

# Class A Member District Meeting - Sioux Falls, SD

February 26, 2019

## **Attendees:**

Tom Boyko - East River Electric	Mike Easley - Members 1 <sup>st</sup>
Tom Meland - Central Power Electric	Vic Simmons - Rushmore Electric
Doug Hardy - Central Montana	Matt Washburn - NIPCO
Claire Vigesaa - Upper Missouri	Ken Kuyper - Corn Belt
Brad Nebergall - Tri-State	Colle Nash - Grand Electric
Curt Dieren - L & O Power	

## **Basin Electric staff**

Dave Raatz  
Chris Baumgartner  
Becky Kern  
Lisa Carney  
Elizabeth Erhardt

Dave started the meeting with updates from each district.

East River - Reported on Charles Mix behind the meter and updated group on ethanol industry activities in the area.

Corn Belt - Discussed on poor operating ethanol plant self-generation.

**Action Item: Members to propose specific Standby Rate wording change suggestion to be discussed at next meeting.**

Members 1st - Updated committee on Wyoming legislative discussion; one of the coal mines that is bankrupt is looking at the possibility of a large solar project on the mine site. Updated the group on Coal Bed Methane load issues and potential buyout.

Discussion held by Basin Electric staff on Coal Bed Methane and the three distributed generation sites and the gas supply for each station and potential costs of them.

L & O - Curt indicated they have an ethanol plant looking at self-generation economics. He then updated the group on the Casino visit and that they are looking at potential self-generation.

Upper Missouri - talked on load and new peak with cold weather.

Central Power - set a new all-time peak in January; discussed on-going transmission projects in the area; they have contracted with Minnkota for 20% of their system dispatch needs.

Tri-State - new CEO starting April 1<sup>st</sup>; discussed potential for bylaw change that would develop a new membership class; they have a couple of ethanol plants threatening to look at self-generation.

Central Montana - discussed legislative activities.

District 9 - updated the group on continued discussions with TransCanada and their push to complete the pipeline; they saw a loss of 20 MW in compression which brought a fairly large rate increase.

Rushmore - set a new peak since starting load control.

NIPCO - discussed current legislative issues and updates to their load management system.

### **February Board Update**

Dave commented on the recent Basin Electric Board meeting. He shared a slide on January's Demand sales reflecting our sales to be about 131 MW more than last year and about 141 MW higher than the budget for January. Our electric heat sales are significantly higher than initially budgeted for January and February with some member loads coming in higher than we forecasted for.

Other items discussed with the Board are our hourly generation and load was for the entire month of January. Breaking down the load in SPP, Dave discussed the wind, this is dispatched first; coal, this was constant during this time period; gas generation, with a couple times during the month we ran this for a high price; market purchases when owned facilities are not running. There were two occasions when we did not have the backstop of the gas generation to serve all of the load. This is where we rely on the market to serve the load obligation.

Discussion held between Members and Basin Electric staff.

Continuing, Dave discussed when we are economically short and there is no gas generation, it does not pay to run the gas generation. Staff needs to go into the planning season with capacity to meet the forecasted peak plus losses and planning reserves.

Further discussions held between Members and Basin Electric staff.

Other things staff have been working on is a power supply RFP was released in February, we received notice of intents and will see by the end of the week what power supply proposals come in through the RFP. On the west we have more generation than what we need, we have released a reverse RFP to sell power with a limit to a three year period of time from 2019-2021. In the past we had longer term proposals; we have cut the terms to a shorter duration.

Staff approached Board on possibility of new wind purchase and staff received approval to move forward with this project. This is a 300 MW project and will go commercial the end of 2020. Staff has negotiated to delay the start in hopes to start in 2023 for 210 MW and in 2033 the purchase will increase to 300 MW.

Reviewing our wind portfolio, Becky shared slides reflecting how the Basin Electric wind portfolio has built up over time and will gradually walk back down as project agreements start to terminate in the late 2020's. If we look at our wind and our ability to meet a renewable energy objective (wind to meet member and retail sales), we're sitting at 20% renewable energy today and when the new projects startup we expect to increase to about 25% and then drop down as our load continues to grow.

The last piece would be to take a look at Basin Electric's Weighted Average Cost of Wind. With the additional wind projects, we are expecting our weighted average cost of wind to drop by \$2-3/MWh.

Dave concluded with discussing other topics from the Board Report updating how the marketing and fertilizer continues to go well and we are watching the spring forecast closely. Staff continue to negotiate new sales with potential decisions coming up this spring and summer.

Committee members asked Basin Electric staff to share with the group which Class A member sent a letter to Basin Electric on a buy-out number. Staff advised committee members their comments at this meeting would be limited.

Another meeting with Class A Members and their legal counsel will be scheduled for April 23<sup>rd</sup> in Bismarck for discussions to take place on the Joint Defense Agreement with a Class A Member District meeting following on April 24<sup>th</sup>.

### **Special Rate Usage** - Elizabeth Erhardt

Elizabeth discussed the Demand Period Waiver and advised the group of ten Members that are currently utilizing it by sharing a few slides displaying the Members loads compared to the demand period waiver hours. Elizabeth ran through the results for when the load management was turned off, the benefit to the member was the demand period waiver lowered hours of management for the end consumers.

A summary of the Special Purpose Rates:

Electric Heat Rate - seeing close to 700 MW of electric heat within the Basin Electric system with the assumption of a 65% demand credit and utilized by all members with the exception of Flathead. During the winter months up to 16% of Basin Electric's monthly sales are used by electric heat rate and on average Electric Heat makes up 10% of total energy sales. Last year we left the 34 mill rate as long as it was effective for the energy market even though we haven't defined what that amount was.

### **Recommendation to maintain the electric heat rate into the calendar year 2020.**

Interruptible Rate Credit - this rate is utilized by six members. The members control for the seven peak months and Basin Electric is not building resources for this. In turn, for their ability to control the members receive a credit for the five shoulder months.

Renewable Delivery Rate - We ensure that we are providing renewable energy to the members. Currently there is no member under this rate.

MISO Wind Resource - Under this, the MISO wind generators have the right to buy from the market directly, but through this rate the Member passes on the market rate while still maintain their territorial integrity. We currently have three projects under this rate.

Standby Rate - currently have two ethanol plants under this rate with others joining later this year.

### **Purchase Rates**

Load Management - this rate is for 1MW or larger loads. Basin Electric does have the right to call up to 180 hours per season, we have three projects under this.

Generation Purchase - Currently no one is under this rate.

## Other Rates

Renewable projects under 150kW - went through the history of rates for renewable projects under 150kW. Walked through the rate usage under the Renewable Energy Purchase Rate, Renewable Resource Pass Through Rate and the PURPA rate as of January 2019.

Load Data Incentive Rate - provides a credit to Members if they are able to provide BEPC with accurate SCADA data. In 2018, we paid almost \$2.2 million to the members under this rate to receive good scada data. Currently there are 14 members that are meeting the qualifications under the rate to receive payment.

Environmental Attributes Purchase Rate - this serves as a contractual path for BEPC to bill Members for Environmental Attributes regulatory obligations.

## **Battery/Solar White Paper**

Becky Kern gave a historical summary of Basin Electric's philosophy on special rates. She outlined what currently is and isn't allowed under the wholesale power contract.

An open discussion between Basin Electric staff and committee members on batteries and solar ensued.

**Tom Boyko moved to develop rate schedules for consideration to address the two different options identified on how to address batteries, 1). As a generator (new BEPC point of delivery) and 2). As part of the Member's load management operations. Doug Hardy seconds, Motion passed.**

The group supported expansion of the Member's owned renewable generation up to less than 1 MW, an increase from less than 150kW. Basin Electric would continue to purchase 100% of this generation output.

## **Future Rate Structure**

Covering the current rate structure with committee members, Dave addressed several questions on the possibility of eliminating Fixed Charge #1. Further discussion on this will be held at the April meeting. He also looked at the Demand/Energy Charge, committee members support no change to current rate structure and a Cost Based Rate service basically with no support to DGC.

Further discussions addressed action items of:

Next financial forecast to outline what we are going to with margins.

Committee members would like to have additional discussion on what current and future rate payers should pay for.

Adjourned.