

# Class A Member District Meeting

## Basin Electric Headquarters - Bismarck, ND

June 5, 2019

### **Attendees:**

Vic Simmons - Rushmore Electric  
Tom Meland - Central Power  
Matt Washburn - NIPCO  
Clair Vigesaa - Upper Missouri  
Curt Dieren - L & O Power  
Dan Walter - TriState

Doug Hardy - Central Montana  
Tom Boyko - East River Electric  
Colle Nash - Grand Electric  
Mike Easley - Members 1st  
Ken Kuyper - Corn Belt

### **Basin Electric Staff:**

Paul Sukut  
Lisa Carney  
Pius Fischer  
Chris Baumgartner  
Val Weigel  
Mark Thompson  
Steve Johnson  
Aaron Ramsdell  
John Jacobs

Dave Raatz  
Elizabeth Erhardt  
Becky Kern  
Jason Doerr  
Gavin McCollam  
Troy Skelton  
Darla Miller  
Susan Sorensen  
Andy Buntrock

Paul Sukut updated the group on DGC and Basin Electric events.

YTD Financial Update - Reviewing where Basin Electric was last year and where we are through April, Steve shared information on how well Basin Electric is doing financially and the affects DGC has on our consolidated earnings. Some good news is the strength we are seeing in the fertilizer prices and moving a lot of tons in May at these higher prices. Regarding Urea, he mentioned that staff hasn't seen significant shipments thus far in June but an increase did take place in May from what was budgeted. Steve concluded with a conversation on Basin Electric's current bond ratings were discussed.

FERC Cybersecurity Assessment - Troy Skelton discussed a recent review from FERC on our cyber security processes and highlighted potential areas of concerns at Basin Electric. FERC also outlined their recommendations to promote a positive change in security posture. Some factors as to why Basin Electric is a target were noted. They are: the large number of member cooperatives, our geographic footprint, and the miles of transmission. Next steps to take will be to look at more security resources and look at maximizing our resources.

### NIPCO/NWREC/Ethanol Plant PPA - Becky Kern

Conversations have taken place over the last couple months on ethanol plants moving into the California market considering co-generation/steam possibilities. Some options that have been discussed include 1.) self-supply with excess marketed into RTO and 2.) sell 100% of generator output to Basin Electric. Staff recently took a proposal to the May Board of Directors and were authorized to proceed where Basin Electric would purchase the capacity to continue to support our members and their deliveries to their end consumers and acquire creditable capacity to help meet SPP resource adequacy requirements.

### Contract Discussions and Potential Discussions - Becky Kern/Val Weigel

As a precursor to the July Manager's conference discussions, Becky introduced steps on what it takes to provide reliable firm power to our members. She outlined activities staff does to serve this load for the long-term. She talked generally on what needs to be accomplished related to long term load forecast development, Transmission planning, general set-up (including meter installation, communication and market registration), as well as various reporting that needs to be performed.

Val Weigel then transitioned into the short term market operations. She discussed how marketing inherits all of the energy positions in MISO, SPP, MT, and West. One thing staff does is look to doing shorter term sales or purchases on gas or power as well as look at financial hedging. Another activity that is managed is congestion and how it impacts our positions, results of congestion in the market. After that discussions moved into a daily locational marginal price and what is used for when modeling when looking at prices and how the results are analyzed when making daily decisions.

Becky concluded with discussing the Firm Requirements RFP that was released in May. She explained what was being sought from the RFP, what the timing of the RFP was and that the RFP was sent to eight different entities for their review and response. As the responses are in late June, additional information will be shared with the Basin Electric board in July and at the Manager's conference in July.

### 2020 Rate Schedule Details - Elizabeth Erhardt

Discussing the intent to hold the 2075 contract term members rate components into 2020, Elizabeth mentioned the 2050 rate components would need to be recalculated to ensure depreciation difference and the average rate would then be \$62.6/MWh. A review from a member's request to take a look at a full rate recalculation with a 50/50 Demand Energy split shows the demand rate increases and the energy rate decreases from the 2019 rate components and this is contributed to the load factor services. Elizabeth then shared a graph with the revenue dollars showing who would and wouldn't benefit from either holding the 2075 contract term members rate components or the full rate recalculation.

After discussions the Manager's preference is to walk down a mill if the forecast permits it.

Following with some of the special rates and some changes, Elizabeth mentioned the electric heat rate and the intentions to hold the 34 mills again. Interruptible Rate language shows a change to accommodate some near zero load levels after fully controlling due to primary metering location, etc. Staff is looking at changing the language to accommodate the situation. The Standby Rate Modification shows the recommendation for a quarterly adjustment. The 2020 Demand period waiver would give us a one year extension to maintain through 2024. Load Incentive Rate will continue being maintained through 2022 with no extension on the Demand Rate. Load Data Incentive Credit Rate language regarding what SCADA feeds, in regards to generators under the Standby Rate would be needed to qualify for the Load Data Incentive Credit Rate.

Battery Rate Schedule language was covered and what further changes members would like to see to this language. Members would like to open this up for four years and no site limitation at this time. These proposed changes will be included in the 2020 Class A Member Rate Schedule draft that will be sent out to the members shortly.

### Financial Forecast Assumptions - Aaron Ramsdell/Darla Miller

Taking a few minutes explaining some of the assumptions used to go into forecasting, Aaron looked at the entire system with 7,000 active generators within our territory and what is used to model a forecast. Everything starts with the load forecast when going into the modeling.

Darla described how once the information is received in Aurora, staff then sees what our coal and gas generation looks like in Basin Electric's footprint. Specific assumptions related to the 2020 LOS Unit #1 Outage, the AVS II Pricing used, the LRS Unit #11 Congestion, wind growth, wind to load penetration and minimum monthly run generation were communicated. Darla broke down the methodology utilized (sources used) for forecasting plant retirements in the markets we serve. The Forecasted generation for BEPC coal and gas assets was presented.

### Short/Long Term Resource Economics - Val Weigel

An assessment team was created and then broken down into a sub-team. Two primary outcomes from this sub-team are short term market profit and loss and the long term controllable profit and loss. There is a charter for the team, and some of the outcomes from the team are to provide consistent generator profit and loss reporting. One of the purposes of the P&Ls is to create a benchmark for plant operations and help the organization understand the overall cost reductions and another is to look at the overall cost structure of the organization as a whole.

In terms of deliverables of the group, they are working on transparency, routine communications process, provide benchmarks; finally one of the outcomes is to establish consistent process for future business decisions. She then shared slides on short term market P&L metrics showing revenue we receive from each unit. From here Val moved on to long term market margins, covering the steps taken by staff to identify margins at each unit, historical values from 2016-2018 and our financial forecast from last year for 2019-2021 that are used to determine the P&Ls. Next steps are to continue working on P&L's for the gas units and how we continue to work on our cost structures at the facilities, headquarters and the TSM structures.

### Power Supply Update - Becky Kern

Becky Kern gave the group a quick update on what is going on related to long-term power supply planning in SPP and MISO. She also walked the group through the SPP summer load and capability. When taking a look at the economic energy position, she mentioned how we are forecasted to be falling short in the 2021 time period. One thing staff looks at when talking about an economic short, we do actually have a backstop. We have natural gas generation and DC Tie access, but these units may not be operating because the markets may be less expensive than operating our own internal generation.

In our MISO Z1 Summer Load & Capability, we have secured our capacity position through the summer of 2024 and are looking at what opportunities exist in the 2025 forward time period. MISO Z3 shows minimal capacity issue, and we will be able to secure what we need in this zone.

Becky then covered wind repowering projects staff is recommending to the Basin Electric board for authorization to proceed at the June 2019 Board meeting. We have been having conversations with NextEra regarding repowering over the last year or so, but have really heated up over the last six months. She then reviewed some of the economics for each proposed repowering project and the incremental price for repowered wind.

Adjourned.