

Class A Member District Meeting

Denver, CO

January 30, 2020

Attendees:

Vic Simmons - Rushmore Electric Power
Tom Meland - Central Power Electric
Matt Washburn - NIPCO
Michael Hoy - McCone Electric
Curt Dieren - L & O Power Coop
Brad Nebergall - Tri-State G&T Assn.

Doug Hardy - Central Montana Electric
Tom Boyko - East River Electric Power
Don Franklund - Mor-Gran-Sou Electric
Mike Easley - Members 1st Power Coop
Ken Kuyper - Corn Belt Power Coop.
Kevin Mikkelsen - Rosebud Electric Coop
Travis Kupper - KEM Electric

Basin Electric Staff:

Paul Sukut
Lisa Carney
Steve Johnson
Chris Baumgartner

Dave Raatz
Becky Kern
Susan Sorensen

Committee went into Executive Session - Committee came out of Executive Session.

FERC Filing Update

Following up from our December discussions, Dave Raatz touched on concerns to our west side transmission tariff and discussions on Rate Schedule A and wholesale power contract. A key take away is what our cost justifications are. The plan going forward will be to visit with FERC staff on the philosophy of how the Cooperatives work and working with a consultant to update the Cost of Service information. Our plan is to have all this information gathered by the end of February or beginning of March to supply to FERC staff in draft form.

Year-End Financials

Steve Johnson followed with sharing Basin Electric's preliminary and unaudited estimate for 2019's consolidated margin. Three variables we take into consideration are deferred revenue, deferred charges, and ultimately the consolidated after-tax margin. He then noted for 2019 we're anticipating an additional \$75 mm of deferred revenue and an additional \$10 mm amortization of the expense deferral of DGC assets.

Addressing a new accounting standard update that became effective January of 2019, Steve covered the details of the standard which changed the recognition of gains/losses on equity investments and what impact the new standard will have on the potential variability Dakota Coal's earnings going forward. He then looked at the factors that impacted DGC's various revenue streams in 2019.

DGC Marketing Report

Covering gas and the prices on the current market price curve. When we look at Ventura gas prices we see some big drivers have been the current storage levels and mild weather conditions. As far as hedging activity, the marketing group hedged accordingly to our production, with the average hedge being 80 percent of DGC gas, this giving us some extra value. With the low gas prices, staff is looking at hedging BEPC gas consumption for both 2020

through 2022. He followed with a look at future fertilizer prices and our forward look at potential sales with our plan being to continue discussions.

Financial Forecast Scenario Review

Susan Sorensen walked through the four scenarios staff has run and the options they are looking at. To accomplish these steps, a review of the matrix and key assumptions for each scenario were discussed with the members. Susan shared the conclusions and lessons learned from these and what staff can do to apply these lessons moving forward.

2020 Load Forecast

Becky Kern started by taking a look from last year's load forecast to this year's new load forecast comparing the growth that has taken place over the years. When looking at the overall 30-year forecast district by district, an annual compound rate and growth is shown with the largest magnitude of load growth occurring in Upper Missouri. The Bakken is an oil play, natural gas is not the target. However, dealing with the natural gas is driving a large component of the load growth in the Bakken.

Resource Plan

Becky Kern provided an update on what staff discussed with the Board of Directors. She showed a time line on how Basin Electric has expanded its resource portfolio over the last 15 years and showed when the expansion was due to a Basin Electric owned/operated facility versus a power purchase agreement. The 5-10 years have primarily been focused on power purchase agreements, the purchase of excess market capacity and energy. She discussed what some of the drivers are today that Basin Electric is leaning towards some potential new build opportunities versus continuing to rely on the market.

Becky identified some of the leading self-build optimal resources that are being considered to help meet the forecasted load growth in the next 3-5 years. Becky informed the group of the recent approval from the Board of Director on the additional 45 MW at Lonesome Creek Unit 6. She discussed additional generation to potentially come online in 2023 and 2024 based on the 2020 load forecast as well as some identified options on meeting the near term identified short-fall in 2021-2023 prior to additional generation to be brought online.

UMZ Transmission Update

Calling from another location, Tom Christensen discussed the concept of the zonal planning criteria in SPP.

Becky continued her Resource Plan presentation mentioning that staff is continuing to explore additional options, one is the Bakken Midstream, and this would lead Basin Electric looking into their own ethane burning generation plant. Also, we have narrowed down our RFP for solar/wind and hope to have a final short-list. Our goal is to determine what new resource commitments are needed and we are identifying associated off ramps to ensure that the load growth is real and that the self-build resources are needed.

Cooperative Awareness Campaign

Chris Baumgartner addressed the process and results Basin Electric hopes to see from the campaign as well as what expectations our members are looking to have from us. Adjourned.