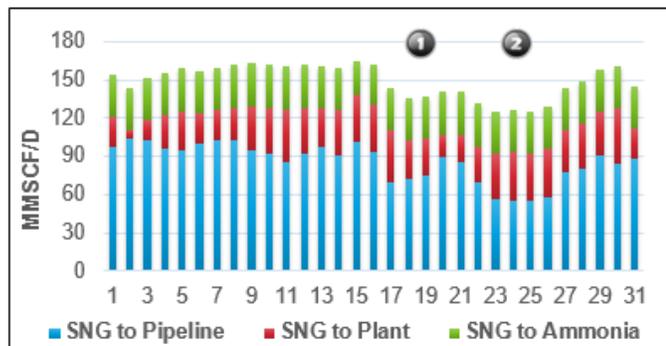
- Unrealized gains of \$2.8 million were recorded on mine closing fund investments.
- Lignite coal sales were \$2.7 million lower than budget as a result of fewer tons sold.

#### Slides of interest:

#### Dakota Gas Production

## Synthetic Natural Gas (SNG)

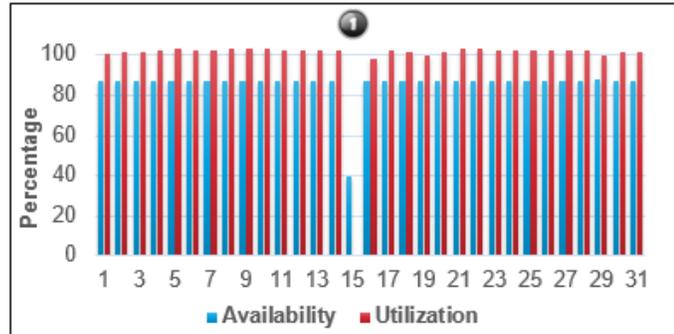
Actual Capacity Factor	87.9%
Budgeted Capacity Factor	85.3%
YTD Actual Capacity Factor	87.2%
YTD Budget Capacity Factor	87.5%
Availability	93.4%
Utilization	94.1%
Actual Production (dts)	2,601,148
Budget (dts)	2,683,577
YTD Actual Production (dts)	20,890,695
YTD Budget (dts)	21,971,195
Delivery Average (MMSCF/D)	85.732



Production Impacts (MMSCF)		
1	Limiting sulfur input due to high sugar inventory	26.5
2	High gas liquor inventory, poor liquor quality	88.42

# Ammonia

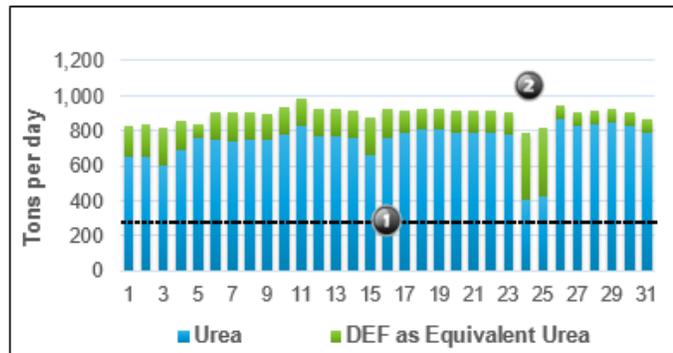
Average Capacity Factor	91.1%
YTD Capacity Factor	78.6%
Ammonia Production (tons)	31,063
Ammonia Budget (tons)	30,690
YTD Actual Production (tons)	210,989
YTD Budget (tons)	241,560



Production Impacts (tons)	
1 Ammonia plant tripped due to faulty instrumentation	562

Average Capacity Factor	81.4%
YTD Capacity Factor	78.0%
Urea Independent Capacity Factor	81.4%
Actual Equivalent Production (tons)	27,762
DEF as Equivalent Urea (tons)	4,737
Budget (tons)	30,690
YTD Actual Equivalent Production (tons)	209,289
YTD Budget (tons)	248,230
Ammonia Consumed (tons)	15,703
YTD Ammonia Consumed (tons)	119,884

# Urea



Production Impacts (tons)	
1 CO2 compressor limited due to vibrations on oil skid	2,172
2 Granulation shut down for flushing, maximized DEF	756

# Diesel Exhaust Fluid (DEF)

Total Actual Production (gal)	1,992,397
Budget (gal)	1,691,174
YTD Actual Production (gal)	11,810,298
YTD Budget (gal)	13,311,176

Production Impacts (gal)	
High inventory	162,940



# Ammonium Sulfate (Dak Sul 45<sup>®</sup>)

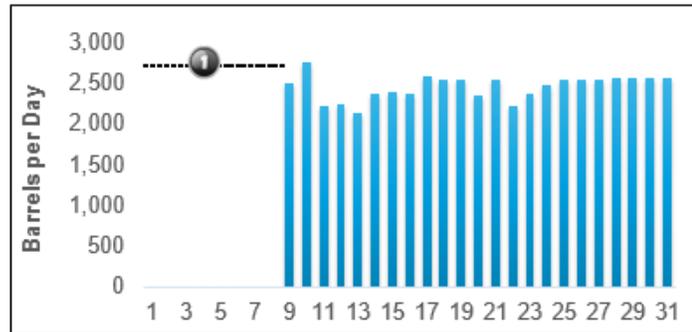
Actual Production (tons)	7,018
Budget (tons)	8,060
YTD Actual Production (tons)	61,410
YTD Budget (tons)	74,163

Production Impacts (tons)	
Various mechanical outages within the unit	1,231
Double deck screen replacement	826



# Fuel Grade Tar Oil

Actual Production (bb)	56,824
Budget (bb)	79,236
YTD Actual Production (bb)	278,058
YTD Budget (bb)	639,798



Production Impacts (bb)	
1 Business decision- low oil prices	22,789

# Co-Products

	CO <sub>2</sub> MMSCF	Naphtha gallons	Phenol gallons	Cresylic Acid gallons	Krypton Xenon liters	Liquid CO <sub>2</sub> tons	Nitrogen gallons
Actual Production	2,660	667,679	199,396	207,834	302,953	678	39,823
Budget	2,945	665,167	284,952	266,724	269,700	4,650	0
YTD Actual Production	20,454	5,119,491	1,729,343	1,418,845	2,090,058	6,052	399,253
YTD Budget	22,880	5,370,958	2,192,799	2,052,537	2,177,700	29,920	333,000

Production Impacts

## Actual Generation

# Actual Generation\*

Facilities	2020 August		%	2020 Year-to-Date		%
Coal Plants	Budgeted MW's	2,338,649	-18.5	Budgeted MW's	16,904,305	-20.1
	Actual MW's	1,906,281		Actual MW's	13,508,721	
	Difference	-432,368		Difference	-3,395,584	
Oil / Gas Plants	Budgeted MW's	315,222	-21.7	Budgeted MW's	1,777,615	-4.3
	Actual MW's	246,673		Actual MW's	1,701,491	
	Difference	-68,549		Difference	-76,124	
Wind	Budgeted MW's	63,986	0.4	Budgeted MW's	667,330	-10.8
	Actual MW's	64,238		Actual MW's	595,277	
	Difference	252		Difference	-72,053	
Fleet	Budgeted MW's	2,717,856	-18.4	Budgeted MW's	19,349,249	-18.3
	Actual MW's	2,217,192		Actual MW's	15,805,489	
	Difference	-500,664		Difference	-3,543,760	

\*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

# Large Capital Projects



Project Name	Approved Budget (M)	Total Committed (M)	Forecast at Completion (M)	Completion Date
LRS SCR	\$337.1	\$199.9	\$201.5	December 2020
LOS Bottom Ash Dewatering/Pond Closure/Coal Pond Expansion	\$81.6	\$73.4	\$73.5	October 2020
Chapelle Creek Switchyard	\$22.5	\$13.3	\$15.0	October 2020
Dickinson Second Transformer	\$12.6	\$7.5	\$9.6	August 2021
Lonesome Creek 6	\$63.7	\$35.3	\$43.7	December 2021
Neset to Northshore 230kV	\$57.4	\$0.7	\$50.8	December 2022
LRS U3 480V Switchgear Upgrade	\$13.5	\$6.9	\$12.0	June 2023
LRS CCR Holding Ponds Closure and Reconstruction	\$35.3	\$16.5	\$31.2	October 2025



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