

# 1ST QUARTER REPORT



BASIN ELECTRIC POWER COOPERATIVE

Basin Electric Power Cooperative (Basin Electric) was incorporated under the laws of the State of North Dakota in 1961 as a not-for-profit generation and transmission (G&T) cooperative corporation. We are headquartered in Bismarck, North Dakota, and are principally engaged in the business of providing wholesale electric services to our member cooperatives (members). These electric services generally represent the capacity and energy requirements of our members beyond what is available to our members from other sources, primarily the Western Area Power Administration, an agency of the United States Department of Energy, that provides hydroelectric power on a preferential basis to our members. We serve our members' power requirements pursuant to long-term wholesale power contracts. Through our members, we provide electric service to approximately 3 million consumer-owners in the states of Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, and Wyoming.

We employ an all-of-the-above energy strategy to supply our members' power requirements. Basin Electric's portfolio of power supply resources includes owned generation, long-term power purchase contracts, short-term, and spot market energy purchases. Our generating resources are fueled by a mix of natural gas, coal, wind, hydro, and fuel oil.

We participate in the following energy markets: Midcontinent Independent System Operator (MISO) and the Southwest Power Pool (SPP) in the Eastern Interconnection. In the Western Interconnection, our load and assets participate in energy imbalance markets of SPP's Western Energy Imbalance Service market and California Independent System Operator's Western Energy Imbalance Market through various transmission providers.

We are owned entirely by our members, who are the primary purchasers of the power we sell. Basin Electric has 131 members comprised of four membership classifications.

In general, a cooperative is a business organization owned by its members, that are also either the cooperative's wholesale or retail customers. Cooperatives are organized to give their members the opportunity to satisfy their collective needs in a particular area of business more effectively than if the members acted independently. As not-for-profit organizations, cooperatives are intended to provide services to their members on a cost-effective basis, in part by eliminating the need to produce a return on equity in excess of required margins. Margins earned by a cooperative that are not distributed to its members constitute patronage capital, a cooperative's principal source of equity. Patronage capital is held for the account of the members without interest and returned when the board of directors of the cooperative deems it appropriate to do so.

Basin Electric has three wholly owned, for-profit subsidiaries: Dakota Gasification Company, Dakota Coal Company, and Nemadji River Generation LLC. Dakota Gas converts lignite coal into pipeline-quality synthetic natural gas, carbon dioxide, anhydrous ammonia, urea, diesel exhaust fluid, and a variety of other products. Dakota Coal provides coal for our Antelope Valley Station, Leland Olds Station, and Great Plains Synfuels Plant. Nemadji River Generation is the owner of a 30% undivided interest in the Nemadji Trail Energy Center project. The Nemadji Trail project is a proposed 600-megawatt (MW), natural gas-fueled combined-cycle electric generation facility in Superior, Wisconsin.

The accompanying consolidated balance sheets, statements of operations and statements of cash flows are unaudited. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) have been made and this report constitutes a fair and accurate representation of the consolidated financial position and operations of Basin Electric and its wholly owned subsidiaries and Coteau as of and for the three-month periods ended March 31, 2023 and 2022. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Basin Electric Power Cooperative's 2022 Annual Report.



**TODD E. TELESZ**  
Chief Executive Officer and General Manager



**TODD T. BRICKHOUSE**  
Senior Vice President and Chief Financial Officer

# BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

*as of March 31, (dollars in thousands)*

	2023	2022
<b>Assets</b>		
Utility plant:		
Electric plant in service	\$ 7,481,036	\$ 7,398,649
Construction work in progress, net of contribution in aid of construction	169,219	58,461
Total electric plant	7,650,255	7,457,110
Less: accumulated provision for depreciation and amortization	<u>(3,161,435)</u>	<u>(2,990,326)</u>
	4,488,820	4,466,784
Nonutility property:		
Property, plant and equipment	1,552,097	1,535,564
Construction work in progress	64,150	39,838
Total nonutility property	1,616,247	1,575,402
Less: accumulated provision for depreciation and depletion	<u>(630,627)</u>	<u>(588,228)</u>
	985,620	987,174
Other property, investments and deferred charges:		
Mine related assets	124,902	129,349
Investments in associated companies	33,405	33,288
Restricted and designated investments	41,412	44,426
Other investments	307,869	295,134
Special funds	70,758	74,569
Regulatory assets	344,498	350,104
Other deferred charges	144,079	141,997
	<u>1,066,923</u>	<u>1,068,867</u>
Current assets:		
Cash and cash equivalents	345,921	372,963
Restricted and designated cash and equivalents	443,676	291,554
Short-term investments	401,160	356,776
Customer accounts receivable	202,230	177,750
Other receivables	95,378	112,560
Fuel stock, materials and supplies	263,799	253,503
Prepayments and other current assets	159,207	125,726
	<u>1,911,371</u>	<u>1,690,832</u>
	<u>\$ 8,452,734</u>	<u>\$ 8,213,657</u>
<b>Capitalization and Liabilities</b>		
Capitalization:		
Equity:		
Memberships	\$ 22	\$ 22
Patronage capital	1,330,314	1,217,056
Retained earnings of subsidiaries	127,532	116,829
Other equity	286,417	346,349
Accumulated other comprehensive income (loss)	7,227	(6,971)
	1,751,512	1,673,285
Noncontrolling interest	2,563	2,786
	1,754,075	1,676,071
Long-term debt, net of current portion	4,388,962	4,467,078
Finance lease obligations, net of current portion	3,438	3,686
	6,146,475	6,146,835
Regulatory liabilities	544,072	390,855
Other deferred credits, taxes and other liabilities	595,419	522,681
	<u>1,139,491</u>	<u>913,536</u>
Current liabilities:		
Current portion of long-term debt	77,095	113,463
Current portion of finance lease obligations	444	446
Accounts payable	247,698	183,910
Notes payable – affiliates	287,130	336,321
Notes payable	214,228	264,275
Taxes and other current liabilities	340,173	254,871
	<u>1,166,768</u>	<u>1,153,286</u>
	<u>\$ 8,452,734</u>	<u>\$ 8,213,657</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

for the three months ended March 31, (dollars in thousands)

	2023	2022
<b>Utility operations:</b>		
<b>Operating revenue:</b>		
Sales of electricity for resale	\$ 563,702	\$ 497,772
Other electric revenue	2,085	1,432
Total utility operating revenue	565,787	499,204
<b>Operating expenses:</b>		
Production expense	38,452	36,392
Fuel expense	102,413	81,861
Other power supply	189,704	133,557
Transmission operations	8,636	9,469
Transmission wheeling	38,642	36,728
Rent expense	2,500	2,500
Administration	28,248	25,518
Maintenance	33,323	27,033
Depreciation & amortization	51,234	49,100
Taxes other than income	1,030	1,055
Total utility operating expenses	494,182	403,213
<b>Interest and other charges:</b>		
Interest on long-term debt	48,382	47,851
Interest on short-term debt	5,190	579
Other, net of regulatory expense deferral	2,882	2,944
Total interest and other charges	56,454	51,374
Operating margin	15,151	44,617
<b>Nonoperating margin:</b>		
Interest and other income	17,266	8,947
Patronage allocations from other coops	3,051	3,136
Total nonoperating margin	20,317	12,083
Utility margin before income taxes	35,468	56,700
<b>Nonutility operations:</b>		
Operating revenue:		
Synthetic natural gas	55,784	47,491
Byproducts, coproduct and other	61,729	106,650
Lignite coal	38,939	31,923
Total nonutility operating revenue	156,452	186,064
Operating expenses	147,740	141,953
Interest and other income	7,602	2,645
<b>Nonutility income before income taxes</b>	16,314	46,756
Margin and earnings before income taxes	51,782	103,456
Income tax expense	3,034	8,320
<b>Net margin and earnings</b>	<b>\$ 48,748</b>	<b>\$ 95,136</b>



BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)**

for the three months ended March 31, (dollars in thousands)

	2023	2022
<b>Operating activities:</b>		
Net margin and earnings	\$ 48,748	\$ 95,136
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	64,732	62,501
Deferred income taxes	2,769	8,280
Changes in regulatory assets and liabilities	1,544	2,337
Unrealized loss (gain) on investments	(3,922)	7,241
Patronage capital allocated	(4,300)	(4,496)
Other amortization and accretion	6,535	6,085
Income attributable to noncontrolling interest	6,186	5,693
Changes in other operating elements:		
Customer accounts receivable	15,934	(33,653)
Other receivables	12,658	1,366
Fuel stock, materials and supplies	(20,016)	(6,816)
Prepayments and other current assets	(12,065)	(3,997)
Accounts payable	30,390	(23,781)
Taxes and other current liabilities	6,444	99,510
Changes in collateral	(27,400)	17,000
Other operating activities, net	9,229	(5,069)
Net cash provided by operating activities	137,466	227,337
<b>Investing activities:</b>		
Acquisition of electric plant	(87,552)	(14,309)
Acquisition of nonutility property	(5,272)	(7,327)
Proceeds from sales of property	447	142
Purchase of investments	(218,396)	(365,491)
Sale of investments	512,936	210,556
Sale of other assets and payments received on notes receivable	7,376	616
Purchase of other assets and issuance of notes receivable	(9,732)	(1,561)
Net cash provided by (used in) investing activities	199,807	(177,374)
<b>Financing activities:</b>		
Proceeds of long-term debt	-	309,110
Principal payments of long-term debt	(17,136)	(5,733)
Payment of debt issue costs	491	(2,896)
Proceeds of notes payable — affiliates	583,853	640,269
Payments of notes payable — affiliates	(548,863)	(604,506)
Proceeds of notes payable	129,713	219,941
Payments of notes payable	(189,539)	(399,896)
Payments under finance lease obligations	(36)	(102)
Retirement of patronage capital	-	-
Dividends paid to noncontrolling interest	(8,628)	(7,597)
Net cash provided by (used in) financing activities	(50,145)	148,590
<b>Net increase in cash and cash equivalents and restricted and designated cash and equivalents</b>	<b>287,128</b>	<b>198,553</b>
<b>Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period</b>	<b>502,469</b>	<b>465,964</b>
<b>Cash and cash equivalents and restricted and designated cash and equivalents, end of period</b>	<b>\$ 789,597</b>	<b>\$ 664,517</b>

For the three months ended March 31, 2023 compared to three months ended March 31, 2022

## RESULTS OF UTILITY OPERATIONS

Our operating revenue is derived from electricity sales to our members and to non-members (including Dakota Gas). Our electricity sales revenue from and energy sold by us, measured in megawatt-hours (MWh), to our members and to non-members are as follows:

### ELECTRICITY REVENUE

(in millions)	2023	2022	% change
Sales of electricity to members	\$ 468.5	\$ 455.9	2.8%
Sales of electricity to non-members	95.2	41.9	127.2%
<b>Total electricity revenue</b>	<b>\$ 563.7</b>	<b>\$ 497.8</b>	13.2%

### ELECTRIC ENERGY SALES

(in thousand MWh)	2023	2022	% change
Members	8,168	7,661	6.6%
Others	1,733	1,358	27.6%
<b>Total electric energy sales</b>	<b>9,901</b>	<b>9,019</b>	9.8%
Peak billing demand (in MW)	4,512	4,371	3.2%

### ELECTRICITY REVENUE

- Sales of electricity to members increased by \$12.6 million.
  - Energy sold to our members increased by 507,000 MWh, or 6.6%. In addition, member peak demand increased 141 MW, or 3.2%. This was partly offset by lower rates as the result of a rate reduction provided to members effective January 1, 2023.
- Sales of electricity to non-members increased by \$53.3 million.
  - Energy sold to non-members increased 375,000 MWh, or 27.6%. The average sales price increased from \$30.85 in 2022 to \$54.93 per MWh in 2023.

### UTILITY OPERATING EXPENSES

(in millions)	2023	2022	% change
Production expense	\$ 38.5	\$ 36.4	5.8%
Fuel expense	102.4	81.9	25.0%
Other power supply	189.7	133.6	42.0%
Transmission operations	8.6	9.5	-9.5%
Transmission wheeling	38.7	36.7	5.4%
Rent expense	2.5	2.5	0.0%
Administration	28.3	25.5	11.0%
Maintenance	33.3	27.0	23.3%
Depreciation & amortization	51.2	49.1	4.3%
Taxes other than income	1.0	1.0	0.0%
<b>Total operating expenses</b>	<b>\$ 494.2</b>	<b>\$ 403.2</b>	22.6%

### UTILITY OPERATING EXPENSES

- Utility operating expenses increased by \$91.0 million.
  - Other power supply was \$56.1 million higher largely as a result of higher purchased power related expenses.
  - Fuel expense was \$20.5 million higher mainly due to additional fuel consumption resulting from higher natural gas generation.
  - Maintenance expense increased \$6.3 million.

## UTILITY INTEREST AND OTHER CHARGES

- Utility interest and other charges increased by \$5.1 million.
  - Interest on short-term debt increased by \$4.6 million resulting from higher interest rates.

## RESULTS OF NONUTILITY OPERATIONS

Nonutility operating revenue is mainly derived from: (i) the sale of synthetic natural gas, carbon dioxide, anhydrous ammonia, urea, diesel exhaust fluid, and various other products produced by Dakota Gas, and (ii) the sale by Dakota Coal of lignite coal for use at Basin's generating facilities and for coal gasification at Dakota Gas.

### NONUTILITY OPERATING REVENUE

(in millions)	2023	2022	% change
Synthetic natural gas	\$ 55.8	\$ 47.5	17.5%
Byproduct, coproduct and other	61.7	106.7	-42.2%
Lignite coal	39.0	31.9	22.3%
<b>Total nonutility operating revenue</b>	<b>\$ 156.5</b>	<b>\$ 186.1</b>	-15.9%
Synthetic gas sold (dekatherms in millions)	9.9	10.2	-2.9%
Fertilizer products sold (tons in thousands)	57.0	77.9	-26.8%
Coal sales (tons in millions) <sup>(1)</sup>	2.1	1.8	16.7%

*(1) Does not include tons sold to Dakota Gas as affiliate revenue is eliminated in the Consolidated Statement of Operations.*

### NONUTILITY OPERATING REVENUE

- Nonutility operating revenue decreased \$29.6 million
  - Increased synthetic natural gas revenue of \$8.3 million as a result of natural gas hedge settlements received in 2023. Realized prices (including natural gas hedge settlements) in 2023 of \$5.94 per dekatherm were \$1.15 per dekatherm higher than in 2022.
  - Decreased fertilizer sales revenue of \$30.8 million due to lower volumes sold at lower prices.
  - Decreased diesel exhaust fluid sales revenue of \$7.9 million mainly due to lower volumes sold.
  - Lignite coal sales revenue increased \$7.1 million due to higher volumes sold at higher prices.

### NONUTILITY OPERATING EXPENSES

- Nonutility operating expenses increased by \$5.8 million or 4.1%.
  - Purchased coal expense increased at Dakota Coal.
  - Increased purchases of natural gas at Dakota Gas due to increased volumes purchased partially offset by lower prices.



**BASIN ELECTRIC  
POWER COOPERATIVE**

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