Approved May 9, 2017

Basin Electric Power Cooperative
Bismarck, North Dakota

Minutes of the Regular Meeting of the Board of Directors
April 11-12, 2017

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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, 1717 East Interstate Avenue, Bismarck, North Dakota, on April 11, 2017 starting at 8:15 a.m. CDT.

1. **Call to Order**

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

2. **Roll Call**

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

Donald E. Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Charles Gilbert	Mike McQuistion
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, Eric Carufel, Tammy DeWitt, Matthew Greek, John Jacobs, Steve Johnson, Becky Kern, Jon Klein, Gavin McCollam, Diane Paul, Dave Raatz, Mike Risan, Ken Rutter, Kevin Tschosik, Valerie Weigel and Michelle Wiedrich. Also present were Dakota Gasification Company (**DGC**) directors Jim Geringer and Alan Klein; DGC Vice President David J. Sauer; and Innovative Energy Alliance (**IEA**) co-manager Don Franklund.

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 modified.

4. **Board Committee Assignments**

   President Peltier reported that the following directors will serve on the following Board Committees:

   Finance Committee: Directors Brekel, Drost, Pearson and Peltier.

   Operations Committee: Directors Applegate, Geringer, Klein, McQuistion and Rohrer.

   Planning, Resources & Marketing Committee: Directors Baker, Gilbert, Presser and Thiessen.

5. Recess for Board Committee Meetings; Reconvention

At 8:30 a.m., President Peltier recessed the meeting until 4:00 p.m., at which time the meeting was reconvened by President Peltier, who presided, and Secretary Gary C. Drost, who kept the minutes thereof.

6. Roll Call

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

Donald E. Applegate	Paul Baker
Leo Brekel	Gary C. Drost
Charles Gilbert	Mike McQuistion
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, Tammy DeWitt, Matthew Greek, John Jacobs, Steve Johnson, Brian Larson, Gavin McCollam, Diane Paul, Mike Paul, Mike Risan, Ken Rutter, Susan Sorensen, Kevin Tschosik, Valerie Weigel, Michelle Wiedrich and Tiffany Zablotney. Also present were DGC Vice President David J. Sauer, IEA co-manager Don Franklund and Mor-Gran-Sou Electric Cooperative (**Mor-Gran-Sou**) director Robert Leingang.

7. Approval of the Minutes

The minutes of the March 13-14, 2017 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Brekel, seconded by Director McQuistion and carried that the minutes be approved as presented.

8. General Manager's Report

General Manager Sukut reported that a meeting with Environmental Protection Agency Administrator Scott Pruitt is scheduled during the annual fly-in and the Lignite Energy Council annual meeting is next week.

9. Office of General Counsel Report

Senior Vice President & General Counsel Mark D. Foss reported on the status of litigation involving the Cooperative.

A. Reaffirmation of Board Policy #6, General Safety & Health

Mr. Foss reported that Board Policy #06, General Safety & Health, was reviewed by an internal committee and no revisions were recommended. It was presented to the Board for review and revisions in March. He recommended retaining Board Policy #06 in its current form. It was then moved by Director Thiessen, seconded by Director Drost and carried that Board Policy #6, General Safety & Health, be reaffirmed.

Mr. Foss reported that Board Policy #7, Guiding Principles for (Business) Diversification, has not yet been reviewed by the internal committee, so it would be distributed for Board review in May and approval would be requested in June.

10. Operations Report

Senior Vice President - Operations John Jacobs introduced Effie Carr, the Operations Department's Executive Administrative Assistant, who started working with him at the Antelope Valley Station (**AVS**) in 1984 and later at headquarters (for a total of 33 years). He presented Ms. Carr with a plaque and noted that she is retiring at the end of the week.

Mr. Jacobs reported there was one medical treatment and one Days Away, Restricted or Transferred (**DART**) incident during the month.

March generation was 2,180,053 MWh compared to budgeted generation of 2,420,718 MWh which is 10 percent below the budget. He reviewed forced-outage rate trends for the last 24 months and provided February 2017 bus-bar costs for the coal-fired fleet (Leland Olds Station (**LOS**), Antelope Valley Station (**AVS**), Laramie River Station (**LRS**) and the Dry Fork Station (**DFS**)). Year-to-date generation for the solid-fuel plants is 10.8 percent below budget and for the total fleet is 6.7 percent under budget. March operating statistics were as follows:

Unit	Monthly Availability	Running Plant Capacity Factor (net)	Unit Rating	Comments
AVS #1	100%	90.7%	450 MW	The unit will come down on 4/14 for a six-week scheduled maintenance outage.
AVS #2	100%	91%	450 MW	
DFS	98.76%	98.81%	386 MW	Forced outage on 3/18 for high drum level.
LRS #1	100%	64.01%	570 MW	Have had congestion issues with getting power out of Unit #1.
LRS #2	88.14%	66.77%	570 MW	Scheduled outage on 3/20 for low-pressure heater tube repairs.
LRS #3	100%	72.62%	570 MW	
LOS #1	73%	77.10%	221 MW	Forced outages on 3/01 for wall tube leak and 3/10 for primary super heater tube leak.
LOS #2	99.59%	77.20%	448 MW	Forced outage on 3/6 galloping lines caused low voltage issues, which tripped the ID fan variable speed drives

Mr. Jacobs reported that Integrated Test Center (**ITC**) construction is in full swing. CNN plans to do a video about the ITC and the Wall Street Journal plans to do a story.

11. Recess and Reconvention

At 4:35 p.m., President Peltier recessed the meeting until 8:00 a.m. April 12, 2017, at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost keeping the minutes.

12. 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 McQuistion
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, Andrew Buntrock, Eric Carufel, Shawn Deisz, Tammy DeWitt, Stephen Farnsworth, Pius Fischer, Matthew Greek, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Janet Kubisiak, Brian Larson, Joe Leingang, Tom Leingang, Tracy McBride, Gavin McCollam, Darla Miller, Diane Paul, Mike Paul, Mike Risan, Josh Rossow, Ken Rutter, Jean Schafer, Susan Sorensen, Myron Steckler, Steve Tomac, Kevin Tschosik, Michelle Wiedrich and Tiffany Zablotney. Also present were DGC Vice President David J. Sauer and Mor-Gran-Sou director Robert Leingang.

13. Operations Report, continued

A. Distributed Generation Update

Distributed Generation Manager Kevin Tschosik reported that natural gas prices for the distributed generating facilities (Groton Generating Station (**GGS**), Culbertson Combustion Turbine (**CCT**), Wyoming Distributed Generation (**WDG**), Spirit Mound Station (**SMS**), Deer Creek Station (**DCS**), Pioneer Generating Station (**PGS**) and Lonesome Creek Station (**LCS**)) were flat from the previous month. March generation at the distributed generation facilities (combustion turbines (**CT**) and reciprocating engines (**RE**)) was as follows:

Unit	Run Hours	Cpcty Factor (%)	Avg Gen (MW)	Avail (%)	Unit Rate (MW)	Comments
Culbertson CT	64.02	2.82	31.77	98.26	97	
LCS CT #1	192.48	16.70	29.05	99.46	45	Ran for load demand and energy.

LCS CT #2	690.28	64.11	31.09	99.33	45	Ran for load demand and energy.
LCS CT #3	84.9	8.47	33.40	35.63	45	Ran for load demand and energy. Compressor rear frame oil leak.
PGS CT #1	80.42	6.23	25.94	87.2	45	
PGS CT #2	139.15	11.61	27.93	98.95	45	
PGS CT #3	77.93	6.20	26.65	98.07	45	
PGC RE #11	76.52	6.98	6.31	99.77	111.6	
PGC RE #12	72.58	6.55	6.26	99.88	111.6	
PGC RE #13	70.12	6.34	6.26	99.88	111.6	
PGC RE #14	55.52	5.72	7.13	97.39	111.6	
PGC RE #15	55.4	5.69	7.11	97.4	111.6	
PGC RE #16	19.5	1.50	5.33	32.33	111.6	ABB replaced diodes and varistor on rectifier ring.
PGC RE #17	81.03	7.40	6.32	99.33	111.6	
PGC RE #18	81.02	7.41	6.33	99.33	111.6	
PGC RE #19	80.07	7.28	6.29	98.19	111.6	
PGC RE #20	71.95	7.41	7.13	99.53	111.6	
PGC RE #21	71.63	7.37	7.12	99.53	111.6	
PGC RE #22	59.48	6.08	7.08	90.24	111.6	
DCS	223	15.88	158.91	100	300	Ran for load demand.
Groton #1	31.72	1.49	33.26	99.92	95	Ran for load demand.
Groton #2	88.28	3.74	29.90	98.65	95	
SMS #1	0	0	0	91.66	120	
SMS #2	4.92	0.6	53	99.83	120	Ran for five hours.

WDG				96.5	54	WDG generated 0 MW during the month.

A new compressor rear-frame-oil manifold was installed on LCS #3 due to wear on the P-clamp "walks/ratchets" along the wear sleeve due to thermal cycling. This was related to start count, not hours of operation, and results in J-tab distortion and potential for oil supply tube rub on the heat shield.

Mr. Tschosik reported that he has been exploring vendors other than General Electric (**GE**) for repair of the gas turbines. TransCanada Turbines Ltd (**TCT**) head office is in Calgary, Canada, and it has shops in Houston, New York, Scotland and Bakersfield, California. TCT is licensed by GE, uses 100 percent GE parts and has 35 percent of the LM6000 global repair market. He has received good reports from many owners who have used TCT for repair, so when this failure occurred, he contacted them and they will be repairing this turbine. He noted that GE is unhappy with this change and will be visiting next week. Mr. Tschosik noted that this was not strictly a cost decision, but it is less expensive than GE. In the end, we just want what is best for our members.

During March, LCS ran in synchronous condensing mode for 291.92 hours and PGS for 571.65 hours. There were 18 west-side spinning reserve calls during the month.

The east-side peak for wind occurred on March 10 2017 at 1800 hours. At that time, wind generation was as follows:

Wind Project	**Load Factor during the Peak**	**Average Capacity Factor**		**Project Total**
		Month	**2017**	
Baldwin	49 MW	46%	48%	99 MW
Brady #1	140 MW	50%	57%	150 MW
Brady #2	139 MW	48%	52%	150 MW
Campbell County	65 MW	44%	48%	98 MW
Chamberlain/Pipestone	1 MW	31%	25%	3.4 MW
Day County	6 MW	50%	49%	99 MW
Edgeley	3 MW	24%	33%	40 MW
Highmore	12 MW	36%	36%	40 MW
Iowa	1 MW	45%	44%	45.1 MW
Iowa Lakes	1 MW	50%	48%	21 MW
Minot Wind (2 Nordex turbines)	2 MW	31%	34%	7.1 MW

PWND (GE turbines)	56 MW	46%	51%	115.5 MW
PWSD	82 MW	48%	50%	162 MW
Sunflower	93 MW	50%	54%	104 MW
Wilton	35 MW	44%	41%	99 MW
Total Monthly Wind Generation	684 MW			800 MW
Average Capacity Factor		46%	49%	

B. Laramie River Station Update

LRS Plant Manager Brian Larson presented statistics on safety, the demographics of the LRS workforce and environmental compliance. The units are running well, but demand is down which causes increases in the coal stockpile. As of March 31, 2017, the LRS stockpile contained 2,594,543 tons which is sufficient for 108 days operating at full load. The goal is for the stockpile to contain 900,000 to one million tons. The Grayrocks Reservoir had to be lowered for inspection of the outlet tunnel and, as of March 31, 2017, was 92 percent full. He briefly reviewed the April 1, 2017 snowpack report.

Mr. Larson reported that projects scheduled for the April 8 through May 27 LRS Unit #3 outage include replacement of the air heater baskets and air heater lube-oil skid, work on the dry scrubber, replacement of the economizer inlet header, work on the cooling tower switch gear, minor circulating water piping repairs, cooling tower fan motor variable speed drives and installation of the new soot blower IKs.

He presented photographs of the new warehouse and bulk warehouse and noted that LRS held a safety fair in the warehouse on March 8. Vendors included Vallen, MSA, 3M, Border States and Shur-Sales. He presented pictures and reported that the 2017 LRS St. Baldrick's/Brave the Shave benefit raised $20,000, an increase of $8,000 over last year. LRS also raised $2,500 to help a three-year-old girl in a neighboring town who is battling a terminal brain tumor.

The Coal System Focus Team was formed in August of 2013 following the May 2013 coal-dust explosion and fire. The team identified a number of LRS coal system improvements, which have been completed: (1) replacement of dust collectors numbers 7 and 8 under the coal silos and numbers 9 and 10 in the crusher house; (2) conveyance of dust collected in DC numbers 1 (coal dumper), 7, 8, 9 and 10 to the main plant coal bunkers; (3) rebuild of the six Cascade system dust collectors; (4) adjustment of the wash-down schedule for the coal system; (5) installation of Cascade and Surge-bin-drainage systems in all three units; (6) completion of the auto wash-down system in LRS Unit #1, coal bunker carbon monoxide monitoring, fixed internal wash-down and fire suppression.

He presented photographs and reported that with the new automatic wash-down system, staff will be able to wash the system when needed instead of waiting for a wash-down to be scheduled and one operator can wash-down one unit's coal cascade belts in two hours instead of five or six operators in four hours, making the coal system safer and saving time and money. He expressed his appreciation to the headquarters engineers for their assistance with these projects, which were completed within budget. These improvements will result in a cost savings of

$45,000 per quarter per unit or $405,000 per year for the station and result in a much cleaner station.

Mr. Larson presented photographs of the sites of the former bulk warehouse which was demolished to create space for the large crane that will be used for construction of the selective catalytic reduction and selective non-catalytic reduction equipment. He also showed the location of two storage warehouses that were torn down after the new bulk warehouse was finished. By showing the photographs, he wanted to demonstrate that LRS is no longer using "satellite" warehouses.

C. Approval of LRS Soot Blower Replacement Capital Project Request

Mr. Larson introduced Maintenance Planner/Scheduler Matt Jolovich, who explained that the purpose of soot blowers is to blow soot off the boiler tubes. The LRS soot blowers have reached the end of their useful lives and have become uneconomical to maintain. Rebuilding these soot blowers is impractical due to loose tolerances and metal fatigue and a rebuilt soot blower would likely only last eight to 10 years.

He presented a diagram of the boiler, noting the location of the soot blowers. Annual maintenance costs have increased from $438,854 in 2012 to $1,702,520 in 2016. Cutting and welding to replace internal components has caused damage and has warped soot blowers leading to premature failures. New soot blowers have bolt-on components and, as a result, require no cutting, welding or repositioning for repairs. Electrical components are exposed to less heat and are easily accessed on the new soot blowers. It takes two weeks to rebuild an old soot blower and would require only three days for a new one due to the better design.

The initial investment for new soot blowers is $15,388,310 with an expected annual maintenance cost of $50,000 and expected major maintenance expense required in years 10, 11 and 12 of $720,000.

The cost of the initial rebuild of the old soot blowers (in years one, two and three) is $10.8 million, with an expected annual maintenance increase of $120,000 and expected major maintenance expense in years eight through 17 of $10.8 million per year.

The project cost for 240 soot blowers is $7,182,800 for materials, $6,667,510 for labor and $1,538,000 for contingency for a total project cost of $15,388,310, of which $6,638,921 is Basin Electric's share. Of the total, $4,525,973 would be spent in 2017 and $10,862,337 in 2018.

The internal rate of return is 13.50 percent (compared to a hurdle rate of 5.86 percent) and the project payback is 7.47 years. Mr. Jolovich recommended approval of the project.

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

R01.04-11-17 RESOLVED, that Capital Project Request 200282, LRS Soot Blower Replacement Project, in the amount of $15,338,310 ($6,538,921 Basin Electric share) 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.

D. Award of LRS Soot Blower Replacement Equipment Contract

Mr. Jolovich reported that Diamond Power International, Inc. (**Diamond Power**) is the industry leader in soot blower equipment and all Basin Electric coal-fired power plants have Diamond Power soot blowing equipment and materials. The current soot blower material stock at LRS is from Diamond Power and most of these materials can be used on the new soot blowers. The total material cost for 240 new soot blowers is $7,182,800. He recommended that the equipment contract for the LRS replacement soot blower equipment project be awarded to Diamond Power.

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

R02.04-11-17 RESOLVED, that the equipment contract for the LRS Soot Blower Replacement Project be awarded to Diamond Power International, Inc. for $7,182,800 ($3,098,659 Basin Electric share); and

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

E. Award of LRS Soot Blower Replacement Installation Contract

Mr. Jolovich reported that the installer will be responsible for removing the 240 existing soot blowers and installing the 240 new soot blowers. This is a lump-sum contract. Installation is scheduled from August 2017 to December of 2018.

He reviewed the installation project bids and recommended that the project be awarded to the lowest evaluated bidder, Brahma Group Inc. for $1,908,795 ($823,454 Basin Electric share).

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

R03.04-11-17 RESOLVED, that the installation contract for the LRS Soot Blower Replacement Project be awarded to Brahma Group Inc. for $1,908,795 ($823,454 Basin Electric share); and

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

14. Risk Management Report

Senior Commodity Risk Analyst Tiffany Zablotney reported on Basin Electric's current hedge position based upon the combined strategy of east purchased power and natural gas burn. For 2017, the remainder of the year is hedged 31 percent at an average natural gas price of $2.97 per dekatherm (**dkt**). The power price is physically hedged with minimal volumes at $14.25 per megawatt hour (**MWh**) on-peak and $3.00/MWh off-peak.

For 2018 natural gas, the current hedged position has an average price of $2.98/dkt with 69.9 percent hedged, $3.18/dkt for 2019 with 58.3 percent hedged, $3.20/dkt for 2020 with 52.2 percent hedged and $3.22/dkt for 2021 with 27.7 percent hedged. Purchase power hedging is not built into the strategy in the outer years due to a lack of market liquidity. Preliminary views of the forecasted natural gas burn indicate 2018 will be less than anticipated so marketing began unwinding the Cooperative's position in January, February and December. Typically, Basin Electric is in a buy position with hedges, but in this case, you will see new hedges executed for these applicable months that are sell positions to offset the volumes. No new hedges were executed for years 2019 to 2021.

The 2017/2018 season contract has been executed for up to one million in storage but there have been no injections. Once injections begin, staff will again report the position changes each month.

The Ventura Forward price curve rallied in the first half of the years shown, with the last half remaining relatively stable from last month. The 2017 average price is $3.09/dkt, an increase of $0.27/dkt.

Applying the Ventura Forward price curve to the executed natural gas hedges, the Cooperative has an unrealized mark-to-market (**MTM**) loss of ($7.8 million), which is actually a positive change of $1.8 million from last month.

Turning to power, Ms. Zablotney reported that the west surplus sales position for 2017 is currently hedged at approximately 25 percent of forecasted volumes at an average hedged price of $28.46/MWh for on-peak and $22.42/MWh for off-peak.

Basin Electric's surplus sales hedges are indexed to the Palo Verde Forward Curve. Prices increased in 2017 for the on-peak curve by $3.66/MWh for an annual average of $28.99/MWh. The off-peak curve has the same shape and had similar movement in prices across the curve.

Applying the Palo Verde forward curve to the current executed power hedges, Basin Electric has an unrealized MTM gain of $1 million as of March 31. This does not include the two long-term physical contracts with Cargill Power having a ($49.4 million) unrealized MTM loss.

MTM value dropped $1.8 million from last month with the curve moving closer to our hedged prices overall (again, not including the Cargill trades).

The hedge position of diesel is unchanged from last month. About 47 percent of the forecast for 2017 is hedged at an average price of $2.43 per gallon (**gal**) and about 36 percent is hedged for 2018 at an average price of $2.56/gal.

The financial hedges for the Cooperative's diesel are executed against the Energy Information Agency On-Highway Diesel index. Diesel prices dropped slightly from the past two months by about $0.07/gal to $2.61/gal on average for 2017.

Applying the forward curve to the executed hedges, the Cooperative had an unrealized MTM gain of $193,000 on its diesel hedges. The month-over-month MTM dropped $105,000.

Settlements in March resulted in cash receipts of $40,000 for natural gas (1,000 dkt), $99,000 for power (100 MW) and $9,000 for diesel (84,000 gallons). Overall, Basin Electric has received $1.2 million year-to-date for financial hedge settlements.

Combining the MTM value for all commodities, as of March 31, Basin Electric had a net unrealized loss on physical and financial transactions of ($6.5 million), excluding the two long-term Cargill purchase power contracts.

Basin's Electrics greatest liquidity exposure is to Cargill Power at $49 million, with $32 million margin posted as of March 31. The credit exposure based on an internal ratings model by counterparty was also reviewed.

15. Marketing & Asset Management Report

Director of Marketing and Financial Analytics Valerie Weigel reviewed March Day-Ahead Load Zone Pricing where the average transacted purchase price was $17.47 compared to the budget of $19.33 and the transacted sale price was $15.71 compared to the budget of $19.33. The day-ahead prices were $0 several days during the month.

The Southwest Power Pool (**SPP**) had record-level Wind-to-Load Penetration levels during the month. Basin Electric saw its March hourly volumetric position fluctuate due to LOS #1 being offline from March 11-20 and LOS #2 being offline or derated periodically throughout the month. She reviewed the current SPP surplus/purchase position and noted that drivers of Basin Electric's 2017 natural gas burn were LCS reliability runs, changes in natural gas and power prices since the time the budget was approved and underlying dispatch model assumptions. She noted that it is difficult to hedge unforeseen positions and accurately predict variances in natural gas expense, purchase power expense and surplus sales expense.

She reviewed March SPP market profits and losses. The key takeaways are three price-spike events led to increased margins on peaking units. During March, SPP reached a new record wind-to-load penetration level of 54 percent. The average contract price paid for wind was $31/MWh.

March Market Financial Highlights.

Basin Electric had a $0.8 million favorable variance in SPP. The average sales price was $15.71/MWh versus the budget of $19.33 MWh. The average purchase price was $17.47/MWh versus the budget of $19.33/MWh.

Sales on the west were flat. Low midcontinent prices have allowed for power purchases and higher-cost unit back downs. The average sales price was $20.74/MWh versus the budget of $22.05/MWh.

Basin Electric had a $1.4 million favorable variance in the Midwest Independent System Operator (**MISO**). The average purchase price was $22.19 versus the budget of $23.19. Walter Scott #4 and Neal were in economic outage most of March.

She talked about the price spikes that occurred on March 10, and the negative prices that were experienced on March 19.

Key takeaways from these events are that every real-time pricing event is situational depending on unit availability, day-ahead pricing and awards, load forecasting and wind forecasting. Price spikes are not a bad thing; it depends on our long/short position in the market. Weak prices/negative prices are still challenging given unit costs and long-term purchase power agreements.

What resources are required by the SPP Market: long-term resource adequacy, spinning reserves, operating reserves, regulation up, regulation down and energy must offer. What does the market actually require a load-serving entity to provide versus being able to procure from the market?

Long-term resource adequacy is the ability to meet electric usage demands with sufficient generating capacity or "steel in the ground". It is expressed in terms of reserve margins. A reserve margin is the amount of excess generating capacity available to meet peak demand. SPP imposes that each load-serving member maintains a 12 percent planning reserve margin. This was reduced from 13.6 percent in April of 2016.

Operating reserves are defined as resource capacity held in reserve for resource contingencies and North American Energy Reliability Council (**NERC**) control performance compliance.

Spin is the portion of contingency reserve consisting of resources synchronized to the system and fully able to serve load.

Supplemental is the portion of contingency reserve consisting of on- or off-line resources capable of being synched to the system and fully available to serve load within 10 minutes.

Regulation up is resource capacity that is available for the purpose of providing regulation up deployment and is capable of responding to a four-second set point/signal from SPP.

Regulation down is a resource capacity that is available for the purpose of providing regulation down deployment and is capable of responding to a four-second set point/signal from SPP.

Each day an asset owner must offer enough resources into the market to cover 90 percent of its peak hourly load for the day. This is called the Resource Must Offer Requirement. If a market participant has offered all of its available resources for an asset owner with a commitment status of market, self or reliability, they are also deemed to be in compliance. If the asset owner is not in compliance, a penalty is assessed.

16. Cooperative Planning Report

A. Mission/Vision Statements

Senior Vice President of Cooperative Planning Dave Raatz reported that a group has been formed to review and propose revisions to Basin Electric's Mission and Vision Statements. Members of the group are Vic Simmons, manager of Rushmore Electric Power Cooperative (**Rushmore**), Claire Vigesaa, manager of Upper Missouri Power Cooperative (**Upper Missouri**), Mike Easley, manager of Members 1st Power Cooperative and Cooperative staff members Mark Foss, Mary Miller, Andrea Blowers and Mr. Raatz.

The current mission statement is as follows: "Basin Electric Power Cooperative provides reliable, low-cost wholesale power, along with value-added products and services to support and unite Rural America. We are a member-owned, democratically controlled organization focused on professional excellence, social responsibility, a culture of safety and excellent member service."

The review group's recommendation for a new mission statement is as follows: "Basin Electric Power Cooperative strives to provide long-term, stable and affordable wholesale energy and services to support and strengthen our members."

The current vision statement is as follows: "For the members, by the members, with the members."

The review group's recommendation for a new vision statement is as follows: "To be a leader in the energy industry through innovation and responsibility while delivering value to its members."

He noted that these are in draft form and will be reviewed during the Board's May strategic planning session.

B. Rate Subcommittee

Mr. Raatz reported that agenda items for the April 18, 2017 Rate Subcommittee meeting are long-term rate strategy, 2018 rate schedule (including contract term pricing, demand period waiver and purchase rates) and other items (including electric heat, standby rate, load management rate and interruptible rate).

C. Managers Advisory Committee

Mr. Raatz reported that the Managers Advisory Committee (**MAC**) next meets May 3-4, 2017. Agenda items include year-to-date financial/austerity, DGC economic valuation, requests for proposal (**RFP**)/power supply, Public Utility Regulatory Policy Act (**PURPA**) assignment, Rate Subcommittee, Tri-State Generation & Transmission Association, Inc. (**Tri-State**) contract amendment, Mountain West Transmission Group (**MWTG**) and a marketing update.

D. Request for Proposals Update

Director of Utility Planning Becky Kern noted that one-third of Basin Electric's generation capacity portfolio is from power purchases and the remainder by Cooperative-owned assets.

The Request for Proposals (**RFP**) was released on February 10, bids were due March 10, the bidders will be shortlisted on April 13 and mid-term decisions will be made in the May/June time frame.

There were 75 purchase proposals totaling 10,613 MW, of which 6,498 MW were for wind, 843 MW were for solar, 1,488 MW were for SPP, 1,373 MW were for MISO Zone 1 and 411 MW were for Montana. There were also three sale proposals.

Ms. Kern reviewed MISO power supply, MISO Zone 1 seasonal surplus capacity, MISO Zone 1 current purchase pricing and the MISO Zone 1 proposals. All of the proposals are for the 2022 through 2024 time period. Four proposals will be shortlisted

She then reviewed Montana power supply offers and noted that of the five proposals, three were from new resources and two were for market power. She reviewed Northwest Power Pool monthly loads versus resources and Montana pricing and noted that it was staff's initial thought that no decisions need to be made on purchases or new resources at this time. None of the Montana RFPs will be shortlisted.

She reviewed SPP power supply and SPP seasonal surplus/deficit. Of the seven proposals received, three were from new resources (simple cycle, combined cycle and battery storage) and four were from existing resources.

Ms. Kern reviewed the remaining SPP proposals and noted that staff is not interested in any capacity purchases in SPP at this time, although the Cooperative may want to shortlist Heartland Consumers Power District to have further discussions.

She reviewed wind prices and the shortlist of wind proposals.

She reviewed solar prices and the shortlist of solar proposals, noting that the next step regarding renewables is a locational marginal pricing/Nodal analysis to further narrow and investigate the impacts to existing resources and serving load.

She then reported that four reverse RFP proposals were received, one in MISO Zone #3 and three in Colorado/Wyoming. She reviewed Rocky Mountain Reserve Group seasonal surpluses, west-side pricing and the Wyoming shortlisted proposals.

17. Engineering & Construction Report

A. Project Funding Chart

Senior Vice President-Engineering & Construction Matthew Greek reported that two Basin Electric contracts totaling $9.1 million would be presented for approval this month. He presented the list of all current major projects along with the approved budget amount, total dollars committed and completion dates.

B. Award of LOS Bottom Ash Dewatering Foundation Construction Contract

Project Manager Josh Rossow reported that detailed engineering by Amec Foster Wheeler (**Amec**) is 55 percent complete and Amec has met all deliverable targets to date, however, piping and structural engineering has fallen behind schedule.

Basin Electric engineering team has been focused on reviewing specification and drawings from Amec as well as reviewing and clarifying procurement bids. Five of nine major contracts have been awarded and 46 percent of costs will be committed. He presented a diagram of the submerged flight conveyor (**SFC**) and surge tank area. With respect to ground improvement, Helitech Civil Construction mobilized on April 3 to install 1,750 24-inch-diameter vibratory stone columns 20 feet deep by June 15. The foundation contractor will mobilize in mid-May. The SFC and bunker foundation is to be complete by July 28, with the remaining foundations complete by September 29. The pre-engineered metal buildings contract was awarded to Elkhorn Construction. Elkhorn will begin erection September 11 and all buildings are to be complete by December 15.

Mr. Rossow reviewed the budgets for project definition, engineering, materials and equipment, construction, commissioning, owner's costs, interest during construction and scope contingency. The scope of the foundation construction contract includes all building and pipe-rack foundations, clarifier foundation, CST surge tank and underground piping and electrical at an estimated cost of $6,083,568.

He reviewed the evaluated bids and recommended the contract be awarded to the low evaluated bidder, Maertens-Brenny Construction Co., for $4,900,809.

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

R04.04-11-17 RESOLVED, that contract 731129, the foundation construction contract for the Leland Olds Station bottom ash dewatering project, be awarded to Maertens-Brenny Construction Co. in the amount of $4,914,809; and

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

C. LOS 230 kV Substation Upgrades Project

Electrical Engineer Stephen Farnsworth reported that the existing cable tray in the LOS 230 kV Substation is at capacity and cable counts are anticipated to double.

This is due to a separate project in the LOS 230-kV Substation to replace seven 230-kV breakers.

The project scope includes replacement of potential transformers, disconnect switches, adding motor-operated disconnect switches, foundation repairs, replacement of substation lighting and addition of a cable trench. He presented a diagram of the substation and photographs of the LOS 230 kV substation upgrades. The project timeline calls for engineering from April 2017 through August of 2017, procurement from April 2017 through October 2017, construction from June 2017 through June 2018 and for the upgrades to be in-service in June 2018. He presented a photograph of the area.

The Class 2 estimated project cost is $564,870 for engineering, overheads and miscellaneous, $1,905,340 for construction, $659,392 for construction coordination, $708,386 for materials and $382,799 for contingency for a total project cost of $4,210,787. Mr. Farnsworth recommended the project be approved.

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

R05.04-11-17 RESOLVED, that the Leland Olds 230 kV Substation Upgrades Project presented to this meeting of the Board of Directors with an estimated cost of $4,211,000 is approved; and

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

18. Transmission Report

Senior Vice President of Transmission Mike Risan reported that as of March 31, 2017, employees in the Transmission System Maintenance Division had worked 150 days without a DART incident.

A. SPP

Mr. Risan reported that SPP's next quarterly Board/Members meeting will take place at the end of April in Tulsa. The SPP board will be asked to approve Basin Electric's request for expedited review of the timing of the Roundup-to-Kummer Ridge line due to less load growth in the Bakken, which has been approved by the Markets and Operations Policy Committee (**MOPC**).

The Integrated Transmission Planning Near-Term Engineering Assessment by SPP was issued on March 28, 2017 and has been endorsed by the MOPC. SPP identifies what is required to reinforce the system in the next couple years and has proposed the Southwest Minot-to-Ruthville 115 kV line. Central Power Electric Cooperative, Inc. (**Central Power**) owns the substations on either end of this line. Mr. Risan noted that this is a good, necessary reinforcement that has SPP's approval.

The SPP Definitive Interconnection System Impact Study (**DISIS**) was published on February 8, 2017 by the SPP Generator Interconnection Department.

SPP 2016-001 DISIS Projects in North Dakota are the LOS 230 kV 200 MW interconnection; the LOS-to-Ft. Thompson 345 kV Line 250 MW interconnection; the

LOS-to-Groton 400 MW interconnection in Logan County; the Logan County-to-Groton 345 kV Line; the Logan County-to-Emmons County 345 kV Line (AVS-to-Broadland); the Broadland transformer upgrade; the Broadland-to-Split Rock 345 kV line; the Groton 345 kV terminal equipment; and in Nebraska, the Banner County (LRS-to-Sidney) to Keystone 345 kV line. If the sponsors of the respective interconnection requests elect to proceed, Basin Electric will have 90 days to conduct a facility study, which is a more refined cost estimate.

B. Mountain West Transmission Group

On March 28, 2017, the Colorado Public Utilities Commission held an informational meeting to discuss the proposed MWTG. The panel discussion went very well. Bill Stafford attended on Basin Electric's behalf. Many stakeholders in the west are looking for transparency. As we negotiate with SPP, we will have to be more specific when sharing information. Mr. Risan suggested that MWTG should not deviate significantly from standard SPP membership arrangements or we may invite interveners and protestors.

The treatment of the DC ties are critical to this process and give SPP a comparative advantage relative to competing RTOs. The MWTG service territory is adjacent to the legacy SPP footprint with the DC ties. This could provide an opportunity to provide value to the east as well as MWTG. He noted that Ken Rutter is working on the development of a DC tie proposal.

Subgroups of the steering committee (Governance, Rate Design & Cost Allocation, Planning, Western Area Power Administration (**WAPA**), Regional State Committee and Reliability Coordination Strategy) meet weekly.

SPP is taking up the following high-level details to its stakeholder group: west side AC and DC tie cost allocation; administration and exit fees; west Regional State Committee, Reliability Coordination strategy, reservation of transmission owner rights, expansion of WAPA Federal Service Exemption to the west and the difference between WAPA east and WAPA west.

Driven by investor-owned utilities that are familiar with MISO, the west-side members want to retain more rights than the east-side SPP members currently have. Work continues on those details.

C. Common Use System

Mr. Risan reviewed the SPP-MWTG negotiation timeline and noted that he previously indicated the probability of finalizing the MWTG/SPP agreements at between 50 and 60 percent. However, he is more optimistic after the meeting last week.

One potential issue involves Black Hills Power (**Black Hills**), which is in the process of building the Rapid City-to-Osage line. Basin Electric has a five-year point-to-point contract across the Miles City DC Tie that impairs Black Hills' ability to show positive economics. If Black Hills goes forward with the MWTG, Basin Electric may want to consider a temporary cost shift mitigation to make this work for Black Hills, the cost of which would be offset by the other benefits realized by Basin Electric going forward. Staff has tentatively agreed to a $3 million per year cost share payment to

Black Hills for five years, which would phase out over the following five years. If the project doesn't go forward, this offer goes away.

Mr. Raatz noted that in order to try to retain equity in the Basin Electric family when it joined SPP, on the east side some members got quite a bit of transmission into the SPP system and others didn't. Basin Electric received authority from the Basin Electric Board to enter into agreements with Rushmore and Powder River Energy Corporation (**PRECorp**) that stated if SPP were available on the west and allowed for inclusion of 69 kV systems, the Rushmore and PRECorp systems would qualify. With where MWTG is headed, we don't know if this new RTO system would classify transmission as low as the 69 kV system on the west side. From the Cooperative staff's perspective, we've had some discussion that it may be beneficial to continue to make those make-whole arrangements if the decision is made to join a west-side RTO.

D. North American Electric Reliability Corporation

Basin Electric and its member cooperatives recently entered into a new compliance program which encourages members to register directly with the North American Electric Reliability Corporation (**NERC**). He thanked all those systems that stepped up and registered. This program primarily includes the larger member systems.

With a few of the smaller systems, we have entered into temporary letter agreements to continue to be registered on their behalf until we can find a long-term solution. This primarily involves some Rushmore and District 9 members. We are considering the transfer of assets where it makes sense. For example, if a member only owns a breaker or a switch within a WAPA substation, it would make more sense to sell this asset to WAPA and for WAPA to have the NERC responsibility for the entire substation.

19. Recess and Reconvention

At 12:10 p.m., President Peltier recessed the meeting until 1:00 p.m. April 12, 2017, at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost keeping the minutes.

20. 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 McQuistion
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 Kelly Bergquist, Tracie Bettenhausen, Eric Carufel, Shawn Deisz, Tammy DeWitt, Matthew Greek, John Jacobs, Steve Johnson, Matthew Kolling, Tracy McBride, Darla Miller, Faye Miller, Diane Paul, Curt Pearson, Mike Risan, Shawna Piatz, Jean Schafer, Steve Tomac, Chris VandeVenter, Justin Weichel and

Michelle Wiedrich. Also present were DGC Vice President David J. Sauer and Mor-Gran-Sou director Robert Leingang.

21. Presentation of Employer Support of the Guard and Reserve

Following remarks by Kevin Iverson, Employer Outreach Coordinator with Employer Support of the Guard and Reserve (**ESGR**), Robert Wefald, North Dakota state chair of ESGR and National Guard Major General Al Dohrmann, Basin Electric was presented the Extraordinary Employer Support Award. Fewer than 75 organizations across the country have been presented this award by the U.S. Department of Defense, and this is the first award presented in North Dakota. Only prior recipients of the Secretary of Defense Employer Support Freedom Award or the Pro Patria Award, which have demonstrated sustained support for three years after receiving one of those awards, are eligible for the Extraordinary Employer Support Award. The Cooperative was nominated by employee Nathan Johnson.

22. Government Relations Report

Senior Legislative Representative Steve Tomac reported that the Supreme Court agreed to review the legal challenge to the Waters of the United States as to whether the appropriate forum for such a challenge is in a U.S. District Court or the D.C, Circuit Court of Appeals.

He noted that the Federal Communications Commission has granted a consumer-based company, Higher Ground, a waiver on use of the 6 GHZ wavelength. Many utilities, including Basin Electric, use 6 GHZ as bandwidth to operate microwave towers. We are concerned that Higher Ground's use of this bandwidth may interfere with our communications during emergencies. Staff is still exploring this issue and may request assistance from our Congressional delegation.

The Energy and Climate Executive Order issued on March 28, 2017 rescinded all Obama era energy and climate-related orders and actions; directed review and rewriting of the Clean Power Plan, determined that climate change is no longer a National Environmental Policy Act consideration, suspended the social cost of carbon guidance and lifted the federal coal leasing moratorium. It left the CO_2 endangerment finding intact, however.

Minnesota. The Minnesota local democracy issue, HF 234, was vetoed by Governor Dayton and may be inserted into an omnibus spending bill. In his veto message, the Governor said he wants an independent review of cooperative decisions to make sure the cooperatives are following the law. There is a potential for compromise. The Minnesota Legislature will be in session until mid-May.

Iowa. There are approximately two weeks left in the Iowa session. HF603 is designed to limit or eliminate the use of eminent domain for the Clean Line (wind) transmission project. The Iowa Statewide is neutral. Staff is monitoring this bill to ensure that cooperatives are not caught up in it.

Montana. The Right of First Refusal bill was signed by the Montana Governor Steve Bullock on April 7. Dave Wheelihan, Doug Hardy and the Montana Statewide staff did an excellent job with this legislation.

Also in Montana, Senate Bill 363 regarding aquatic invasion species, is under consideration. Evidence of the zebra mussel has been found in Montana. A hydro tax, which is basically a tax on electricity, has been proposed to fund this act. The Montana

Statewide has been successful in negotiating a reduced tax amount, inclusion of a sunset date and is working on a replacement tax.

South Dakota. The South Dakota Legislature adjourned on March 27.

North Dakota. Legislative Representative Jean Schafer reported that North Dakota's House leadership requested a "coal generation standard" under which several ideas were considered as a package: support for continued research and development funding, elimination of production tax credits and urging Federal Energy Regulatory Commission to place a value on reliability from baseload sources.

People are nervous about the large amount of wind generation in the state and have blamed wind generation for the closing of Great River Energy's Stanton Station. Thus far, the Public Service Commission has sited 3000 MW of wind generation in North Dakota and the total is expected to grow to 6000 MW by 2020.

A. Request for Resolutions Committee Meeting & Director Representative

Ms. Schafer reported that the first meeting of the 2017 Resolutions Committee has tentatively been scheduled for September 12-13 in conjunction with the Board of Directors meeting. Upon Board approval, letters will be sent to each of the Class A managers requesting a representative and an alternate from their district.

Basin Electric's senior vice presidents and representatives from internal departments will review the current resolutions and propose revisions prior to the September meeting. The Resolutions Committee will then review, revise and develop resolutions for consideration at its November meeting and the annual membership meeting.

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

R06.04-11-17 RESOLVED, that the initial 2017 Basin Electric Power Cooperative Member Resolutions Committee be convened in September; and

BE IT FURTHER RESOLVED, that Director Brekel represent the Board of Directors on the 2017 Resolutions Committee.

23. Human Resources Report

Senior Vice President of Human Resources Diane Paul reported that an employee filed an age discrimination complaint against the Cooperative with the North Dakota Department of Labor. The department found no violation on Basin Electric's part. A similar complaint has been filed based on the Americans with Disabilities Act.

A. Safety Report

HR Director Lynn Beiswanger reported that participation in the headquarters "Our Power, My Safety" focus cards reached a new high of 91 percent in March. Facility-wide participation in the Safety Perception Survey was 90 percent. CAT Safety will present the results next week. The May "People. Power. Purpose." will provide an opportunity to share the "Our Power, My Safety" history, employee engagement and what issues should be addressed in the future.

B. Amendment of Accrued Sick Leave Payout Plan

Manager of Benefits Plans Shawna Piatz reported that the original Accrued Sick Leave Payout Plan was adopted effective January 1, 1992. The restated plan would be effective January 1, 2017. She recommended that Basin Electric continue to include Dakota Gasification Company and Montana Limestone Company as participating employers under this Plan.

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

R07.04-11-17 WHEREAS, since 1992, Basin Electric Power Cooperative (Basin Electric) has maintained the Accrued Sick Leave Payout Plan (Plan); and

WHEREAS, Basin Electric desires to amend and update this Plan; and

WHEREAS, Basin Electric desires to continue to include Dakota Gasification Company as a participating employer and add Montana Limestone Company as such;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby authorizes the changes to Basin Electric's Accrued Sick Leave Payout Plan as presented;

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes the CEO and General Manager of Basin Electric Power Cooperative or his designee to execute all necessary documents required for adoption of the changes to the Plan.

24. Financial Services Report

Senior Vice President & Chief Financial Officer Steve Johnson reported that under the North Dakota Health Department rules, DGC is required to provide financial assurance of its ability to pay for closure and postclosure of its hazardous waste facilities. In the past, DGC has met that requirement by posting a bond, meeting the financial metrics test or a Basin Electric guarantee. This year, DGC failed the financial metrics test and so a $19.5 million parental guarantee was required. Authority was granted in a board resolution adopted in 2003 and the compliance document was filed by the March 31 deadline.

Mr. Johnson reviewed gross domestic product and the nonfarm payroll report and noted that the unemployment rate fell to 4.5 percent. Based upon minutes of the Federal Open Market Committee meetings, the consensus is that there is less than 25 percent chance of an interest rate hike in May and about 50 percent chance in June. Mr. Johnson personally expects rate increases in June and December and possibly September.

A. 2017 Series A Bonds

Mr. Johnson reported that Paul Sukut, Susan Sorensen, Mark Foss and he were in New York City on Monday to review the upcoming anticipated financing. After the presentation, they met with credit analysts from the three bookrunners. All questioned DGC's 2016 losses, urea project delay and cost overruns. The group will be participating in investor calls every 45 minutes on this coming Monday and possibly Tuesday with insurance companies and asset managers. We are waiting for affirmation of our ratings from rating agencies.

The proposed bond transaction is for $500 million with a 30-year bullet maturity. We have limited availability beyond that amount under the bondable additions provision of the Indenture. We will continue to have DGC uncertainty and how much additional money will we need to loan to them? It's also a low interest rate environment. We expect affirmation of our current ratings. We continue to have calls on liquidity. He said when asked that he was comfortable with the transaction being between $500 and $550 million.

Senior Attorney Matthew Kolling went through the proposed resolution which would authorize execution of the 36th Supplemental Indenture and 2017 Series A Bonds.

After discussion, it was moved by Director Brekel, seconded by Director Pearson and carried to adopt the following Resolution, with Directors Baker and Drost voting no.

<u>**R08.04-11-17**</u>

WHEREAS, the Board of Directors (the **Board**) of Basin Electric Power Cooperative (the **Cooperative**) desires to take the necessary action to cause the Cooperative to borrow up to Five Hundred Fifty Million Dollars ($550,000,000.00) from the initial purchasers of the Bonds (as defined below) to be listed on Schedule I to the Purchase Agreement referred to below (collectively, the **Purchasers**) to be used to for general corporate purposes;

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 is authorized, on behalf of the Cooperative, to execute and deliver under its corporate seal, which an Assistant Secretary of the Cooperative is directed to affix and attest:

(a) As many counterparts as shall be deemed advisable of one or more purchase agreements with the Purchasers substantially in the form presented to this meeting (collectively, the **Purchase Agreement**); and

(b) The Basin Electric Power Cooperative First Mortgage Obligations, 2017 Series A Bonds, substantially in the form presented to this meeting, in an aggregate principal amount not to exceed Five Hundred Fifty Million Dollars ($550,000,000.00) with a term not to exceed thirty (30) years (collectively, the **Bonds**).

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 be, and each of them is authorized in the name and on behalf of the Cooperative, to execute and deliver and cause the Cooperative to perform its obligations under, the Bonds and the Purchase Agreement and all related instruments and documents, agree to the interest rate that the Bonds shall bear, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions.

RESOLVED, that the Board authorizes the Cooperative to take any and all steps which may be necessary or desirable to issue to the Purchasers, and execute and deliver the Bonds 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 Bonds 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 Bonds as "Additional Obligations" under the Indenture.

RESOLVED, that 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 Bonds and the issuance thereof to the Purchasers. 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-Sixth Supplemental Indenture to be dated as of April 1, 2017 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, 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 Bonds (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 Purchase Agreement to issue the Bonds.

RESOLVED, 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 Bonds and the Cooperative's performance of its obligations thereunder and under the Purchase Agreement. All actions heretofore taken by the President, by the CEO and General Manager, by the Secretary, by any Assistant Secretary, by the Senior Vice President and CFO or by any other officer of the Cooperative with respect to the Bonds, the Supplemental Indenture and the Purchase Agreement and the others matters contemplated by these resolutions, are in all respects ratified and confirmed.

B. Accounting Report

Accounting Administrator Darla Kay Miller reported that the March 2017 Statement of Operations reflects a net margin of $21.8 million compared to the budgeted net margin of $12.5 million for a favorable variance of $9.3 million.

Member sales were approximately $1.9 million lower than budget, which includes the February negative actualization of $0.5 million. March sales were $1.4 million less than originally forecasted due to weather.

Surplus sales were approximately $700,000 lower than budgeted after including the February actualization of $0.9 million. March sales are $1.6 million less than originally forecasted. Negative volume and price variances of $1.1 million and $0.5 million, respectively, are estimated.

Operations expense was $86.2 million compared to the budget of $92.1 million for a $5.9 million favorable variance. Purchased power expenses were less than budget by $0.9 million. Fuel expenses were $1.5 million less than anticipated. In addition, wheeling expenses and system control and load dispatching were $1.2 million and $0.7 million less than anticipated, respectively.

Maintenance expense was $11.6 million compared to the budget of $13.6 million for a $2 million favorable variance. This positive maintenance variance is primarily related to the boiler maintenance at LRS.

Ms. Miller then reviewed year-to-date consolidated net income/loss and changes to the balance sheet and month-end cash.

Basin Electric's March equity-to-asset ratio was 19.8 percent compared to 19.5 percent in February. The March equity-to-capitalization ratio using the Moody's Investor Services methodology (both without the consolidation entry for The Coteau Properties Company) was 23.1 percent compared to 22.8 percent in February. The March equity-to-capitalization ratio based on indenture requirements for patronage distribution was 23.8 percent compared to 23.3 percent in February.

25. Delegate & Alternate to Wyoming Rural Electric Association Board of Directors

President Peltier noted that Basin Electric recently received notice from Wyoming Rural Electric Association (**WREA**) that WREA was late sending the forms to a number of its members and Basin Electric's director's term on the WREA board expired in October

2016. For Basin Electric, this was Director Baker. The forms to name a director for this term (October 1, 2016 through September 30, 2018) were enclosed.

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

R09.04-11-17 RESOLVED, that Director Paul Baker is hereby appointed to serve on the Wyoming Rural Electric Association board of directors for the term October 1, 2016 through September 30, 2018 with Bill Stafford as the alternate.

26. Committee Reports

Finance. Director Brekel reported that the Finance Committee participated in a conference call with the three bookrunners in the pending bond financing. The group discussed topics for future committee meetings.

Steve Johnson noted that Alan Spen formerly with Fitch Ratings will attend the May Finance Committee meeting and will also meet with the full board on Wednesday.

Operations. Director Applegate reported that Operations Committee members are Directors Rohrer, McQuistion and he and DGC Directors Geringer and Klein as well as staff members Dave Sauer, John Jacobs and Mike Risan. The group discussed safety and heard reports on safety trends. The committee expressed interest in more detailed reports on engineering contracts at future meetings.

Planning, Marketing & Asset Management. Director Gilbert reported that several senior staff and Mr. Sukut were present. The group started discussing the big issues and realized there are a large number of very timely issues that fall on this committee such as rates, MWTG, marketing and planning for the future resources. Ken Rutter and Valeree Weigel gave reports on the energy and capacity markets. The committee adopted a resolution that it will need at least two hours and preferably two and one-half hours, for its meetings.

27. Directors' Reports

Director McQuistion thanked staff for attending Rushmore's annual meeting.

Director Rohrer thanked staff for attending Central Montana Electric Power Cooperative's annual meeting.

Director Presser thanked staff for attending Central Power's annual meeting and reported on the Minnkota Power Cooperative, Inc. annual meeting.

Director Thiessen reported on Upper Missouri's annual meeting and thanked Mr. Sukut and staff for attending. He reported that Ray Clouse and Dean McCabe did not seek re-election to the board.

Director Gilbert reported on Corn Belt Power Cooperative's (**Corn Belt**) annual meeting and expressed his appreciation to Director Applegate, Mr. Sukut and staff for attending. He reported that Corn Belt past-president Don Feldman announced that he will retire at the end of his term in one year. Scott Stecher was elected president.

Director Brekel thanked Messers. Sukut and Stafford for attending Tri-State's annual meeting. He reported that, after 10 years, the Kansas Supreme Court approved the siting application for the Tri-State coal-fired power plant in Holcomb, Kansas.

Director Applegate reported on Northwest Iowa Power Cooperative's annual meeting and thanked Messrs. Sukut and Tomac for attending. The directors and officers stayed the same.

Director Drost reported on L&O Power Cooperative's annual meeting and thanked staff for attending. The new venue worked well.

Director Peltier reported that he had been re-elected to the Minnesota Valley Cooperative Light & Power Association board of directors. He noted that he received a call from Minnesota Valley Electric Cooperative in Jordan, Minnesota, expressing their appreciation for Basin Electric staff member Matt Greek's attending at their annual meeting. They noted they don't get their other G&T to attend.

28. Date and Time of Next Board Meeting

President Peltier noted that the next regularly scheduled meeting of the Board of Directors will begin on May 9, 2017 starting at approximately 1:00 p.m. CDT.

29. Executive Session

At 3:45 p.m., it was moved by Director McQuistion, seconded by Director Applegate and carried that the Board retire into executive session to discuss matters outlined in a letter from Corn Belt.

At 4:55 p.m., it was moved by Director Gilbert, seconded by Director Rohrer and carried that the Board arise from executive session.

30. Adjournment

There being no further business to come before the Board, President Peltier adjourned the meeting at 5:00 p.m.

Gary C. Drost
Secretary-Treasurer