

MCLEAN ELECTRIC COOPERATIVE, INC.

January 23, 2014

The January meeting of the Board of Directors of McLean Electric Cooperative, Inc., was held at the Company's headquarters in Garrison, North Dakota, on the 23rd day of January, 2014. The meeting was called to order by President Alvin Myers at 9:00 a.m.

Directors present:

Ronald Bloom
Ernest Grueneich
Agnes Jennings
Alvin Myers
Troy Presser
Orvin Ravnaas
Rod Stockdill

Also present was Manager Martin D. Dahl. Attorney David A. Lindell was absent.

Discussed if we need attorney at all meetings and was decided that it would be for the best to have attorney present. Ernie added an item to the agenda in regards to an electric heat customer. The AD&D premiums were also questioned. A Statewide alternate was also added to the agenda.

A motion was made by Presser and seconded by Ravnaas to approve the Consent Agenda which consisted of the minutes of the December 20, 2013 board meeting, additional agenda items, review of director's checks, and approval of the membership and service applications. The motion carried.

The estate of Donna Appelt was presented for capital credit retirement. A motion was made by Bloom, seconded by Grueneich, to approve the retirement of capital credits. The motion carried.

STAFF REPORTS:

Manager Dahl reported on the Business Manager's Report. Luke was out with the new baby.

Basin Electric ended with a \$43 million margin which would give us \$200,000. Substations getaways should be on Central Power for the 115 KV project.

Budget projections are close to actual. No questions on this. The revenues will be very good if Central Power comes through the margins all will be good. Capital credits are zero on the Form 7 for the year but will change when CPEC is done with yearend accounting. We peaked on December 23rd at 26 megawatts which is double from 2007, for the year.

Custodial position opening has received four resumes. Lisa resigned effective December 31, 2014. Interviewing and considering Dust Bunny services on a contract basis, not as employee.

Updated discount percentage for policy 313. which was changed in June– waiting on numbers to true up the weighted cost of capital. The policy change requires a true up each year.

NRECA pension prepayment – want to amend law and get us out of some of the rules regarding the funding level. A bill is being considered. NRECA has raised over \$1.8 Billion to fund the plan to 95%. The multiple autonomous members is the reason why they are able to easily raise money and also makes it a safer fund and therefore the ammunition needed to make a change in the legislative requirements.

The USAF has requested their capital credits for 2013. They have been behind in payments. Our policy states no capital credits if behind in payments. Luke sent a letter on policy but no response. We are still in dispute over arrears, can take them to court. We will wait and see as this is not fair to other members. Management plans to hold capital credits until paid in full.

1. Member Services – Darrin Sand. Items discussed and actions taken during the Member Services Report were as follows:
 - A. Smart Hub is up and numbers are rising.
 - B. New web site is up and running.
 - C. Annie got all communication lines up and running. Scott and Darrin looking at fiber optics to bring back info.
 - D. Seventeen heat meters are left to install. Six LCR's still need to be installed.
 - E. Darrin reported on member services group meeting. Planned and not planned outages, disconnects and what cooperatives are doing in case it happens.
 - F. Canon representative on parts wearing out on meters. They are working on some reimbursement.
 - G. Ernie had questions on a member's electric heat. Darrin checked on it, warranty is gone. Have no parts. John might have parts, Verendrye might have parts – we are supplying nothing for it. Paint wears off cove heater. Questioned paint peeling by a member. Marty said to contact manufacturer. Maybe Border States can be contacted. Cove heater came from Dakota Supply. Engine enamel works. Darrin suggested we help member as much as we can. Entire unit would have to be replaced.

- H. Darrin gave Youth Tour presentation in Turtle Lake and would like to do it in other McLean County schools. Deadline is January 31 for the DC tour.
-
- 2. Operations Department – Wayne Skarda. Items discussed and actions taken during the operations department report were as follows:
 - A. January was very cold – OCR maintenance done.
 - B. Coal Creek Construction is out one week. Govert is out one week. Six poles in Turtle Lake they couldn't get. Still digging and pulling. A little over budget on pole replacements.
 - C. No safety meeting this past month as some of the linemen and Wayne attending the AT&S Conference in Bismarck.
 - D. Can only guy poles in slough. Pole up by Ryder corner – two wires on it already, but its leaning. Connection above ice.
 - 3. Manager's Report – Martin D. Dahl. Items discussed and actions taken during the Manager's Report were as follows:
 - A. Waiting for REDL&G drawdown. Some paperwork has been misplaced at USDA.
 - B. Action. Cooperatives voice opinions to EPA. Send e-mails to control EPA on rules for cooperatives. EPA stating cleaner the air the dirtier the water – their next agenda. Want different options for stock wells.
 - C. Marty has info on mobile substations for CPEC. Need new portable mobile substation – old one can't handle new voltage. Central Power told one of our linemen that we don't have ring bus on sub and now they will need maintenance once a year which will require an outage. Taking an outage once a year for maintenance is not acceptable especially with a new substation high side.
 - D. On Turtle Lake substation – get rid of old one and Ottetail seeing cash cow. We want to move substation to better serve the area. The new location would be central to the load. Ottetail wants us to pay. Be better for us to tap WAPA line instead of dealing with Ottetail. Could run six miles to tap into WAPA but cost of tap would be high. Our new substation south of town move to Turtle Lake office- RUS needs more info. Marty sent it to them. Wanted to know how it would positively affect us.
 - E. MDU has two of our substations blocked in CPEC service area.

4. Strategic Planning: KBM will be coming in. A lot on agenda, more than 1½ days-worth.
 - A. Load control time of use rates.
 - B. Base charge.
 - C. Line extension policy.
 - D. Irrigation/grain drying rate policy.
 - E. Long Range Plan.
 - F. Buying Ottertail line from Washburn to Harvey.
 - G. Solar.
5. NRECA Annual Meeting – Nashville, TN
Ernie was named the delegate and Ron the alternate.
6. CFC Annual Meeting – Nashville, TN
Ron was named the delegate and Ernie the alternate.
7. Insurance Claim:

A low voltage claim was made by Jim Bennett on the computer for his stove. Submitted insurance claim to Federated and it was denied. Central Power should receive claim submission.
8. Discussed energy efficiency program.
9. Received new REPAC Certificate for 2013. All board members participated.
10. Showed graph on KWH. Highest it's ever been – less demand more KWH November and December. About 1 mill KWH per month electric heat.
11. Federated 11-15-2010. 20 claims big amount was hail storm. Doing ok letter from Federated.

Reports on meetings attended:

1. Statewide Report-Rod:

Replacement for Dennis Hill's vehicle totaled in November – set up committee denied to pay per diem and mileage for him to use own vehicle.

Jane Porter stated better than expected margins.

Policy change on nepotism for hiring, took out in-laws.

Dennis Hill talked on appointment to Blue Cross Blue Shield. Talked about doing another customer survey. Talked about health insurance – Blue Cross Blue Shield came in 25% higher. Employees contribute and they agreed.

The new tax commissioner visited them.

Executive session discussed new general manager. Discussed car. DV/NP and the Alliance has more votes than the other members so change bylaws if some things controversial change to 11 votes – have manager, member service or members be able to vote.

Alvin asked if they would have legislative dinner one night of annual meeting.

2. Central Power – Troy:

System peaked at all-time high.

RUS hasn't decided on Capital Electric consolidation debt.

Broke insulator at Coal Creek substation.

NERC reliability becoming a problem if East River makes mistake we could be as responsible as Basin-Basin trying to get it changed.

Dakota Gasification to add UREA. Financials look good.

Central Power Annual Meeting is March 26-27 in Minot.

Sheri Haugen-Hoffart is the delegate to the NRECA Annual Meeting. Troy is the alternate.

Basin will pay 42% Laramie, WY in June.

WAPA will join SPP. East river had most growth.

Crooked Lake had 38 outages – 3 hrs. 4 mins.

Central Power decided to go with CFC for \$10 million. McLean wants 40% variable short term notes on their total debt. They are currently at 48% short term. MEC Board feels this is too much risk in the event interest rates go up quickly.

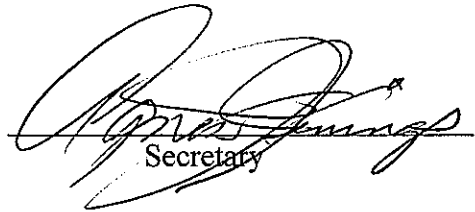
3. NDAREC Board of Directors:

Rod is the delegate and Aggie is the alternate.

4. NRECA Board Leadership 921:

This course will be held on February 6 at the statewide headquarters.

There being no further business, upon a motion made and carried, the meeting was adjourned.



Secretary