

3RD 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 nine-month periods ended September 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 September 30, (dollars in thousands)

	2023	2022
Assets		
Utility plant:		
Electric plant in service	\$ 7,486,614	\$ 7,409,030
Construction work in progress	416,923	93,275
Total electric plant	7,903,537	7,502,305
Less: accumulated provision for depreciation and amortization	(3,254,923)	(3,070,548)
	4,648,614	4,431,757
Nonutility property:		
Property, plant and equipment	1,560,813	1,532,035
Construction work in progress	80,339	58,429
Total nonutility property	1,641,152	1,590,464
Less: accumulated provision for depreciation and depletion	(655,115)	(609,620)
	986,037	980,844
Other property, investments and deferred charges:		
Mine related assets	122,076	112,499
Investments in associated companies	35,387	34,707
Restricted and designated investments	42,094	37,603
Other investments	271,973	294,849
Special funds	72,864	76,419
Regulatory assets	278,978	323,934
Other deferred charges	141,617	136,095
	964,989	1,016,106
Current assets:		
Cash and cash equivalents	65,695	334,047
Restricted and designated cash and equivalents	373,866	292,241
Short-term investments	559,324	607,270
Restricted and designated short-term investments	68,809	-
Customer accounts receivable	208,238	242,664
Other receivables	91,550	133,755
Fuel stock, materials and supplies	287,180	243,398
Prepayments and other current assets	183,673	140,804
	1,838,335	1,994,179
	<u>\$ 8,437,975</u>	<u>\$ 8,422,886</u>
Capitalization and Liabilities		
Capitalization:		
Equity:		
Memberships	\$ 22	\$ 22
Patronage capital	1,414,851	1,489,099
Retained earnings of subsidiaries	115,437	117,338
Other equity	286,417	346,348
Accumulated other comprehensive income (loss)	(4,038)	3,986
	1,812,689	1,956,793
Noncontrolling interest	1,909	2,730
	1,814,598	1,959,523
Long-term debt, net of current portion	4,287,935	4,438,848
Finance lease obligations, net of current portion	4,968	3,438
	6,107,501	6,401,809
Regulatory liabilities	504,066	400,091
Other deferred credits, taxes and other liabilities	583,539	515,506
	1,087,605	915,597
Current liabilities:		
Current portion of long-term debt	154,272	97,858
Current portion of finance lease obligations	703	438
Accounts payable	442,969	225,157
Notes payable – affiliates	256,426	282,103
Notes payable	189,221	229,257
Taxes and other current liabilities	199,278	270,667
	1,242,869	1,105,480
	<u>\$ 8,437,975</u>	<u>\$ 8,422,886</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

for the nine months ended September 30, (dollars in thousands)

	2023	2022
Utility operations:		
Operating revenue:		
Sales of electricity for resale	\$ 1,657,866	\$1,571,895
Other electric revenue	5,771	4,282
Total utility operating revenue	1,663,637	1,576,177
Operating expenses:		
Production expense	118,286	113,189
Fuel expense	273,971	269,070
Other power supply	492,552	388,264
Transmission operations	27,662	27,019
Transmission wheeling	108,516	105,983
Rent expense	7,500	7,500
Administration	82,969	73,395
Maintenance	142,537	95,202
Depreciation & amortization	152,406	147,334
Taxes other than income	3,103	3,052
Total utility operating expenses	1,409,502	1,230,008
Interest and other charges:		
Interest on long-term debt	144,197	148,976
Interest on short-term debt	16,584	4,760
Other, net of regulatory expense deferral	9,255	9,592
Total interest and other charges	170,036	163,328
Operating margin	84,099	182,841
Nonoperating margin:		
Interest and other income	56,333	30,811
Patronage allocations from other co-ops	4,753	4,487
Total nonoperating margin	61,086	35,298
Utility margin before income taxes	145,185	218,139
Nonutility operations:		
Operating revenue:		
Synthetic natural gas	101,724	177,213
Byproducts, coproduct and other	275,269	430,407
Lignite coal	103,498	107,044
Total nonutility operating revenue	480,491	714,664
Operating expenses (includes \$16,896 and \$17,192 of net income attributable to noncontrolling interest)	511,341	541,281
Operating income (loss)	(30,850)	173,383
Interest and other income	15,407	5,973
Nonutility income (loss) before income taxes	(15,443)	179,356
Margin and earnings before income taxes	129,742	397,495
Income tax expense	8,552	16,608
Net margin and earnings	\$ 121,190	\$ 380,887

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

for the nine months ended September 30, (dollars in thousands)

	2023	2022
Operating activities:		
Net margin and earnings	\$ 121,190	\$ 380,887
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	193,302	187,251
Deferred income taxes	3,831	16,274
Changes in regulatory assets and liabilities	4,631	48,173
Unrealized loss (gain) on investments	(4,228)	22,332
Patronage capital allocated	(8,442)	(7,447)
Other amortization and accretion	26,618	22,546
Insurance proceeds	26,580	-
Income attributable to noncontrolling interest	16,896	17,192
Changes in other operating elements:		
Customer accounts receivable	9,926	(98,567)
Other receivables	(3,545)	(19,831)
Fuel stock, materials and supplies	(44,660)	2,583
Prepayments and other current assets	(2,229)	(12,949)
Accounts payable	41,532	(8,058)
Taxes and other current liabilities	(106,592)	105,286
Changes in collateral	(11,718)	39,957
Other operating activities, net	21,432	(4,358)
Net cash provided by operating activities	284,524	691,271
Investing activities:		
Acquisition of electric plant	(241,984)	(78,396)
Acquisition of nonutility property	(31,233)	(29,614)
Proceeds from sales of property	1,642	1,974
Purchase of investments	(1,170,903)	(1,279,191)
Sale of investments	1,238,447	868,873
Sale of other assets and payments received on notes receivable	10,936	2,795
Purchase of other assets and issuance of notes receivable	(11,063)	(6,446)
Net cash used in investing activities	(204,158)	(520,005)
Financing activities:		
Proceeds of long-term debt	-	309,110
Principal payments of long-term debt	(40,610)	(45,315)
Payment of debt issue costs	(195)	(6,362)
Proceeds of notes payable — affiliates	1,653,863	1,814,813
Payments of notes payable — affiliates	(1,650,855)	(1,835,371)
Proceeds of notes payable	553,764	674,597
Payments of notes payable	(638,597)	(889,570)
Payments under finance lease obligations	(651)	(492)
Retirement of patronage capital	-	(13,200)
Dividends paid to noncontrolling interest	(19,993)	(19,152)
Net cash used in financing activities	(143,274)	(10,942)
Net increase (decrease) in cash and cash equivalents and restricted and designated cash and equivalents	(62,908)	160,324
Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period	502,469	465,964
Cash and cash equivalents and restricted and designated cash and equivalents, end of period	\$ 439,561	\$ 626,288

For the nine months ended September 30, 2023 compared to nine months ended September 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	\$ 1,437.4	\$ 1,352.5	6.3%
Sales of electricity to non-members	220.5	219.4	0.5%
Total electricity revenue	\$ 1,657.9	\$ 1,571.9	5.5%

ELECTRIC ENERGY SALES

(in thousand MWh)	2023	2022	% change
Members	23,753	21,939	8.3%
Others	4,338	4,292	1.1%
Total electric energy sales	28,091	26,231	7.1%
Peak billing demand (in MW)	4,689	4,375	7.2%

ELECTRICITY REVENUE

- Sales of electricity to members increased by \$84.9 million.
 - Energy sold to our members increased by 1,814,000 MWh, or 8.3%. 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 \$1.1 million.
 - Energy sold to non-members increased 46,000 MWh, or 1.1%. However, the average sales price decreased from \$51.12 in 2022 to \$50.83 per MWh in 2023.

UTILITY OPERATING EXPENSES

(in millions)	2023	2022	% change
Production expense	\$ 118.3	\$ 113.2	4.5%
Fuel expense	274.0	269.1	1.8%
Other power supply	492.5	388.2	26.9%
Transmission operations	27.7	27.0	2.6%
Transmission wheeling	108.5	106.0	2.4%
Rent expense	7.5	7.5	-
Administration	83.0	73.4	13.1%
Maintenance	142.5	95.2	49.7%
Depreciation & amortization	152.4	147.3	3.5%
Taxes other than income	3.1	3.1	-
Total operating expenses	\$ 1,409.5	\$ 1,230.0	14.6%

UTILITY OPERATING EXPENSES

- Utility operating expenses increased by \$179.5 million.
 - Other power supply was \$104.3 million higher largely as a result of higher purchased power related expenses.
 - Administration expense was \$9.6 million higher due to higher employee salaries and benefits and legal consultants.
 - Maintenance expense increased \$47.3 million largely due to planned maintenance work.

UTILITY INTEREST AND OTHER CHARGES

- Utility interest and other charges increased by \$6.7 million.
 - Interest on short-term debt increased by \$11.8 million resulting from higher interest rates.

UTILITY NONOPERATING MARGIN

- Utility nonoperating margin increased by \$25.8 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	\$ 101.7	\$ 177.2	(42.6%)
Byproduct, coproduct and other	275.3	430.4	(36.0%)
Lignite coal	103.5	107.1	(3.4%)
Total nonutility operating revenue	\$ 480.5	\$ 714.7	(32.8%)
Synthetic gas sold (dekatherms in millions)	29.9	31.0	(3.5%)
Fertilizer products sold (tons in thousands)	328.4	384.8	(14.7%)
Coal sales (tons in millions) ⁽¹⁾	5.5	6.1	(9.8%)

(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 \$234.2 million.
 - Decreased synthetic natural gas revenue by \$75.5 million as a result of lower natural gas prices in 2023. Realized prices (including natural gas hedge settlements) in 2023 of \$3.51 per dekatherm were \$2.19 per dekatherm lower than in 2022.
 - Decreased fertilizer sales revenue by \$104.6 million; lower sales volumes and lower prices.
 - Decreased diesel exhaust fluid sales revenue of \$24.4 million due to lower volumes sold at lower prices.
 - Lignite coal sales revenue decreased \$3.6 million due to lower volumes sold in 2023.

NONUTILITY OPERATING EXPENSES

- Nonutility operating expenses decreased by \$29.9 million or 5.5%.
 - Insurance proceeds of \$26.6 million from a business interruption claim related to a 2022 event.
 - Decreased purchases of natural gas at Dakota Gas due to lower prices partially offset by increased volumes purchased.
 - Lower coal expense at Dakota Gas.
 - Partially offset by higher contracted and maintenance expense at Dakota Gas related to planned maintenance work and increased purchased coal expense at Dakota Coal.



**BASIN ELECTRIC
POWER COOPERATIVE**

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