

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

**Minutes of the Regular Meeting of the Board of Directors
November 7-8, 2016**

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**Minutes of the Regular Meeting of the Board of Directors
November 7-8, 2016**

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, beginning on November 7, 2016 at 11:00 a.m. CST.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Secretary-Treasurer Gary C. Drost, who 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	Kermit Pearson
Wayne Peltier	Troy Presser
Roberta Rohrer	Allen Thiessen
Mike McQuiston	

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, Matt Greek, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Diane Paul, Mike Paul, Dave Raatz, Mike Risan, Ken Rutter, Susan Sorensen, Bill Stafford, 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 Ervin Fink.

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 Baker and carried that the agenda be approved as presented.

4. Approval of the Minutes

The minutes of the October 11-12, 2016 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Rohrer, seconded by Director McQuiston and carried that the minutes be approved as presented.

5. General Manager's Report

General Manager Sukut reported that Director Baker and he had attended the Western Fuels Association (WFA) board meeting the week before last where the main topic was the budget. WFA will be holding the 2016 rate per ton through 2017. WFA chief executive officer Meri Sandlin has done a good job of holding costs. All WFA members have the same general rate, but Tri-State Generation & Transmission Association (**Tri-State**) and Basin Electric pay

for certain costs of the other members. He noted that Tri-State and Basin Electric hold six votes and the rest of the WFA members have seven votes.

Director Baker reported that WFA moved the fixed and variable portions of rates and tonnage nominations and massaged those numbers. However, the improvement was very small. He believes there is a cost-of-service element that is not being addressed and that the other members understand that this issue is not being addressed.

6. Office of General Counsel Report

Senior Vice President & General Counsel Mark D. Foss provided an update on industry's arguments in the briefs filed with the D.C. Circuit Court of Appeals in the Section 111(b) litigation.

7. Executive Session

At 11:23 a.m., it was moved by Director Thiessen, seconded by Director Drost and carried that the Board retire into executive session to review the Energy Ventures Analysis Clean Power Plan Report Update.

At 11:55 a.m., it was moved by Director Drost, seconded by Director Presser and carried that the Board arise from executive session.

8. Recess and Reconvention

At 11:55 a.m., President Peltier recessed the meeting until 1:00 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

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, Tammy DeWitt, Paige Fleck, Matt Greek, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Mark Kinzler, Deb Olafson, Diane Paul, Mike Paul, Curt Pearson, Dave Raatz, R.D. Reimers, Mike Risan, Ken Rutter, Susan Sorensen, Bill Stafford, Myron Steckler, Kevin Tschosik, Chris Vizenour, Valerie Weigel and Michelle Wiedrich.

Also present were DGC Vice President David J. Sauer, East River directors Ervin Fink and Les Mehlhaff and Rushmore Electric Power Cooperative manager Vic Simmons.

President Peltier noted that the meeting would recess at 3:30 p.m. today for a tour of the new building construction.

10. Cooperative Planning Report

A. Nemadji Trio Energy Center Update

Vice President of Cooperative Planning Dave Raatz reported that a decision whether or not to move forward on the Nemadji Trio Energy Center (NTEC) project will be made on December 21, 2016. If the answer is yes, then final agreements would be executed at that time. Last month we discussed the issues Minnesota Power (MN Power) is facing with the Minnesota Public Utilities Commission (MNPUC): MNPUC asked MN Power to look at more wind and demand-side management. As a result, MN Power is looking to offload 150 MW of resources, either via other NTEC partners or other utilities.

Last month we also discussed Basin Electric's need for the NTEC project. Currently, Basin Electric needs in excess of 300 MW. Since October, staff has had individual and joint discussions with the staffs of Dairyland Power Cooperative (Dairyland) and MN Power. As a result of those discussions, he sent an email to the MN Power which outlines Basin Electric's position.

Detailed discussions with Basin Electric management provided a positive result. We believe that MN Power is working to maintain one-third ownership in NTEC but is negotiating to sell 150 MW and that the MN Power board is comfortable with that strategy. Participation power is an option. Bringing a new entity into the project between now and December 21, 2016 requires unanimous approval of the parties. Any interest that is offered for sale after the project agreement is signed triggers a right of first offer to the other participants. There are three more scheduled meetings with MN Power and Dairyland staffs before December 21, 2016.

B. Minnkota Power Cooperative Update

Mr. Raatz reviewed the timeline for work to evaluate the economics of Minnkota Power Cooperative (Minnkota) joining Basin Electric. To accommodate that schedule, staff is working on the modeling/economic analysis, discussion with the Board and staff for directional details and a decision, and then additional discussions with the membership in the spring providing time for development of the agreements. If those agreements are executed in the spring or summer of 2017, we'd look for joint operations on June 1, 2018, which is the start of the Midcontinent Independent System Operator (MISO) planning year. A majority of Minnkota's load is in MISO. In December, staff will discuss what a bigger Basin Electric would look like. In January, the economics of the potential transaction would be outlined. Mr. Raatz noted that this is pretty much the same procedure utilized before Corn Belt Power Cooperative (Corn Belt) joined Basin Electric. Minnkota would maintain its Western Area Power Administration (Western) allocation and so would have two power suppliers. Basin Electric would purchase the output of Minnkota's facilities. Basin Electric would also pick up some transmission assessments. The contract term would be through 2075.

C. Montana Member Update

Mr. Raatz reported that the membership applications and fees have been received from Members 1st Power Cooperative, Fergus Electric Cooperative, Tongue River Electric Cooperative and Mid-Yellowstone Electric Cooperative. If the Membership approves the proposed Bylaw amendments at the annual meeting this week, the Board will act on the new memberships at the December Board meeting and proceed with a January 1, 2017 start-up.

D. October MAC Update

Mr. Raatz reported that anticipated member questions and answers were compiled and distributed for manager review prior to the October Managers Advisory Committee meeting. Member concerns include market access risk, self-generation risk and economic viability risk. These issues need to be watched closely as the new load forecast is developed.

E. Public Utility Regulatory Policies Act Update

Mr. Raatz reported that everything is ready to proceed with the members assigning their Public Utility Regulatory Policies Act (PURPA) obligations to Basin Electric. The distribution members of Northwest Iowa Power Cooperative and Corn Belt previously assigned their PURPA obligations to their G&T. Basin Electric will place notices in newspapers the week of November 14 and will issue press releases stating that questions and concerns should be directed to Basin Electric, at which time public meetings will be scheduled if requested through the public notice process. On November 4, Basin Electric sent a memo with a copy of the proposed newspaper announcement to each Class A manager.

11. Operations Report

Senior Vice President - Operations John Jacobs reported that there was one medical treatment and no Days Away, Restricted or Transferred (DART) incidents at any of the facilities during the month.

He provided bus-bar costs for the coal-fired fleet (the Leland Olds Station (LOS), the Antelope Valley Station (AVS), the Laramie River Station (LRS) and the Dry Fork Station (DFS)), reviewed the equivalent forced-outage rate trends for the past 24-month period and reviewed the year-to-date running plant capacity factors for the coal units. October generation for the owned and operated Basin Electric fleet came in at 2,195,426 MW compared to the budget of 2,493,899 MW, which is 12% under budget for the month. Year-to-date generation is 3.8% below budget.

Integrated Test Center. XPrize narrowed the applications to 15 and will pick the final five in January. Those five will each receive a \$2.5 million award. In the fall of 2017, those five will occupy the facility. Earthwork at the facility is moving forward. Requests for proposal for the large test center are due in December.

Mr. Jacobs noted that the original 2016 LRS budget did not include the work on the selective catalytic reduction system during the just-completed five-week outage.

Unit	Monthly Availability	Running Plant Capacity Factor (net)	Unit Rating	Comments
AVS #1	100%	97.0%	450 MW	
AVS #2	100%	99.0%	450 MW	
DFS	99.68%	99.52%	386 MW	Forced outage for low drum level.
LRS #1	22%	67.61%	570 MW	Scheduled outages for SCR project fabrication and repair of an extraction valve bonnet; forced

				outage for low stator cooling water flow.
LRS #2	98%	68.96%	570 MW	Forced outage for turbine trip on 2A south hood temperature probe failure.
LRS #3	100%	71.56%	570 MW	
LOS #1	98%	80.93%	221 MW	Scheduled outage for division wall and slope tube leaks.
LOS #2	100%	88.08%	448 MW	

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 Generation Station (PGS) and Lonesome Creek Station (LCS)) were flat during the month. October generation at the distributed generation facilities was as follows:

Unit	Monthly Availability	Monthly Generation	Unit Rating	Comments
Culbertson CT	84.5%	10,812 MW	97 MW	Ran for load demand. Three-day outage to replace variable bleed control system components. Three-day outage to do a Block 6 upgrade.
DCS	40.6%	36,686 MW	300 MW	Ran for load demand. Availability down due to outage last month for combustion inspection and replacement. Since unit release, running nearly every day. Nothing unusual was found in the official report. Parts are being evaluated prior to repair. Good progress is being made on the HRSG enclosure. Could be fully enclosed within a week.
Groton #1	98.2%	2,279 MW	100 MW	Ran for load demand. Currently in outage for breaker repair.

Groton #2	77.3%	5,995 MW	100 MW	Expected ground fault was actually a ground relay failure.
LCS #1	98.9%	21,253 MW	45 MW	Ran well during the month for load demand and reliability. Boroscoped all three units, did instrumentation and found no problems.
LCS #2	98.2%	25,551 MW	45 MW	
LCS #3	92.2%	22,525 MW	45 MW	
PGS #1	94.4%	13,636 MW	45 MW	Ran well during the month for load demand and reliability.
PGS #2	95.4%	10,894 MW	45 MW	
PGS #3	97.6%	11,107 MW	45 MW	
SMS #1		203 MW	60 MW	Ran for scheduled NERC PRC-005 test required every five years. To comply with NERC standards, have to test maximum capability, _____ and governor verification that it acts correctly during line disturbances. (All sites are required to do this.)
SMS #2		105 MW	60 MW	
WDG		34 MW	45 MW	Ran during the month.

LCS ran in synchronous condensing 20.40 hours and PGC for 83.74 hours during October. There were 13 spinning reserve calls during the month.

PrairieWinds ND (PWND). Semi-annual maintenance is 40% complete. The Nordex turbine nacelle has been repaired.

PrairieWinds SD (PWSD). Mr. Tschosik presented photographs and discussed the PWSD wind turbine generator 9 gearbox replacement/warranty and the North American Electric Reliability Corporation (NERC) Protection and Control-005 maintenance and testing outage. Annual maintenance is 18% complete.

The east-side peak occurred on October 30, 2016 at hour ending 1600. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor		Project Total
		Month	YTD	
Baldwin	90 MW	48%	43%	99 MW
Campbell County	78 MW	52%	43%	98 MW
Day County	40 MW	56%	50%	99 MW

Edgeley	14 MW	37%	30%	40 MW
Highmore	21 MW	32%	38%	40 MW
Iowa Wind	0 MW	38%	37%	45.1 MW
Other Projects (Chamberlain & Pipestone)	1 MW	29%	21%	3.4 MW
PWND	110 MW	42%	40%	123 MW
PWSD	66 MW	48%	44%	162 MW
Wilton	84 MW	45%	40%	99 MW
Total Monthly Wind Generation	504 MW	41%		800 MW
Average Capacity Factor		42%	41%	

12. Risk Management Report

Manager of Commodity Risk Kerry Kaseman reported that the current average hedged price for on-peak east purchased power is \$27.66/MW in 2016 and \$25.72/MW in 2017.

The current hedged position for natural gas is \$2.08 per dekatherm (dkt) for 2016, \$3.09/dkt for 2017, \$3.11 for 2018, \$3.20 for 2019, \$3.21 for 2020 and \$3.22 for 2021. The current averaged hedge price of natural gas in storage inventory value is \$1.87/dkt, the average sale price at the time of injection was \$1.41/dkt and the average sale price at the time of withdrawal is \$2.80.

He reviewed the Ventura Forward Curve which, as of November 1, 2016, was \$3.12/dkt for 2016, \$3.13/dkt for 2017, \$2.94/dkt for 2018, \$2.83/dkt for 2019, \$2.85/dkt for 2020 and \$2.95/dkt for 2021.

There were no October settled financial hedges for natural gas. The total Mark-to-Market (MTM) for natural gas was a loss of (\$3.4 million) improved from a loss of (\$8.1 million) last month.

He reviewed the current hedged price for west surplus sales, which for the peak is \$26.38 in 2016 and \$28.08 in 2017 and for the off-peak is \$0/MW in 2016 and \$22.42 in 2017.

He reviewed the Palo Verde On-Peak Forward Curve which, as of November 1, 2016, was \$29.85/MW for 2016, \$30.00/MW for 2017, \$29.44/MW for 2018, \$30.71/MW for 2019 and ended at \$31.59/MW for 2020.

The October settled financial hedges for 100 MW of power resulted in a net gain of \$49,206.

He reviewed the MTM power gain of \$1.2 million, which does not include the negative (\$20.4 million) MTM on one long-term physical contract.

He reviewed the current hedge position for diesel, which reflected an average 2016 hedged price of \$2.17/gallon, \$2.43/gallon for 2017 and \$2.56/gallon for 2018. He reviewed the Energy Information Agency's on-highway diesel price projections. The October settled financial hedges for diesel resulted in a gain of \$17,534 on a 77,000-gallon diesel hedge. As of October 31, 2016, the diesel MTM was a gain of \$245,000.

The aggregate settlement for all commodities for the month was \$66,740 and \$315,447 year-to-date, which does not include the MTM gain/loss on premiums and ineffective hedges. He

then reviewed the (\$1.9 million) loss on MTM for all commodity hedges, and the Cooperative's liquidity position and credit exposure by Moody's Investor Service credit ratings.

13. **Marketing & Asset Management Report**

Manager of Marketing & Financial Analytics Valerie Weigel reported that while natural gas prices fell in October, prices in Southwest Power Pool (SPP) held fairly steady given various unit outages and transmission constraints. Day-ahead on-peak prices for the first couple days in November were \$35 and \$33/MWh.

Average transacted load zone purchases were \$25.11 versus a budgeted price of \$25.38. The average transacted sales price was \$22.64 versus a budgeted price of \$24.05. There was not as much congestion in October as there had been in September. Given congestion products, day-ahead congestion was completely covered and also allowed a profit margin of approximately \$200,000. Unit margins per MWh were \$14.17 at AVS, \$8.71 at LOS, \$7.81 at DCS and \$4.53 at LCS. Milton R. Young Unit #2 did not operate during October. The Montana load was optimized by serving through purchases which saved approximately \$6.32/MWh versus moving power from SPP.

She reviewed SPP load zone pricing and noted that generation sales prices and load purchase prices in October were very close to budget ranges with some variability by day. Pricing represented is average around-the-clock market pricing and is not always representative of actual transacted prices.

She reviewed the October hourly volumetric position and noted that Basin Electric held a long position the first half of October while the second half saw the position fluctuate based on market conditions and unit availability.

The average transacted sales price in the west during October was approximately \$22.84 versus the budget of \$21.07. The Stegall DC Tie was in outage for approximately one week. The Rapid City DC Tie was in outage the majority of the month. Transmission constraints led to significant derates on LRS #2 and #3 throughout the month. Overnights were tough for the real-time traders. The day-ahead on-peak average price was \$24.05 and the day-ahead off-peak average price was \$18.52.

MISO October highlights were the average transacted load zone purchases were \$21.11 versus a budgeted price of \$24.86. The average transacted sales price was \$22.46 versus a budgeted price of \$20.83. Economic derates continued in MISO Walter Scott #3 and #4. Unit costs ranged from \$12 to \$15/MWh.

In Montana, a majority of load was served through the purchase power agreement with about 15% of load served through short-term market-related purchases. In the West, all load was served through coal units. Excess from coal units is sold into the surplus market. In SPP, load was served through various assets and long-term purchase power agreements. Very little of the load was served through market-related purchases. In MISO, the load served is balanced between assets, long-term purchase power and short-term market-related purchases.

She then reviewed the September generator profits and losses.

2017 Basin Electric Surplus Sales Hedge Plan. Of the targeted \$23.1 million revenue, \$16.8 million has been secured or roughly 73% of the plan. Of the targeted 1,058,800 MWh, 657,900 MWh have been secured or 62% of the plan. If the remainder of the plan was filled at today's prices, we would be securing a revenue of \$26.7 million versus the \$23.1 million notional value of the plan.

2017-2021 Basin Electric Natural Gas Hedge Plan. Of the targeted \$95.0 million expenses, \$73.7 million has been secured or roughly 78% of the plan. Of the targeted 32,346,620/mmbtu, 25,007,500 have been secured or 77% of the plan. If the remainder of the plan was filled at today's prices, we would be securing an expense of \$96.8 million versus the \$95.0 million notional value of the plan.

14. Engineering & Construction Report

A. Project Funding Chart

Senior Vice President-Engineering & Construction Matt Greek reported that no Basin Electric contracts 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.

15. Communications & Administration Report

Senior Vice President of Communications & Administration Mike Eggl reported that the purpose of the Advanced Energy Technology Fund is to develop advanced technologies that have been proven beyond the initial phases of research and development and support the deployment of such technologies through final engineering and construction. Technology supported by this fund shall be that which ensures the continued viability and utilization of North Dakota's lignite and oil and gas resources. On November 2, Basin Electric staff met with the North Dakota Office of Management and Budget to provide a briefing.

Basin Electric's legislative priorities in North Dakota are: (1) separating the Public Service Commission Siting Act into separate sections for oil and gas transmission and electric transmission; and (2) a coal conversion tax change for DGC to modify the tax structure to more accurately reflect the plant's operation, simplify the tax structure and make it easier to apply.

He reviewed Basin Electric's governance and noted that Internal Governance is divided into Administrative Bulletins, Policies & Procedures and the Data/Document Governance Committee.

Mr. Eggl then discussed the Cooperative's annual meeting.

A. Information Services & Technology Quarterly Report

Vice President & Chief Information Officer Mark Kinzler introduced Resource Administrator Kristi Wuitschick, who reported that the original 2016 Information Systems & Technology (IS&T) budget of \$52.3 million had been reduced \$9.1 million through austerity measures to a target of \$43.2 million. She presented the IS&T budget variances by month and reported that the 2016 end-of-year budget was projected to be \$4.0 million under the target budget via reorganization, attrition and reduced Help Desk hours. IS&T will continue the austerity initiative into 2017.

Mr. Kinzler reported that IS&T is in its first NERC Critical Infrastructure Protection (CIP) document update cycle. A process/procedure review has been initiated. The on-site (internal) assessment is complete. The off-site (external) assessment will begin after the annual meeting. Initial findings are that passwords are weak, there is a lack of application whitelisting and we should expand the use of two-factor authentication.

The IS&T department policies (a single set of policies to cover the entire fleet) have been reviewed and approved by Human Resources and Legal. Staff will work with the Administrative Standards and Procedures group and Communications & Administration to communicate this policy to all employees.

With respect to Business Continuity, staff is validating the IS&T Disaster Recovery Plan, finalizing the IS&T base recovery plan and planning the next phase of Business Impact Assessments.

All commercial Basin Telecommunications, Inc. business will cease on December 30, 2016. Baker Tilly has been retained to conduct the Missouri Basin Power Project audit. Staff continues the software and hardware consolidation and to support the needs of the customer while maintaining production systems.

16. Human Resources Update

Senior Vice President-Human Resources Diane Paul reported that employee pledges to the 2016 United Way campaign are currently at \$104,700, Basin Electric's match is \$100,000 and proceeds from the Schwan's Food Fundraiser and miscellaneous donations were \$2,192 for a total, as of November 3, 2016, of \$206,892. Additional 2016 fundraising events with proceeds going to United Way include jeans week, the DGC kickoff cash donations, winter dress casual for a cause and the December 8 holiday craft and bake sale.

She also reported that "BE Leaders" is a professional development opportunity to assist in addressing Basin Electric's strategic plan of "growing our own" and succession planning. Senior staff will identify the candidates. Lynn Beiswanger will provide an update in December.

A. Amendment #3 to Board Deferred Compensation

Ms. Paul reported that all the changes to the payment options under the Directors' deferred compensation that had been requested can be implemented and she recommended approval of a resolution that authorizes these changes.

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

R01.11-07-16

WHEREAS, the Basin Electric Power Cooperative ("BEPC") Board of Directors (the "Board") adopted a restatement of the BEPC Deferred Compensation Plan for the Board of Directors (the "Board Plan") in 2008 and an Amendments No. 1 and No. 2 of that plan in 2015;

WHEREAS, under the current Board plan, if active participants in the Board Plan desire to modify their distribution elections under those plans with respect to distribution of their account balances under those plans after a separation from service, they may do so but distribution must then commence at least 5 years after the first month of the year following that separation from service;

WHEREAS, active participants may wish to choose a different distribution period for future deferrals;

WHEREAS, it has been proposed to the Board that the Board Plan be amended to permit those active participants to make distribution elections that will apply to amounts attributable to deferrals made on their behalf under those plans during 2017 and subsequent years if made before year end for the subsequent year's deferrals;

NOW, THEREFORE BE IT RESOLVED, that the Board hereby adopts Amendment No. 3 of the Basin Electric Power Cooperative Deferred Compensation Plan for the Board of Directors (2009 Restatement) as presented to the Board.

BE IT FURTHER RESOLVED, that the Board hereby authorizes the CEO & General Manager of Basin Electric Power Cooperative to execute all necessary documents required for such amendment to the Board Plan.

B. Safety

Safety/Occupational Health Administrator Kelly Cozby reported that the headquarters "Our Power, My Safety" (OPMS) focus card participation has increased from 30% in 2014 to 80% in October of 2016.

She reported on planning for the OPMS safety perception survey. Continuous Improvement (CI) Team #4, Safety Metrics, will track cooperative-wide leading indicators. Volunteers to serve on CI #4 are being requested. She noted that there will be an OPMS booth at the annual meeting.

Recent Team successes include standardization of steering team meetings via positive safety share/current safety statistics, emerging legal requirements/education, action item matrix and strategic plan review and facility updates. OPMS leadership training has begun.

17. Recess and Reconvention

At 3:30 p.m., President Peltier recessed the meeting until 8:30 a.m. November 8, 2016, 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, Andy Buntrock, Eric Carufel, Tammy DeWitt, Mike Eggl, Matt Greek, John Jacobs, Steve Johnson, Bryan Keller, Becky Kern, Janet Kubisiak, Tom Leingang, Deb Olafson, Dave Raatz, Mike Risan, Ken Rutter, Marci Schorsch, Susan Sorensen, Bill Stafford, Michelle Wiedrich, Roxanne Woeste and Mike Zimmerman. Also present were DGC Vice President David J. Sauer and East River director Ervin Fink.

19. Transmission Report

Vice President of Transmission System Maintenance Bryan Keller reported that, as of November 1, 2016, the Transmission System Maintenance (TSM) Division employees have

worked 179 days without a DART incident. There were no personal injuries or vehicle incidents in October.

He presented photographs and discussed TSM resetting a leaning structure on the Rapid City DC Tie/New Underwood 230 kV line and setting the dead-end structures, removing the existing tangent structure and installing dead-end jumpers on the Belfield-to-Rhame 230 kV line.

A. Fort Thompson 345/230 kV Substation Equipment Upgrade Project

Mr. Keller reported that Basin Electric owns the line terminal equipment for the LOS 345 kV line and the 13.8 kV shunt reactor for transformer KU1A. This equipment was placed into service in 1976. In 2015, a 345 kV circuit breaker and disconnect switch mechanically failed and were replaced. Western has requested that the remaining 345 kV circuit breaker and disconnect switches, 13.8 kV shunt reactor and switchgear and potential transformers be replaced.

He presented photographs of circuit breaker 2992, which was replaced in 2015, and of the Fort Thompson 13.8 kV 15 MVAR Air Core Reactor KW2B. He recommended approval of the upgrade.

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

R02.11-07-16

RESOLVED, that the Fort Thompson 345/230 kV Substation Equipment Upgrade Project as presented to this meeting of the Board of Directors with an estimated cost of \$1.8 million be approved; and

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

SPP. Senior Vice President of Transmission Mike Risan reported on the recent SPP board of directors/members committee meeting, including the celebration of SPP's 75th anniversary. He noted that a number of SPP staff will attend Basin Electric's annual meeting. Mr. Risan and all of the incumbents were re-elected to another three-year term on the members committee. Mr. Risan also serves on the SPP strategic planning committee, which discussed all the wind generation coming online within SPP and has established a task force (on which Blaine Erhardt serves) to address this development.

Mr. Risan presented the 2019 transmission system chart. SPP is working on the next round of transmission studies and has identified some deficiencies north of Lake Sakakawea which could result in SPP's issuance of a notice to construct.

Mountain West Transmission Group. Mr. Risan reported that the major activity on the west side is the Mountain West Transmission Group (MWTG). MWTG is in the process of developing a term sheet, which is based on the white paper created by Basin Electric, to be used to frame the group's negotiations with SPP. Public Service Company of Colorado has taken the lead on these efforts. A couple areas still need to be resolved such as cost allocation and the Order 1000 planning process. Western and Tri-State have been very supportive. Some participants would like to have something more like MISO than SPP. A multi-day working session is scheduled for next week to obtain a consensus. Dave Raatz and Ken Rutter are involved in a parallel analysis to study market benefits on the west, which could lead the participants to selecting SPP to take advantage of the DC ties.

20. Financial Services Report

Senior Vice President & Chief Financial Officer Steve Johnson discussed the gross domestic product, jobless claims, Free Open Market Committee, Brexit and the jobs/unemployment report.

A. Extension of Maturity Date on Member Economic Development Loans

Mr. Johnson reported that the economic development loan program was established in 2003 to assist Class A members' economic development efforts. The program initially had a sunset date which and has been extended to December 31, 2017.

The terms of the economic development loans are: (1) the Basin Electric board will review the success of the Basin Electric Development Fund on an annual basis, typically in January of each year; (2) the review shall include a full disclosure of all loans outstanding and the performance of each individual loan; (3) in December of each year, each Class A member shall provide to Basin Electric a report on each economic development project for which it has outstanding loan funds; (4) the report shall include individual loan performance; (5) each Class A member requesting economic development funds from Basin Electric shall match each individual loan request in an equal amount; (6) each loan shall bear interest at a rate equal to 1% with interest payable in arrears on December 1st and June 1st of each year; (7) principal payments can be made in advance with no penalty; (8) partial drawdowns are permitted and the Basin Electric commitment will function as a revolving line of credit; and (9) all loans will be due and payable on December 31, 2017.

He then presented a listing of the Class A members who have economic development loans, the allocation amount, the outstanding amount and the maturity dates. At this time, the outstanding loan amount is \$4,390,859.56.

Mr. Johnson recommended that the maturity dates on the economic development loans be extended for a period of 10 years, such that at the end of calendar year 2016, such loans bearing a maturity date of December 31, 2017 shall have their maturity dates extended until December 31, 2027; and similar 10-year extensions on maturity shall be granted at the end of each calendar year until further action of the Board, all remaining terms of the loan agreements and notes to be the same.

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

R03.11-07-16

WHEREAS, in April 2003, the Board of Directors of Basin Electric established an Economic Development Loan Program in order to provide economic development loans to Basin Electric members;

WHEREAS, as established by Basin Electric Power Cooperative, loans made under the Economic Development Loan Program bear a maturity date of December 31, 2017; and

WHEREAS, THE Board of Directors desires to extend the term of all loans made under the Economic Development Loan Program as provided herein.

NOW, THEREFORE, BE IT RESOLVED, that Basin Electric's Economic Development Loan Program is hereby extended until such time as all loaned funds are repaid in full;

BE IT FURTHER RESOLVED, that, at the end of each calendar year following the adoption of this Resolution, the maturity date of all loans made under the Economic Development Loan Program shall be extended for a period of ten (10) years, such that at the end of calendar year 2016, such loans bearing a maturity date of December 31, 2017 shall have their maturity date extended until December 31, 2027; and similar 10-year extensions on maturity shall be granted at the end of each calendar year until further action of the Board; all remaining terms of the loan agreements and notes to remain the same; and

BE IT FURTHER RESOLVED, that the CEO & General Manager, or his designee, is authorized to execute all documents necessary to implement the Basin Electric Economic Development Loan Program and the extension thereof as provided in this Resolution.

B. DGC Equity Infusion

Mr. Johnson reported that we have had discussions with CoBank, ACB (CoBank), which suggested we simply eliminate the minimum equity covenant in the loan for DGC's urea plant. The National Rural Utility Cooperative Finance Corporation (CFC) was not comfortable with that approach because while CFC and CoBank have a simple majority, they do participate in other financings with the other lenders. Currently, we project that DGC's equity will drop to a low of \$100 million. CoBank and CFC were primarily concerned that it not go negative. After they visited more, they suggested an amendment providing a minimum DGC equity of \$50 million with a provision that for any year DGC has profits, it cannot dividend more than 50% of those profits to Basin Electric. DGC needs to build a cushion so that it doesn't have to come back to its parent for credit support during hard times.

C. 2017 Operating & Capital Budgets

Manager of Financial Planning & Forecasting Andrew Buntrock reviewed the 2017 Operating Budget, noting the changes between the financial forecast and the budget. He reviewed the projected 2017 margin, cost of service, annual revenue requirements and financial metrics. Mr. Buntrock then reviewed the 2017 capital budget.

He noted that final Operating and Capital Budgets would be presented for approval at the December board meeting.

21. Iowa Association of Rural Electric Cooperatives-2017 Member Meetings-Director and Alternate Director

Mr. Peltier noted that a director and alternate director are needed to represent Basin Electric at the 2017 Iowa Statewide meetings. For 2016, Director Gilbert served as the delegate and Director Applegate served as the alternate. After discussion, it was moved by Director Pearson and seconded by Director McQuiston that Directors Applegate and Gilbert serve as director and alternate director, respectively. The motion carried.

22. Mid-West Electric Consumers Association Annual Meeting - Delegate & Alternate

Mr. Peltier noted that a delegate and alternate are needed to represent the Cooperative at the Mid-West Electric Consumers Association annual meeting scheduled for December 5-8, 2016. In 2015, Director Thiessen served as the delegate and Director Drost as the alternate.

After discussion, it was moved by Director Baker and seconded by Director Pearson that Directors Drost and Thiessen serve as delegate and alternate, respectively. The motion carried.

23. Directors' Reports

Director Presser reported that Central Power Electric Cooperative has begun legal proceedings against Ottetail Power Company on a transmission matter for which there is no adequate legal remedy at the Federal Energy Regulatory Commission.

Director Thiessen reported that the Upper Missouri G&T Association board of directors is meeting today and he expressed his gratitude to the Basin Electric staff members who are speaking at that meeting.

Director Gilbert reported that yesterday he received two emails reporting that two ethanol plants in Corn Belt's service territory have decided to add self-generation. One is 50% to 60% of the member's load and the other is 3.5 MW or about 50% of the member's load.

Director Brekel reported that Delta-Montrose Electric Cooperative has submitted a formal request to withdraw from Tri-State.

24. DGC Outside Directors

In anticipation of the upcoming DGC annual shareholders' meeting, the Board of Directors discussed the outside directors serving on the DGC Board of Directors. It was noted that Jim Geringer's first full three-year term expires in December, Alan Klein's first three-year term will end in December of 2017 and there remains an open position for the third outside director position. The Directors felt it was important that outside DGC directors have an understanding of Basin Electric's expectations when they are asked to serve on the DGC Board and that it would be prudent to adopt a term-limit policy with respect to these outside directors. Mr. Pearson moved to limit the terms of DGC outside directors to two three-year terms plus the unexpired term (if any) they are appointed to fill. Mr. Applegate seconded the motion and it carried.

Based upon that policy, Mr. Gilbert moved to ask James Geringer if he would be interested in serving a second three-year term as an outside DGC Director. Mr. Drost seconded the motion and it carried.

Mr. Pearson moved to ask former U.S. Representative Stephanie Herseth if she would be interested in serving as an outside DGC Director. The motion was seconded by Mr. McQuiston and carried.

25. Date and Time of Next Board Meeting

President Peltier noted that the next regularly scheduled meeting of the Board of Directors will take place on December 15, 2016 at the headquarters building.

26. Adjournment

President Peltier adjourned the meeting at 10:35 a.m.



Gary C. Drost
Secretary-Treasurer