

# 2ND 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 member-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 141 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 six-month periods ended June 30, 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 T. BRICKHOUSE**  
Interim Chief Executive Officer  
and General Manager



**KATRINA J. WALD**  
Interim Vice President  
and Chief Financial Officer

# **BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES** **CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

as of June 30, (dollars in thousands)

	2023	2022
<b>Assets</b>		
Utility plant:		
Electric plant in service	\$ 7,488,919	\$ 7,399,691
Construction work in progress	233,722	86,985
Total electric plant	7,722,641	7,486,676
Less: accumulated provision for depreciation and amortization	(3,211,888)	(3,033,443)
	4,510,753	4,453,233
Nonutility property:		
Property, plant and equipment	1,557,886	1,534,677
Construction work in progress	66,560	48,971
Total nonutility property	1,624,446	1,583,648
Less: accumulated provision for depreciation and depletion	(641,897)	(599,855)
	982,549	983,793
Other property, investments and deferred charges:		
Mine related assets	128,306	116,792
Investments in associated companies	32,550	33,216
Restricted and designated investments	43,311	39,499
Other investments	292,297	306,351
Special funds	72,537	74,778
Regulatory assets	315,695	343,158
Other deferred charges	140,255	143,668
	1,024,951	1,057,462
Current assets:		
Cash and cash equivalents	157,077	290,669
Restricted and designated cash and equivalents	439,810	295,267
Short-term investments	581,854	518,050
Customer accounts receivable	195,647	193,289
Other receivables	98,596	135,232
Fuel stock, materials and supplies	275,935	246,958
Prepayments and other current assets	248,963	129,708
	1,997,882	1,809,173
	<u>\$ 8,516,135</u>	<u>\$ 8,303,661</u>
<b>Capitalization and Liabilities</b>		
Capitalization:		
Equity:		
Memberships	\$ 22	\$ 22
Patronage capital	1,349,089	1,327,967
Retained earnings of subsidiaries	125,223	112,125
Other equity	286,417	346,347
Accumulated other comprehensive loss	(1,511)	(1,589)
	1,759,240	1,784,872
Noncontrolling interest	2,457	2,518
	1,761,697	1,787,390
Long-term debt, net of current portion	4,296,651	4,459,950
Finance lease obligations, net of current portion	5,073	3,389
	6,063,421	6,250,729
Regulatory liabilities	529,808	409,090
Other deferred credits, taxes and other liabilities	599,661	537,509
	1,129,469	946,599
Current liabilities:		
Current portion of long-term debt	155,061	102,147
Current portion of finance lease obligations	728	424
Accounts payable	391,543	268,139
Notes payable – affiliates	306,359	261,249
Notes payable	234,179	269,237
Taxes and other current liabilities	235,375	205,137
	1,323,245	1,106,333
	<u>\$ 8,516,135</u>	<u>\$ 8,303,661</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

for the six months ended June 30, (dollars in thousands)

	2023	2022
<b>Utility operations:</b>		
<b>Operating revenue:</b>		
Sales of electricity for resale	\$ 1,052,082	\$ 968,042
Other electric revenue	4,035	2,697
Total utility operating revenue	1,056,117	970,739
<b>Operating expenses:</b>		
Production expense	77,312	73,684
Fuel expense	170,640	151,879
Other power supply	343,135	247,716
Transmission operations	18,413	18,702
Transmission wheeling	74,150	69,843
Rent expense	5,000	5,000
Administration	55,314	47,692
Maintenance	99,978	70,825
Depreciation & amortization	101,765	97,948
Taxes other than income	2,026	1,973
Total utility operating expenses	947,733	785,262
<b>Interest and other charges:</b>		
Interest on long-term debt	96,642	99,961
Interest on short-term debt	10,900	1,960
Other, net of regulatory expense deferral	6,103	5,982
Total interest and other charges	113,645	107,903
Operating margin (deficit)	(5,261)	77,574
<b>Operating margin (deficit):</b>		
Interest and other income	36,226	18,455
Patronage allocations from other coops	3,088	3,251
Total nonoperating margin	39,314	21,706
Utility margin before income taxes	34,053	99,280
<b>Nonutility operations:</b>		
Operating revenue:		
Synthetic natural gas	78,511	108,731
Byproducts, coproduct and other	219,619	292,133
Lignite coal	69,320	64,732
Total nonutility operating revenue	367,450	465,596
Operating expenses	342,800	345,851
Interest and other income	19,032	3,836
<b>Nonutility income before income taxes</b>	<b>43,682</b>	<b>123,581</b>
Margin and earnings before income taxes	77,735	222,861
Income tax expense	12,520	21,519
<b>Net margin and earnings</b>	<b>\$ 65,215</b>	<b>\$ 201,342</b>



BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

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

for the six months ended June 30, (dollars in thousands)

	2023	2022
<b>Operating activities:</b>		
Net margin and earnings	\$ 65,215	\$ 201,342
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	124,769	124,697
Deferred income taxes	10,895	21,440
Changes in regulatory assets and liabilities	3,087	45,801
Unrealized loss (gain) on investments	(7,535)	18,096
Patronage capital allocated	(4,422)	(4,718)
Other amortization and accretion	19,864	17,124
Income attributable to noncontrolling interest	11,701	11,157
Changes in other operating elements:		
Customer accounts receivable	22,517	(49,192)
Other receivables	10,677	(21,306)
Fuel stock, materials and supplies	(33,413)	(875)
Prepayments and other current assets	(7,138)	13,583
Accounts payable	25,877	7,891
Taxes and other current liabilities	(87,808)	38,666
Changes in collateral	(22,478)	29,509
Other operating activities, net	17,348	(5,151)
Net cash provided by operating activities	149,156	448,064
<b>Investing activities:</b>		
Acquisition of electric plant	(120,410)	(44,863)
Acquisition of nonutility property	(15,516)	(14,606)
Proceeds from sales of property	1,089	247
Purchase of investments	(688,569)	(818,989)
Sale of investments	801,823	499,270
Sale of other assets and payments received on notes receivable	9,528	2,077
Purchase of other assets and issuance of notes receivable	(10,151)	(4,861)
Net cash used in investing activities	(22,206)	(381,725)
<b>Financing activities:</b>		
Proceeds of long-term debt	-	309,110
Principal payments of long-term debt	(31,324)	(31,740)
Payment of debt issue costs	(195)	(3,870)
Proceeds of notes payable — affiliates	1,140,221	1,244,480
Payments of notes payable — affiliates	(1,086,592)	(1,275,571)
Proceeds of notes payable	314,309	469,793
Payments of notes payable	(354,184)	(644,786)
Payments under finance lease obligations	(518)	(454)
Dividends paid to noncontrolling interest	(14,249)	(13,329)
Net cash provided by (used in) financing activities	(32,532)	53,633
<b>Net increase in cash and cash equivalents and restricted and designated cash and equivalents</b>	94,418	119,972
<b>Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period</b>	502,469	465,964
<b>Cash and cash equivalents and restricted and designated cash and equivalents, end of period</b>	<b>\$ 596,887</b>	<b>\$ 585,936</b>

For the six months ended June 30, 2023 compared to six months ended June 30, 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	\$ 916.9	\$ 873.8	4.9%
Sales of electricity to non-members	135.2	94.2	43.5%
<b>Total electricity revenue</b>	<b>\$ 1,052.1</b>	<b>\$ 968.0</b>	8.7%

### ELECTRIC ENERGY SALES

(in thousand MWh)	2023	2022	% change
Members	15,544	14,267	9.0%
Others	2,866	2,694	6.4%
<b>Total electric energy sales</b>	<b>18,410</b>	<b>16,961</b>	8.5%
Peak billing demand (in MW)	4,512	4,371	3.2%

### ELECTRICITY REVENUE

- Sales of electricity to members increased by \$43.1 million.
  - Energy sold to our members increased by 1,277,000 MWh, or 9.0%. 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 \$41.0 million.
  - Energy sold to non-members increased 172,000 MWh, or 6.4%. The average sales price increased from \$34.97 in 2022 to \$47.17 per MWh in 2023.

### UTILITY OPERATING EXPENSES

(in millions)	2023	2022	% change
Production expense	\$ 77.3	\$ 73.7	4.9%
Fuel expense	170.6	151.9	12.3%
Other power supply	343.1	247.7	38.5%
Transmission operations	18.4	18.7	(1.6%)
Transmission wheeling	74.2	69.9	6.2%
Rent expense	5.0	5.0	-
Administration	55.3	47.7	15.9%
Maintenance	100.0	70.8	41.2%
Depreciation & amortization	101.8	97.9	4.0%
Taxes other than income	2.0	2.0	-
<b>Total operating expenses</b>	<b>\$ 947.7</b>	<b>\$ 758.3</b>	20.7%

### UTILITY OPERATING EXPENSES

- Utility operating expenses increased by \$162.4 million.
  - Other power supply was \$95.4 million higher largely as a result of higher purchased power related expenses.
  - Fuel expense was \$18.7 million higher mainly due to lower natural gas hedge proceeds and higher fuel used at natural gas facilities due to higher generation partially offset by lower gas costs due to lower natural gas prices.
  - Maintenance expense increased \$29.2 million.

## UTILITY INTEREST AND OTHER CHARGES

- Utility interest and other charges increased by \$5.7 million.
  - Interest on short-term debt increased by \$8.9 million resulting from higher interest rates.

## UTILITY NONOPERATING MARGIN

- Utility nonoperating margin increased by \$17.6 million due to higher interest income.

## 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	\$ 78.5	\$ 108.7	(27.8%)
Byproduct, coproduct and other	219.6	292.1	(24.8%)
Lignite coal	69.4	64.8	7.1%
<b>Total nonutility operating revenue</b>	<b>\$ 367.5</b>	<b>\$ 465.6</b>	(21.1%)
Synthetic gas sold (dekatherms in millions)	19.7	20.5	(3.9%)
Fertilizer products sold (tons in thousands)	259.8	231.3	12.3%
Coal sales (tons in millions) <sup>(1)</sup>	3.7	3.7	-

(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 \$98.1 million.
  - Decreased synthetic natural gas revenue by \$30.2 million as a result of lower natural gas prices in 2023. Realized prices (including natural gas hedge settlements) in 2023 of \$4.15 per dekatherm were \$1.21 per dekatherm lower than in 2022.
  - Decreased fertilizer sales revenue by \$41.8 million; increased sales volumes more than offset by lower prices.
  - Decreased diesel exhaust fluid sales revenue of \$14.5 million due to lower volumes sold at lower prices.
  - Lignite coal sales revenue increased \$4.6 million due to higher prices.

### NONUTILITY OPERATING EXPENSES

- Nonutility operating expenses decreased by \$3.1 million or 0.9%.
  - Purchased coal expense increased at Dakota Coal.
  - Decreased purchases of natural gas at Dakota Gas due to lower prices partially offset by increased volumes purchased.
  - Lower coal expense at Dakota Gas.



**BASIN ELECTRIC  
POWER COOPERATIVE**

A Touchstone Energy® Cooperative

