

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

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

		<u>Page</u>
1.	Call to Order	1
2.	Roll Call	1
3.	Approval of the Agenda	1
4.	Approval of the Minutes	1
5.	General Manager's Report	1
6.	Office of General Counsel Report	2
7.	Operations Report	2
	A. AVS Plant Update	3
	B. Authorization to Purchase Scraper for AVS	R01.04-12-16 3
	C. Distributed Generation Update	3
8.	Recess & Reconvention	6
9.	Roll Call	6
10.	Marketing & Asset Management–April 2016 Short-Term Market Summary	6
11.	Risk Management Report	8
12.	Cooperative Planning Report	8
13.	Engineering & Construction Report	10
	A. Project Funding Chart	10
	B. AVS to Neseet 345 kV Project Update	10
	C. Award of Judson-to-Neseet Transmission Line Construction Contract	R02.04-12-16 11
14.	Transmission Report	12
15.	Communications & Administration Report	13
	A. Communications & Creative Services	15
	B. September 2016 Resolutions Committee	R03 & R04.04-12-16 15

16.	Human Resources & Development Report		15
	A. Charitable Giving & Employee Programs		16
	B. Learning & Development		16
	C. Safety		16
17.	Recess & Reconvention		16
18.	Roll Call		16
19.	Financial Services Report		17
	A. Authorization for \$75 Million Term Loan with CFC	R05.04-12-16	17
	B. Accounting Report		21
20.	Recess for Board Audit Committee Meeting; Reconvention		21
21.	Financial Services Report, continued		21
	A. Approval of Board Policy #09, Board Audit Committee Charter	R06.04-12-16	21.
22.	Directors' Reports		22
23.	Executive Session		22
24.	Date and Place of Next Board Meeting		22
25.	Adjournment		22

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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 April 12, 2016 at 3:15 p.m. CDT.

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 Chief Executive Officer & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Tracie Bettenhausen, Dean Bray, Eric Carufel, Tammy DeWitt, Chad Edwards, Mike Eggl, Matthew Greek, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Deb Olafson, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Steve Tomac, Kevin Tschosik, Valerie Weigel and Michelle Wiedrich. Also present were Dakota Gasification Company (DGC) Vice President David J. Sauer, East River Electric Power Cooperative (**East River**) director James Ryken.

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 Drost, seconded by Director Applegate and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the March 15-17, 2016 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Brekel, seconded by Director Pearson and carried that said minutes be approved as presented.

5. General Manager's Report

General Manager Sukut noted that the Integrated Test Center (ITC) groundbreaking will take place on April 27.

6. Office of General Counsel Report

Mark Foss, Senior Vice President & General Counsel, reported on the status of legal matters of interest to the Cooperative.

7. Operations Report

John Jacobs, Senior Vice President of Operations, noted that with the recent reorganization, the safety function had been transferred to Human Resources (HR) so as to be able to address safety across the entire Cooperative and its subsidiaries. He further reported there were no medical treatments and one Days Away, Restricted or Transferred (DART) incident during the month. In 2016 to date, there have been 24 personal incidents. He noted that the safety incidents are not correlated with age, but do appear to be related to years of service as most of these incidents involve employees with nine or less years of service. Personal responsibility is being stressed and staff will do more mentoring in the field. He has asked that managers create a written report to him of all incidents that result in a restricted workday or DART.

He provided bus-bar costs for the coal-fired fleet and reviewed the equivalent forced-outage rate trends for the past 24-month period. He reported that March generation for the owned and operated Basin Electric fleet came in at 2,003,872 MW compared to the budget of 2,399,812 MW, which is 16.5% below budget for the month. Generation for 2016 year-to-date is 12.1% below budget.

Individual availability at Antelope Valley Station (AVS), Dry Fork Station (DFS), Leland Olds Station (LOS) and Laramie River Station (LRS) and capacity factors for the coal-based generation stations in March were as follows:

Unit	Availability	Running Plant Capacity Factor	Unit Rating	Comments
AVS #1	73%	71.4%	450 MW	Scheduled outage for air heater and boiler wash that was originally scheduled for June.
AVS #2	97%	75.9%	450 MW	Forced outage due to loss of station service.
DFS	36%	96.17%	386 MW	Scheduled five-week maintenance outage started March 11.
LRS #1	100%	62.13%	570 MW	Issues getting power out.
LRS #2	100%	82.18%	570 MW	
LRS #3	100%	85.27%	570 MW	
LOS #1	100%	70.43%	221 MW	
LOS #2	99.78%	60.50%	448 MW	Forced outage due to failed MFT contacts; reserve shutdown.

Mr. Jacobs presented photographs and discussed work being done at DFS during the maintenance outage, which included ITC foundations, turbine drain tank cut, platen SH pre-blast, 1B2 baghouse hopper and recirculating air, removing spent Selective Catalytic Reduction (SCR) catalyst, installing the new SCR catalyst and the installation of a boiler maintenance platform using platform beams.

Mr. Jacobs reported that on April 1, 2016, the LOS coal stockpile contained 760,000 tons or 61.5 days of burn at cruise rates. As of March 31, the LRS stockpile contained sufficient coal for 41.8 days for all units at full load.

A. AVS Plant Update

Chad Edwards, AVS Plant Manager, reported there were two incidents in January, eight in February and none in March. He reported that the AVS employees have worked 40 days or 43,367.1 hours without a DART case. The year-to-date total case incident report is 4.59. He then reviewed 2016 safety incidents and Continuous Improvement inspections by month.

March Unit #1 actual generation was 57% of the budget at 168,645 MW. March Unit #2 actual generation was 81.54% of budget at 237,225 MW. Year-to-date Unit 1 actual generation was 80.51% of budget at 687,741 MW. Year-to-date Unit #2 actual generation was 90.18% of budget at 770,313 MW. AVS Unit #2 went down for its outage on April 2 and will be back online by the end of May or beginning of June, depending on the availability of qualified tube welders. This is getting to be an issue. There are three outages occurring in North Dakota at the same time. There are fewer pipefitters and boilermakers – kids aren't going into those fields. This is a growing concern across the nation.

He reviewed the 2016 plant targets for heat rate, net generation, availability, forced outage rate, station service, number of starts, scrubber compliance, safety, sick leave and overtime, as well as year-to-date operating expenses for fuel, maintenance and operations. Current AVS projects include induced draft fan rebuild, spare pulverizer motor, coal system upgrades for combustible dust, Selective Over-Fire Air (SOFA) system on Unit #2, AVS combustion optimizer, AVS simulator, mercury emissions control, station air compressor, particulate emissions control, Mercury and Air Toxic Standards rule regulatory compliance and landfill monitoring well installation.

At the end of March, operating expenses were 90% of budget.

Mr. Edwards then presented photographs and discussed the low-load bypass excavation, the Unit #2 SOFA/low NO_x burners upgrade, the Unit #2 natural gas installation, boiler wash and coal hauling. He also reported that the AVS team raised \$11,222 and the entire Mercer County team raised \$25,000 for the Brave the Shave/St. Baldrick's fundraiser.

B. Authorization to Purchase 2016 CAT 657G Scraper for AVS

Mr. Edwards reported that AVS' current scraper was purchased in 1982, has operated for 18,300 hours and has been used in the coal system for 33 years. The scraper is crucial for stockpiling and reclaiming coal and maintaining haul roads. Estimated repairs needed on the scraper total \$493,095, plus additional rental costs of approximately \$350,000 while the repairs are performed. The cost of a new 2016 CAT 657G Coal Bowl Scraper, which includes a one-year warranty and a two-year

powertrain and hydraulic warranty, is \$1,671,062. The Asset Recovery Coordinator has estimated the resale value of the 1982 scraper at \$150,000, so it will be sold at auction with the proceeds going to the general fund. This purchase was approved by the Project Review Team on March 1, 2016. He presented photographs of the current and new scrapers and recommended purchase of the new scraper.

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

R01.04-12-16 RESOLVED, that the purchase of a Caterpillar 657G Coal Bowl Scraper at a budgeted cost of \$1,671,062 presented to this meeting of the Board of Directors is hereby approved; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee, is hereby authorized to execute the necessary documentation.

C. Distributed Generation Update

Kevin Tschosik, Distributed Generation Manager, reported on the low natural gas prices for the distributed generating facilities. There was one DART incident at the distributed generation facilities during the month. March generation at the distributed generation facilities (Groton Generating Station (**Groton**), Culbertson Combustion Turbine (**CT**), Wyoming Distributed Generation (**WDG**), Spirit Mound Station (**SMS**), Deer Creek Station (**DCS**), Pioneer Generating Station (**PGS**) and Lonesome Creek Station (**LCS**)) was as follows:

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Groton #1	99.79%	402 MW	100 MW	
Groton #2	96.52%	7,630 MW	100 MW	
Culbertson CT	87.3%	15,640 MW	100 MW	Ran for load demand. 86-hour outage.
WDG	0%	54 MW	54 MW	Did not run. 16 spinning reserve events.
SMS #1	0%	0 MW	60 MW	Did not run.
SMS #2	0%	0 MW	60 MW	Did not run.
DCS	97.26%	70,106 MW	300 MW	One-day outage to remove valve seal.
PGS #1	36.05%	3,410 MW	45 MW	Ran for load demand and reliability.
PGS #2	95.23%	6,141 MW	45 MW	Ran for load demand.

PGS #3	98.64%	5,710 MW	45 MW	Ran for load demand.
LCS #1	96.4%	20,294 MW	45 MW	
LCS #2	97.1%	24,184 MW	45 MW	
LCS #3	97.5%	23,411 MW	45 MW	

Mr. Tschosik presented photographs and discussed the DCS Heat Recovery Steam Generator pipe rack and building enclosure. He reported that four whooping cranes have been observed near White Lake in South Dakota.

During March, PGS ran 123 hours in synchronous condensing mode and LCS for 4.42 hours. The WDG had 16 west-side spinning reserve events for the month.

PrairieWinds ND (PWND). There was a planned outage March 23 to April 1 to complete PRC-005 substation maintenance and testing.

PrairieWinds SD (PWSD). Semi-annual maintenance is 10% complete.

The east-side peak occurred on March 17, 2016 at 0800 hours. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor		Project Total
		Month	YTD	
Baldwin	97 MW	50%	41%	99 MW
Campbell County	90 MW	51%	51%	88 MW
Day County	98 MW	53%	47%	99 MW
Edgeley	33 MW	34%	28%	40 MW
Highmore	40 MW	45%	39%	40 MW
Iowa Wind	27 MW	44%	45%	45.1 MW
Other Projects (Chamberlain & Pipestone)	2 MW	49%	44%	3.4 MW
PWND	118 MW	44%	41%	123 MW
PWSD	150 MW	50%	44%	162 MW
Wilton	92 MW	48%	37%	99 MW
Total Mo. Wind Generation	730 MW			800 MW max.
Average Capacity Factor		47%	41%	

8. Recess and Reconvention

At 4:32 p.m. President Peltier recessed the meeting until April 13, 2016 at 7:58 a.m. at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

9. 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 Chief Executive Officer & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Lynn Beiswanger, Tracie Bettenhausen, Eric Carufel, Kelly Cozby, Shawn Deisz, Tammy DeWitt, Mike Eggl, Pius Fischer, Daniel Gallagher, Matthew Greek, Jennifer Holen, John Jacobs, Steven Johnson, Kerry Kaseman, Becky Kern, Mark Kinzler, Matthew Kolling, Sharon Lipetzky, Jay Lundstrom, Tracy McBride, Gavin McCollam, Sally Meier, Cris Miller, Darla Miller, Mary Miller, Dale Niezwaag, Deb Olafson, Mike Paul, Dave Raatz, R.D. Reimers, Mike Risan, Ken Rutter, Jean Schaffer, Myron Steckler, Steve Tomac, Kevin Tschosik, Amanda Wangler, Valerie Weigel and Michelle Wiedrich. Also present were DGC Vice President David J. Sauer, East River director James Ryken.

10. Marketing & Asset Management--April 2016 Short-Term Market Summary

Ken Rutter, Senior Vice President Marketing & Asset Management, reported on the North Hub, Minnesota Hub and Palo Verde forward pricing for the balance of 2016. Similar to natural gas, electricity prices remain challenged due to low loads and increases in wind generation. Power prices at the Southwest Power Pool (SPP) North Hub rose 4.2% month over month for the remainder of 2016. The Midwest Independent System Operator's (MISO) Minnesota Hub remains elevated versus SPP and Basin Electric's Western Interconnect electricity markets. With natural gas switching and the wind build-out, coal generation has fallen to the lowest levels in decades with coal stockpiles rising to record highs. He noted that Peabody Energy (**Peabody**) had filed for Chapter 11 bankruptcy.

He then reviewed congestion at the load zone, day-ahead and real-time pricing, Basin Electric load zone locational marginal pricing (LMP) and Eastern and Western Interconnect Energy Loads.

He presented the March weather and loads for Bismarck, Sioux Falls and Great Falls. Bentek statistics indicate this has been the warmest winter in the past five years. He also reviewed the U.S. drought conditions.

A decrease in owned generation for March was due to maintenance outages, along with unplanned derates and outages. Lower market prices also caused baseload generation to be decreased. The increase in short-term purchase power volume is due to unplanned events. Short-term non-member sales were lower than budget due to less economic

generation. Eastside load was served from the market on the east at a more advantageous prices than could be achieved moving power across the ties from the west.

Low and negative prices in the real-time market at Stegall this month provided significant opportunities to serve loads on the west side at very low power prices or even at power prices where the market is paying us to take the power.

He noted that this month there have been times when almost half the load in SPP has been served by wind.

He then reviewed the LOS #1 Updated Offer Curve, noting that the old offer curve was based on a fuel-only offer which included the full cost of coal. The new offer curve includes variable fuel cost plus variable operations and maintenance costs from the plant. When determining an economic shutdown, no load costs will be factored in.

After attempting to capture the value of a short-term shut-down, Marketing believes given the volatility in pricing (which is driven by wind) the window of opportunity can likely have too short of a duration to justify a short-term shut-down. Thus, it is appropriate to set a higher hurdle rate before we look at another short-term shut-down at LOS. He also noted the number of coal plants that have been taken off line.

In March, Basin Electric was a net buyer in SPP to serve loads from SPP in SPP, Montana and MISO.

Mr. Rutter introduced Daniel Gallagher, Lead Business Development & Scheduling, who described scheduling services in place with Northern Iowa Municipal Electric Cooperative Association and Wyoming Municipal Power Agency (**WMPA**). Staff is also working on proposals to Minnkota Power Cooperative (**Minnkota**) and WMPA (which will be issuing a new Request for Proposal (RFP) later this year) for scheduling and trading services.

With Middle Office and Settlements, Marketing & Asset Management offers a diverse array of services including term, day-ahead and real-time power trading, natural gas trading and scheduling, position optimization, wind and load forecasting, risk management and analytic services. Scheduling services adds value to Basin Electric by creating additional revenue sources, cultivating experiences that generate ideas and solutions that may be applied to Basin Electric's portfolio and continues the Cooperative's tradition as a service-oriented business by unlocking value for neighboring organizations and further engaging Basin Electric with the power and gas industry.

Valerie Weigel, Manager of Marketing & Financial Analytics, noted that LMP has three components: energy, loss and congestion. The Cooperative is paid for generation based on the LMP at our generating node and pays to serve our member load based on the LMP at the load zone. Congestion is typically higher at the load zone than at the generator; therefore, without any congestion hedging, the Cooperative has to pay more to serve our load than we get paid for generation.

Since Basin Electric owns network transmission, SPP allocates hedging products to us as Transmission Congestion Rights (**TCRs**), which directly offset any congestion on a given path, and Annual Revenue Rights (**ARRs**), which grant the holder revenue generated in the applicable TCR auction. This revenue is not tied to a specific path.

The congestion benefit (the value from the TCRs and ARR) is meant to cover the congestion in the day-ahead market. The congestion benefit reflects the dollars to cover the disparity in the price we are paid for generation and the price we pay to serve our load. In the past couple months, we have seen congestion drastically decrease (day-ahead price spreads have become tighter) and even see a benefit at our load zone.

Opportunities for hedging products include the annual long-term congestion rights auction in March, ARR in April, TCR in May and monthly auctions.

In the ARR auction, we have nominated the following paths which have consistently shown positive values for congestion and auction clearing prices: Baseload--AVS, LOS, LRS #1 and Neal #4; Ties--Rapid City and Stegall; Peakers--DCS and Groton; and Wind/Waste Heat--Campbell County, Chamberlain and Crow Lake. We expect to receive up to 70% of our nomination cap by the end of the ARR process.

Mr. Rutter then reviewed 2017 Hedge Plans, natural gas hedge plans executed for 2017-2021, total 2016-2021 natural gas hedges, and recent gas purchases and 2017 west side surplus sales.

11. Risk Management Report

Kerry Kaseman, Manager of Commodity Risk, reported that the natural gas current hedge position for 2016 is \$2.42, for 2017 is \$2.99 and for 2018 is \$3.14.

He reviewed the Ventura Forward Curve which, as of April 1, 2016, starts at \$2.14/dkatherm (dkt) for 2016 increasing to \$3.05/dkt for 2020 and was up on average about \$0.19 from last month.

There were no settled financial hedges for natural gas in April. He reviewed the Mark-to-Market (MTM) of \$5.7 million for natural gas and the current hedge position of natural gas.

He reported that April settled financial hedges for power resulted in a gain of \$80,158. He reviewed the Palo Verde On-Peak Forward Curve which, as of April 1, 2016, started at \$23.99/MW for 2016 and increased to \$29.86/MW for 2020. He noted that forward prices increased on average \$1.40 over the month. He reviewed the MTM of \$520,000 for power. He reviewed the current hedge position--west surplus sales, which reflected a 2016 average on-peak hedge price of \$24.74 and off-peak of \$17.06. The current hedge position--east purchase power was \$18.72 on-peak and 4% at \$22.25 off-peak.

He reviewed the Energy Information Agency's on-highway diesel price projections which, as of March 1, 2016, started at \$2.14/gallon increasing to \$2.52/gallon for December 2018 and basically saw no movement during the month. The April settled financial hedges for diesel resulted in a loss of \$(4,410) on a 42,000-gallon diesel hedge. As of March 31, 2016, the diesel MTM was approximately \$150,000. The aggregate settlement for all commodities for the month was \$(76,000) and \$(37,000) year-to-date. He then reviewed the (\$5 million) MTM for all commodity hedges, the liquidity position and credit exposure broken down by Moody's credit ratings.

12. Cooperative Planning Report

Near-Term Load Forecast Update. Dave Raatz, Vice President of Cooperative Planning, noted items that will affect the current Financial Forecast are coal and associated residential usage reductions in the Powder River Basin (PRB), continued connection of islanded load, oil price uncertainty in the Bakken as well as slightly lower forecasted loads in the Cooperative's other service areas. There have been no significant load reductions to date in the Bakken. Oil price uncertainty has us struggling as to what to expect in terms of the rate of growth.

He reviewed the near-term versus long-term forecast for the whole membership. We anticipate the 2016 and 2017 load forecasts are high by about 4% on average, so this will be factored into the year-end margin estimate. Other member projections are also down.

He presented the Powder River Energy Corporation (PRECorp) forecast and noted that he felt these numbers do not completely factor in the recent PRB layoffs, which are just from the coal industry and do not include related economic effects. Low natural gas prices are expected to continue and coal usage will likely continue to decrease. A seven percent reduction in PRECorp is expected in 2016 with an additional 3% reduction in 2017. The two big PRB coal companies have laid off approximately 1,000 miners in PRECorp's service territory. There is a lot of concern where that industry is headed. It is also believed that BNSF Railway Company has laid off approximately 10% of its workforce in Wyoming. It also appears that coal-bed methane operators will discontinue drilling.

He presented the Upper Missouri G&T Association (Upper Missouri) forecast, which are currently coming in a bit higher than forecast. He anticipated some reduction in the future and estimated the existing Upper Missouri forecast is 1.5% too high.

He then reviewed North Dakota oil production and drilling from 2000 through January 2016, North Dakota gas statistics (MCF produced, sold and flared), a chart of economically accessible natural gas according to IHS, other forecasts and noted that all of these items will be reflected in the updates to member sales and revenue in the May/June year-end estimates.

Even with the drop-off of drilling, oil production has stayed fairly constant with just a slight decline. In the fringe areas, pumping loads are down and wells are being turned off. In Sheridan Electric Cooperative's area, people are asking to disconnect electric service so they don't have to pay the demand charges.

There was a sharp fall-off in drilling during January 2016. The North Dakota Oil & Gas website showed 30 rigs currently operating in the Bakken. There are five counties where oil wells are being drilled: one in Divide County; five in Dunn County; 18 in McKenzie County; one in McLean County and five in Mountrail/Williams Counties.

Flared gas is going down as the oil companies are getting their infrastructure in place and running gas through the gas processing plants, which are expected to continue operating.

He expects oil prices to increase to the \$50 to \$65 dollar range by year-end, at which time we could see oil production increase.

He presented a chart showing that the amount of economically accessible natural gas reserves in the United States (U.S.) continues to grow. Total 2015 U.S. consumption is currently 27 trillion cubic feet per year. Assuming that consumption level, with a natural gas price of \$3.00/mcf, approximately 800 trillion cubic feet of gas would be economic to drill (29-year supply) and at \$4.00/mcf, approximately 1,400 trillion cubic feet of gas would be economic to drill (51-year supply). He noted that we may see our wintertime loads to be lower given the very low propane prices. Even with the existing electric heat rate, consumers have cheaper alternatives. We'll be reflecting the revised sales and revenue estimates, as well as revised load forecasts in the year-end 2016 margin estimates.

RFP Update/Short List. Mr. Raatz noted that the RFP was released on February 11, the notification of intent to bid deadline was February 19, the bid submittal deadline was March 8, the notification of shortlist of bidders was issued April 8 and a decision will be made in early June. Eighty-five purchase proposals were received: 44 for wind (6620 MW or 74%), 17 for solar (525 MW or 6%), four for market (175 MW or 2%), 17 tied to specific resources (1646 MW or 18%), two for energy only and one for transmission. Three sale proposals were received.

He reviewed the renewable proposals by area (Wyoming, Montana, SPP and MISO), MW, short list, price and the incremental need by 2022 under our initial analysis of Rate Base Clean Power Plan (CPP) regulation. The 300 MW sized offers were approximately \$5/MW less than the 150 MW sized offers. Certain larger projects were dropped due to potential transmission siting issues. He then reviewed existing wind power purchase agreement pricing. Most of the Wyoming proposals were from projects south of LRS which would have a negative impact on moving LRS power to the south. He compared the Cooperative's existing wind power purchase agreements pricing to the proposals. The proposals are at the level of our current lowest-cost power purchase agreements.

Mr. Raatz then reviewed the solar. The solar proposals reflect economies of scale. He noted that while the bigger solar projects are coming down in price, there remains a very sizable premium per year for power from solar projects. No solar offers were shortlisted.

He then went on to the MISO Area. MISO surplus or deficit with or without the Nemadji Trio Energy Center (NTEC), the MISO surplus/deficit with the NTEC and MISO shortlisted capacity proposals. He reviewed the MISO shortlisted proposals for capacity and the general price of capacity. One of the values of Minnkota joining the Cooperative as a member was moving their surplus generation into MISO. We have purchased most of Minnkota's surpluses through 2030. Depending on duration, that would tend to limit that value of Minnkota joining the Cooperative. Staff is looking at cheapest alternatives we have in hand. It is interesting to note that Dairyland offered a 75-100 MW surplus from an unnamed new facility.

He then looked at the Montana existing obligations and the additional power that will be required to serve our new Montana members. He noted it would be difficult, if not impossible, to justify building resources in Montana given the prices being offered. He then reviewed SPP power supply surplus and deficit which identified no need until 2021 and beyond and that no long term proposals were received.

He then reviewed the two short-term and one long-term (five years) proposals for a reverse RFP on the west side.

Montana Cooperative Discussion. Mr. Raatz reported that staff looked at starting contract power deliveries to Mid-Yellowstone Electric Cooperative (**Mid-Yellowstone**), Tongue River Electric Cooperative (**Tongue River**) and Fergus Electric Cooperative (**Fergus**) on October 1, 2016, but given issues Mid-Yellowstone, Tongue River and Fergus yet have with Southern Montana Generation & Transmission Cooperative, staff will now work to see if these sales can start on January 1, 2017.

13. Engineering & Construction Report

A. Project Funding Chart

Matt Greek, Senior Vice President-Engineering and Construction, reported that one contract totaling \$22.0 million would be presented for approval this month. He then presented the listing of all current major projects along with the approved budget amount, total dollars committed and completion dates.

B. AVS to Neset 345 kV Project Update

Amanda Wangler, Project Manager III, reported there was one Occupational Safety & Health Administration (OSHA) Recordable and no DART incidents at the project

last month. The amendment to the siting permit for the Judson-to-Neset line was approved by the North Dakota Public Service Commission (NDPSC).

The Roundup Substation, Patent Gate Substation, Kummer Ridge Substation and Patent Gate-to-Kummer Ridge line are all on schedule with the goal of energization by August 31, 2016. The operation date was pushed up to help McKenzie Electric Cooperative.

Construction of the AVS Switchyard Phase 3 and Charlie Creek Substation Phase 2 will begin June 15, 2016 and should be completed by year-end. The Judson-to-Neset segment of the AVS-to-Neset line is scheduled for construction starting in mid-May with energization by October 31, 2016. The Kummer Ridge-to-Roundup segment has not yet been approved by SPP. The project is on hold but discussions continue with landowners in an attempt to acquire the last couple easements.

Major work on the Roundup Substation will be done at the end of April. Commissioning efforts are proceeding for energization in early June. Major construction of the Kummer Ridge Substation will be complete in May. Commissioning efforts are proceeding for energization in mid-August. Major construction of the Patent Gate Substation will be done in early June. Commissioning efforts are proceeding for energization in mid-August. The Patent Gate-to-Kummer Ridge transmission line is 90% framed and 16% set. Stringing will begin in early May.

Contractor Closeout. Ms. Wangler noted that Great Southwestern Construction, Inc. (GSW), the AVS-to-Judson transmission line contractor, had requested additional pay due to delays, mobilizations, skips and additional work not included in the unit prices. GSW's claim was offset by supplier backcharges and liquidated damages. This was a unit-based contract. As was discussed previously with the board, there were a lot of issues to work around. GSW requested \$3.1 million to close out the contract. Staff reviewed and offered a settlement amount of \$1.2 million. GSW has agreed to settle the contract for \$1.2 million for a final contract value of \$46.5 million. The project budget was \$50 million.

The Potential Transformer (PT) failure at AVS caused cable tray, bus and steel support damage. Alstom Power agreed to refund cost of the PT units of \$60,000 and to pay for up to \$1.0 million of damages at AVS. Staff is working through the final paperwork and will update the Board if there are any changes to the closeout plan.

She then reviewed the AVS-to-Neset and North Killdeer Loop project costs. The project is coming in close to 10% under budget. The downswing in western North Dakota construction has helped. The North Killdeer Loop budget was based on the Bakken factor but labor costs have decreased. Recent bids for grading at the Tande Substation came in at \$1 million while a contract for the same work on a similar substation one year ago came in between \$1.8 million to \$2.0 million.

C. Award of Judson-to-Neset Transmission Line Construction Contract

Ms. Wangler reported that the Judson-to-Neset transmission line contractor will be responsible for construction of the transmission line, including all foundations, matting, structure work and stringing. Work will start in mid-May and the Priority 1 section will be finished in October 2016 and the Priority 2 section will be finished in October 2017. This line will be 345 kV on one side for Mountrail-Williams Electric Cooperative and single-circuit on the other side. She reviewed the bids received

and recommended that the contract be awarded to the low bidder, Brink Constructors, Inc. (**Brink**) for \$21,777,777.11. The project budget is \$28.1 million. She noted that Brink is out in the field and currently doing a good job. Brink's safety numbers meet Basin Electric's requirements. There was a big disparity in bids. Brink would not incur about \$1 million in mobilization costs as they're currently in the field. About \$3.5 million is for foundation work which Brink does on its own rather than subcontract that work out (as all of the others do). This is also a unit-based contract, so we don't have to worry about progress payments and changes.

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

R02.04-12-16

RESOLVED, that the contract for construction of the Judson-to-Neset Transmission Line in the amount of \$21,777,777.11 be awarded to Brink Constructors, Inc.; and

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

14. Transmission Report

Mike Risan, Senior Vice President, Transmission, reviewed the Transmission Department's defined daily, weekly, monthly, quarterly and annual safety activities.

As of March 31, 2016, Transmission System Maintenance Division (**TSM**) staff worked 120 days without a DART incident. TSM safety meetings were held in Gillette, Wheatland, North Dakota and South Dakota during the month.

SPP. Mr. Risan reported on Annual Transmission Revenue Requirement settlement conferences that were held at the Federal Energy Regulatory Commission (**FERC**) over the last month, as well as the schedule for upcoming conferences. The remaining issues are return on equity (**ROE**), capital structure and depreciation of our transmission facilities. Leases are also still an outstanding item. FERC staff finally moved a bit from its previous positions, moving from a 30% to 40% hypothetical capital structure—a fairly significant gain. We had asked for a 9.6% ROE and FERC staff came back with 9.3% with an offset for extended depreciation. FERC staff asked us to consider extending depreciation over a longer time period. Shawn Deisz attended this FERC settlement conference. We would get some pretty significant gains on the capital structure side. We will counter to see if can get a little better on ROE. There is a 50-basis-point adder for RTO participation above and beyond the base ROE.

SPP staff has recommended to the SPP board of directors a 115 kV transmission line from Roundup to Kummer Ridge. In response, Basin Electric staff pointed out: (1) the SPP base case model is not accurate; (2) a 115 kV line doesn't accommodate future growth, is a short-term solution and it is likely this will be the only transmission line that can be built through this area; (3) if we were to wait to build, we couldn't get it built by the need-by date; and (4) the concept of a radial line isn't adequate, reliable load-serving. Basin Electric will ask SPP for immediate reconsideration. Some other projects with similar feedback will also be asking for reconsideration. This is the normal process. This request for reconsideration will be addressed with the SPP board of directors in a couple weeks. Mr. Risan will attend that meeting to answer questions and provide input. SPP is starting a longer-term study and we hope that study will identify the need for more than a radial line. He expects resolution in approximately three months.

Mr. Risan reported that SPP did authorize the Patent Gate and Round-Up 345/115 kV Substations.

Nebraska Public Power District (**NPPD**) has requested an interconnection to the MBPP Stegall 345 kV Substation. Since SPP gave NPPD the notice to construct, NPPD can recover their costs. NPPD is willing to turn over the capital contribution to cover the cost of the interconnect, but wants Basin Electric to pick up the operating and maintenance (**O&M**) costs. We don't think that is appropriate. NPPD should pick up the O&M costs. Mr. Risan will see NPPD's chief operating officer at the next SPP board meeting and will reconvey our position.

Mr. Risan noted that the jurisdictional participants in the Mountain West Transmission Group are Black Hills Corporation and Public Service Company of Colorado. The non-jurisdictional participants are Tri-State G&T Association (**Tri-State**), Basin Electric, Western Area Power Administration (**Western**), Colorado Springs Utilities and Platte River Power Authority. A memorandum of understanding has been signed by the participants. There will be a meeting on May 4 to talk to the FERC commissioners. A request for information will soon go to the street requesting proposals from entities like SPP on their ability to implement the tariff. A Brattle-type study has also been commissioned.

Mr. Sukut was contacted by SPP's CEO, who suggested it doesn't make sense to simply have an administered tariff and that the participants should instead proceed directly to participation in a regional transmission organization (**RTO**). We are in agreement. The CEOs of Basin Electric, Western, Xcel and Tri-State will meet on May 20. He then discussed the principal benefit of an SPP-West proposal would be that it would provide both a shared culture and a single corporate governance.

North American Energy Reliability Corporation (NERC). All internal critical infrastructure protection documents were reviewed and signed on April 1. NERC has delayed the actual implementation to July 1. We received the initial finding on the audit conducted by the Western Electricity Coordinating Council (**WECC**) last year. WECC is considering only issuing a notice of compliance exception. We expect no monetary sanctions.

15. Communications & Administration Report

Mike Eggl, Senior Vice President - Communications & Administration, called on Dale Niezwaag, Senior Legislative Representative, who provided updates on the Iowa legislative session. Several bills were introduced that would impact Basin Electric. One amends the definition of "public utility" to delete the requirement of directly serving Iowa consumers. The other bill would provide a tax credit to the Duane Arnold plant. MidAmerican Energy Company has let its objections to this bill be known. Under another bill, the Iowa geothermal tax credit would no longer be linked to the federal tax credit, which has expired. There is a bill that would address merchant transmission lines. Clean Lines is trying to build a network of high-voltage DC lines moving wind energy to the two coasts. Clean Lines has five proposed transmission projects, three going east and two going west. This is a very large project and it has been met with a great deal of opposition from Iowa landowners.

Steve Tomac, Senior Legislative Representative, reported that Senator Klobuchar's letter on the CPP got mixed reviews given its emphasis on the stay issued by the United States Supreme Court. He has had a conversation with Senator Klobuchar's staff and Elizabeth Gore, who helped facilitate the discussion. Minnesota Rural Electric Association (**MREA**) director Tim Velde was also on the call. We felt that the Senator's emphasis on the stay

overshadowed the intent of the letter. Senator Klobuchar wants to make us aware that her office continues to reach out to the Environmental Protection Agency (EPA) to work on our requested issues, including stranded costs and no credit for renewables online prior to 2013. While the discussion last week was fairly tense, he thinks it was fruitful as we've established a position through MREA that CPP has its challenges and the Senator is committed to make the CPP work (should it survive litigation) and push back on EPA.

There are two bills pending in the Minnesota Legislature that affect Minnesota cooperatives: a copper theft bill and a railroad crossing bill.

There was also a discussion with a staff member of Senator Tester's office last week at the Yellowstone Valley Electric Cooperative annual meeting. We want to create an awareness of our positions because in the end, CPP may be remanded to EPA for a rewrite or the rule may stand as is. It is more likely than not that we will have some sort of carbon dioxide rule at some point. We need to raise awareness on how the CPP affects Basin Electric and our members.

The Federal Aviation Administration reauthorization bill going through Congress is now on the Senate side and was open to amendments on Monday. A lot of energy amendments were proposed but an extension to the Section 45Q credit for carbon sequestration did not get to the floor before Senator McConnell stopped taking amendments. Senator Heitkamp says this is not over yet, but the majority party said the bill is now closed to amendments. Staff member R.D. Reimers has developed an interesting approach which could benefit Basin Electric with respect to Section 45Q the next time there is a legislative opportunity.

The Commodity Futures Trading Commission (CFTC) reauthorization bill is being marked-up tomorrow. SPP has reached out to us asking for support on an amendment which would extend to SPP the private rights of action exemption. Private right action allows individuals to sue rather than go through the regulatory process. Six of the seven RTOs were granted this exemption when the Dodd-Frank Act was passed. SPP did not get that exception at that time because it did not have a forward-pricing market. Now that SPP has a forward-pricing market in place, they've asked the CFTC for that exception. CFTC said it will consider, but also wants to reconsider the private right of action exemption that the other six also have. Senator Bozeman has introduced an amendment to CFTC reauthorization bill that would grant this exception to all RTOs and make it statutory rather than be addressed under the rulemaking process. There is some question as to whether this bill might become purely partisan, in which case the amendment would likely not be added to the bill.

Mr. Eggl reported that the Basin Electric/Great River Energy (GRE)/Minnkota strategic path for carbon reduction includes renewable energy generation, efficiency, transmission efficiency, end-use efficiency, co-product development, efficiency across the spectrum, reliable renewables, agriculture sequestration, advance fossil fuels and partnerships.

He reported that the March 30, 2016 the NDPSC held a 15-hour hearing on siting of the Brady Wind #1 wind project. This was the longest NDPSC hearing on record. The hearing was attended by 150 people, including Concerned Citizens of Stark County. The Cooperative will be providing information to the NDPSC regarding our need for the power and current need for renewable resources like wind. Wind is getting more contentious on the west side of state. When people no longer see wind energy development as economic development, support for wind projects seems to evaporate.

Mr. Eggl reported that Board Policies #05, Director Compensation/Travel and #06, General Safety and Health (Ethics) will be presented to the board of directors for approval in May. Board Policy #07, Distributed Generation, and #08, Guiding Principles, Protocols and Practices (et al.) will be presented to the board of directors for approval in July. A new Board Policy, #09, Board Audit Committee Charter, will be presented by Faye Miller later in this meeting.

A. Communications & Creative Services

Mr. Eggl reported that Greg DeSaye, Multi-Media Specialist/Audio Video Producer, won the National Rural Electric Cooperative Association's Spotlight on Excellence first place award for best ad and digital story telling for his Lineman Perspective on Hotline Training and 2015 Brave the Shave public service announcements. Basin Electric's 2015 annual meeting took first place for best event.

The 2015 annual report is at the printer and should be available for distribution at the end of April.

He then reported that the ITC groundbreaking will be held on April 27 at the DFS. Wyoming Governor Mead will be a featured speaker.

B. September 2016 Resolutions Committee Meeting

Mr. Eggl recommended that the 2016 Resolutions Committee be authorized to convene in September and that a director be named to serve on the Committee.

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

R03.04-12-16 RESOLVED, that Director McQuiston represent the Board of Directors on the 2016 Resolutions Committee and that Directors Brekel and Gilbert serve as alternates.

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

R04.04-12-16 RESOLVED, that the 2016 Basin Electric Power Cooperative Member Resolutions Committee be convened in September.

16. Human Resources & Development Report

Diane Paul, Senior Vice President - Human Resources & Development, reported that recent successes in HR include implementation of the new Infor Talent Acquisition software, Learning Central-Infor, electronic medical records, signing of the apprenticeship agreement and release of the 1095-C ACA forms (proof of health insurance) to all employees under the Affordable Care Act.

Ms. Paul reported that the objectives of the Workforce Plan are to provide a structured employee developmental process and opportunity for career growth. The plan is a tool to assist with employee retention, links recruitment and employee development to the Cooperative's goals, provides Financial Planning & Forecasting with a summary of identified new positions and allows HR to prepare for times of anticipated high turnover. An example of the workforce plan is projecting the number of retirements based on the years how many employees reach the age of 62, the Cooperative's normal retirement

age. The last formal workforce plan was done in 2012. She noted that HR would meet with the senior staff in April, compile data in early May and distribute in mid-May of 2016.

A. Charitable Giving & Employee Programs

Jennifer Holen, Supervisor of Community & Employee Engagement, reported that 182 \$1,000 scholarships were recently awarded to 137 children of member cooperative consumers, 20 to member cooperative employees' children and 25 to children of Basin Electric or subsidiary employees. The Charitable Giving Committee reviewed 12 donation applications at its quarterly meeting.

Ms. Holen reported that 757 units of blood had been collected during 23 blood drives at headquarters, AVS, National Information Solutions Cooperative, LOS, GRE and DGC in 2015. Basin Electric registered two teams in the Great American Bike Race and raised over \$8,000. She then reported on recent asset donations.

B. Learning & Development

Lynn Beiswanger, Director of Learning & Development, reported on the Cooperative's apprenticeship program, Power Plant 101 and the "Active Shooter" information session which was the March presentation in the "People. Power. Purpose." series. The next session will be held on April 15 and is on Cooperative Management and Communication.

C. Safety

Kelly Cozby, Safety/Occupational Health Administrator, reported that for the first quarter of 2016, Basin Electric's OSHA Recordable Rate is 2.04 compared to the Industry Rate of 2.8 and Basin Electric's' DART Incident Rate is 0.88 compared to the Industry Rate of 1.50. She compared the Cooperative and Industry historical DART incident rates from 2004 through 2016, as well as the Cooperative's current month and year-end injury totals from 2004 through 2016. Continuous Improvement Team #2, Safety Communications, was rolled out last month. A safety survey will be conducted this year and compared with the previous safety survey.

17. Recess and Reconvention

At 11:45 p.m., President Peltier recessed the meeting until 1:02 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

18. 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 Chief Executive Officer & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Tracie Bettenhausen, Shawn Deisz, Tammy DeWitt,

Mike Eggl, Matthew Greek, John Jacobs, Steve Johnson, Becky Kern, Matthew Kolling, Sharon Lipetzky, Tracy McBride, Darla Miller, Faye Miller, Deb Olafson, Diane Paul, Dave Raatz, Mike Risan, Ken Rutter, Susan Sorensen and Michelle Wiedrich. Also present were DGC Vice President David J. Sauer and East River director James Ryken.

19. Financial Services Report

Steve Johnson, Senior Vice President & Chief Financial Officer, reported that on March 30, 2016, Moody's Investors Service (**Moody's**) placed all of the Cooperative's long-term and short-term ratings on review for downgrade, including its A1 rating for senior secured debt and Prime-1 rating for the Cooperative's commercial paper program.

The review focused on the amount of incremental debt to be issued by Basin Electric to finance its consolidated capital expenditures, the timing and structure of the debt, plans to withhold returns of patronage capital and the anticipated increase in reliance on margin and cash flow from the commodity price sensitive non-utility businesses to support incremental debt service requirements during a period of global commodity downturn. The review also focused on the extent to which Basin Electric can reduce costs, while also considering how much the Cooperative might rely on, and members' possible reactions to, any proposed wholesale power rate increases to support its cash flow coverage metrics, which are likely to weaken further in 2016 and possibly beyond as Basin Electric pursues its sizable capital expenditure program. Moody's will also take into account the Cooperative's overall liquidity profile, which Moody's views as an increasingly important part of the credit profile in a commodity market downturn, as well as the utility's substantial carbon footprint as we evaluate implications of the recent U.S. Supreme Court decision to stay the U.S. EPA's Clean Power Plan.

Mr. Johnson reported that the next steps are: (1) a high-level visit with Moody's to discuss the Cooperative's 2015 financial results, austerity program, liquidity, impacts of a two-notch downgrade, benefits to Basin Electric and plans for the future; and (2) a call to update our investors.

He then reported on the U.S. Treasury yield curve for five, 10 and 30 years, total liquidity, gross domestic product and other considerations including Federal Open Market Committee actions, employment numbers, inflation, potential ratings actions, the war on coal, a decision on mid-year rate increase and the updated financial forecast. He stated that with the proposed borrowing from the National Rural Utilities Cooperative Finance Corporation (CFC), the Cooperative will have no immediate need to get into the market.

A. Authorization for \$75 Million Term Loan with CFC

Matthew Kolling, Senior Staff Attorney, recommended the adoption of resolutions to authorize the \$75 million loan transaction with the CFC. This transaction is scheduled to close at the end of April. The spread was locked in and he noted little fluctuation is expected between now and end of month when this is priced. This will be 30-year debt at a projected interest rate between 3.5% and 3.7%.

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

R05.04-12-16

WHEREAS, Basin Electric Power Cooperative (the **Cooperative**), under its articles of incorporation, bylaws, and other organizational documents has full power and authority to borrow money and to secure the same with its own

property and property delivered to it for marketing or otherwise; and

WHEREAS, all prerequisite acts and proceedings preliminary to the adoption of this Resolution have been taken and done in due and proper form, time and manner; and

WHEREAS, the Board of Directors (the **Board**) of the Cooperative desires to take the necessary action to cause the Cooperative to borrow up to Seventy Five Million Dollars (\$75,000,000) from National Rural Utilities Cooperative Finance Corporation (CFC) to be used to finance capital expenditures or for other general corporate purposes;

NOW, THEREFORE, BE IT RESOLVED, that the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and any other officer of the Cooperative are jointly and severally authorized and empowered to obtain from CFC, on behalf of the Cooperative, a loan (the **Loan**) in an aggregate principal amount not to exceed Seventy Five Million Dollars (\$75,000,000); and for such purposes:

- (1) to execute such application or applications (including exhibits, amendments and/or supplements thereto) as may be required for all borrowings;
- (2) to obligate the Company to pay such rate or rates of interest as the Officers so acting shall deem proper, and in connection therewith to purchase such interest rate risk management products as may be offered from time to time by CFC;
- (3) to obligate the Company to such other terms and conditions as the Officers so acting shall deem proper;
- (4) to execute and deliver to CFC or its nominee all such written loan agreements, documents and instruments as may be required by CFC in regard to or as evidence of any Loan made pursuant to the terms of this Resolution; in particular (a) a Loan Agreement with CFC substantially in the form presented to this meeting (the **Loan Agreement**); and (b) a Promissory Note substantially in the form presented to this meeting in an aggregate principal amount not to exceed Seventy Five

Million Dollars (\$75,000,000) with a term not to exceed thirty (30) years (the **Note**).

- (5) to pledge, grant a security interest or lien in, or assign property of the Company or property of others on which it is entitled to borrow, of any kind and in any amount as security for any or all obligations (past, present and/or future) of the Company to CFC;
- (6) from time to time extend, amend, renew or refinance any such Loan;
- (7) to execute and deliver to CFC any agreements, addenda, authorization forms and other documents or instruments as may be required by CFC as may be necessary and proper in order to complete the loan transaction, to service the Loan contemplated herein, or to carry out the authority hereby granted in these Resolutions.

RESOLVED FURTHER, That each of the Officers are hereby jointly and severally authorized and directed to do and/or cause to be done, from time to time, all things which may be necessary and/or proper for the carrying out of the terms of these Resolutions.

RESOLVED FURTHER, That the Board authorizes the Cooperative to take any and all steps which may be necessary or desirable to issue to CFC, and execute and deliver the Note under and in accordance with the Amended and Restated Indenture dated as of May 5, 2015 between the Cooperative and U.S. Bank National Association, as trustee (the **Trustee**) as supplemented by the Supplemental Indenture (as defined below) (the **Indenture**) including making a request to the Trustee to authenticate the Note and making the necessary filings and certificates which must be filed with, or otherwise delivered to, the Trustee to support a request to the Trustee to authenticate the Notes as "Additional Obligations" under the Indenture. The Board hereby empowers, authorizes and directs each of the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and the other proper Officers of the Cooperative, or their respective designees, to execute and deliver, on behalf of the Cooperative, all documents, instruments, certificates, agreements, indentures and other documents which may be necessary or desirable to complete the execution, authentication and delivery of the Note and the issuance thereof to CFC. The authority conferred upon each of the

President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO, and such other officers of the Cooperative hereby specifically includes, but is not limited to the authority to execute, attest and deliver, or approve and accept, as the case may be, on behalf of the Cooperative, the Thirty-Fifth Supplemental Indenture, substantially in the form presented to this meeting supplementing the Indenture with the Trustee (the **Supplemental Indenture**), with such changes, insertions and omissions as the person or persons executing or accepting the Supplemental Indenture may approve, the execution, approval or accepting the Supplemental Indenture being conclusive evidence of such approval by such person or persons.

RESOLVED FURTHER, That this Resolution constitutes a resolution as required by Section 4.1(A) of the Indenture authorizing and requesting the Trustee (i) to authenticate and deliver the Note (as "Additional Obligations" under the Indenture) under Sections 4.2, 4.3 and 4.5 and the other applicable provisions of the Indenture and (ii) to take such other steps as are required by the Indenture and/or the Loan Agreement to issue the Note.

RESOLVED FURTHER, that the President, the CEO and General Manager, the Secretary, any Assistant Secretary, the Senior Vice President and CFO and the other officers of the Cooperative are each hereby authorized and empowered to take such other action as might be required to complete the execution, authentication and delivery of the Note and the Cooperative's performance of its obligations thereunder and under the Loan Agreement.

RESOLVED FURTHER, That all prior acts by the Officers or other employees or agents of the Company to accomplish the purposes of these Resolutions are hereby approved and ratified.

RESOLVED FURTHER, That these Resolutions shall remain in full force and effect until a certified copy of a duly adopted resolution effecting a revocation or amendment, as the case may be, shall have been received by CFC. The authority hereby granted shall apply with equal force and effect to the successors in office of the Officers herein named.

RESOLVED FURTHER, That the Secretary or any Assistant Secretary of the Company is hereby authorized and directed to certify to CFC a copy of these Resolutions, the names and specimen signatures of the present Officers above referred to, and if and when any change is made in

the personnel of any said Officers, the fact of such change and the name and specimen signatures of the new Officers. CFC shall be entitled to rely on any such certification until a new certification is actually received by CFC.

B. Accounting Report

Darla Miller, Senior Accounting Analyst, reported that the March 2016 Statement of Operations reflected an estimated net deficit of \$6.8 million compared to \$2.1 million last month and \$0.6 million for the same period last year. The budgeted net margin for March was \$0.2 million.

March sales to members were \$100.4 million compared to \$105.3 million last month and \$102.6 million for the same period last year. March sales to members were budgeted to be \$113.8 million.

Surplus sales were \$9.6 million compared to \$11.3 million last month and \$16.0 million for the same period last year. Surplus sales were budgeted to be \$17.8 million in March. Sales to DGC contributed \$3.3 million.

She also reviewed operations expenses, maintenance expenses, year-to-date consolidated net income/loss, changes to the balance sheet and month-end cash.

Basin Electric's March equity-to-asset ratio was 18.2% compared to 18.75% in February.

The March equity-to-capitalization ratio using Moody's methodology (both without the consolidation entry for The Coteau Properties Company) was 22.1% compared to 22.60% in February.

The March equity-to-capitalization ratio based on indenture requirements for patronage distribution was 20.6% compared to 21.17% in February.

20. Recess for Board Audit Committee Meeting; Reconvention

At 1:39 p.m., President Peltier recessed the meeting to hold the Board Audit Committee meeting. He reconvened the Board of Directors meeting at 1:49 p.m.

21. Financial Services Report, continued

A. Approval of Board Policy #09, Board Audit Committee Charter

Faye Miller, Manager of Internal Auditing, noted that the revised Board Policy #09, Board Audit Committee charter, had been presented for the Board's review last month. After answering questions, she recommended the charter be approved.

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

R06.04-12-16

RESOLVED, that Board Policy #09, Board Audit Committee Charter, presented to this meeting of the Board of Directors is hereby approved.

22. Directors' Reports

Director McQuiston thanked staff for attending the Rushmore Electric Power Cooperative annual meeting.

Director Baker reported that Peabody filed for Chapter 11 bankruptcy. Peabody is Western Fuels Association's largest coal supplier.

Director Thiessen thanked staff for attending the Upper Missouri annual meeting.

Director Gilbert thanked staff for attending the Corn Belt Power Cooperative annual meeting.

Director Brekel thanked staff for attending Tri-State's annual meeting. Governor Mead addressed the group and expressed his gratitude for Basin Electric's and Tri-State's assistance in getting the ITC.

Director Applegate thanked staff for attending Northwest Iowa Power Cooperative's annual meeting.

Director Drost thanked staff for attending L&O Power Cooperative's annual meeting. He reported hearing many positive comments from the membership about Mr. Sukut's remarks.

Director Peltier reported on the MREA meeting. He noted that the Minnesota members of Basin Electric appreciated the update. Warren Roth (a member of Agralite Electric Cooperative/East River/Basin Electric) was elected to the MREA board.

23. Executive Session

At 2:00 p.m., it was moved by Director Drost, second by Director Rohrer and carried that the Board retire into executive session to discuss a study concerning CPP and long-term power market developments, RFP responses and Tri-State matters. Director Brekel recused himself from a portion of the Tri-State discussions.

At 5:00 p.m., it was moved by Director Applegate, seconded by Director Rohrer and carried that the board arise from executive session.

24. Date and Time of Next Board Meeting

The next regularly scheduled meeting of the board of directors will take place May 10-12, 2016, at the headquarters building in Bismarck, North Dakota.

25. Adjournment

At 5:00 p.m., it was moved by Director Drost, seconded by Director Pearson and carried that the meeting be adjourned.



Gary C. Drost
Secretary-Treasurer