

*Manager's Advisory Committee Meeting
January 21, 2015*

SUMMARY

Rates-MAC Present

- Tom Boyko - East River Electric
- Brad Schardin - Southeastern Electric
- Curt Dieren - L&O
- Rick Burud - Federated REA
- Tom Meland - Central Power
- Bruce Carlson - Verendrye Electric
- Kent Pauling - NIPCO
- John Euchner - Nishnabotna Valley
- Brad Nebergall - Tri-State
- Tim Lindahl - Wheat Belt Public Power District
- Doug Hardy - Central Montana
- Tim Stephens - Park Electric
- Vic Simmons - Rushmore
- Wayne Sterkel - Lacreek Electric
- Claire Vigesaa - Upper Missouri
- Jack Hamblin - Southeast
- Chris Baumgartner - KEM
- Bruce Kraemer - Crow Wing
- Mike Easley - PRECorp
- Ken Kuyper - Corn Belt
- Craig Codner - Butler County Rural Electric

Others Present

- Tim McCarthy - Sioux Valley Energy
- John Lee - Butte Electric
- Steve Reed - West Central
- Lars Nygren - Capital Electric
- Steve VerMulm - NIPCO
- Kevin Mikkelsen - Rosebud Electric
- Pat Carruth - Minnesota Valley - Monte
- Kory Johnson - Agralite
- Darrin Sand - Dakota Valley & Northern Plains
- Jim Edwards - East River
- Matt Washburn - NIPCO
- Roys Loomans - Lyon REC
- Kory Hammerbeck - Rushmore
- Jeremy Mahowald - Upper Missouri
- Jason Brothen - Lower Yellowstone Rural Electric
- Martin Dahl - McLean Electric Coop
- John Skurpey - McKenzie
- Wayne Martian - North Central Electric
- Mick Kossan - CPEC
- Greg Hollister - East River
- Rod Nikula - WH/MVEC
- Mark Vogt - Wright Hennepin

Basin Electric

- Paul Sukut
- Dave Raatz
- Mike Risan
- Ken Rutter
- Mike Eggl
- Becky Kern
- Tom Christensen
- Blaine Erhardt
- Dave Rudolph
- Mark Kinzler
- Jason Doerr
- Steve Johnson
- John Jacobs
- Sharon Lipetzky
- Shawn Deisz
- Jason Doerr
- Andy Buntrock
- Sue Sorenson
- Mark Foss
- Jay Lundstrom
- Heather Schlenker

Questions on these minutes should be referred to your G&T.

General Manager's Report and 2014 Margin

Paul Sukut, General Manager and CEO, reported on the year end close noting books are still open due to the year-end audit, so things could still trickle in. Overall, we are estimating before tax allocable margin of \$46.7 Million. We budgeted a \$38 Million margin. The Board granted permission to defer 15 Million to future years.

Mr. Sukut gave an update on the STB/BNSF case. Basin Electric had been in contact with Matt Rose a couple of times over the past year. Basin Electric and BNSF traded proposals and are in the negotiation process. At this time, we have a verbal settlement in principal; we don't have a contract yet, but have agreed to settle. Details to be worked out in the coming weeks. Once a settlement is reached and details are worked out, Basin Electric will notify the Members. David Raatz, Vice President of Cooperative Planning, reviewed past and current peaks. Mr. Raatz covered the framework for growth in 2013-14 year to current. Noting we are starting year off pretty good compared to budget. An overall load growth in 2013-14 was phenomenal with +500 MW peak demand growth. The reason it was so high was due to a combination of cold and grain drying. Comparing to 2014-15 we had 31 MW of growth. Recognizing where we are coming from, we are on an upward growth trend.

Member Manager Reports

KEM

Chris Baumgartner reported they are busy in all areas and things are going well.

NIPCO

Ken Pauling reported SPP items taking some time.

Nishnabotna Valley

John Euchner -

Corn Belt

Ken Kuyper reported they are seeing continued load growth of about 12 MW.

Verendrye Electric

Bruce Carlson reported they are continuing to grow.

Central Power

Tom Meland reported the Capital Electric consolidation is officially complete. Central Power is working with Basin Electric on response to Ottetail's protest and it is becoming clear renewing ITA with them is not viable.

Wheat Belt Public Power District

Tim Lindahl reported they are seeing ancillary growth from oil on the distribution side.

Tri-State

Brad Nebergall reported Tristate grew .5 %. Kicked off contract committee to look at extending contracts. Recommendation was for no changes at this time. Have a renewable RFP on the streets for mostly solar.

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PRECorp

Mike Easley reported growth was at .5 % for the year. Coal mines up, Black Hills building 230kw line from rapid to Teckla. Working with two landowner groups. Landowners are pushing towards more liability

Rushmore

Vic Simmons reported they are working a lot on NERC issues and dealing with some tribal unrest.

Southeastern Electric

Brad Schardin reported they are seeing growth; dairy, potential 6 million chicken facility, two Ethanol plants may add a 1 mw of growth. Have not heard a thing on Xcels 10mw solar facility.

East River

Tom Boyko reported they are working hard on the RTO analysis.

L&O

Curt Dieren reported they are working on NERC, SCADA, SPP. Seeing modest growth external to ethanol.

Federated REA

Rick Burud reported twelve rural electrics are trying to purchase Alliant territory in MN (SMEC). We are in front of PUC which is the first time in MN taking a regulated customer and moving to unregulated. Expect to finish in 2015.

Upper Missouri

Claire Vigesaa reported they are working on putting assets into SPP and making good progress. Continue to see growth but people are moving in from the fringes.

Transmission Service Policy

Dave Raatz, Vice President of Cooperative Planning, covered the transmission service policy philosophy. Recent developments have raised a lot of questions as to how we conceptually go through the process.

Recent SPP/WAPA Discussion

The Cooperative Planning department recently had a call with SPP and WAPA staff to discuss a number of issues. The major take a ways include: Basin Electric and WAPA delivery to Members will be at the end of the SPP-UMZ. Member transmission inclusion in SPP will likely increase SPP-UMZ transmission losses; possible WAPA allocation reduction or Basin Electric Member billing for WAPA loss delivery. Member SPP Transmission inclusion on October 1, 2015 requires a February 1st commitment and January 1, 2016 requires a May 1st Commitment. Discussion focused around the how folks are covered from the edge of SPP. SPP has determined the tariff says the federal service territory covers to the edge of SPP-WAPA. If WAPA gets out of it, then 80% comes back to Basin Electric. As long as WAPA pays the top down load, everything is fair. The concept is to socialize losses on the Basin Electric side.

ACTION ITEM: Basin Electric will schedule and facilitate a meeting with Members and WAPA.

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Member Billing and Meter Reading

Mr. Raatz facilitated a discussion on Meter Billing and Meter Reading. In the past WAPA read the meters and fill in missing meter data. As we go forward we have to ensure we have common hourly load data shall be the basis for SPP data submittal and Basin Electric Member billing.

Discussion on are revenue quality time registration meters and communications in place:

Question: Are revenue quality time registration meters and communications in place?

Answer:

Question: Who installs and calibrates the meters?

Answer:

Question: Can we start pocket metering scenarios until we get the meters in?

Answer: Based on conversations with SPP, not likely.

Question: Who reads and trouble shoots meters?

Question: Who fills missing meter data?

Answer: We have asked WAPA what their role will be.

Comment - First thought is we'd like WAPA to support. Basin is not set up to support the meters today. If Basin Electric is are going to do this we'll need some help. Staff will have additional discussion with WAPA on this topic.

Member Transmission Inclusion Timing

Mr. Raatz discussed the timing of Member Transmission including the later of January 1, 2016 or all applicable SPP requirements and internal system modifications are complete, time registration metering and billing processes complete.

It was noted that Corn Belt inclusion of incorporation to accommodate elimination of MAPP is October 1, 2015 and they will maintain transmission cost responsibilities until January 1, 2016. For Members that put their transmission into the RTO all applicable SPP requirements and internal system modifications are complete, timing registration metering and billing processes are complete, things will move pretty smoothly.

Member Contract/Rate Adjustment

Member contracts and rate adjustments

Staff would propose extending to a 2075 contract term. Basin Electric is currently considering a 60 year depreciation period on coal units (DF). The concept is drafts new agreements would be pushed out to 2075. New contracts that go into effect January 1, 2016 would have to address how to handle the new system. Cooperative Planning department has started discussion with legal department at Basin Electric. Plan is to start modifications on the contracts that only need delivery point changes. We will aim for distributing draft agreements by March/April.

Class A Rate modifications

Mr. Raatz reported staff has been studying the effects of discontinuing the oil pipeline pumping rate, large compression rate and the large commercial rate.

The oil pipeline pumping rate was for oil pumping stations 5 MW or greater and represents one to two percent of Basin Electric's load.

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The large compression rate was established in 2006 for large gas compression units of 1,000 horsepower or greater. The rate was the base rate plus 15mills/kWh for 10 years. PRECorp currently has 3 MW on this rate. This rate is closed to new applications.

The large commercial rate was established in 2010 for new loads of or expansions of 15 MW or greater and was at the base rate plus 15 mills/kWh. The Transcanada Pipeline would have served these members. This rate has been closed for new applications for some time. Discontinuing this rate would reduce revenue by \$13 million per year.

It is anticipated to request board action in August 2015 with an effective date of January 1, 2016.

Paul Sukut, CEO and General Manager, endorse to support to move forward with the course of action to eliminate the rates. All parties voted in favor to discontinue the rates.

Member Transmission Inclusion in SPP

Tom Christensen, Manager of Transmission Rates, asked if there were questions from the Members on Transmission inclusion. At this time Basin Electric believes we have had conversations with all Members, however if someone was missed please let Tom know.

Member Transmission Facility Credits

Jason Doerr, Manager of RTO & Delivery Services, reviewed the transmission policy implementation time line and discussed member transmission service facilities that are beyond the IS tariff and the MISO/SPP Load Shifts.

Mr. Doerr reviewed the Non-SPP Facility Credit details for each Member. Member discussions will start in February, submit transmission service request in March, develop lease agreements and place into effect January 1, 2016.

Internal RTO Processes

Registration

Becky Kern, Director of Utility Planning gave an overview of the registration and scheduling agreements as related to the RTO integration process and reviewed the delivery point off the edge of SPP changes to.

The NITSA will be finalized February 1st to meet the April 1st FERC filing date. Noting it will need to be revised to incorporate any changes not included in current, February 1st document.

Basin Electric and WAPA need to determine a methodology on how to schedule the WAPA allocation additionally, Basin Electric needs to become authorized by the WAPA customer in order to schedule their WAPA allocation. Ms. Kern handed out a draft Scheduling Agreement which allows Basin Electric to become the scheduling agent and asked all the Members to review. All Members with WAPA allocation will need to sign the agreement for Basin Electric to become the scheduling agent.

Marketing Operations

Ken Rutter, Vice President of Marketing and Assets, reviewed the project Milestones, key dependencies and gave an update on ongoing items/work needed for incorporation into SPP.

Questions on these minutes should be referred to your G&T.

Mr. Rutter also discussed some of the challenges Marketing will face when scheduling on peak day ahead pricing. Staffing is looking at a strategy to address risks associated with firm backup supply so accreditation is not lost.

Software Updates

Mark Kinzler, Vice President CIO, reviewed the major software systems that will be needed to incorporation. Allegro went into production about a year ago on the west side. We are currently building views for power and natural gas. The Structure Group in onsite helping and testing starting about a week ago. We hope to roll into production in the April time frame.

Mr. Kinzler noted most of the work is occurring on the interface between the software pieces, testing on market trials with SPP will begin in May. Schedules are tight, but staff is tracking well.

NERC Compliance

David Rudolph, Manager of Transmission Compliance, gave an update of NERC related items. Mr. Rudolph highlighted key items:

Guidelines

Basin Electric will be responsible for the facilities we own and members will be responsible for the facilities they own. As a general rule, for joint-owned Facilities or Facilities with multiple Element owners the Element Owner will assume the NERC Compliance responsibilities, unless the Element Owner has delegated these NERC Compliance responsibilities or transferred Element ownership to another Registered Entity. The Element Owner may “Contract” with Other Entities for Operational responsibilities.

Clarifications for Basin Electric

On a “Limited Basis” and where “Agreed Upon”, BEPC will perform all Operational responsibilities and NERC Compliance responsibilities for Member Owned BES Facilities.

Clarification for Members

For those Member(s) that own Bulk Electric System (BES) Elements and are performing the Operational & NERC Compliance responsibilities, each Member will need to “Register” with the appropriate Regional Entity (MRO or WECC) for each of the applicable Functional Entities:

- Distribution Provider (DP) - [If Member owns UFLS, UVLS, or SPS]
- Transmission Owner (TO)

For those “Registered” Member(s) that do NOT have the capability to perform any or all of the Operational and NERC Compliance responsibilities pertaining to the DP and/or TO Functions, those Member(s) will be responsible for delegating those NERC Compliance responsibilities or transferring ownership to another Registered Entity.

Going forward we continue to identify facilities and will work to customize a presentation for each member detailing the go forward plan.

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Interim Financial Forecast

Andy Buntrock, Manager of Financial Planning and Forecast, reviewed the changes in assumptions for the 2016-2024 Interim Financial Forecast. Mr. Buntrock isolated revenue impacts to the margin and compared the expense impacts. He then presented average member rate comparisons and interim Financial Forecast.

RUS Buy-out

Steve Johnson, Senior Vice President and Chief Financial Officer, shared key discussion points from Jasper Schneider's recent presentation to the Basin Electric Board. Currently, RUS is down on staffing, they are hiring but it will take time to train. Due to reorganization, the Power Supply Division has been dissolved and we now will work with general field representatives that are not familiar with the Basin Electric indenture. Key take a ways from the visit: RUS took comments into consideration, OMB and CEQ (non-significant status), Hiccups could occur with OMB and CEQ that are out of RUS' control, questions on the new administrator, litigation is almost assured.

Mr. Johnson discussed Basin Electric's current status at looking at alternative financing strategies and moving forward with further study to review the economics of a possible RUS Buy-out. Under direction of the Board, staff is proceeding to develop a strategy plan for implementing an RUS Buyout including a possible hedging strategy.

2015 Load Forecast/Stranded Investments

Load Forecast

Jay Lundstrom, Lead Load Forecast Analyst, reported that staff is preparing a new load forecast that is the basis for the Cooperative's power supply planning, monitoring western North Dakota load serving, rate analysis, transmission planning and financial planning.

The basis of the update is as follows: another year of actual 2013 loads has been added, distribution member sales models were re-specified, 84 distribution member forecasts and eight Class A member forecasts were completed. The Keystone Pipeline was delayed two years. Williston Basin total wells and peak production are up, though oil prices continue to fall. Mr. Lundstrom reviewed the changes for each Membership and the summer and winter Supplemental demand.

Mr. Lundstrom noted that board action on the updated Load Forecast will be requested in February.

Stranded Investments

Mike Risan, Senior Vice President of Transmission, reported Basin Electric is actively monitor the loads of the system. Mr. Risan covered several slides to give a graphical perspective of the operation guides for the Williston load pocket. Basin Electric has an operating call with Upper Missouri biweekly to stay on top of the need for generation. Due to additional load coming online the generation we've put out in the pocket is needed and will continue to be need, not stranded. Mr. Raatz reinforced the generation is not stranded adding the additional generation is needed to meet overall Basin Electric growth. Load levels have not charged throughout the whole Basin Electric system. Furthering November 2014 conclusions were we have enough

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capacity to meet Member obligations through 2017, but would require 650 MW of additional resourced by 2020. Staff will continue to evaluate, keeping a 5 year window.

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Aaron Ramsdell
Matt Greek
Missy Schell
Jen Feigitsch
Sharon Lipetzky
Jim Sheldon

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Transmission Service policy

Dave Raatz, Vice President of Cooperative Planning discussed the concept of the Transmission Service policy.

ACTION ITEM: Staff will put together examples for the members on the magnitude of dollars (cost shifts) and moving parts. In addition Members requested Maps of delivery.

Basin Electric has agreed upon a phase out of WAPA load and works towards balancing out the costs.

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Mike Eggl, Senior Vice President of Communication, reported Basin Electric is working on three pieces: Legal comment period; Basin Electric has put together a document with all of our comments and sent to EPA. Staff is working on a model to outline how to move carbon credits across the footprint should we be required to. Legislative side; a lot of discussions are taking place in the legislature.

Resource Development

Becky Kern, Director of Utility Planning gave an update on executed wind contract noting with the new projects Basin Electric will have about 1400 MW of wind once projects are in production. Staff is preparing two different Power Supply planning scenarios and working to figure out if additional resources will be needed and where. Ms. Kern added we are looking at a partnership with Northern Tier Energy Center on a combined cycle in Wisconsin.

Renewable Energy Credits

Ms. Kern opened the conversation by asking the Members what they would like to do with their 2014 ECs. At this time, there is not a recommendation to change the current board policy. \$2.4 Million was disbursed in July associated with 2014 Element Markets Carbon Offset Sales and \$0.8 Million was disbursed in December associated with Market Pool Sales for 2013 RECs. Currently the 2014 RECs have been generated and we are holding them. Basin Electric staff will plan to market the RECs comparable to 2013 RECs unless instructed differently by the Members.

Strategic Planning Update

Shanda Traiser, Director of Strategic Planning, reviewed current status of Basin Electric Strategic Planning. Ms. Traiser outlined 4 major themes (Commitment to philosophy and business model, support growth, workforce / Valuable Asset and Operations Excellence). Basin Electric looked at when starting the process and the flow to where we are now. (MAP handed out.) Owners have been assigned to each strategic theme to help with coordination and facilitation to determine how we will know goals are being met. Ms. Traiser outlined the summaries of each theme, owner of the themes and goals then stepped through the process that the owners will take. Ms. Traiser outlined the go forward plan and requested Members to review and forward any questions, comments/concerns to her. She will consolidate the questions.

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2014 Operations Report

John Jacobs, Vice President of Operations gave an update on the 2014 Operations. Mr. Jacobs recapped our current safety record and activities to refocus employees' importance of safety. Basin Electric has implemented a safety program called: our power, our safety which continues to re-emphasis the importance of safety.

Mr. Jacobs reported plant performances and activities; group is getting bigger, working with Generation to staff up, mentoring and working through staffing changes.

Mr. Jacobs reviewed the Station portfolios and gave an update on current activities and operations is working on.

Marketing Update

Ken Rutter, Vice President of Marketing and Asset Management, presented the December Member energy usage compared to budget. Mr. Rutter reviewed monthly prices for electricity and natural gas and the weather impacts.

Marketing Weekly Operation Reports will be sent to Members each Monday. The tool is used to get information out on marketing efforts.

Emerging Technologies

Matt Greek, Sr. Vice President of Engineering, gave a presentation detailing the technologies Engineering is currently reviewing as part of delivering the best possible value to our members. Technologies include: Pulsed Electron Beam (NOx Reduction), Allam Cycle (Power Generation/CO2 Capture) and technology research.

Closing

Mr. Sukut talked briefly about the mini reorganization that occurred within Basin Electric. Mr. Sukut adjourned the meeting with asking Members to notify him of specific topics they would like to cover and possibly extending the meeting to the morning of April 24th.

Upcoming Meeting

- April 23-24 - MAC - Bismarck
- July 21 - 23 - Managers Conference - The Lodge, Deadwood
- October 21-22 - MAC - Ramkota Hotel, Sioux Falls