Exhibit 3

Water Administration of the Lower Laramie River System Relating to Basin Electric Power Cooperative's Water Rights

NPDC Charter - Exhibit 3

WATER ADMINISTRATION OF THE LOWER LARAMIE RIVER SYSTEM RELATING TO THE BASIN ELECTRIC POWER COOPERATIVE'S WATER RIGHTS

Proceedings before the Wyoming State Board of Control, in the Wyoming state courts during 1995 and 1996 and the agreement reached by Nebraska, Wyoming, Colorado, the United States and Basin Electric Power Cooperative (Basin Electric) as set forth in the Final Settlement Stipulation have redefined and modified some of the water rights on the lower Laramie River, from the gaging station above Grayrocks Reservoir down to the mouth of the Laramie River at its confluence with the North Platte River. As a result of these proceedings and the agreement, the procedures for administering water in this section of the river require clarification and modification. This document is designed to outline procedures to implement these proceedings and the agreement and to serve as a guide to the administrative personnel whose responsibility it is to administer water in this section of the Laramie River.

I. Start with the measured flow at the gage above Grayrocks Reservoir. The flow at this point would be determined by a midnight-to-midnight average. A one-day transit time will be used to determine the releases to be made from the reservoir. In order to determine the natural flow at this point, any Boughton transfer water, inundated water rights, and

senior downstream water rights that may be in the river must first be deducted.

A. Procedure for defining the amount of Boughton transfer water in the river.

1. This Boughton water is only available from April 13 through June 26.

2. The amount available in priority to the Boughton Ditch is defined by the total flow in the river at the Bosler Gage, less any amounts required to fill prior rights downstream that are calling for water.

a. Determination of the amount of Boughton water that is transferable, as well as the administration of that water down the Laramie River to the gage above Grayrocks, are functions of the designated water commissioner on the Laramie River.

b. Once the transferable amount has been determined, then the following procedure applies:

1) Using a 4-day assumed travel time, this Boughton transfer water is conveyed down the Laramie River, through Wheatland Reservoir #2, and to the gage above Grayrocks.

a) Conveyance losses are assigned to this Boughton transfer water as follows:

(1) 30% when the amount available in priority is 35 c.f.s. or more.

(2) 40% when the amount is between 35 and 22.5 c.f.s.

(3) 50% when the amount is between 22.5 and 5 c.f.s.

(4) 100% when the amount is 5 c.f.s. or less.

3. The maximum amount to be transferred in any water year is 3,117 af., minus the conveyance losses.

   a. The maximum amount that can arrive at the gage above Grayrocks is 2,180 af.

   b. The amount of Boughton transfer water reaching the gage above Grayrocks needs to be accounted for separately so as not to exceed the yearly limit of 2,180 af.

B. Once determined, the amount of Boughton water at the gage above Grayrocks is either:

   1. Directed to the power plant to meet the plant demand, or

   2. Placed in the Temporary Storage Account in Grayrocks Reservoir.

II. After deducting the Boughton transfer water from the flow at the gage above Grayrocks, then the remaining natural flow is handled as follows:

A. Deduct the inundated rights that are prior to all downstream rights (2.995 c.f.s.)

1. The inundated rights are approved for transfer to the power plant from May 1 through September 30, when they are in priority, up to a maximum total of 1,648.1 af. each year.

2. The inundated rights transfer water is either:

a. Directed to the power plant to meet the plant demand; or

b. Placed in the Temporary Storage Account in Grayrocks Reservoir.

3. A separate accounting of the amount of water transferred each year through the inundated water rights transfer is required so as not to exceed the yearly limit of 1,648.1 af. imposed by the Board of Control order.

B. The next priority to be met is a downstream right in the amount of 6.25 c.f.s., for which sufficient water would be released from Grayrocks Reservoir, providing that it is calling for water.

C. The next priorities involve two inundated rights amounting to a total of 0.82 c.f.s. This amount would be deducted from the remaining natural flow water, and handled the same as outlined in A.2.a. & b., above.

D. The next priorities to be met are three downstream rights, which total 7.26 c.f.s. Sufficient water would be released from Grayrocks Reservoir to fill all of these rights that are calling for water.

E. The next priority involved is one inundated right amounting to 0.63 c.f.s. This would be handled the same as outlined in A.2.a. & b., above.

F. The next priorities involve two downstream rights totaling 3.75 c.f.s. for which sufficient water would be released from Grayrocks to fill the rights that are calling for water.

G. The next priority involved is one inundated right amounting to 0.025 c.f.s. This would be handled the same as outline in A.2.a. & b., above.

H. The next priority involves one downstream right amount to 6.40 c.f.s., for which sufficient water would be released from Grayrocks if it is calling for water.

I. The next priority involves one inundated right amount to 0.415 c.f.s. This would be handled the same as outlined in A.2.a. & b., above.

J. The next priorities involve two downstream rights totaling 1.03 c.f.s. for which sufficient water would be released from Grayrocks if water is being called for.

SUMMARY OF FOREGOING ITEMS, II.A. THOUGH J.:

Whenever there is at least 29.575 c.f.s. of natural flow at the gage above Grayrocks, a total of 4.885 c.f.s. will be treated as inundated water rights transfer and handled as outlined in A.2.a. & b.; the balance of 24.69 c.f.s. will be released from Grayrocks Reservoir and accounted for as downstream prior right releases.

K. The next priority is the GID 25 c.f.s. supplemental supply right under Permit No. 4883 Enl., (Original supply is from the North Platte River and Pathfinder Reservoir, through the Ft. Laramie Canal, Permit No. 18544 with a secondary supply from Guernsey Reservoir, Permit No. 5014 Enl.). This right will be acquired by the State of Wyoming pursuant to the Final Settlement Stipulation and transferred to the mouth of the Laramie River as measured at the Ft. Laramie Gage and shall be available for diversion only during the irrigation season (May 1 - September 30).

After filling the prior Laramie River rights listed above and when the available supply of water from the GID original source (North Platte) is less than the maximum amount allowed by Wyoming State Law, then the GID supplemental supply right may (when in priority) be used to augment the original supply water right, subject to the following:

1. After the transfer of the right as required by the Final Settlement Stipulation, the GID right

shall receive an automatic call when in priority.

2. The maximum rate of diversion shall be 25 c.f.s. and not to exceed a yearly limit of 2,500 af. measured at the Ft. Laramie Gage.

3. The Water Commissioner on the North Platte River shall be responsible for determining when GID's original source is less than the maximum amount allowed by state law and will notify the Laramie River Water Commissioner and Basin Electric when this condition occurs.

4. The releases from Grayrocks Reservoir for the GID right shall be the lesser of the following as measured at the Ft. Laramie Gage:

   a. The difference between the amount of natural flow water available in priority to the GID right from the North Platte River, and the total amount of their direct flow right from the North Platte, or

   b. A maximum diversion rate of 25 c.f.s. and not to exceed a yearly limit of 2,500 af. measured at the Ft. Laramie Gage.

L. The next priorities involve two inundated rights totaling 0.50 c.f.s., and would be handled the same as outlined in A.2.a. & b., above.

M. The next priorities involve three downstream rights totaling 0.50 c.f.s., for which sufficient

water would be released from Grayrocks Reservoir to fill the rights that are calling for water.

N. The next priorities involve nine inundated rights totaling 1.235 c.f.s., and would be handled the same as outlined in A.2.a. & b., above.

O. The next priority involves one downstream right amounting to 1.24 c.f.s. for which sufficient water would be released from Grayrocks to fill this right if it is calling for water.

III. Any remaining natural flow in the Laramie River at the gage above Grayrocks Reservoir is then apportioned as follows:

A. To the power plant to meet the plant demand, up to the amount of the water right (45 c.f.s.)

1. The power plant demand is to be filled in the following order, depending on water available:

a. From Boughton transfer water, when in priority.

b. From inundated water rights transfer, when in priority.

c. From natural flow from the Laramie River if it is available.

d. From the Temporary Storage Account in Grayrocks Reservoir.

e. From the Johnson wells.

f. From the Grayrocks Reservoir Storage Account.

B. To the Grayrocks Reservoir General Storage Account (See Section IV.A., below)

C. Any remaining natural flow in the Laramie River after Grayrocks Reservoir has received its "one-fill" per year (defined below) will be handled as follows:

1. Under the "one-fill" concept, a reservoir is entitled to store, between October 1 of any water year and September 30 of the following year, an amount of water which equals the total amount provided for in the reservoir permit (in this case 104,109.6 af.) minus the amount of the General Storage Account at the end of the date on September 30.

2. Once this "one-fill" limit has been reached in any year, additional accruals to the General Storage Account will either be classified as "re-fill storage" or the water will be passed directly through the reservoir and not stored. For purposes of accounting for the "one-fill" limit, the Temporary Storage will not be counted.

a Whenever conditions develop where it is apparent that the "one-fill" limit will be reached, Basin Electric will notify the Water Division Superintendent of this fact, and request permission to utilize the

"re-fill storage" water when it becomes available.

b. Water available for "re-fill storage" in the reservoir will first be released on demand for use by downstream appropriators with junior priorities to that of the reservoir.

c. At any time that "re-fill storage water" is available, releases from the reservoir may be increased to provide "surplus water" (as defined in W.S. 41-4-318-324) to downstream appropriators on demand.

d. Any water passed directly through the reservoir after the "one-fill' limit has been reached will be classified as "spills", and will be available for diversion by downstream appropriators. It will also be accounted for as fulfilling the minimum flow requirements.

e. If the amount of the spill is sufficient to fulfill the minimum flow requirements, then no additional releases from storage will be required for that purpose.

IV. Grayrocks Reservoir storage accounts.

A. When water accrues to storage in Grayrocks Reservoir, it will be credited to the General Storage Account, the total amount of which is 104,109.6 af.

B. When stored water from Grayrocks Reservoir is used for each of the various purposes authorized

by the State Board of Control order dated August 23, 1995, it will be accounted for by the specific purpose for which it is used. The use account will be established as follows:

1. The first storage use account will be for industrial uses, in an amount of 64,051.5 af.

    a. The Board of Control order dated August 23, 1995 allocates 64,051.5 af. for industrial uses. It also provides that this water is available for fish and wildlife use if needed.

2. The next storage use account is for irrigation purposes in an amount of 22,500.0 af.

    a. The Board of Control order indicates that this water may be used for irrigation, but not for fish and wildlife until such time as the Corn Creek Irrigation Project is built and releases are being made from Grayrocks Reservoir to satisfy the Corn Creek Agreement.

    b. Until such time as the Corn Creek Irrigation Project comes into existence, a water use agreement for temporary change of use of this 22,500.0 af. may be submitted to the State Engineer by the Missouri Basin Power Project as provided in Wyoming Statute 41-3-110.

    c. Within three years of court approval of the Final Settlement Stipulation, pursuant to Paragraph VI.A. of the Final Settlement

Stipulation, as part of Wyoming's obligation to acquire the rights pertaining to the development of the Corn Creek Irrigation Project and to cancel all water rights and water supply obligations of Basin Electric as described in Paragraph VI.A. of the Final Settlement Stipulation, Wyoming will, in accordance with an order from the Board of Control, modify the Grayrocks Reservoir permit to eliminate the irrigation account set forth therein and allocate this 22,500.0 af. to be used by the Missouri Basin Power Project consistent with the December 4, 1978 Agreement of Settlement and Compromise among Basin Electric, the State of Nebraska and other parties. Following approval by the Board of Control, this document will be modified accordingly.

3. The next storage use account is for fish and wildlife purposes in an amount of 15,000.0 af. Any of this water not needed for fish and wildlife purposes may be used for industrial purposes provided that a temporary change of use has been approved by the State Engineer.

4. The next storage use account is for recreation purposes in an amount of 2,558.1 af. This is inactive storage and will remain static without any charges being made against it, except for evaporation losses.

5. The next storage use account will be a Temporary Storage Account.

a. Water will be credited to this account from the Boughton transfer and the inundated water rights transfer as indicated above in Section I.B., and Section II.A. and N.

b. Uses of water will be charged against this account whenever water from the account is used at the power plant.

c. Water will be stored in the Temporary Storage Account whenever space is available in the reservoir, but when a full reservoir level is reached, the Temporary Storage water will be released to make room for replacing it with regular storage water up to the maximum permitted capacity of the reservoir.

C. Charge all storage releases from Grayrocks Reservoir against the storage use account for which the releases were made.

1. Releases from storage in Grayrocks Reservoir will be made whenever necessary to meet:

a. Irrigation demands, as provided in the Corn Creek Agreement dated July 24, 1974. Within three years of court approval of the Final Settlement Stipulation, pursuant to Paragraph VI.A. of the Final Settlement Stipulation, as part of Wyoming's obligation to acquire the rights pertaining to the development of the Corn Creek Irrigation Project and to

cancel all water rights and water supply obligations of Basin Electric as described in Paragraph VI.A. of the Final Settlement Stipulation, Wyoming will, in accordance with an order from the Board of Control, modify the Grayrocks Reservoir permit to eliminate the irrigation account set forth therein and allocate this 22,500.0 af. to the account for industrial use. Following approval by the Board of Control, this document will be modified accordingly.

b. Minimum flow requirements (charged to fish and wildlife) as provided in the Fish & Wildlife Agreement dated July 29, 1977, the Agreement of Settlement and Compromise dated December 4, 1978, and also as provided in the Secondary Permit for Grayrocks Reservoir (Permit No. 31837). The fish and wildlife release schedule is outlined as follows:

    1) As measured at the gage below Grayrocks.

        a) When storage in Grayrocks Reservoir is at least 50,000 af., then:

            (1) From October 1 through March 31, maintain minimum flow of 40 c.f.s.

            (2) From April 1 through April 30, maintain minimum flow of 50 c.f.s.

(3) From May 1 through September 30, maintain minimum flow of whichever is greater, 40 c.f.s. or 75% of the natural flow at the gage above Grayrocks after all rights have been filled except the Grayrocks Reservoir storage right and the direct flow right for the power plant (i.e., after the Boughton water rights transfer, the inundated water rights transfer, and the senior downstream rights have all been satisfied). This release rate is not to exceed 200 c.f.s.

b) When storage in Grayrocks Reservoir is less than 50,000 af., then:

1) No minimum flow requirements.

2) As measured at the Ft. Laramie Gage.

a) When storage in Grayrocks Reservoir is at least 50,000 af., then:

1) From October 1 through March 31, maintain minimum flow of 40 c.f.s.

2) From April 1 through April 30, maintain minimum flow of 50 c.f.s.

3) From May 1 through September 30, maintain minimum flow of whichever is greater, 40 c.f.s. or 75% of the natural flow at the gage above Grayrocks after all rights have been filled except the Grayrocks Reservoir storage right and the direct flow right for the power plant. This release rate is not to exceed 200 c.f.s.

b) When storage in Grayrocks Reservoir is less than 50,000 af., then:

1) From October 1 through March 31, maintain minimum flow of 20 c.f.s.

2) From April 1 through September 30, maintain minimum flow of 40 c.f.s.

3) All storage releases made to fulfill minimum flow requirements are to be protected as storage releases, and not available for diversion from the Laramie River between Grayrocks Reservoir and the mouth of the Laramie River. The protection of

storage releases will be accomplished in a manner consistent with the secondary permit for the Grayrocks Reservoir (Permit No. 31837).

c. Power plant demands (charged to industrial use and conveyed through the Grayrocks Pipeline) when other sources are insufficient to meet the demand.

2. Charge reservoir evaporation losses proportionately against the General Storage Account, the Temporary Storage Account, and the Inactive Storage Account.

   a. Reservoir evaporation is to be computed daily from May 1 through September 30, and monthly throughout the balance of the year.

   b. In order to compute evaporation loss, first determine the average surface area of the reservoir during the period involved by taking the average water level elevation in the reservoir and converting that to surface area by reference to the Table showing elevations and corresponding surface areas.

   c. Next the pan-evaporation rate for the area is determined. As a basis for this determination, the Grayrocks Evaporation Pan will be used, with appropriate correction factors applied.

d. Next the surface area is multiplied by the pan-evaporation rate times a coefficient of 0.70 to get the total evaporation loss.

e. This loss is then divided between the General Storage Account and the Temporary Storage Account in the proportion to the amount of water in each of these accounts for the period involved.

f. During the period immediately following September 30 each year until the reservoir has been refilled up to the "one-fill" limit, evaporation losses will not be charged to the reservoir but rather totaled separately and then filled at the end of the one-fill period with the approval of the Division Superintendent, and prior to commencing second-fill storage as may be available.

D. If storage in Grayrocks Reservoir gets down to the point where all demands for storage cannot be filled, then contractual obligations will take precedence, and the power plant demand will be the first to take shortages.

1. Whenever a shortage condition appears to be imminent, negotiations will be initiated by the Missouri Basin Power Project to provide alternative sources of water for the operation of the power plant.

V. With respect to water rights administration upstream of Grayrocks Reservoir, Basin Electric shall be deemed to have placed a priority call for Grayrocks

Reservoir each water year without the need to formally request such a call.

VI. There are periods during the winter months when icing conditions affect the accuracy of stream gages. Whenever such conditions are encountered, the gage readings will be recorded as they exist, and a notation will be made in the record that icing conditions exist.

VII. In order to check the accuracy of the account procedures to be utilized on the lower Laramie River, there should be an occasional effort to balance the change in storage numbers as reflected by the reservoir capacity table against the inflow-outflow calculations as reflected on the accounting sheets. If these two are very far out of balance an effort should be made to find out why, and procedures adopted to correct the problems.

VIII. Future modifications to this Agreement (NPDC Charter Exhibit 3) cannot be made without the consent of the North Platte Decree Committee and Basin Electric.

Approved By:

THE STATE OF WYOMING

/s/ Patrick T. Tyrrell — March 13, 2001
Patrick Tyrrell, Wyoming State Engineer — Date

BASIN ELECTRIC POWER COOPERATIVE

/s/ Richard W. Weber — March 14, 2001
Acting CEO & Gen. Mgr. — Date