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**Basin Electric Power Cooperative
Bismarck, North Dakota**

**Minutes of the Regular Meeting of the Board of Directors
January 12-13, 2016**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building, Bismarck, North Dakota, beginning on January 12, 2016 at 2:50 p.m. CST.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Gary C. Drost kept the minutes thereof.

2. Roll Call

After calling the roll, the Secretary reported the following Directors present:

Donald E. Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Charles Gilbert	Mike McQuiston
Kermit Pearson	Wayne Peltier
Troy Presser	Roberta Rohrer
Allen Thiessen	

Said persons being all of the Directors of the Cooperative. Also present were CEO & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Jamey Backus, Tracie Bettenhausen, Eric Carufel, Tammy DeWitt, Mike Ettl, Matt Greek, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Sharon Lipetzky, Jay Lundstrom, Dave Raatz, Mike Risan, Ken Rutter, Kevin Solie, Susan Sorensen, Myron Steckler, Kevin Tschosik, Chris Vizenor, Valerie Weigel, Michelle Wiedrich, Roxanne Woeste and Mike Zimmerman. Also present was Dakota Gasification Company (DGC) Vice President David J. Sauer.

3. Approval of the Agenda

The Directors considered the agenda for the conduct of the business of the meeting. After an opportunity for the addition and deletion of items, it was moved by Director Rohrer, seconded by Director Applegate and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the November 5 and December 14, 2015 Reorganizational Meeting of the Board of Directors, the December 15-17, 2015 Regular Meeting of the Board of Directors and the December 17, 2015 meeting of the Board Audit Committee were presented and after an opportunity for corrections, it was moved by Director Brekel, seconded by Director Presser and carried that the regular minutes be approved as revised and the Board Reorganization and Board Audit Committee minutes be approved as presented.

5. General Manager's Report

General Manager Sukut reported on the meeting with the Lignite Energy Council (LEC) shortly before Christmas to discuss the Clean Power Plan (CPP). The state of North Dakota has asked the lignite industry to get together to try to suggest what should be included in a State Implementation Plan (SIP). The LEC has been tasked with assisting in this effort. The LEC put together several scenarios, which Basin Electric's Scanning the Horizons team says are all very expensive. The Horizons team is in the process of coming up with other, lower-cost options. Mr. Sukut noted that between now and June, staff will be spending a great deal of time on this effort, with the goal of coming up with one or more ideas as to a possible SIP by fall. Those options will be discussed with the board.

Mr. Sukut noted that a meeting to discuss the CPP and wind development in Iowa with MidAmerican Energy Company will take place a week from Friday. Iowa State Representative Chuck Soderberg was instrumental in putting this meeting together.

Mr. Sukut reported on a meeting with South Dakota Governor Daugaard, the head of South Dakota's environmental agency, Mike Eggl and Steve Tomac. He noted that South Dakota doesn't have quite as big a problem with the CPP compared to North Dakota and Wyoming as it has just our combined-cycle plant and the Big Stone plant.

Mr. Sukut and staff also plan to meet with U.S. Senator Heitkamp regarding the CPP in the next couple months.

6. Office of General Counsel Report

Mark D. Foss, Senior Vice President and General Counsel, reviewed current litigation and other legal matters concerning the Cooperative.

7. Operations Report

John Jacobs, Vice President of Operations, provided bus-bar costs for the coal-fired fleet (Antelope Valley Station (AVS), Dry Fork Station (DFS), Leland Olds Station (LOS) and Laramie River Station (LRS). He reviewed the equivalent forced-outage rate trends on a 24-month moving average basis.

He reported that generation came in 16.1% below budget for December and 6.4% below budget for 2015. Individual availability and capacity factors for the coal-based generation stations in December were as follows:

Unit	Availability	Running Plant Capacity Factor	Unit Rating	Comments
AVS #1	99.32%	87.7%	450 MW	Volts to hertz differential module F.
AVS #2	100%	91.1%	450 MW	
DFS	99.31%	100.07%	386 MW	Forced outages-DCS processor media card failure & pulverizer tripped causing drum level.
LRS #1	100%	73.47%	570 MW	Transmission constraints.
LRS #2	97.80%	92.40%	570 MW	Shutdown to move spare GSU to Unit #3.

LRS #3	22%	88.60%	570 MW	Forced outage-GSU off-gassing acetylene-internal arcing.
LOS #1	100%	70.17%	221 MW	
LOS #2	94.05%	70.67%	448 MW	Cleaning of transfer tanks.

He reported that on December 31, the LOS coal stockpile contained 711,069 tons or 56.8 days of burn at cruise rating. As of January 4, the LRS stockpile contained 33 days of coal for all units at full load.

A. Distributed Generation Update

Kevin Tschosik, Distributed Generation Manager, reported that Distributed Generation had zero Days Away Restricted or Transferred (DART) cases in 2015 and nearly 260,000 hours since the last DART. The PrairieWinds ND 1, Inc. (PWND) staff has worked six years with no injuries. Mr. Tschosik noted that December generation at the distributed generation facilities was as follows:

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Groton #1	92.49%	392 MW	100 MW	
Groton #2	92.45%	7,744 MW	100 MW	
Culbertson CT	78.8%	3,201 MW	100 MW	For load.
WY Dist. Gen.	97%	56 MW	54 MW	
SMS #1	0%	0 MW	60 MW	Did not run.
SMS #2	0%	0 MW	60 MW	Did not run.
DCS	98.9%	81,211 MW	300 MW	For load demand.
PGS #1	96.69%	12,730 MW	45 MW	For load and reliability.
PGS #2	95.81%	8,884 MW	45 MW	For load and reliability.
PGS #3	99.17%	8,735 MW	45 MW	For load and reliability.
LCS #1	98.77%	22,078 MW	45 MW	For load and reliability.
LCS #2	81.72%	18,261 MW	45 MW	For load and reliability. Gas pipeline filter; flow orifice to generator oil supply. Generator bearing failure.
LCS #3	96.31%	20,397 MW	45 MW	For load and reliability.

During December, the Pioneer Generating Station (PGS) ran in synchronous condensing mode 249 hours and the Lonesome Creek Station (LCS) for 9.08 hours.

The Wyoming Distributed Generation had 21 west-side spinning reserve calls for the month. Spirit Mound Station did not run in December.

PWND. Icing conditions resulted in the loss of 3,400 MWh.

PrairieWinds SD (PWSD). Icing conditions resulted in the loss of 4,000 MWh.

The east-side peak occurred on December 28, 2015 at 6:00 p.m. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak (MW)	Capacity Factor (%)		Project Total
		Month	Year	
Baldwin	20 MW	37%	41%	99 MW
Day County	28 MW	38%	49%	99 MW
Edgeley	2 MW	26%	33%	40 MW
Highmore	6 MW	35%	36%	40 MW
Iowa Wind	37 MW	45%	39%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	38%	39%	3.4 MW
PWND	49 MW	38%	42%	123 MW
PWSD	42 MW	40%	46%	162 MW
Wilton	20 MW	29%	38%	99 MW
Total Monthly Wind Generation	204 MW	37%	42%	712 MW maximum
Average Capacity Factor	n/a			n/a

He then reviewed 2015 generation totals.

Project	YTD Actual Generation NMW	YTD Budgeted Generation NMW
PGS #1	70,936	120,625
PGS #2	33,554	96,455
PGS #3	87,675	106,145
LCS #1	86,919	118,345
LCS #2	190,222	53,442
LCS #3	187,586	42,137
Culbertson	90,595	54,730
Groton #1	18,946	43,860
Groton #2	25,651	38,020
Deer Creek	623,038	1,163,670
PWND	455,030	439,290
PWSD	647,370	604,470

B. Approval of LOS Permanent Bottom Ash System Capital Project Request

Jamey Backus, LOS Plant Manager, reported that in April 2015, the Environmental Protection Agency (EPA) finalized the Coal Combustion Residuals Rule. It was determined by the headquarters environmental division and LOS staff that the best course of action would be to close the existing ash pond. EPA finalized the Effluent Limitations Guidelines rule in September of 2015. By October of 2015, a temporary dewatering system had been put in place and ash was no longer taken to the ash pond. The ash pond must be capped and closed by April of 2018.

November 2018 is the earliest date to no longer put bottom ash water into the Missouri River and all other discharges must meet the new regulations.

Based on discussions with other facilities and vendors, the best solution was determined to be: two submerged drag chain conveyors (one for beneficial use ash and one for waste ash); a bottom ash transport water recycle system consisting of pumps and a tank; and a wastewater treatment system to be able to discharge sump water to the river (currently studying zero-discharge).

The Class 4 cost estimate (less design, more contingency) is as follows:

System	Cost
Remote Submerged Conveyor	\$30,679,092
Transport Water Recycle System	\$5,847,730
Wastewater Treatment System	\$9,049,707
TOTAL	\$45,576,530

He noted that these costs include engineering, materials and labor. It was decided to cut the ash handling system and those costs are not included in the budget.

He recommended the capital project request be approved.

After discussion, it was moved by Director Pearson, seconded by Director Thiessen and carried that the following Resolution be adopted:

R01.01-12-16 RESOLVED, that Capital Project Request #150218 for the Leland Olds Station Bottom Ash Dewatering and Process Water Recycling Project be approved at an estimated cost of \$45,576,530; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, be authorized to execute the required documents.

It was noted that this project was not included in the 2016 capital budget.

C. LOS 50-Year Anniversary

Mr. Backus reported that the employees celebrated the 50th anniversary of LOS with a cake. He then presented historical photographs of the LOS including pictures from the groundbreaking ceremony.

8. Commodity Risk Management Report

Kerry Kaseman, Manager of Commodity Risk, reported that January settled financial hedges for natural gas resulted in a loss of \$77,500. He reviewed the Ventura Forward Curve which, as of January 1, 2016, starts at \$2.45/dkt for 2016 increasing to \$3.16/dkt for 2020 and saw minimal movement for the month. He reviewed the Mark-to-Market (MTM) for natural gas and the current hedge position of natural gas.

He reported there were no hedges for power settled in December. He reviewed the Palo Verde On-Peak Forward Curve which, as of January 1, 2016, starts at \$25.45 for 2016 and increases to \$32.68 for 2020. He reviewed the MTM for power and the current hedge position for west-side surplus sales and east-side purchase power.

He then reported that the Risk Management Steering Committee (**RMSC**) approved the proposal to hedge diesel fuel for 2016 through 2018 including both the price of diesel fuel embedded in the rail fuel surcharge for LRS and LOS coal, as well as LRS and LOS fuel oil. The plan is to hedge 1.8 million gallons to 2.0 million gallons per year in order to protect fuel oil/diesel fuel surcharge expense of \$2.4 million to \$4 million per year with minimum transaction prices and stop loss prices.

These diesel fuel hedges are based on the Energy Information Agency on-highway diesel charge per gallon which, as of January 1, 2016, starts at \$2.24 for March of 2016 and increases to \$2.74 for December of 2018.

He then reviewed the MTM for all commodity hedges, the liquidity position and credit exposure broken down by Moody's Ratings.

A. BEPC 2016 Risk Tolerance Approval

Roxanne Woeste, Senior Financial Planning Analyst, then provided an overview of hedge plan concepts. She noted that to calculate the risk to be mitigated, you had to subtract from total risk both the price risk that one is willing to accept, as well as the volume risk that one has determined to accept. She noted price risk is managed by the Front Office and volume risk is mitigated by the plants and monitored by Enterprise Risk Management. She reviewed Basin Electric risk tolerance process which takes into consideration Basin Electric member rates, long-term debt, margins for interest and the Basin Electric consolidated financial metrics (TIER, DSCR, FFO/Debt, FFO/Interest, Equity/Capitalization).

Mr. Kaseman reviewed the \$50 million risk tolerance for 2016 approved by the board last year. He then showed the difference in projected revenue between the base case less the low-price scenario for the period 2017 to 2021.

He reviewed total dollars at risk using the base case less low-price scenario which starts at (\$75 million) for 2017 and increases to (\$112 million) for 2021. From the total dollars at risk, he deducted coal and interest expense to arrive at the hedgeable risk which starts at (\$64 million) for 2017 and increases for (\$97 million) for 2021. Of the total dollars at risk, the RMSC is proposing a risk tolerance which starts at (\$50 million) for 2017 and increases to (\$75 million) for 2021.

After discussion, it was moved by Director Baker, seconded by Director Gilbert and carried that the following Resolution be adopted:

R02.01-12-16

RESOLVED, that, in order to reduce revenue and expense risk exposure, the Risk Management Committee is authorized to implement a hedge plan protecting net income in the following amounts for the following years:

2017:	\$25 million;
2018:	\$27 million;
2019:	\$31 million;
2020:	\$36 million;
2021:	\$37 million.

9. **Recess and Reconvention**

At 5:15 p.m., President Peltier recessed the meeting until January 13, 2016, at 8:00 a.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

10. **Roll Call**

After calling the roll, the Secretary reported the following Directors present:

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Charles Gilbert	Mike McQuiston
Kermit Pearson	Wayne Peltier
Troy Presser	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Mark D. Foss and staff members Tracie Bettenhausen, Eric Carufel, Kelly Cozby, Shawn Deisz, Tammy DeWitt, Mike Eggl, Pius Fischer, Matt Greek, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Sharon Lipetzky, Deb Olafson, Curt Pearson, Dave Raatz, Mike Risan, Ken Rutter, Susan Sorensen, Kevin Tschosik, Chris Vizenor, Valerie Weigel and Michelle Wiedrich.

Also present were DGC Vice President David J. Sauer, Mor-Gran-Sou Electric Cooperative director Bonnie Tomac and Elizabeth Gore and John Hrobsky from the Washington, D.C. consulting firm of Brownstein, Farber, Hyatt & Schreck.

11. **Marketing & Asset Management Report**

A. **Purchased Power & Non-Member Sales Report**

Valerie Weigel, Manager of Marketing & Financial Analytics, reported that the drop in natural gas prices has led to more gas generation across the United States. Three of the 12 months in 2015 had higher gas generation than coal generation. In 2016, the Southwest Power Pool (SPP) is expecting 1.1 GW of coal retirements, limited new gas capacity and 1.9 GW of new wind capacity.

Natural gas prices fell hard in December but have since rebounded based on the colder weather. At one point in December, Ventura daily prices dropped to \$1.70/mmbtu. Rig counts continue to drop. As of January 1, 2015, the natural gas rig count stands at 162 rigs and oil rig count is at 536.

In SPP for the month, the average day-ahead price was \$18.48 and the average real-time price was \$19.15. Above normal temperatures have held SPP energy loads approximately 18% below the forecasted loads for the month. In total, Midwest Independent System Operator (MISO) energy for the month exceeded the budget.

West-side loads continued to be approximately 100-150 MW below the forecast. Central Montana Electric Power Cooperative loads slightly exceeded the forecasted energy usage.

Basin Electric was a net buyer in SPP in December to serve loads from SPP in SPP, Montana and MISO. As a net buyer in SPP in December, Basin Electric's purchase power price was better than anticipated. At the same time, when Basin

Electric had surplus, it realized less value than budgeted within SPP. The net SPP benefit in December was \$3 million.

Ms. Weigel then discussed December market congestion and noted that the Total Day-Ahead Congestion profit was \$925,000. AVS was not behind any constraints and had stable congestion. Deer Creek Station had some negative congestion from surrounding outages. PWND is located within a volatile region where positive and negative congestion depends on system conditions and outages around the Rugby, ND area. LCS experienced some spikes of congestion at the Watford City pocket. Placing the AVS-to-Neset 345 kV line into service on December 22 reduced some local congestion.

Chris Vizenor, Marketing Business Analyst, then reported that there are five commitment statuses for each unit: (1) Market - the resource is available for SPP economic dispatch; (2) Self - the Market Participant is committing the resource; (3) Reliability - the resource is offline and is only available to address reliability issues; (4) outage - the resource is unavailable due to an outage; and (5) Not Participating - the resource is available but has elected not to participate in the Day-Ahead Market.

Each resource offer contains 42 parameters; however, not all parameters are adjusted on a daily basis. Energy Offer Curve contains the MW, dollars per MWh and up to 10 price/quantity pairs that may be adjusted daily. Daily updates may be made to natural gas and diesel fuel prices. Quarterly updates may include changes to coal prices and VOL adjustments.

Resource offers are made daily for all 65 units, adjusting for derates and outages in both the Day-Ahead market and the Real-Time Balancing market.

SPP uses a dispatch model to compute Locational Marginal Pricing (LMP) for market while attempting to minimize overall cost, as well as enforcing multiple security constraints. LMPs in the day-ahead and real-time market are set by SPP software once co-optimization algorithms are completed. Hourly prices are communicated to market participants by 4:00 p.m. the prior day, which is after the day-ahead market clears. Real-time prices are communicated to market participants on a five-minute interval basis. The price is based on the marginal/highest-price generating unit dispatched in a given interval.

She then discussed dispatch patterns. If gas prices are low, natural gas peaking units are typically dispatched before LOS is dispatched economically. If gas prices are low on a low-wind day, generation is dispatched higher up in the stack and LOS is more likely to run economically. If gas prices are low on a high-wind day, generation is dispatched higher up in the stack and LOS is likely to run uneconomically.

She then discussed wind dispatch versus LOS dispatch, comparative cost curves and monthly capacity factors. In terms of pricing LOS into the market, the next steps are to adjust offer curves for known coal cost changes (scrub incremental generation costs; scrub fuel costs; Cooperative-wide fuel synergies); review cost increases for AVS and the Great Plains Synfuels Plant if LOS capacity factor remains below target or is reduced due to economic shutdowns; further review potential for coal cost cuts; review potential for outages during periods of low pricing; review ways for other expense enhancements at LOS to offset losses; and evaluate short-term economic shutdowns (less than a month).

Ms. Weigel then reported that Marketing & Asset Management Department will develop formal hedge plans for 2017 Basin Electric surplus sales, 2017 Basin Electric purchase power, 2017-2021 Basin Electric natural gas and 2017 Basin Electric diesel.

12. Cooperative Planning Report

Dave Raatz, Vice President of Cooperative Planning, reported that meetings are being held with the Western Area Power Administration (**Western**) and others regarding the new Montana members: Fergus Electric Cooperative, Tongue River Electric Cooperative and Mid Yellowstone Electric Cooperative. He reported that the analysis continues regarding Wyoming Municipal Power Agency (**WMPA**) membership in Basin Electric. A draft term sheet has been developed and the membership has requested a Basin Electric financial forecast be developed, one with and one without the CPP regarding Minnkota Power Cooperative (**Minnkota**) membership in Basin Electric. Discussion topics at the January 20 Rate Subcommittee meeting include general rate structure, load management, incentive rates, Public Utility Regulatory Policies Act responsibility assignment and solar generation. Basin Electric plans to issue a request for proposal this spring to see if there would be any offers that could be used to meet load requirements based on the new load forecast.

Mr. Raatz then reviewed with the board a draft diversity policy which will be reviewed by both the Rate Subcommittee and the Management Advisory Committee (**MAC**).

Discussion topics at the January 20-21 MAC include year-end financials, 2016 outlook, 2016 Load Forecast, Resource Planning, CPP and MAC recommendations regarding diversity and renewable policies.

Mr. Raatz then reviewed the dates of future board actions that will be required to proceed with the Nemadji Trio Energy Center (**NTEC**).

A. Amendment to Basin Electric/DGC Power Supply Agreement

Mr. Raatz reported that Basin Electric has the option under the current contract to reprice its power supply contract with DGC every five years. The contract effective date was January 1, 2006. The first opportunity to reprice occurred on January 1, 2011, when Basin Electric elected not to reprice. The second opportunity for repricing would be effective starting on January 1, 2016. He recommended that the Cooperative elect to reprice electrical power and energy to DGC to reflect SPP market pricing as opposed to the existing Indiana hub market pricing. He noted that the amendment adds a new delivery point at the high side of the transformer at DGC's Urea Production Facilities and provides that a patronage allocation in a given year would be dependent upon the average rate to DGC being higher than that year's forecasted average Class A member rate. He then reviewed pricing under the current and proposed contracts and the average member rate and recommended the amendment be approved.

After discussion, it was moved by Director Drost, seconded by Director Applegate and carried that the following Resolution be adopted:

R03.01-12-16

BE IT HEREBY RESOLVED, that the amendment to the Second Restatement of Power Supply Agreement between Basin Electric and Dakota Gasification Company in the form presented to this meeting of the board of directors be approved; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, be authorized to execute said Amendment.

B. Approval of the 2016 Load Forecast

Jay Lundstrom, Lead Load Forecast Analyst, reported that the 2016 Load Forecast is the final update to the 2014 Load Forecast and updates the distribution member sales models (87 distribution member forecasts, eight Class A member forecasts including the three new Montana member forecasts), removed the Keystone XL pipeline, includes additional power supply obligations for the new Montana members, six Great River Energy (GRE)-Fixing members and Southern Minnesota Energy Cooperative responsibilities (beginning in 2025). It includes a detailed analysis for the oil and gas sector, the impacts to coal mining resulting from the CPP, as well as Regional Transmission Organization (RTO) impacts.

He then reviewed the load forecast illustrating the 2015 Recovery Case, the 2016 Update and History. The 2016 Update shows a decrease in the 2035 summer obligation of 800 MW and a decrease in the 2035 winter obligation of 900 MW. Growth in the service territory, 1.4%, is double the national average as compared to the 2015 Recovery Load Forecast and is 1% when oil and pipeline loads are removed. There is a strong residential and small commercial base in the service territory. He reviewed annual average drilling rigs in the Williston Basin. The 2016 Load Forecast projects that 2035 Williston Basin loads will be 739 MW lower than what was projected in the 2015 alternate load forecast.

Mr. Lundstrom then reviewed the load forecasts of each District of the Membership and recommended that the forecast be approved.

After discussion, it was moved by Director Applegate, seconded by Director Presser and carried that the following Resolution be adopted:

R04.01-12-16

WHEREAS, Basin Electric Power Cooperative and its member systems have completed a detailed econometric forecast for the period of 2015 through 2035;

WHEREAS, the forecast was prepared in accordance with current Rural Utilities Service regulations using reasonable methodologies and assumptions;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Basin Electric does hereby adopt and approve the 2016 Load Forecast as a reasonable forecast of Basin Electric's future deliveries to its member systems.

13. Engineering & Construction Report

A. Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that one contract totaling \$145.5 million would be presented for approval this month. He then presented the listing of major projects including the approved budget amount, total committed and completion dates.

B. LRS Unit #1 SCR Project

Jim Lund, Senior Project Manager, reported that a settlement or ruling on Wyoming Regional Haze is expected by May of 2016. He then reviewed the individual board actions that will be required for the Selective Catalytic Reduction (SCR) project, the Selective Non-Catalytic Reduction (SNCR) project and SCR/SNCR-related capital projects, as well as when they would be presented to the Board for approval.

SCR project goals are: (1) achieve compliance with Regional Haze emission limits as determined either by negotiated settlement with EPA or the Tenth Circuit Court of Appeals ruling; (2) install and place the SCR in-service on LRS Unit #1 by June of 2019 (based on finalization of the current negotiated settlement) with NO_x emission levels at or below 0.6 lbs/mmBtu with 100% availability and 98% reliability (3) experience zero recordable safety incidents for both contract and Basin Electric employees; and (4) achieve compliance, schedule and safety goals within the Basin Electric-approved budget.

He reviewed the process used by Sargent & Lundy to develop the forecasted cost for the SCR: (1) selective catalytic reduction equipment supply and installation; (2) replacement of existing induced-draft (ID) fans; (3) construction of a new anhydrous ammonia receiving, storage and supply system; (4) purchase and installation of a new 13.8 kV transformer in switchyard; (5) the addition of a new SO₃ emission control system (dry sorbent injection); and (6) engineering, construction management and commissioning. Babcock & Wilcox, the original equipment manufacturer, would be responsible for the precipitator and ductwork structural reinforcement.

The Owner's Costs are for Basin Electric labor and overhead, contractor parking, facilities and laydown, construction housing and community impact alleviation, insurance and sales tax. Not included in the LRS Unit #1 SCR cost estimate are demolition of the LRS Unit #1 auxiliary boiler; new cold storage warehouse, new maintenance facility and equipment relocation costs.

Mr. Lund presented diagrams of the plant site and reviewed the Unit #1 SCR cost summary.

After discussion, it was moved by Director Drost, seconded by Director Gilbert and carried that the following Resolution be adopted:

R05.01-12-16 RESOLVED, that Capital Project W13088 (LRS SCR) be amended to include installation of a Laramie River Station Unit #1 selective catalytic reduction by June 2019 in the amount of \$328,585,240 (\$145,477,112 Basin Electric share) to a new project total of \$337,085,240 is hereby approved; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, be authorized to execute the required documents accordingly.

C. SCR Phase II Engineering

Mr. Lund noted that staff is recommending that Sargent & Lundy be selected as the Phase II Engineer based on SCR experience and price (in competitive bids with three similarly sized architect/engineering firms), its performance to date and its detailed understanding of project scope, the challenges of a major construction

project at LRS, the schedule limitations to meet the June 2019 compliance date and its agreement to a "fee-at-risk" structure.

The SCR Phase II engineering scope of work includes balance-of-plant engineering and design, contract specifications, bid evaluation, providing technical support during procurement and construction, developing and maintaining a project file sharing site, maintaining the overall project schedule, developing and maintaining a project 3-D model and providing monthly reports. Sargent & Lundy's proposed price for this work is \$12,883,000.

Mr. Lund then recommended that Sargent & Lundy be retained to perform the SCR Phase II engineering.

After discussion, it was moved by Director Brekel, seconded by Director Rohrer and carried that the following Resolution be adopted:

R06.01-12-16 BE IT RESOLVED, that the Laramie River Station Unit #1 SCR Phase II engineering contract be awarded to Sargent & Lundy in the amount of \$12,883,000 (\$5,445,644 Basin Electric share); and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, be authorized to execute the required documents accordingly.

14. Transmission Report

Mike Risan, Senior Vice President, Transmission, provided an update on Basin Electric's SPP Annual Transmission Revenue Requirement settlement. Basin Electric's settlement conference (which will include discussions on qualifying facilities, return on equity and leases) is scheduled for January 28, 2016. He noted that several of the member settlement conferences will be held prior to ours and that Basin Electric staff will be attending. He reviewed the revised annual cost of the member leases and reported on the Basin Electric Technical Conference held yesterday.

He reviewed northwest North Dakota transmission and substation construction completion dates and the 2016 transmission system in the western North Dakota/eastern Montana.

He discussed the Williston Basin load pocket. December saw an increase of 100 MW in the Bakken load and McKenzie Electric Cooperative anticipates connecting approximately 50 MW of new load early in 2016.

He discussed RTOs and the potential for a Mountain West Transmission Group comprised of jurisdictional participants Black Hills Corporation and Public Service Company of Colorado and non-jurisdictional participants Tri-State G&T Association, Basin Electric, Western, Colorado Springs Utilities and Platte River Power Authority. Basin Electric is interested in this group joining SPP and having SPP form its own RTO on the west side.

Mr. Risan then discussed the North American Electric Reliability Corporation (NERC) violation. The negotiated penalty was paid to the Midwest Reliability Organization (MRO) at the end of 2015. The audit will not close until the MRO hearing body signs-off, after which it will be submitted to NERC.

He presented a photograph of a transmission tower with a frost damaged bent static peak. About 20% of these peaks have been replaced on the LOS to Groton Transmission Line. Many vibration dampers were also damaged during that storm last month. There were a lot of frost-related outages as a result of the storm.

15. Operations Report, continued

A. 2015 Year-End Safety & Health Report

Kelly Cozby, Safety & Occupational Health Administrator, presented the 2015 year-end safety and health report. She began with a review of the safety statistics for the year. There was one DART incident on December 1, 2015, when an employee slipped on the ice and injured his ribs. She then reported on the three Continuous Improvement Teams and presented photographs of recent inspections conducted. Ms. Cozby then provided an update on the status of the development and implementation of the Cooperative's 2016 "Our Power, My Safety" program.

The directors expressed their gratitude for the work done by Ms. Cosby and the team members and reiterated their commitment to these programs and the promotion of workplace safety.

16. Recess and Reconvention

At 11:45 a.m., President Peltier recessed the meeting until 1:00 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

17. Roll Call

After calling the roll, the Secretary reported the following Directors present:

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Charles Gilbert	Mike McQuiston
Kermit Pearson	Wayne Peltier
Troy Presser	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative.

Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Mark D. Foss and staff members Tracie Bettenhausen, Eric Carufel, Tammy DeWitt, Mike Eggl, Matt Greek, Chad Heck, Steve Johnson, Mark Kinzler, Sally Meier, Mary Miller, Curt Pearson, Dave Raatz, Mike Risan, Steve Tomac and Michelle Wiedrich. Also present were Mor-Gran-Sou Electric Cooperative manager Chris Baumgartner and Elizabeth Gore and John Hrobsky from the Washington consulting firm of Brownstein, Farber, Hyatt & Schreck.

18. Executive Session

At 1:00 p.m., the Board retired into executive session to discuss personnel matters and conduct the General Manager's performance review. At 2:15 p.m., it was moved by Director Pearson, seconded by Director Drost and carried that the board arise from executive session.

19. Communications & Administration Report

Mike Eggl, Senior Vice President-Communications & Administration, reported on the issue of climate change, which continues to be a major political issue after 20 years, and what, if any, developments can be expected in 2016 and 2017.

He reviewed Americans' level of worry about national problems, Americans' belief that effects of global warming are already happening, why Basin Electric is being squeezed now, percentage reduction of the proposed CPP, percentage reduction of the final CPP from 2012 baseline, the fact that the United States has more coal reserves than any other country in the world, what Basin Electric has done to prepare for this fight, what we have accomplished, CPP litigation, state actions and our options over the next two years.

A. Legislative Briefing by Elizabeth Gore and John Hrobsky

Mike Eggl introduced Elizabeth Gore and John Hrobsky from the Washington, D.C. consulting firm of Brownstein, Farber, Hyatt & Schreck. They discussed the CPP, presidential candidates and various alternative scenarios concerning the CPP depending on election results.

Mr. Eggl then reviewed the schedule to review the Basin Electric governance and board policies.

He then discussed CPP outreach efforts in Basin Today, Talking Points, Questions & Answers and videos, and presented a video of "A Community's Perspective" of the CPP and a car video "In Simple Terms".

He presented a video and noted that the Cooperative's 2016 "Brave the Shave" fundraising efforts have begun and these efforts are being supported by more organizations than ever before. This year's campaign will have more direct impact to local families impacted by childhood cancer, as well as continued support for research. The actual head-shaving event is scheduled for March 11, 2016.

Basin Electric's top viewed blog post of 2015 was "Little Girl with Role Model at Basin Electric" about Director Rohrer and her granddaughter, with more than 13,000 views.

20. Financial Services Report

Steve Johnson, Senior Vice President and Chief Financial Officer, reviewed current economic statistics, noting that the Federal Reserve Board made the first step towards normalization of policy by moving the target Federal Funds range up to 25-50 basis points. The Federal Reserve said that the economy is expanding at a moderate pace and there is considerable improvement in labor markets. The Committee is reasonably confident that inflation will move to its 2% objective over the medium term so Fed Policy remains accommodative. In terms of timing and size of future moves, the Federal Reserve Board will assess realized and expected economic conditions including labor markets, inflation and financial and international developments and expects that conditions will evolve to warrant only gradual increases and that rates will remain relatively low for some time.

As a result, Mr. Johnson noted there is a case for a more gradual set of rate hikes than some suggest. Interest rates are likely to move up on the short end but flatten and perhaps decline on the long end.

21. Recess for Board Audit Committee Meeting; Reconvention

At 4:20 p.m., President Peltier recessed the meeting for a meeting of the Board Audit Committee. At 4:35 p.m., the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

22. Roll Call

After calling the roll, the Secretary reported the following Directors present:

Don Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Charles Gilbert	Mike McQuiston
Kermit Pearson	Wayne Peltier
Troy Presser	Roberta Rohrer
Allen Thiessen	

Said persons being all of the directors of the Cooperative. Also present were CEO and General Manager Paul M. Sukut and Assistant Secretary Mark D. Foss and staff members Tracie Bettenhausen, Shawn Deisz, Tammy DeWitt, Matt Greek, Steve Johnson, Faye Miller and Michelle Wiedrich.

23. 2016 CFC Annual Meeting - Delegate & Alternate

Director Peltier noted that the National Rural Utilities Cooperative Finance Corporation (CFC) Annual Meeting is scheduled for February 15, 2016 at the Ernest N. Morial Convention Center in New Orleans, Louisiana, and that Basin Electric should name a delegate and alternate. After discussion, it was moved by Director Drost, seconded by Director McQuiston and carried that Directors Gilbert and Presser serve as delegate and alternate, respectively, to the 2016 CFC annual meeting.

24. 2016 Minnkota Power Cooperative Membership Meetings - Delegate

Director Peltier reported that since Basin Electric is a member of Minnkota, it is entitled to name a delegate to attend the 2016 membership meetings. Minnkota's bylaws do not provide for alternate delegates. The 2016 Minnkota annual membership meeting is scheduled for April 1, 2016. After discussion, it was moved by Director Pearson, seconded by Director McQuiston and carried that Paul Sukut serve as delegate to the Minnkota 2016 annual membership meeting.

25. Directors' Reports

Director Pearson reported that the 2016 East River Energize Forum (formerly the Director/Employee Seminar) will be held at the Hilton Garden Inn, Sioux Falls, South Dakota, on February 3-4. The Forum will address the CPP, Cybersecurity, SPP Update, solar projects and other issues facing the rural electric cooperatives.

Director Presser reported that the North Dakota Public Service Commission had sided with Ottetail Power Company (OTP) in its dispute with Central Power Electric Cooperative regarding the FERC settlement with OTP. He stressed the importance of following other organizations' matters as they may impact yours.

Director Thiessen asked if a decision has been made whether the Board will travel to a Class A member for the summer meeting as it is Upper Missouri Power Cooperative's (Upper Missouri) turn in the rotation. After discussion, it was the consensus of the

Board to invite the Upper Missouri Board to Bismarck for a joint meeting on the Monday before the regular July Basin Electric Board meeting.

Director Gilbert reported that last spring, the avian bird flu killed 30 million birds in his service territory. Iowa Lakes was the hardest hit with a loss of between 8 and 9 MW; however, at least 6.5 MW are back. He reported that his local cooperative has been fighting wind litigation for 15 years and their litigation opponent has applied for the case to be heard by the United States Supreme Court. He also reported that Corn Belt Power Cooperative went through the ratings process and was awarded an "A" rating by Moody's. They haven't yet heard from S&P.

26. Date and Time of Next Board Meeting

The next regularly scheduled meeting of the Board of Directors will take place February 9, 2016, at the headquarters building in Bismarck, North Dakota.

27. Adjournment

President Peltier adjourned the meeting at 4:50 p.m.



Gary C. Ørost
Secretary-Treasurer