

Roy Ireland 2012 speech excerpts



Roy Ireland, Basin Electric President

Last year we were in this very room celebrating the 50th anniversary of Basin Electric. We were remembering the people and the co-op principles that brought us this far.

Now, in 2012, we search for the answers that will keep us moving forward as a cooperative. We need to stay up to the challenge to provide cost-effective electricity and services to you as the world changes around us.

Some challenges include:

- 1) The RUS policy that does not permit the financing of baseload coal power plants.
- 2) The horizontal drilling with hydraulic fracturing that has dramatically increased supplies of oil and natural gas within the United States.
- 3) The sweeping regulatory efforts by the EPA that are impacting power plants; and

4) The government support of regional transmission organizations (RTOs) that creates challenges for getting power to members and for selling surplus power.

I'll let others talk about energy policy, RTOs, and resource development. I've decided to talk a little about the benefits of the ownership of Dakota Gasification Company. I will also discuss the 2013 average Class A rate, which the Board set in August.

Basin Electric's Antelope Valley Station and the Synfuels Plant were jointly developed on adjacent plant sites in the early '80s to save costs by sharing facilities including water supply, fuel supply, rail lines and electric transmission facilities.

After the original owners defaulted on federal loan guarantees in 1985, the government wanted to sell the plant. Other stakeholders had financial motives to buy the plant and then close it.

After a vote of the membership at a special meeting in 1988, Basin Electric formed a subsidiary, Dakota Gas, to buy the plant. This enabled Basin Electric to keep the electric load and the shared facilities saving us more than \$30 million dollars a year. Since 2007, Dakota Gas has paid nearly \$200 million in dividends to Basin Electric.

Low natural gas prices in North America; however, do threaten the plant's viability. We expect an even larger entrance of shale gas into the U.S. market. This will keep natural gas prices low for some time.

We are working on strategic plans for the Synfuels Plant that will be the next chapter to its story. One of those plans, announced just a few weeks ago, will be to study the addition of a urea plant to the site. This and other solutions will take Dakota Gas into the future for decades to come.

This August, the Basin Electric directors approved a wholesale electric rate of 54.0 mills per kilowatt-hour for 2013. This is 3.5 mills per kilowatt-hour greater than the rate set for 2012. While this provides for a greater than 3-percent margin as budgeted, it is prudent considering the increasing risk and uncertainties associated with the energy supply business today.

A greater margin can also be used to rebuild the cooperative's equity. The Board of Directors would like to see equity of at least 20 percent, which would once again allow the retirement of capital credits. We also believe the higher rate in 2013

may defer another increase until 2015 or 2016. Due to the Board and management's actions over the years, Basin Electric's wholesale power rate is among the lowest of any of the generation and transmission cooperatives in the nation.

On Sept. 20th, my wife Barb and I traveled to Washington, DC, with four employees of Basin Electric in the National Guard, their spouses, and Andrew and Becky Serri. We went to receive the 2012 Freedom Award to be presented to Basin Electric by the Employer Support of the Guard and Reserves.

Only 15 employers nationwide receive the Freedom Award in any given year and an organization can only receive it once. It is the Department of Defense's highest recognition given to employers for exceptional support. Our nomination was one of more than 3,200 submitted this year.

Captain Kimberly Miller, a business analyst, nominated Basin Electric the past three years. Jill Thomas, a warehouse supervisor at Dakota Gas and a retired guard soldier, also nominated Basin Electric in 2011.

Now, I only know a fraction of the employees that work at Basin Electric and the member systems, but if the rest are like the ones I've personally met, ... "We are definitely up to the Challenge."