

Basin Electric Member Roundtable

Sept. 15, 2020 | Madison, South Dakota

The Basin Electric board of directors, Class A managers, and senior staff met in a roundtable format for in-depth discussion on issues important to the cooperative.

Cooperative Awareness Campaign

The Cooperative Awareness Campaign is an effort to better understand the key challenges of the Basin Electric family. Paulsen, an external consultant, has spent the past six months conducting interviews and focus groups with Basin Electric directors, senior staff, Class A managers and their Management Advisory Committees. Paulsen was asked to identify and prioritize the challenges each group is facing, measure alignment within the cooperative family, and provide communication recommendations based on their findings.

Basin Electric's "reason for being" was consistent throughout - reliability and affordable rates. The top ten issues identified by all groups were: 1) Maintaining rate affordability; 2) delivering reliable power; 3) resolving Dakota Gas issues; 4) development of long-term strategic plan; 5) member communications; 6) FERC; 7) transition from coal; 8) increasing renewables; 9) maintaining long-term contracts; and 10) future workforce needs.

Note: The group discussed many of these issues in great detail throughout the session.

Paulsen recommends Basin Electric continue communication efforts that provide more context and consistency to create a clearer and unified understanding of critical issues throughout the membership. Alignment is a unique challenge at Basin Electric due to its large service area. There are cultural, economic, and demographic differences between "ranch/coal" states and "row crop/urban" areas.

Basin Electric will deliver the Cooperative Awareness Campaign results and summaries to the Class A membership within the next couple weeks.

Financial forecast

Basin Electric staff has presented four versions of the 2021-2030 Financial Forecast.

1. The Basin Electric board of directors approved Version 1, or "Operate as is" this week. "Operate as is" includes a load forecast that is delayed by a year due to COVID-19 impacts and also contains accelerated depreciation on existing coal assets.
2. Version 2 is the same as "Operate as is," but the COVID-19 impact in the load forecast was lengthened to two years.
3. Version 3 is the same as "Operate as is," but included an expansion of Dakota Gas' Great Plains Synfuels Plant into producing additional products. This version also relied on 45Q providing reliable tax incentives.
4. Version 4 is Version 3, but the COVID-19 impact was lengthened two years.

Staff is also working through some additional scenarios that could impact a future financial forecast. For example, equipment could be added to the plant which shuts down the coal gasification and makes it a fertilizer-only plant. Staff also reviewed scenarios that were discussed during the Members Only meeting last November.

Staff continues to work on the economics of a financial forecast scenario that involves Bakken Midstream, which is a generation partnership in the Bakken region to serve member load. Results of this study are due by the end of 2020.

Future of coal and Dakota Gas

Several factors play into the decision to keep coal as part of the cooperative's generation mix. Vertical integration of Dakota Gas and the coal generators, economics vs. social pressures on fossil fuel units, results of the 2020 elections, member load growth, a final ruling on 45Q, Dakota Gas' carbon dioxide contract, options for reclamation, and whether or not natural gas generation is acceptable as capacity in a carbon constrained environment.

A decision tree/matrix was discussed in helping the Basin Electric family understand the decisions that need to be made, how each decision will impact the next, and what the timeline will look like for each.

Action

The Board of Directors has given Basin Electric staff suggested changes and additional routes of discovery, which will be worked on over the next few weeks. The Members Only Meeting in November will be a platform for further discussion with the membership. The board stressed its desire for continued open communication but also recognized the need for all involved to be respectful of confidential information.