

Directors authorize Class A contracts for Corn Belt Power Cooperative

Members to consider bylaws amendments at special meeting

By Erin Huntimer

Basin Electric's directors have approved the contracts with Corn Belt Power Cooperative, Humboldt, IA, to become a Class A member of Basin Electric, subject to the members' approval of the required bylaws changes. The contracts are for power supply, power purchases, scheduling and transmission lease arrangements.

Corn Belt is currently a Class D member represented on Basin Electric's board through District 9. For Corn Belt to become a Class A member, Basin Electric's bylaws must be changed to create District 11, which would add another seat on Basin Electric's board.

The bylaw changes will be considered during a special meeting of the membership on Aug. 13, 2009. Should the membership ratify the amendments, and if the Corn Belt board also approves the contracts, they would become effective Sept. 1, 2009.

Background



Ken Kuyper

Corn Belt asked Basin Electric to explore the concept of Class A membership in an October 2008 letter from Ken Kuyper, Corn Belt executive vice president and

general manager, and Donald Feldman, Corn Belt president.

Corn Belt's request came as MidAmerican Energy Company, the operator of the transmission control area in which Corn Belt resides, notified the cooperative of its intention to join the Midwest Independent System Operator (Midwest ISO)

effective Sept. 1, 2009. Corn Belt sought alternatives to joining the Midwest ISO. One of the alternatives was to become a Class A member and transfer its load into the Western Area Power Administration's control area.

Kuyper said the board and staff extensively compared joining the Midwest ISO to joining Basin Electric. "The board ultimately looked at it and said, we have partnered with Basin Electric in the past, and this option allows us to keep the Corn Belt identity. And the two co-ops can both benefit from the larger joint operation. It also enables us to address certain issues, such as plant outages, market prices, and construction of new facilities," he said. He said it also would allow Corn Belt to be a part of a cooperative where they have a voice on the board.

Corn Belt has been a Class D member of Basin Electric since 1998, and had expanded its contract with

Basin Electric to 50 megawatts in 2006. Corn Belt and Basin Electric also partnered in an 80-megawatt peaking unit, Wisdom Unit 2; each cooperative has a 40-megawatt ownership share, and Corn Belt is the operating agent.

Kuyper said the two cooperatives had explored alliance opportunities in the past, but were inhibited by transmission constraints. He said this obstacle will be overcome by bringing Corn Belt into Western's control area.

Arrangement

Basin Electric members gathered in person in Bismarck, ND, and via Web conference to discuss the Corn Belt proposal on June 3. At the meeting, Ron Harper, Basin Electric CEO and general manager, and several staff members updated the membership on every step of the process.



Mike Risan

Mike Risan, Basin Electric senior vice president of Transmission, said, in addition to bringing Corn Belt into the Western control area, Corn Belt load would

also be taking network transmission service from the Integrated System (IS). "This arrangement is the linchpin that allows the optimization

“The two co-ops can both benefit from the larger joint operation.”

Ken Kuyper, Corn Belt



Corn Belt Power Cooperative is headquartered in Humboldt, IA, and serves 12 member cooperatives in north central Iowa.

of the combined generation portfolio. Network service within a common control area was also instrumental in the regional transmission approval process, since the impact of network service has fewer effects on neighboring systems than point-to-point service, which would be required if the Basin Electric and Corn Belt systems were not combined,” he said.

Also, Risan said Basin Electric would lease Corn Belt’s transmission facilities that qualify for the IS. The arrangement would have a positive impact on the IS rate. “We expect the IS rate would go down at least three percent, so it’s a benefit to all of the existing IS customers as well,” Risan said.



Dave Raatz

On the generation side, Dave Raatz, Basin Electric manager of member marketing and power supply planning, said under the contract, Basin Electric would purchase the output of all of Corn Belt’s owned generation – about 296 megawatts – and contracted generation.

“This arrangement would represent a positive benefit to Basin Electric of about \$7 million over the 2010 to 2015 period of time.”

Dave Raatz, Basin Electric

Electric would need an additional 40 megawatts to serve Corn Belt.

Raatz said initially Basin Electric would not need to dedicate any additional generating resources to meet Corn Belt’s requirements; Basin Electric would use the current 50-megawatt sale plus Corn Belt’s existing facilities. By 2020, however, Basin

Corn Belt currently has a capacity-sharing agreement with North Iowa Municipal Electric Cooperative Association (NIMECA), where they jointly market surpluses or purchase power when they’re short. Raatz said a new three-party agreement has been developed to incorporate the NIMECA loads and resources into Basin Electric’s resource operations; however, Basin Electric would not have any load-serving obligations to NIMECA.

Due diligence

Because Basin Electric would be purchasing power from Corn Belt’s power plants, Basin Electric sent two teams to conduct due diligence on the facilities (see sidebar page 9). Teams visited Neal Unit 4, Walter Scott units 3 and 4, and Duane Arnold Energy Center. The output purchased from Duane Arnold would be the first nuclear generation in Basin Electric’s portfolio.

Continued ▶



Bob Holzwarth

Bob Holzwarth, Basin Electric vice president of plant operations, said, "It's very important that we understand, what is the quality of those facilities, how reliable will those facilities be, and how cost effective will they be going forward."

Holzwarth said the due diligence on the coal facilities was favorable. "They're well cared for, they're clean, they're operated with diligence," he said.



Mike Paul

Regarding Duane Arnold, Mike Paul, Basin Electric vice president of engineering and construction, said since Basin Electric has no experience with nuclear plants, engineering firm

Sargent and Lundy was retained to examine its operations. "Overall, Sargent and Lundy says the Duane Arnold plant has been and continues to be a well managed and well run plant with very good regulatory performance," he said.

Duane Arnold is a 600-megawatt boiling water reactor operated by NextEra Energy. NextEra has submitted an application to the Nuclear Regulatory Commission to renew its operating license for 20 years, a request that's expected to be approved, Paul said.

Benefits to membership

Some risks do come with adding Corn Belt, Raatz said, such as an increased firm power supply obligation and issues surrounding nuclear power. However, Raatz said overall it has a positive impact on

Basin Electric and the membership.

Raatz said Basin Electric can reduce its carbon dioxide exposure by purchasing power from the nuclear unit. It also gives the cooperative an opportunity to learn more about nuclear power for possible expansion in the future.

One of the biggest benefits is resource location diversity. Through the purchase of these resources, Raatz said Basin Electric would have more flexibility with opportunities for surplus sales. "I think this is a very positive aspect of this joint arrangement," Raatz said.

"This arrangement, as negotiated and as discussed here today (June 3), would represent a positive benefit to Basin Electric of about \$7 million over the 2010 to 2015 period of time," Raatz said.



Wayne Backman

Wayne Backman, Basin Electric senior vice president of Generation, said the alliance with Corn Belt is a good fit for Basin Electric from a historical perspective as well.

"It reflects Leland Olds' philosophy of economy of scale, and that Basin Electric was envisioned as a large regional wholesale power supplier in the Missouri River Basin. The



Ron Harper, Basin Electric CEO and general manager, addresses the Basin Electric membership on June 3 in Bismarck, ND. Members heard the benefits, risks and process details of bringing Corn Belt Power Cooperative on as a Class A member.

arrangement results in resource diversity, geographic diversity, and political diversity. There's

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Ken Kuyper, Corn Belt

risk sharing, and there's financial strength. It continues the tradition of welcoming new member co-ops to the Basin Electric family, and it

has been a pleasure to work with Corn Belt staff."

Kuyper expressed appreciation to the many Basin Electric staff members who put in an "all-out effort" to do the extensive work needed to make this happen in less than a year's time. "They've done an awesome job. They've worked with us well in a whole tone of fairness and cooperation. Our negotiation experience has been very positive, and that just tells you something about the co-op model of doing business," he said.



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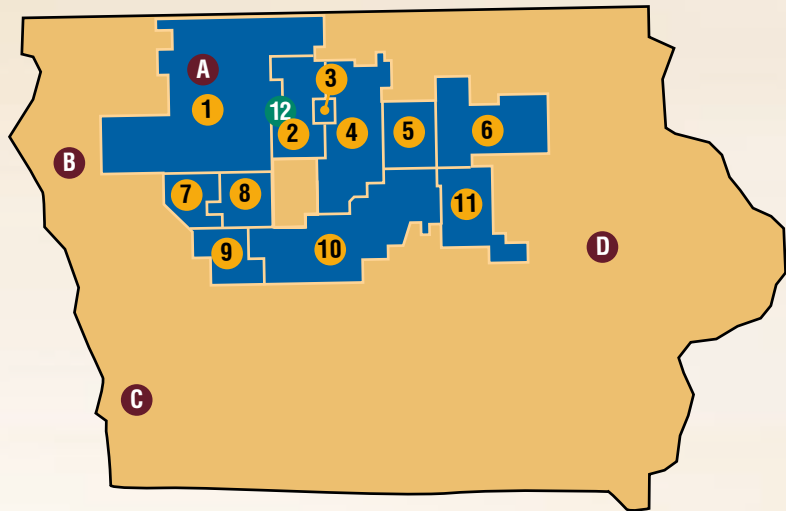


At a glance

Headquarters: Humboldt, IA

Corn Belt Member Cooperatives

- 1 Iowa Lakes Electric Cooperative, Estherville
- 2 Humboldt County REC, Humboldt
- 3 Boone Valley Electric Cooperative, Renwick
- 4 Prairie Energy Cooperative, Clarion
- 5 Franklin REC, Hampton
- 6 Butler County REC, Allison
- 7 Sac County REC, Sac City
- 8 Calhoun County REC, Rockwell City
- 9 Glidden REC, Glidden
- 10 Midland Power Cooperative, Jefferson
- 11 Grundy County REC, Grundy City
- 12 North Iowa Municipal Electric Cooperative Association, Humboldt



Corn Belt Power Plants

- A** Earl F. Wisdom Station, Spencer, IA
 - Wisdom Unit 1 (coal) – 38 megawatts
 - Wisdom Unit 2 (natural gas/fuel oil) – 40 megawatts
- B** George Neal Station, Sioux City, IA
 - Neal Unit 4 (coal) – 75 megawatts
- C** Walter Scott Jr. Energy Center, Council Bluffs, IA
 - Walter Scott Unit 3 (coal) – 26 megawatts
 - Walter Scott Unit 4 (coal) – 42 megawatts
- D** Duane Arnold Energy Center, Palo, IA – 58 megawatts

Owned Transmission

- 1,675 miles of high voltage transmission line
- 142 distribution substations
- 31 switching stations
- More than 30 microwave sites