

Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the members and the Board of Directors of Basin Electric Power Cooperative

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Basin Electric Power Cooperative and subsidiaries (the "Cooperative") as of December 31, 2025 and 2024, the related consolidated statements of operations, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on the Cooperative's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Cooperative in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Cooperative is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities — Refer to Notes 2 and 9 to the financial statements

Critical Audit Matter Description

The Cooperative is subject to rate regulation by its Board of Directors, which establishes electric rates to customers that are subject to acceptance by the United States Department of Agriculture Rural Utilities Service (RUS). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the

specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation affects multiple financial statement line items and disclosures, including property, plant and equipment, regulatory assets and liabilities, operating revenues and expenses, and income taxes.

Rates are subject to regulatory rate-setting processes and are determined in order to recover the cost of service and to comply with the Cooperative's Indenture covenants and other contractual commitments and to establish reasonable reserves. Decisions by the Board of Directors and RUS in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. In the rate setting process, the Cooperative's rates result in the recording of regulatory assets and liabilities based on the probability of future cash flows. Regulatory assets generally represent incurred or accrued costs that have been deferred because future recovery from customers is probable. Regulatory liabilities generally represent amounts that are expected to be refunded to customers in future rates or amounts collected in current rates for future costs.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future resolutions of the Board of Directors or regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery in future rates of incurred costs and requirements to refund amounts to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Board of Directors and RUS, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Board of Directors and RUS included the following, among others:

- We inspected minutes of the Board of Directors and regulatory orders issued by the RUS, and recommendations being evaluated by the RUS, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates. We compared the minutes of the Board of Directors, regulatory orders and other publicly available information to the Cooperative's recorded regulatory assets and liabilities for completeness.
- We inquired of management about property, plant, and equipment that may be abandoned or retired prior to the end of its useful life. We inspected minutes of the Board of Directors and other filings with the RUS to identify any evidence that may contradict management's assertion regarding probability of an abandonment.
- We evaluated the Cooperative's financial statement presentation and disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota

April 15, 2026

We have served as the Cooperative's auditor since 2002.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
as of December 31,

Assets

	2025	2024
	(In thousands)	
Property, plant and equipment:		
Plant in service	\$ 10,252,773	\$ 9,397,849
Construction work in progress	778,763	831,772
Less: accumulated provision for depreciation and amortization	(4,375,917)	(4,169,001)
Net property, plant and equipment	6,655,619	6,060,620
Other assets and investments:		
Mine related assets	166,561	151,425
Investments in associated companies	37,024	36,240
Restricted and designated investments	61,362	54,313
Other investments	138,624	261,073
Special funds	69,564	69,489
Total other assets and investments	473,135	572,540
Current assets:		
Cash and cash equivalents	685,570	376,659
Restricted and designated cash and cash equivalents	301,923	317,251
Short-term investments	630	13,136
Receivables – Members	202,408	191,436
Receivables, net	117,228	117,094
Inventories	358,812	320,582
Prepayments and other current assets	118,837	102,988
Total current assets	1,785,408	1,439,146
Regulatory assets	311,373	295,157
Other deferred charges	172,122	127,319
Total deferred charges	483,495	422,476
Total Assets	\$ 9,397,657	\$ 8,494,782

The accompanying notes are an integral part of these consolidated financial statements.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, Continued
as of December 31,

Capitalization and Liabilities

	2025	2024
	(In thousands)	
Capitalization:		
Equity:		
Memberships	\$ 22	\$ 22
Patronage capital	1,523,238	1,476,557
Retained earnings of subsidiaries	142,776	125,713
Other equity	294,252	285,113
Accumulated other comprehensive income	13,463	4,806
	<u>1,973,751</u>	<u>1,892,211</u>
Noncontrolling interest	2,676	2,711
Total Equity	1,976,427	1,894,922
Long-term debt	4,949,264	4,588,373
Finance lease obligations	3,532	4,305
Total capitalization	<u>6,929,223</u>	<u>6,487,600</u>
Commitments and contingencies (Note 17)		
Current liabilities:		
Long-term debt and finance leases due within one year	177,134	194,264
Accounts payable	421,715	315,719
Notes payable – Members	159,495	142,390
Notes payable	475,000	200,000
Other current liabilities	196,460	145,404
Total current liabilities	<u>1,429,804</u>	<u>997,777</u>
Deferred credits and other:		
Regulatory liabilities	336,305	337,241
Deferred income tax liability	90,922	82,008
Other noncurrent liabilities	611,403	590,156
Total deferred credits and other	<u>1,038,630</u>	<u>1,009,405</u>
Total Capitalization and Liabilities	<u>\$ 9,397,657</u>	<u>\$ 8,494,782</u>

The accompanying notes are an integral part of these consolidated financial statements.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended December 31,

	2025	2024	2023
	(In thousands)		
Operating revenue:			
Sales - Members (related party).....	\$2,162,056	\$1,995,959	\$1,926,214
Other operating revenues (includes related party of \$272,191, \$225,241, and \$229,330, respectively)	925,715	819,440	960,904
Total operating revenues	3,087,771	2,815,399	2,887,118
Operating expenses:			
Electric fuel and purchased power (includes related party of \$183,343, \$149,029, and \$152,929, respectively)	1,116,603	1,074,416	1,077,496
Electric operations and maintenance (includes related party of \$(5,666), \$(9,916), and \$(9,988), respectively)	758,006	679,558	662,056
Cost of products sold (includes related party of \$64,717, \$60,496, and \$61,112, respectively)	597,232	542,295	544,439
Nonelectric selling, general and administrative (includes related party of \$29,797, \$25,632, and \$25,277, respectively)	114,612	47,782	38,905
Depreciation, depletion and amortization.....	276,761	259,477	249,500
Impairment of assets.....	4,164	36,296	5,035
Total operating expenses	2,867,378	2,639,824	2,577,431
Operating margin	220,393	175,575	309,687
Other income:			
Investment income.....	75,022	88,091	89,247
Other and tax credits.....	128,248	132,148	19,161
Total other income	203,270	220,239	108,408
Interest and other charges:			
Interest expense.....	305,800	297,233	265,762
Interest charged during construction.....	(27,939)	(32,376)	(10,059)
Total interest and other charges	277,861	264,857	255,703
Margin before income taxes.....	145,802	130,957	162,392
Income tax expense (benefit).....	6,530	(13,037)	(6,207)
Net margin and earnings including noncontrolling interest ...	139,272	143,994	168,599
Net margin and earnings attributable to noncontrolling interest	(23,000)	(23,215)	(21,083)
Net margin and earnings attributable to Basin Electric	\$ 116,272	\$ 120,779	\$ 147,516

The accompanying notes are an integral part of these consolidated financial statements.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the years ended December 31,

	2025	2024	2023
	(In thousands)		
Net margin and earnings including noncontrolling interest	\$ 139,272	\$ 143,994	\$ 168,599
Other comprehensive income (loss):			
Adjustment to post employment liability (net of tax of \$750, \$(44), and \$13, respectively)	4,180	2,826	4,010
Unrealized gain on securities (net of tax of \$29, \$305, and \$725, respectively)	104	1,070	2,706
Reclassification of net realized (gain) loss on securities (net of tax of \$29, \$(2), and \$13, respectively)	(110)	9	50
Unrealized gain (loss) on cash flow hedges (net of tax of \$1,465, \$(686), and \$3,651, respectively)	5,511	(2,578)	13,736
Reclassification of net realized gain on cash flow hedges (net of tax of \$(273), \$(600), and \$(6,338), respectively)	(1,028)	(2,259)	(23,839)
Total other comprehensive income (loss)	8,657	(932)	(3,337)
Comprehensive income including noncontrolling interest	147,929	143,062	165,262
Comprehensive income attributable to noncontrolling interest	(24,358)	(26,207)	(25,046)
Comprehensive income attributable to Basin Electric	\$ 123,571	\$ 116,855	\$ 140,216

The accompanying notes are an integral part of these consolidated financial statements.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the years ended December 31, 2025, 2024, and 2023

	Memberships	Patronage Capital	Retained Earnings of Subsidiaries	Other Equity	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
(In thousands)							
Balance, December 31, 2022	\$ 21	\$1,228,756	\$ 120,410	\$ 346,348	\$ 9,075	\$ 5,006	\$ 1,709,616
Comprehensive income (loss)	-	150,254	(2,738)	-	(7,300)	-	140,216
Transfers to other equity	-	59,931	-	(59,931)	-	-	-
Purchase of memberships	1	-	-	-	-	-	1
Retirement of patronage capital	-	(42,975)	6,302	-	-	-	(36,673)
Comprehensive income attributable to noncontrolling interest	-	-	-	-	3,963	21,083	25,046
Dividends paid to noncontrolling interest	-	-	-	-	-	(24,268)	(24,268)
Balance, December 31, 2023	22	1,395,966	123,974	286,417	5,738	1,821	1,813,938
Comprehensive income (loss)	-	125,872	(5,093)	-	(3,924)	-	116,855
Transfers to other equity	-	1,304	-	(1,304)	-	-	-
Retirement of patronage capital	-	(46,585)	6,832	-	-	-	(39,753)
Comprehensive income attributable to noncontrolling interest	-	-	-	-	2,992	23,215	26,207
Dividends paid to noncontrolling interest	-	-	-	-	-	(22,325)	(22,325)
Balance, December 31, 2024	22	1,476,557	125,713	285,113	4,806	2,711	1,894,922
Comprehensive income	-	104,735	11,537	-	7,299	-	123,571
Transfers to other equity	-	(9,139)	-	9,139	-	-	-
Retirement of patronage capital	-	(48,915)	5,526	-	-	-	(43,389)
Comprehensive income attributable to noncontrolling interest	-	-	-	-	1,358	23,000	24,358
Dividends paid to noncontrolling interest	-	-	-	-	-	(23,035)	(23,035)
Balance, December 31, 2025	\$ 22	\$1,523,238	\$ 142,776	\$ 294,252	\$ 13,463	\$ 2,676	\$ 1,976,427

The accompanying notes are an integral part of these consolidated financial statements.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31,

	2025	2024	2023
	(In thousands)		
Operating activities:			
Net margin and earnings attributable to Basin Electric	\$ 116,272	\$ 120,779	\$ 147,516
Adjustments to reconcile net margin and earnings to net cash provided by operating activities:			
Depreciation, amortization and accretion	337,226	349,157	296,852
Deferred income taxes	(1,109)	(15,564)	(12,725)
Changes in regulatory assets and liabilities	2,230	(63,792)	(58,826)
Unrealized gain on investments	(7,327)	(12,034)	(11,384)
Patronage capital allocated	(6,752)	(7,224)	(8,444)
Income attributable to noncontrolling interest	23,000	23,215	21,083
Recognition of initial payment for tax credits	(11,483)	(20,657)	-
Changes in other operating elements:			
Receivables	(10,738)	(26,421)	51,739
Inventories	(39,741)	(31,333)	(52,948)
Prepayments and other current assets	(10,118)	(1,708)	(10,009)
Accounts payable	17,368	7,039	56,800
Other current liabilities	27,742	(18,679)	(166,396)
Other operating activities, net	(28,125)	(40,232)	5,399
Net cash provided by operating activities	<u>408,445</u>	<u>262,546</u>	<u>258,657</u>
Investing activities:			
Capital expenditures	(807,224)	(645,126)	(524,639)
Proceeds from sales of property	14,589	3,910	1,783
Purchase of investments	(67,656)	(1,138,995)	(1,300,771)
Sale of investments	188,374	1,517,156	1,607,266
Changes in other investments, net	(6,632)	(3,727)	(655)
Net cash used in investing activities	<u>(678,549)</u>	<u>(266,782)</u>	<u>(217,016)</u>
Financing activities:			
Proceeds from sale of membership interest	-	167,467	-
Proceeds from issuance of long-term debt	816,270	479,600	80,000
Principal payments of long-term debt	(458,557)	(212,331)	(88,692)
Payment of debt issuance costs	(13,365)	(2,875)	(383)
Changes in notes payable – Members, net	12,704	(94,728)	(12,776)
Changes in short-term borrowings, net	275,000	(36,964)	685
Retirement of patronage capital	(43,389)	(39,753)	(36,673)
Dividends paid to noncontrolling interest	(23,035)	(22,325)	(24,268)
Other	(1,941)	(1,138)	(810)
Net cash provided by (used in) financing activities	<u>563,687</u>	<u>236,953</u>	<u>(82,917)</u>
Net increase (decrease) in cash and cash equivalents and designated cash and equivalents	<u>293,583</u>	<u>232,717</u>	<u>(41,276)</u>
Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period	693,910	461,193	502,469
Cash and cash equivalents and restricted and designated cash and equivalents, end of period	<u>\$ 987,493</u>	<u>\$ 693,910</u>	<u>\$ 461,193</u>

The accompanying notes are an integral part of these consolidated financial statements.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
for the years ended December 31,

	2025	2024	2023
	(In thousands)		
Supplemental cash flow information:			
Cash paid for interest	\$ 258,649	\$ 257,934	\$ 241,791
Cash paid (refunded) for income taxes	\$ 153	\$ 2,411	\$ (603)
Supplemental disclosure of noncash investing and financing activities:			
Accrued acquisition of property, plant and equipment	\$ 120,736	\$ 40,042	\$ 66,828
Operating lease additions	\$ 33,678	\$ 14,745	\$ 14,695

The accompanying notes are an integral part of these consolidated financial statements.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Basin Electric Power Cooperative (Basin Electric) is an electric generation and transmission cooperative corporation, organized and existing under the laws of the State of North Dakota. It serves member electric service needs in a nine-state region of North Dakota, South Dakota, Montana, Wyoming, New Mexico, Colorado, Nebraska, Minnesota and Iowa. Basin Electric's power supply resources are composed of its own generating facilities and contractual power purchase arrangements. Basin Electric owns and operates transmission assets, some of which are a part of the Southwest Power Pool and others which are jointly owned.

The rates charged to its members for electric service are established by Basin Electric's Board of Directors with changes in rates subject to acceptance by the United States Department of Agriculture Rural Utilities Service (RUS).

Basin Electric has three wholly owned for-profit subsidiaries, Dakota Gasification Company (Dakota Gas), Dakota Coal Company (Dakota Coal), and Nemadji River Generation (NRG). Basin Electric also has one wholly owned not-for-profit subsidiary, Basin Cooperative Services (BCS). Dakota Gas has a wholly owned for-profit subsidiary, Souris Valley Pipeline Limited (SVPL). Dakota Coal has a wholly owned for-profit subsidiary, Montana Limestone Company (MLC). Dakota Gas owns and operates the Great Plains Synfuels Plant (Synfuels Plant) which converts lignite coal into pipeline-quality synthetic gas and produces a number of other products including anhydrous ammonia, urea, diesel exhaust fluid (DEF), carbon dioxide (CO₂), tar oil and chemical products. The Synfuels Plant is located adjacent to Basin Electric's Antelope Valley Station (AVS) electric generating plant. These plants share certain facilities, and coal and water supplies. Dakota Gas supplies various Basin Electric gas generating stations and AVS with synthetic gas. SVPL owns and operates a CO₂ pipeline in Saskatchewan, Canada. Dakota Coal purchases lignite coal from the Freedom Mine, a coal mine in North Dakota that is owned and operated by The Coteau Properties Company (Coteau), a wholly owned subsidiary of The North American Coal Corporation (NACoal). NACoal is a wholly owned subsidiary of NACCO Industries, Inc. (NACCO). Coteau is a variable interest entity (VIE) of Dakota Coal. Pursuant to the coal purchase agreement, Dakota Coal is obligated to provide financing for and has certain rights with respect to the operation of the coal mine. The lignite coal is used in Basin Electric's Leland Olds Station (LOS), AVS, and Dakota Gas's Synfuels Plant. Dakota Coal coordinates procurement and rail delivery of Powder River Basin coal to the Laramie River Station (LRS) and the Dry Fork Station (DFS). Dakota Coal also owns a lime plant that sells lime to AVS, the Laramie River Station (LRS) and others. MLC operates a limestone quarry and owns and operates a fine grind plant, both in Montana, and sells limestone to Dakota Coal's lime plant, LOS and others. BCS provides certain nonutility property management services to Basin Electric. Basin Electric is a 42.27 percent owner of the Missouri Basin Power Project (MBPP) and acts as the operating agent for the 1,700 megawatt LRS generating plant in Wyoming, associated transmission facilities and the Grayrocks Dam and Reservoir. Basin Electric's ownership in MBPP is accounted for using proportionate consolidation consistent with accounting for jointly owned utility property. NRG was a 30 percent owner in the Nemadji Trail Energy Center (NTEC) project, which was a proposed 600 megawatt combined cycle generating plant in Wisconsin. In January 2026, NRG exited the NTEC project.

Dakota Carbon Services LLC (DCS), a Delaware limited liability company, was incorporated in October 2023. DCS was formed to own and operate carbon capture assets in North Dakota and to contract for transportation and sequestration of CO₂. In February 2024, an LLC agreement was entered into by DGC with a tax equity partner to monetize tax credits available under Section 45Q of the United States Internal Revenue Code for the capture and sequestration of CO₂ (45Q transaction).

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION—The consolidated financial statements include the accounts of Basin Electric, its wholly owned subsidiaries and its VIE's, Coteau and DCS. DCS is considered a VIE for which Dakota Gas is the primary beneficiary. All intercompany investments, debt, and receivable and payable accounts have been eliminated in consolidation. Charges from BCS, Dakota Gas, Dakota Coal, MLC and Coteau to Basin Electric and charges from Basin Electric to BCS, Dakota Gas, Dakota Coal, MLC and Coteau are not eliminated as Basin Electric includes the results of these activities in the determination of rates charged to its members (Note 19).

N-7 LLC (N-7) is a Delaware limited liability company formed by OCI Iowa, Inc. (OCI) and Dakota Gas on May 18, 2018. N-7 was formed to market OCI's, Dakota Gas's and other companies' fertilizer and DEF production. N-7 is considered a VIE of Dakota Gas for which Dakota Gas is not the primary beneficiary and, therefore, Dakota Gas is not required to consolidate N-7. However, Dakota Gas has the ability to exercise significant influence over N-7. Therefore, Dakota Gas's share of N-7 net income is recorded in the consolidated financial statements using the equity method of accounting. The investment in N-7 is included in other investments on the consolidated balance sheets and Dakota Gas' share of N-7 net income is presented in other and tax credits income in the consolidated statements of operations.

In 2024, Dakota Gas and OCI agreed to dissolve N-7 with final dissolution to be completed in the first half of 2026. Basin Electric does not anticipate this to have a material impact on the consolidated financial statements and disclosures.

USE OF ESTIMATES—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for items such as present value of lease assets and lease liabilities, plant depreciable lives, actuarially determined benefit costs, valuation of derivatives, asset retirement obligations, present value of expected tax credits, cash flows used in asset impairment evaluations and income tax expense or benefits. Ultimate results could differ from those estimates.

CASH AND CASH EQUIVALENTS—Basin Electric considers all investments purchased with an original maturity of three months or less to be cash equivalents. The fair value of cash equivalents approximates their carrying values due to their short-term maturity.

RESTRICTED AND DESIGNATED CASH AND INVESTMENTS—Basin Electric has certain restricted cash and investments for MBPP operating funds. Other restricted investments are held in trust by a financial institution for SVPL asset retirement obligations. Basin Electric's Board of Directors designates additional cash and investments for deferred revenue purposes and for other asset retirement obligations. For more information, see Note 6.

INVESTMENTS—Investments include equity securities, corporate bonds, government obligations and bond market funds as well as the cash surrender value of life insurance policies. Investments in equity securities are measured at fair value with unrealized gains and losses recorded on the consolidated statements of operations for nonutility operations. For utility operations, the unrealized gain and losses are deferred as regulatory items using ASC 980, *Regulated Operations*. Basin Electric classifies its debt securities as either available-for-sale or held-to-maturity. Available-for-sale debt securities are measured at fair value and unrealized gains and losses are recorded in accumulated other comprehensive income. Held-to-maturity debt securities are measured at amortized cost. If any of Basin Electric's other investments experience a decline in value that is believed to be other than temporary, a loss is

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

recognized in other and tax credits income in the consolidated statements of operations. For more information, see Note 7.

INVENTORIES—Dakota Gas products available for sale and MLC limestone inventories are stated at the lower of average cost or net realizable value. Fuel stock, materials and supplies inventories are stated at average cost, which approximates market. Inventories were as follows at December 31:

	2025	2024
	(In thousands)	
Materials and supplies	\$ 245,857	\$ 221,836
Coal and fuel oil	62,238	67,009
Lime and limestone inventory	8,484	8,779
Ammonia	9,233	4,434
Urea	18,786	7,134
Natural gas held in storage	2,055	3,418
Ammonium sulfate	5,081	3,015
Other products	6,611	4,398
Process inventory	467	559
	<u>\$ 358,812</u>	<u>\$ 320,582</u>

PATRONAGE CAPITAL—At the discretion of Basin Electric’s Board of Directors, utility margins are allocated to members on a patronage basis or may be offset in whole or in part against current or prior losses. Basin Electric may not retire patronage capital if, after the distribution, an event of default would exist or Basin Electric’s equity would be less than 20 percent of total long-term debt and equity. Cumulative patronage capital retired was \$567.2 million and \$518.3 million at December 31, 2025 and 2024, respectively.

REVENUE RECOGNITION—Revenue is recognized when a performance obligation is satisfied which occurs when the control of the promised goods or services is transferred to customers. Revenue is measured based on the transaction price identified in the contract with a customer. The transaction price in a contract reflects the amount of consideration to which an entity expects to be entitled to in exchange for goods or services transferred. Payment terms vary by contract. Generally, payment is due within 30 days.

Revenue is derived from the electric utility, gasification, and coal and limestone operations.

Electric utility operations mainly consist of wholesale electricity sales to members pursuant to long-term wholesale electric service contracts and the sale of excess energy and ancillary services transacted through regional transmission organizations (RTOs) and short-term wholesale power agreements by Basin Electric.

- Sales of electricity to members - The delivery of energy under member wholesale power agreements is considered one single performance obligation as providing the electric power commodity and the transmission of the electricity is fulfilling a single promise to the customer. The terms of the wholesale power agreements specify the rate schedules applicable and other pricing provisions. The member rate schedules are approved by the Basin Electric Board of Directors. The satisfaction of the performance obligation is measured over time as the customer simultaneously receives and consumes the benefits provided. The output method is used where revenue is recognized based on the metered quantity and as energy is delivered.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

- Sales of electricity to non-members - The sale of excess energy to non-members is considered a single performance obligation. The terms of either the bilateral power sales contract or the RTO market protocols determine the pricing terms. The satisfaction of the performance obligation is measured over time as the customer simultaneously receives and consumes the benefits provided. The output method is used where revenue is recognized as energy is delivered. Transactions are netted on an hourly basis and are recorded as either sales or purchases.
- Miscellaneous revenue - Miscellaneous revenue primarily consists of miscellaneous services provided and miscellaneous sales of equipment. Generally, a single performance obligation exists in the generation of other revenue and the performance obligation is satisfied at a point in time. The contract specifies the price, and revenue is recognized as delivery occurs or services are rendered.

Gasification operations mainly consists of the sale of synthetic natural gas, fertilizer and DEF products and other byproducts such as CO₂, tar oil and chemical products which are produced at Dakota Gas's Synfuels Plant.

- Synthetic natural gas and certain other byproducts - The sale and delivery of synthetic natural gas and certain other byproducts (exclusive of fertilizer and DEF products) is considered one single performance obligation as providing the commodity and the delivery of it is fulfilling a single promise to the customer as control transfers to the customer upon delivery. The performance obligation is satisfied at a point in time. The sales contracts specify the price, and revenue is recognized as delivery occurs.
- Fertilizer products - For the sale of fertilizer and DEF products, control transfers at a point in time depending on whether the shipping of the product is included in the performance obligation. The marketing agreement with N-7 specified the price and revenue was recognized as products exited the plant. After the dissolution of N-7, the price and revenue is recognized as control of the product transfers to the customer, which may be as products exit the plant or upon delivery, depending on the sales contract with these customers.
- Miscellaneous revenue - Miscellaneous revenue primarily consists of miscellaneous services provided and miscellaneous sales of equipment. Generally, a single performance obligation exists in the generation of other revenue and the performance obligation is satisfied at a point in time. The contract specifies the price, and revenue is recognized as delivery occurs or services are rendered.

Coal and limestone operations mainly consists of the sale of lignite coal that Dakota Coal purchases from Coteau from the Freedom Mine for use at AVS, LOS and Dakota Gas's Synfuels Plant.

- Lignite coal - The sale and delivery of lignite coal is considered one single performance obligation as providing the commodity and the delivery of it is fulfilling a single promise to the customer as control transfers to the customer upon delivery. The performance obligation is satisfied at a point in time. The coal supply contracts specify the price, and revenue is recognized as delivery occurs.
- Miscellaneous revenue - Miscellaneous revenue largely consists of sales of lime from Dakota Coal's lime plant and sales of limestone from MLC's limestone quarry and fine grind plant. The sale and delivery of lime and limestone is considered one single performance obligation as providing the lime and limestone and the delivery of it is fulfilling a single promise to the customer as control transfers to the customer upon delivery. The performance obligation is satisfied at a point in time. The sales contracts specify the price, and revenue is recognized as delivery occurs.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES—Accounts receivable primarily consists of wholesale electricity sales to members and non-members and sales of synthetic natural gas, fertilizer and DEF and other products. Accounts receivable are stated at billed and estimated unbilled amounts, net of allowance for credit losses.

An allowance for credit losses is recorded based on estimated uncollectible trade receivables. Estimated uncollectible trade receivables are reviewed with consideration given to historical experience, credit worthiness and the age of the receivable balances. An allowance for credit losses is recorded when we are aware of a customer's inability or reluctance to pay. Accounts are written off once they are determined to be uncollectible.

ACCOUNTING FOR GOVERNMENT GRANTS—As a part of the 45Q transaction to monetize Section 45Q tax credits, Dakota Gas received an initial payment of \$167.5 million in 2024 from the tax equity investor and the right to receive installment payments in exchange for certain membership interest in DCS. The initial payment was recognized in other noncurrent liabilities and the initial payment is accounted for as a sale of future revenue using the effective interest method. The carrying amount of the initial payment liability is the present value of the expected future tax credits to be earned. When there is reasonable assurance that the tax credits will be earned, the initial payment liability is reduced and other income with an interest expense component is recorded. The installment payments are recorded as other income when received.

Dakota Gas accounts for the monetization of the tax credits that DCS is eligible to receive under Section 45Q of the U.S. IRC as government grants under the grant model by analogy to IFRS (International Financial Reporting Standards) IAS (International Accounting Standards) 20, Accounting for Government Grants and Disclosure of Government Assistance. The Section 45Q tax credits are considered a grant related to income and Basin Electric has elected to present the monetization of the benefit as other and tax credits income and interest expense on the consolidated statements of operations. The monetization of the Section 45Q tax credits are recognized when there is reasonable assurance that the tax credits will be received.

LEASES—Leases are classified as either operating leases or finance leases based on guidance provided in ASC 842, *Leases*. Lease liabilities and their corresponding lease assets are recorded based on the present value of lease payments over the expected lease term. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases. For finance leases, the amortization of lease assets is recognized on a straight-line basis. Basin Electric does not recognize a corresponding lease asset or lease liability for leases with an original lease term of 12 months or less. Basin Electric determines the lease term based on the non-cancelable period in each contract, as well as any cancelable periods for which it is reasonably certain the lease will be extended.

The discount rate used to calculate the present value of the lease liabilities is based upon the implied rate within each contract. If the rate is unknown or cannot be determined, Basin Electric uses an incremental borrowing rate, which is determined by the length of the contract and Basin Electric's estimated borrowing rates as of the commencement date of the contract.

Variable lease payments that do not depend on an index or rate are recognized as incurred.

PROPERTY, PLANT AND EQUIPMENT—Property, plant and equipment are stated at cost, including contract work, direct labor and materials, allocable overheads and allowance for funds used during construction. Repairs and maintenance are charged to operations as incurred. Generally, when electric plant is retired, sold, or otherwise disposed of, the original cost plus the cost of removal less salvage value is charged to accumulated depreciation and the corresponding gain or loss is amortized over the remaining life of the plant. However, when an entire electric plant unit or system or land is sold, the cost

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

and the related accumulated depreciation are eliminated and a gain or loss is reflected in the consolidated statements of operations. When nonutility property is retired or sold any gain or loss is reflected in the consolidated statements of operations. For more information, see Note 5.

DEPRECIATION, DEPLETION AND AMORTIZATION—Electric plant and nonutility property at Dakota Gas is depreciated using a straight-line method over a remaining estimated useful life. For nonutility property at Dakota Coal, depreciation and depletion are provided for using the straight-line method based on the estimated useful lives or the units-of-production method based on estimated recoverable tonnage. For more information, see Note 5.

RECOVERABILITY OF LONG-LIVED ASSETS—Basin Electric accounts for the impairment or disposal of long-lived assets in accordance with ASC 360, Property, Plant, and Equipment, which requires long-lived assets, such as property and equipment, to be evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment has occurred when estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment has occurred, the carrying amount of the asset is reduced to its estimated fair value based on quoted market prices or other valuation techniques.

The impairment loss of \$4.2 million in 2025 relates to coal gasification additions that were impaired upon purchase. The impairment loss of \$36.3 million in 2024 consists of \$32.3 million related to NRG's investment in NTEC; as it is not expected to generate any future cash flows, and \$4.0 million of coal gasification additions that were impaired upon purchase. In 2018, management determined that certain coal gasification assets were impaired, consequently any subsequent coal gasification asset additions were impaired upon purchase.

An impairment loss of \$5.0 million in 2023 consists of coal gasification additions that were impaired upon purchase.

REGULATORY ASSETS AND LIABILITIES—Basin Electric is subject to the provisions of ASC 980. Regulatory assets represent probable future revenue to Basin Electric associated with certain costs which will be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenue associated with amounts that are to be credited to customers through the ratemaking process. For more information, see Note 9.

INCOME TAXES—Basin Electric uses the asset and liability method to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities and their respective tax bases. Deferred taxes are recorded using the tax rates scheduled by tax law to be in effect in the periods when the temporary differences reverse. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that a portion or all of the deferred tax assets will not be realized. The realizability of deferred tax assets is determined by taking into consideration forecasts of future taxable income, the reversal of other existing temporary differences, available net operating loss carryforwards and available tax planning strategies. Changes in valuation allowances are included in the provision for income taxes in the period of the changes.

Basin Electric recognizes the tax effects of all tax positions that are more-likely-than-not to be sustained on audit based solely on the technical merits of those positions as of the balance sheet date. Changes in the recognition or measurement of such positions are recognized in the provision for income taxes in the period of the changes. Basin Electric classifies interest and penalties on tax uncertainties as components of those accounts in the consolidated statements of operations. For more information, see Note 13.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

DERIVATIVE FINANCIAL INSTRUMENTS-All derivatives are measured at fair value and recognized as either assets or liabilities on the consolidated balance sheets, except for derivative contracts that qualify for and are elected under the normal purchase and normal sales exception under the requirements of ASC 815, Derivatives and Hedging. Basin Electric, Dakota Gas and Dakota Coal evaluate all purchase and sale contracts when executed to determine if they are derivatives and, if so, if they meet the normal purchase normal sale exception requirements under ASC 815. The derivative instruments that do not meet the normal purchase and normal sales exception are evaluated for designation as cash flow hedges of forecasted sales and purchases of commodities. Basin Electric also utilizes interest rate swap agreements to reduce exposure to interest rate fluctuations associated with floating rate debt obligations and anticipated debt financing.

Under ASC 980, Basin Electric defers changes in the fair value of certain derivative activity as a regulatory item to be recovered through rates in the future. Only current settlements of these derivative transactions are included in earnings. For more information, see Note 8.

COLLATERAL-Certain derivative instruments and certain agreements of Basin Electric and Dakota Gas contain contract provisions that require collateral to be posted if the credit ratings of Basin Electric fall below certain levels or if the counterparty exposure to Basin Electric or Dakota Gas exceeds a certain level.

Collateral posted (received) is related to derivative assets and liabilities and agreements that contain credit-related contingent features and is included in the consolidated balance sheets as follows:

	2025	2024
	(In thousands)	
Other investments	\$ 47,575	\$ 50,633
Cash and cash equivalents	-	1,297
Prepayments and other current assets	3,350	6,530
Other current liabilities	(1,954)	(3,311)
	<u>\$ 48,971</u>	<u>\$ 55,149</u>

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE-ASC 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard applies to reported balances that are required or permitted to be measured at fair value.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). For more information, see Note 14.

INSURANCE PROCEEDS- In 2022, Dakota Gas had an electrical power outage loss that resulted in reduced equipment availability. As a result of that event, in 2023, Dakota Gas and Dakota Coal received \$26.6 million of business interruption insurance proceeds. In 2024, due to the same event Dakota Gas received \$8.5 million of property damage insurance proceeds. The insurance proceeds were recognized as a reduction of nonelectric selling, general and administrative expenses in the consolidated statements of operations.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

In 2022, Dakota Gas had a fire resulting in the loss of property. As a result of that event, in 2024, Dakota Gas settled with its insurance carrier on the claim resulting in recognition of \$13.8 million of property damage insurance proceeds. The property damage insurance proceeds were recognized as a reduction of nonelectric selling, general and administrative expenses in the consolidated statements of operations.

SUBSEQUENT EVENTS—Basin Electric considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to December 31, 2025 through April 15, 2026, the date the consolidated financial statements were available for issuance.

Management is not aware of any material subsequent events that would require recognition or disclosure in the 2025 consolidated financial statements.

3. NEW ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING STANDARD UPDATES (ASU)

ASU 2023-09, Income Taxes: Improvements to Income Tax Disclosures – In December 2023, the FASB issued new guidance to improve the transparency of income tax disclosures related to the rate reconciliation and income taxes paid disclosures. Other amendments improve the effectiveness and comparability of disclosures by adding disclosures of pretax income (or loss) and income tax expense (or benefit) and removing disclosures that no longer are considered cost beneficial or relevant. Basin Electric has retrospectively implemented this guidance for the year ended December 31, 2025 and has identified and updated disclosures to ensure compliance with the new guidance, which are included in Note 13.

RECENTLY ISSUED ACCOUNTING STANDARD UPDATES NOT YET ADOPTED

ASU No. 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses – In November 2024, the FASB issued new guidance to improve disclosures about a public business entity's expenses that will require additional detail for certain categories of income statement expenses. The new guidance will be effective for Basin Electric for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted and the new guidance is to be applied either on a prospective or retrospective basis. Management is currently evaluating the impact of adoption of this new guidance on the financial statements and disclosures.

ASU No. 2025-05, Financial Instruments-Credit Losses: Measurement of Credit Losses for Accounts Receivable and Contract Assets – In July 2025, the FASB issued new guidance to address challenges encountered when applying existing guidance to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this update introduce a practical expedient for all entities and an accounting policy election for entities other than public business entities. The new guidance will be effective for Basin Electric for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted and the new guidance is to be applied on a prospective basis. Management is currently evaluating the impact of adoption of this new guidance on the financial statements and disclosures.

ASU No. 2025-06, Intangibles-Goodwill and Other-Internal-Use Software: Targeted Improvements to the Accounting for Internal-Use Software – In September 2025, the FASB issued new guidance to modernize existing older guidance regarding capitalization and recognition to reflect the software development approaches currently being utilized. The new guidance will be effective for Basin Electric for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted and the new guidance is to be applied using one of

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

the three prescribed approaches. Management is currently evaluating the impact of adoption of this new guidance on the financial statements and disclosures.

ASU No. 2025-09, Derivatives and Hedging: Hedge Accounting Improvements – In November 2025, the FASB issued new guidance in an effort to better reflect an entity's risk management activities in the financial statements. The update makes targeted improvements by addressing five specific matters that arose from the implementation of previous ASU 2017-12, *Derivatives and Hedging: Targeted Improvements for Accounting for Hedging Activities* and the effects of LIBOR cessation. The new guidance will be effective for Basin Electric for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted and the new guidance is to be applied on a prospective basis, although an entity may elect to adopt the guidance for hedging relationships that exist as of the date of adoption. Management is currently evaluating the impact of adoption of this new guidance on the financial statements and disclosures.

ASU No. 2025-10, Government Grants: Accounting for Government Grants Received by Business Entities – In December 2025, the FASB issued new guidance to improve GAAP by establishing authoritative guidance on the accounting for government grants received by business entities. Previously, GAAP did not provide specific guidance about the recognition, measurement, and presentation of a grant received by a business entity from a government, and due to this absence of specific guidance, Basin Electric like many other business entities, utilized the guidance contained in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. The new guidance will be effective for Basin Electric for annual reporting periods beginning after December 15, 2028, and interim reporting periods within those annual reporting periods. Early adoption is permitted and the new guidance is to be applied using one of the three prescribed approaches. Management is currently evaluating the impact of adoption of this new guidance on the financial statements and disclosures.

4. LEASES

LESSEE ACCOUNTING—Most of the leases Basin Electric enters into are for certain substation, office and communication equipment, mining equipment, railcars, certain land leases and a generation facility, as part of its ongoing operations. Basin Electric determines if an arrangement contains a lease at inception of a contract.

Generally, the leases for certain substation, office and communication equipment, mining equipment and railcars have a term of ten years or less, certain land leases have a longer term of up to 100 years and the generation facility has a term of ten years. To date, Basin Electric does not have any residual value guarantee amounts probable of being owed to a lessor. Basin Electric does have financing leases and material agreements with related parties.

The lease costs are included in electric operations and maintenance, cost of products sold, nonelectric selling, general and administrative expenses, depreciation and amortization and interest expense on the consolidated statements of operations.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The components of lease expense for the years ended December 31 were as follows:

	2025	2024	2023
	(In thousands)		
Finance lease cost:			
Amortization of lease assets	\$ 1,533	\$ 1,674	\$ 1,228
Interest on lease liabilities	428	503	435
Operating lease cost	33,885	26,330	25,502
Short-term lease cost	2,583	2,114	4,478
Variable lease cost	1,267	1,309	1,062
Sublease income	(1,657)	(1,562)	(1,541)
Total lease cost	<u>\$ 38,039</u>	<u>\$ 30,368</u>	<u>\$ 31,164</u>

Supplemental cash flow information related to leases as of December 31 was as follows:

	2025	2024	2023
	(In thousands)		
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from finance leases	\$ 180	\$ 243	\$ 286
Operating cash flows from operating leases	\$ 32,669	\$ 25,909	\$ 25,848
Financing cash flows from finance leases	\$ 1,217	\$ 1,138	\$ 810

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Supplemental balance sheet information related to leases as of December 31 was as follows:

	Balance Sheet Location	2025	2024
(In thousands)			
Assets:			
Net operating lease assets.....	Other deferred charges	\$ 129,903	\$ 124,062
Financing lease assets.....	Plant in service	\$ 11,911	\$ 12,522
Less: Accumulated amortization.....	Accumulated provision for depreciation and amortization	(4,824)	(4,274)
Net finance lease assets.....		\$ 7,087	\$ 8,248
Liabilities:			
Current:			
Operating leases.....	Other current liabilities	\$ 30,030	\$ 22,434
Finance leases.....	Long-term debt and finance leases due within one year	1,114	1,066
Total current lease liabilities.....		\$ 31,144	\$ 23,500
Noncurrent:			
Operating leases.....	Other noncurrent liabilities	\$ 99,987	\$ 101,773
Finance leases.....	Finance lease obligations	3,532	4,305
Total noncurrent lease liabilities.....		\$ 103,519	\$ 106,078

Weighted average remaining terms and discount rates related to leases as of December 31 was as follows:

	2025	2024
Weighted-average remaining lease term-finance leases.....	10.9 years	10.9 years
Weighted-average remaining lease term-operating leases.....	9.6 years	10.9 years
Weighted-average discount rate-finance leases.....	5.1 %	5.3 %
Weighted-average discount rate-operating leases.....	4.6 %	3.7 %

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The reconciliation of the future undiscounted cash flows to the lease liabilities presented on the consolidated balance sheet at December 31, 2025, was as follows:

Year	Operating Leases	Finance Leases	Total
		(In thousands)	
2026	\$ 31,661	\$ 1,364	\$ 33,025
2027	31,539	865	32,404
2028	20,304	598	20,902
2029	15,123	359	15,482
2030	13,716	206	13,922
Thereafter	47,319	2,919	50,238
Total lease payment	159,662	6,311	165,973
Less: discount	29,645	1,665	31,310
Total lease liabilities	<u>\$ 130,017</u>	<u>\$ 4,646</u>	<u>\$ 134,663</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. PROPERTY, PLANT AND EQUIPMENT AND JOINTLY OWNED FACILITIES

Significant components of property, plant and equipment were as follows at December 31:

	Depreciable Lives	2025	2024
(In thousands)			
Electric Utility:			
Generation	20-60 years	\$ 6,549,352	\$ 5,811,843
Transmission	20-60 years	1,606,477	1,569,678
General plant	3-20 years	352,711	327,392
Other property	3-32 years	1,909	1,909
Construction work in progress		769,953	819,808
Total Electric Utility		9,280,402	8,530,630
Less: accumulated provision for depreciation and amortization		(3,602,271)	(3,449,655)
		<u>5,678,131</u>	<u>5,080,975</u>
Gasification:			
Synfuels Plant	30 years	917,633	905,983
Pipelines	2-30 years	64,069	64,069
Other property	3-30 years	111,170	113,542
Construction work in progress		8,568	4,872
Total Gasification		1,101,440	1,088,466
Less: accumulated provision for depreciation and amortization		(404,633)	(372,288)
		<u>696,807</u>	<u>716,178</u>
Coal and Limestone Operations:			
Mining	10-20 years	584,895	537,343
Lime and limestone	10-20 years	50,364	50,477
Other property	3-20 years	12,286	13,706
Construction work in progress		242	7,092
Total Coal and Limestone Operations		647,787	608,618
Less: accumulated provision for depreciation, depletion and amortization		(369,013)	(347,058)
		<u>278,774</u>	<u>261,560</u>
Other:			
Other property	3-32 years	1,907	1,907
Total Other		1,907	1,907
Total net property, plant and equipment		\$ 6,655,619	\$ 6,060,620

Construction work in progress included \$27.9 million and \$33.8 million as of December 31, 2025 and 2024, respectively, of interest charged and capitalized to construction. Annual depreciation, depletion and amortization expense totaled \$287.2 million, \$269.9 million and \$260.1 million for 2025, 2024 and 2023, respectively.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Basin Electric's investment in the jointly owned MBPP electric plant included in Electric Utility property above was as follows at December 31:

	2025	2024
	(In thousands)	
Electric plant	\$ 970,637	\$ 965,675
Less: accumulated provision for depreciation and amortization	(648,917)	(627,848)
	<u>\$ 321,720</u>	<u>\$ 337,827</u>

6. RESTRICTED AND DESIGNATED CASH AND INVESTMENTS

Cash, cash equivalents, and restricted and designated cash and cash equivalents reported within the consolidated balance sheets and included in the consolidated statement of cash flows are as follows at December 31:

	2025	2024
	(In thousands)	
Cash and cash equivalents	\$ 685,570	\$ 376,659
Restricted and designated cash and equivalents:		
MBPP operating funds	29,923	27,251
Deferred revenue funds	272,000	290,000
	<u>301,923</u>	<u>317,251</u>
Total cash, cash equivalents and restricted and designated cash and equivalents included in the consolidated statements of cash flows	<u>\$ 987,493</u>	<u>\$ 693,910</u>

Restricted and designated investments reported within the consolidated balance sheets are as follows at December 31:

	2025	2024
	(In thousands)	
Restricted and designated investments:		
Funds held in trust for an asset retirement obligation by Bank of Montreal as trustee for SVPL	5,244	4,550
Asset retirement obligations	56,118	49,763
	<u>\$ 61,362</u>	<u>\$ 54,313</u>

Restricted cash and investments include funds held by a financial institution, as trustee, at December 31. Designated cash and investments includes amounts designated by the Basin Electric Board of Directors.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. INVESTMENTS

Investments in equity securities and available-for-sale debt securities are included in mine related assets, restricted and designated investments and other investments on the consolidated balance sheets. The cost, unrealized holding gains and losses, and fair value of equity and debt securities that do not have an allowance for credit losses were as follows as of December 31, 2025:

	Cost	Gross Unrealized Holding		Fair Value
		Gains	Losses	
(In thousands)				
Available-for-sale debt securities:				
Corporate and government bonds	\$ 1,947	\$ 24	\$ -	\$ 1,971
Equity securities:				
Equities and equity funds	42,147	86,512	-	128,659
Bond market funds	78,577	-	(5,573)	73,004
	120,724	86,512	(5,573)	201,663
Other	88	-	-	88
	<u>\$ 122,759</u>	<u>\$ 86,536</u>	<u>\$ (5,573)</u>	<u>\$ 203,722</u>

During 2025, sales proceeds on debt securities classified as available-for-sale were \$143.9 million. The cost of securities sold is based on the specific identification method.

The cost, unrealized holding gains and losses, and fair value of equity and debt securities that do not have an allowance for credit losses were as follows as of December 31, 2024:

	Cost	Gross Unrealized Holding		Fair Value
		Gains	Losses	
(In thousands)				
Available-for-sale debt securities:				
Corporate and government bonds	\$ 117,064	\$ 83	\$ (54)	\$ 117,093
Equity securities:				
Equities and equity funds	43,766	76,830	-	120,596
Bond market funds	65,044	-	(7,462)	57,582
	108,810	76,830	(7,462)	178,178
Other	28	-	-	28
	<u>\$ 225,902</u>	<u>\$ 76,913</u>	<u>\$ (7,516)</u>	<u>\$ 295,299</u>

During 2024, sales proceeds on debt securities classified as available-for-sale were \$91.2 million. The cost of securities sold is based on the specific identification method.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The fair value of available-for-sale debt securities by contracted maturity date as of December 31 was as follows:

	<u>2025</u>
	(In thousands)
Due through one year	\$ 458
Due after one year through five years	720
Due after five years	793
	<u>\$ 1,971</u>

Held-to-maturity debt securities have contracted maturity dates of one year or less and are included in Cash and cash equivalents, Restricted and designated cash and cash equivalents and short-term investments on the consolidated balance sheets. The amortized costs were as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Corporate commercial paper	\$ 38,030	\$ 38,938
Money market funds	745,170	448,162
Treasuries	199,300	212,727
	<u>\$ 982,500</u>	<u>\$ 699,827</u>

Included in other investments on the consolidated balance sheets is the cash surrender value of life insurance policies of \$1.6 million and \$1.8 million, as of December 31, 2025 and 2024, respectively.

The MBPP provides financing to Western Fuels Association (Western Fuels) and Western Fuels-Wyoming, Inc. (WFW), a wholly owned subsidiary of Western Fuels, for mine development costs associated with coal deliveries to LRS. Basin Electric provides financing to Western Fuels and WFW for mine development costs associated with coal deliveries to DFS.

Notes receivable from WFW of \$20.8 million and \$21.5 million as of December 31, 2025 and 2024, respectively, are included in other investments, investments in associated companies and receivables, net on the consolidated balance sheets. Maturities range from July 2026 through May 2043, and the weighted average interest rate is 5.54 percent. The estimated fair value of these notes receivable as of December 31, 2025 and 2024 was \$21.0 million and \$20.9 million, respectively, based on the future cash flows discounted using the yield on a treasury note with a similar maturity.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

8. DERIVATIVE FINANCIAL INSTRUMENTS

Normal operations expose Basin Electric to risks associated with changes in the market price of certain commodities. Basin Electric entered into derivative financial instruments for the purpose of mitigating the risks associated with market price volatility of natural gas, tar oil, electricity and diesel. Any changes in cash flows from the underlying purchases and sales that are indexed to certain prices are offset by corresponding changes in the cash flows from the derivatives. As directed by a Basin Electric Board of Director's policy (Board Policy) to monitor risk and establish an internal control framework, Basin Electric maintains a Risk Management Steering Committee (RMSC) that is governed by a Commodity Risk Management Manual (Manual). The Board Policy prohibits speculation and the Manual has been adopted by the RMSC. In offsetting market risk, Basin Electric is exposed to other forms of incremental risk such as credit or liquidity risk.

The following table presents the outstanding hedged forecasted transactions as of December 31, 2025:

Hedged Transaction	Term	Contracted Monthly Volumes of Forecasted Transactions	Price
Natural gas sales	Through February 2026	6%	\$6.32 per dekatherm
Natural gas purchases	Through December 2033	16% to 87%	\$2.79 - \$6.51 per dekatherm
Tar oil sales	Through November 2027	29% to 83%	\$52.00 - \$62.95 per barrel
Electricity purchases	Through December 2027	13% to 100%	\$30.50 - \$58.60 per MWh
Diesel purchases	Through December 2028	25% to 89%	\$2.07 - \$2.44 per gallon

Basin Electric is also exposed to interest rate risk. To mitigate this risk, Basin Electric entered into various interest rate swap agreements to reduce the impact of changes in interest rates on certain variable rate long-term bonds. The following table presents the outstanding swap agreements on variable rate bonds as of December 31, 2025:

Notional Amount (In thousands)	Due	Effective Interest Rate
\$ 100,000	2032	6.18 %
\$ 50,000	2032	4.95 %
\$ 50,000	2030	5.33 %

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The fair value and classification of the asset and liability portion of the derivative instruments in the consolidated balance sheets is as follows as of December 31:

Balance Sheet Location	2025		2024	
	Fair Value of Asset Derivatives	Fair Value of Liability Derivatives	Fair Value of Asset Derivatives	Fair Value of Liability Derivatives
(In thousands)				
Derivatives designated as cash flow hedges:				
Commodity derivatives:				
Prepayments and other current assets	\$ 5,312	\$ -	\$ 683	\$ -
Other investments	1,684	-	745	-
Other current liabilities	-	(1,319)	-	(1,092)
Other noncurrent liabilities	-	(671)	-	(1,006)
Total derivatives designated as cash flow hedges	\$ 6,996	\$ (1,990)	\$ 1,428	\$ (2,098)
Derivatives not designated as cash flow hedges:				
Commodity derivatives:				
Prepayments and other current assets	\$ 34,673	\$ -	\$ 32,291	\$ -
Other investments	1,211	-	841	-
Other current liabilities	-	(14,763)	-	(10,298)
Other noncurrent liabilities	-	(14,687)	-	(6,507)
Interest rate derivatives:				
Other noncurrent liabilities	-	(22,031)	-	(18,351)
Total derivatives not designated as cash flow hedges	\$ 35,884	\$ (51,481)	\$ 33,132	\$ (35,156)
	<u>\$ 42,880</u>	<u>\$ (53,471)</u>	<u>\$ 34,560</u>	<u>\$ (37,254)</u>

Under ASC 980, Basin Electric defers changes in the fair value of certain derivative instruments as regulatory assets or liabilities. Current settlements of derivatives, including interest rate swaps and commodity derivatives, resulted in charges to the consolidated statements of operations for the years ended December 31, 2025, 2024 and 2023 of \$6.6 million, \$61.0 million, and \$84.2 million, respectively, which are reclassified from regulatory assets and liabilities.

The change in fair value of derivatives deferred as a regulatory item for the years ended December 31, 2025, 2024 and 2023 resulted in net deferred losses of \$21.7 million, \$10.7 million and \$63.8 million, respectively.

For derivative instruments that are designated and qualify as a cash flow hedge under ASC 815, the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into net earnings in the same period or periods during which the hedged transaction affects net margin and earnings and is presented in the same line item on the consolidated statements of operations as the net earnings effect of the hedged item.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The following table summarizes Dakota Gas and Dakota Coal gains and losses and financial statement classification of the derivatives designated as cash flow hedges as of December 31, 2025. This does not reflect the expected gains or losses arising from the underlying physical transactions; therefore it is not indicative of the economic gross profit or loss realized when the underlying physical and financial transactions were settled.

	Location of Gain (Loss) Recognized in Net Loss on Cash Flow Hedging Relationships	
	2025	
	Other Operating Revenues	Cost of Products Sold
	(In thousands)	
Total amounts of income and expense line items presented on the consolidated statements of operations in which the effects of cash flow hedges are recorded	\$ 925,715	\$ 597,232
Gain (loss) on cash flow hedges:		
Commodity derivatives:		
Amount reclassified from accumulated other comprehensive income into net margins and earnings	\$ 1,982	\$ (681)

The following table summarizes Dakota Gas and Dakota Coal gains and losses and financial statement classification of the derivatives designated as cash flow hedges as of December 31, 2024.

	Location of Gain (Loss) Recognized in Net Loss on Cash Flow Hedging Relationships	
	2024	
	Other Operating Revenues	Cost of Products Sold
	(In thousands)	
Total amounts of income and expense line items presented on the consolidated statements of operations in which the effects of cash flow hedges are recorded	\$ 819,440	\$ 542,295
Gain (loss) on cash flow hedges:		
Commodity derivatives:		
Amount reclassified from accumulated other comprehensive income into net margins and earnings	\$ 3,809	\$ (950)

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The following table summarizes Dakota Gas and Dakota Coal gains and losses and financial statement classification of the derivatives designated as cash flow hedges as of December 31, 2023.

	Location of Gain Recognized in Net Loss on Cash Flow Hedging Relationships	
	2023	
	Other Operating Revenues	Cost of Products Sold
(In thousands)		
Total amounts of income and expense line items presented on the consolidated statements of operations in which the effects of cash flow hedges are recorded	960,904	544,439
Gain on cash flow hedges:		
Commodity derivatives:		
Amount reclassified from accumulated other comprehensive income into net margins and earnings	\$ 29,410	\$ 767

The following table summarizes the gains and losses arising from hedging transactions that were recognized as a component of other comprehensive income (loss) for the years ended December 31.

	2025	2024	2023
	(In thousands)		
Increase (decrease) in fair value of commodity derivatives ..	\$ 6,976	\$ (3,264)	\$ 17,387
Recognition of gains in earnings due to settlements on commodity derivatives	(1,301)	(2,859)	(30,177)
Total other comprehensive income (loss) from hedging	<u>\$ 5,675</u>	<u>\$ (6,123)</u>	<u>\$ (12,790)</u>

Based on December 31, 2025 prices, a \$4.0 million gain would be realized, reported in pre-tax earnings and reclassified from Accumulated other comprehensive income during the next 12 months. As market prices fluctuate, estimated and actual realized gains or losses will change during future periods.

There are certain commodity derivative financial instruments that do not meet the criteria for hedge accounting under ASC 815 when using the critical terms match effectiveness assessment. For those derivatives, gains or losses are recorded in the consolidated statements of operations. The following table summarizes the impact of commodity derivatives that do not meet the criteria. This does not reflect the expected gains or losses arising from the underlying physical transactions; therefore it is not indicative of the economic gross profit or loss realized when the underlying physical and financial transactions were settled.

Location of Gain (Loss) on Derivatives Recognized in Net Margin and Earnings	2025	2024	2023
	Recognized Loss	Recognized Loss	Recognized Gain (Loss)
(In thousands)			
Derivatives not designated as cash flow hedges:			
Commodity derivatives:			
Operating revenues	\$ (432)	\$ (2,042)	\$ (1,924)
Operating revenues	-	-	612
Total	<u>\$ (432)</u>	<u>\$ (2,042)</u>	<u>\$ (1,312)</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities were as follows as of December 31:

	Remaining Recovery Period	2025	2024
(In thousands)			
Regulatory assets:			
Deferred income taxes	Over Plant lives	\$ 160,754	\$ 155,660
Refinancing fees	Up to 24 years	80,122	86,297
Unrealized loss on interest rate swaps	Up to 7 years	21,066	17,385
Unrealized loss on commodity derivatives	Up to 8 years	28,239	10,283
Other	Up to 50 years	21,192	25,532
		<u>\$ 311,373</u>	<u>\$ 295,157</u>
Regulatory liabilities:			
Deferred revenue		(272,000)	(290,000)
Unrealized gain on purchase power contracts		-	(100)
Unrealized gain on equity investments		(18,489)	(15,696)
Post-retirement medical gain		(21,044)	(16,389)
Other		(24,772)	(15,056)
		<u>(336,305)</u>	<u>(337,241)</u>
Net regulatory liabilities		<u><u>\$ (24,932)</u></u>	<u><u>\$ (42,084)</u></u>

If all or a separable portion of Basin Electric's operations no longer are subject to the provisions of ASC 980, a write-off of net related regulatory assets (liabilities) would be required, unless some form of transition recovery (refund) continues through rates established and collected for Basin Electric's remaining regulated operations. In addition, Basin Electric would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

10. EQUITY

ACCUMULATED OTHER COMPREHENSIVE INCOME—The following table includes the changes in the balances of the components of accumulated other comprehensive income on the consolidated balance sheets:

	Post Employment Benefit Plans	Unrealized Gain (Loss) on Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Total
	(In thousands)			
Balance, December 31, 2022	(1,525)	(3,813)	14,413	9,075
Comprehensive income (loss)	4,010	2,756	(10,103)	(3,337)
Balance, December 31, 2023	2,485	(1,057)	4,310	5,738
Comprehensive income (loss)	2,826	1,079	(4,837)	(932)
Balance, December 31, 2024	5,311	22	(527)	4,806
Comprehensive income (loss)	4,180	(6)	4,483	8,657
Balance, December 31, 2025	\$ 9,491	\$ 16	\$ 3,956	\$ 13,463

OTHER EQUITY—From November 1981 through August 1983, Basin Electric sold approximately \$894.0 million of electric plant under sale and leaseback agreements in exchange for \$310.0 million in cash and \$584.0 million in notes. Annual lease payments are equal to the payments the purchaser is required to make on its notes to Basin Electric. The sale and lease transactions have not been recognized for financial reporting purposes, as such transactions were entered into solely for tax purposes under the Economic Recovery Tax Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982 and do not affect Basin Electric’s rights with respect to the property. The \$310.0 million, net of expenses of \$28.0 million, was reserved in other equity.

Beginning in March 2001, Basin Electric allocated its before tax margin to members and recorded any provision for or benefit from income taxes in other equity. In 2025, 2024, and 2023, net income tax (benefit) expense of \$(9.1) million, \$1.3 million and \$59.9 million, respectively, was closed into other equity. As of December 31, 2025, \$21.0 million of cumulative net income tax benefit was closed into other equity.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

11. LONG-TERM DEBT AND OTHER FINANCING

Outstanding long-term debt was as follows as of December 31:

	Due Date	Average Interest Rate at December 31, 2025	2025	2024
(In thousands)				
Basin Electric Power Cooperative				
First Mortgage Bonds				
2006 Series	June 2041	6.13%	\$ 200,000	\$ 200,000
2017 Series	April 2047	4.75%	500,000	500,000
2025 Series	Oct. 2055	5.85%	700,000	-
			1,400,000	700,000
First Mortgage Obligations				
2005 Series	Dec. 2028-May 2030	5.85%	90,000	90,000
2007 Series	Sep. 2042	5.74%	216,854	225,216
2008 Series	Dec. 2028-Dec. 2038	5.98%	413,389	429,333
2009 Series	Oct. 2027-April 2040	5.47%	132,222	143,333
2011 Series	Oct. 2031-Oct. 2049	4.53%	208,080	223,745
2012 Series	Nov. 2044	4.07%	73,949	76,489
2015 Series	June 2027-June 2044	4.50%	1,353,420	1,427,590
2016 CoBank Note	April 2046	4.48%	68,333	71,667
2016 CFC Note	April 2046	3.74%	51,050	53,571
2022 Series	Feb. 2042-Feb. 2062	3.00%	276,810	276,810
2024 CoBank Note	Nov. 2034- May 2035	6.14%	200,000	100,000
2024 Series	Feb. 2029-Feb. 2054	6.22%	350,525	363,508
2007 and 2008 Notes	June 2027-Dec. 2028	5.09%	4,750	6,750
2023 Note	Oct. 2043	5.56%	72,000	76,000
2025 RUS Loan	June 2033	4.33%	538	-
			3,511,920	3,564,012
Equipment Notes	Dec. 2035- Mar. 2026	5.09%	21,617	9,600
2019 Tax-Exempt Bonds	July 2039	3.63%	150,000	150,000
Notes payable to affiliates			-	4,400
			171,617	164,000
Dakota Coal				
Equipment Notes	Jan. 2026-July 2036	4.91%	66,462	78,523
Dakota Gasification Company				
Senior Secured Notes 2015 Series			-	289,066
Other		Various	11,806	12,568
			78,268	380,157
			5,161,805	4,808,169
Less:				
Current portion			(176,019)	(193,198)
Unamortized debt issue costs			(35,447)	(26,598)
Discount payable			(1,075)	-
Long-term debt, net of current portion			\$ 4,949,264	\$ 4,588,373

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The estimated fair value of debt at December 31, 2025 and 2024 was \$5.1 billion and \$4.5 billion, respectively, based on cash flows discounted at interest rates for similar issues or at the current rates offered to Basin Electric for debt of comparable maturities.

The scheduled maturities of long-term debt for the next five years as of December 31, 2025 are as follows:

	2026	2027	2028	2029	2030
	(In thousands)				
Long-term debt	\$ 176,019	\$ 184,837	\$ 152,297	\$ 209,347	\$ 208,265

All of Basin Electric’s long-term debt is secured under the Amended and Restated Indenture dated May 5, 2015 (the “Indenture”), between Basin Electric and U.S. Bank National Association, as trustee. Pursuant to the Indenture, Basin Electric created a first lien on substantially all of its tangible and certain of its intangible assets in favor of the Indenture trustee to secure certain long-term debt on a pro-rata basis.

Basin Electric’s and its subsidiaries’ debt agreements contain various restrictive financial and non-financial covenants which, among other matters, require Basin Electric to maintain a defined margins for interest ratio. As of December 31, 2025 Basin Electric is in compliance with all financial covenants related to the debt agreements.

All of Dakota Gas’s long-term debt was secured under an Indenture dated as of May 1, 2015 between Dakota Gas and U.S. Bank, N.A., as trustee. Dakota Gas’s long-term debt was also supported by an unsecured Guarantee dated as of May 8, 2015 by Basin Electric, its parent, in favor of U.S. Bank National Association, as Trustee. In December 2025, DGC’s long-term debt of \$261.5 million was paid in full by means of a capital contribution by Basin Electric.

Dakota Coal’s equipment notes are collateralized by security interests in certain mining equipment granted to the lender. Certain of Dakota Coal’s equipment notes are also supported by an unsecured Guarantee dated as of March 23, 2012, by Basin Electric.

In order to invest in DCS and effectuate the contribution of the assets to DCS, Dakota Gas was required to receive consent and waiver of certain conditions in its Indenture from the noteholders of the senior secured notes. As a part of the consent and waiver from the noteholders, Dakota Gas made a prepayment on the notes in the amount of \$34.1 million in March 2024.

NOTES PAYABLE—Basin Electric has outstanding revolving credit facilities and a term loan which are included in notes payable on the consolidated balance sheets as follows:

Facility	Expiration Date	Total Availability	Outstanding Amounts as of December 31, 2025
(In thousands)			
Commercial Paper/Revolving Credit Agreement (a) (b)	March 2026	\$ 130,000	\$ 100,000
Revolving Credit Agreement	May 2030	1,250,000	-
2025 Term Loan	October 2026	375,000	375,000
Total notes payable		\$ 1,755,000	\$ 475,000

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

- (a) The taxable and tax-exempt commercial paper programs are supported by revolving credit agreements with various banks. Balances reflect commercial paper amounts outstanding. There were no amounts outstanding under the revolving credit agreements.
- (b) On March 13, 2026, Basin Electric amended and restated this credit agreement to decrease the available borrowing capacity to \$100.0 million and extend the expiration date to March 2031.

As of December 31, 2025 and 2024, the effective interest rate of the outstanding advances was 4.74 percent and 4.73 percent, respectively.

MEMBER INVESTMENT PROGRAM—Basin Electric holds notes related to funds invested by the members under a member investment program. These funds are used by Basin Electric to reduce short-term borrowings. The members receive investment earnings based on market rates, adjusted for administrative costs. The notes held as part of this program were as follows at December 31:

	2025	2024
	(In thousands)	
Long-term debt, net of current portion	\$ -	\$ 4,400
Notes payable-Members	159,495	142,390
	\$ 159,495	\$ 146,790

12. REVENUE

The following tables disaggregate revenue by major source. The tables also includes a reconciliation of the disaggregated revenue by reportable segments. For more information on Basin Electric's business segments, see Note 17.

	Year ended December 31, 2025				
	Electric Utility	Gasification	Coal and Limestone Operations	Elimination of Intersegment	Total
	(In thousands)				
Sales of electricity to members	\$ 2,162,056	\$ -	\$ -	\$ -	\$ 2,162,056
Sales of electricity to non-members	196,428	-	-	-	196,428
Synthetic natural gas	-	105,988	-	-	105,988
Fertilizer and DEF products	-	318,982	-	-	318,982
Other byproducts	-	64,576	-	-	64,576
Lignite coal	-	-	276,028	(106,917)	169,111
Miscellaneous	7,346	2,969	28,231	-	38,546
Revenue from contracts with customers	2,365,830	492,515	304,259	(106,917)	3,055,687
Regulatory deferred revenue recognized	18,000	-	-	-	18,000
Other revenue	12,534	1,550	-	-	14,084
Total operating revenue	\$ 2,396,364	\$ 494,065	\$ 304,259	\$ (106,917)	\$ 3,087,771

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Year ended December 31, 2024					
	Electric Utility	Gasification	Coal and Limestone Operations	Elimination of Intersegment	Consolidated
	(In thousands)				
Sales of electricity to members	\$ 1,995,959	\$ -	\$ -	\$ -	\$ 1,995,959
Sales of electricity to non-members	205,762	-	-	-	205,762
Synthetic natural gas	-	75,926	-	-	75,926
Fertilizer and DEF products	-	227,749	-	-	227,749
Other byproducts	-	75,566	-	-	75,566
Lignite coal	-	-	234,253	(96,740)	137,513
Miscellaneous	6,500	1,395	24,651	-	32,546
Revenue from contracts with customers	2,208,221	380,636	258,904	(96,740)	2,751,021
Regulatory deferred revenue recognized	60,000	-	-	-	60,000
Other revenue	2,611	1,767	-	-	4,378
Total operating revenue	\$ 2,270,832	\$ 382,403	\$ 258,904	\$ (96,740)	\$ 2,815,399

Year ended December 31, 2023					
	Electric Utility	Gasification	Coal and Limestone Operations	Elimination of Intersegment	Total
	(In thousands)				
Sales of electricity to members	\$ 1,926,214	\$ -	\$ -	\$ -	\$ 1,926,214
Sales of electricity to non-members	257,953	-	-	-	257,953
Synthetic natural gas	-	107,295	-	-	107,295
Fertilizer and DEF products	-	235,260	-	-	235,260
Other byproducts	-	72,131	-	-	72,131
Lignite coal	-	-	218,544	(79,779)	138,765
Miscellaneous	7,563	1,445	24,586	-	33,594
Revenue from contracts with customers	2,191,730	416,131	243,130	(79,779)	2,771,212
Regulatory deferred revenue recognized	65,000	-	-	-	65,000
Other revenue	22,808	28,098	-	-	50,906
Total operating revenue	\$ 2,279,538	\$ 444,229	\$ 243,130	\$ (79,779)	\$ 2,887,118

NET DEFERRED REVENUE AND OTHER REVENUE—Revenue from nonmember wholesale electricity sales of \$18.0 million, \$60.0 million and \$65.0 million that was previously deferred was recognized in 2025, 2024 and 2023, respectively, by Basin Electric’s Board of Directors, in its capacity as regulator. This deferred revenue is accounted for under ASC 980. Other revenue includes derivative revenue from hedging activities for synthetic natural gas, tar oil, and electricity sales which is accounted for under ASC 815.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

CONTRACT BALANCES—At times, Basin Electric and its subsidiaries will receive payment in advance of performing an obligation under a contract. Unearned revenue, a contract liability, is recognized when this occurs. At December 31, 2025 and 2024, the unearned revenue balance (included in other current liabilities on the consolidated balance sheets) was \$7.6 million and \$301,000, respectively. There were no contract assets at December 31, 2025 and 2024. The balance in receivables, net on the consolidated balance sheets represent the unconditional right to consideration from customers.

13. INCOME TAXES

Basin Electric is a nonexempt cooperative subject to federal and state income taxation, but as a cooperative is allowed to exclude from income margins allocated as patronage capital. Basin Electric and its subsidiaries (the Consolidated Group) file a consolidated income tax return and have entered into tax-sharing agreements. Income taxes are allocated among members of the Consolidated Group based on a systematic, rational and consistent method under which such taxes approximate the amount that would have been computed on a separate company basis, subject to limitations on the Consolidated Group.

Basin Electric's margin before income taxes by geographic location was as follows for the years ended December 31:

	2025	2024	2023
	(In thousands)		
Margin before income taxes:			
Domestic	\$ 145,200	\$ 130,893	\$ 162,098
Foreign - Canada	602	64	294
Total margin before income taxes	<u>\$ 145,802</u>	<u>\$ 130,957</u>	<u>\$ 162,392</u>

The components of Basin Electric's income tax expense (benefit) were as follows for the years ended December 31:

	2025	2024	2023
	(In thousands)		
Current income tax expense:			
Federal	\$ 6,429	\$ 3,101	\$ 5,849
State	89	239	64
Foreign - Canada	364	(29)	124
Total current income tax expense	<u>6,882</u>	<u>3,311</u>	<u>6,037</u>
Deferred income tax benefit:			
Federal	644	(16,064)	(11,748)
State	(688)	(450)	(453)
Foreign - Canada	(308)	166	(43)
Total deferred income tax benefit	<u>(352)</u>	<u>(16,348)</u>	<u>(12,244)</u>
Total income tax expense (benefit)	<u>\$ 6,530</u>	<u>\$ (13,037)</u>	<u>\$ (6,207)</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The tax sharing agreement between Basin Electric and Dakota Gas requires reimbursement for the usage of net operating losses and other tax attributes. At December 31, 2025, Basin Electric had a receivable from Dakota Gas in the amount of \$2.5 million for a reduction of the utilization of net operating losses which is included in current tax expense. The tax effect of significant temporary differences representing deferred tax assets and liabilities were as follows at December 31:

	2025	2024
	(In thousands)	
Deferred tax assets:		
Prepayment and installment payments	\$ 53,093	\$ 58,188
Patronage loss	22,273	24,439
Lease obligation	27,024	25,998
Deferred revenue	57,120	60,900
Deferred credits	18,978	17,374
Tax credits available	16,097	15,391
Interest expense carryover	40,380	35,883
Mine related	20,915	15,378
Net operating loss carryforward	80,154	71,946
Other deferred tax assets	19,755	19,623
Valuation allowance	(35,741)	(25,766)
Total deferred tax assets	320,048	319,354
Deferred tax liabilities:		
Depreciation and property	(315,363)	(299,590)
Tax benefit transfer leases	(25,823)	(23,434)
Right-of-use lease asset	(27,016)	(25,989)
Patronage capital	(4,200)	(5,361)
Debt refinancing expense	(13,245)	(14,318)
Direct financing leases	(9,710)	(12,835)
Miscellaneous deferred expenses	(823)	-
Other deferred tax liabilities	-	(9,327)
Unrealized gains	(14,790)	(10,508)
Total deferred tax liability	(410,970)	(401,362)
Net deferred tax liability	\$ (90,922)	\$ (82,008)

The net deferred tax liability is recorded in deferred income tax liability on the consolidated balance sheets. Deferred taxes have been provided for temporary income tax differences associated with utility operations with an offsetting amount recorded as a regulatory asset as such amounts are expected to be recovered through rates charged to members at such time as the Board of Directors, in its capacity as regulator, deems appropriate.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Income taxes differ from the income tax expense (benefit) computed using the statutory rate for the years ended December 31 as follows:

	2025		2024		2023	
	(Dollars in thousands)					
U.S Federal statutory income tax.....	\$ 30,618	21.0 %	\$ 27,501	21.0 %	\$ 34,102	21.0 %
State income taxes, net of federal income tax benefit (a).....	(599)	(0.4)%	(211)	(0.2)%	(390)	(0.2)%
Patronage capital allocated	(22,249)	(15.3)%	(24,457)	(18.7)%	(31,770)	(19.6)%
Tax credits	(1,149)	(0.8)%	(1,178)	(0.9)%	-	-
Nontaxable or nondeductible items.....	(351)	(0.2)%	(266)	(0.2)%	(881)	(0.5)%
Change in regulatory asset associated with deferred taxes.....	(5,366)	(3.7)%	(20,974)	(16.0)%	(11,958)	(7.4)%
Changes in valuation allowances	7,034	4.8 %	7,517	5.7 %	1,619	1.0 %
Foreign tax effects - Canada	(121)	(0.1)%	-	-	(13)	-
Changes in unrecognized tax benefits	(274)	(0.2)%	(446)	(0.3)%	(246)	(0.2)%
Other:						
Noncontrolling interest	(1,633)	(1.1)%	(2,030)	(1.6)%	(1,538)	(0.9)%
Other	620	0.5 %	1,507	1.2 %	4,868	3.0 %
Income tax expense (benefit) and effective income tax rate.....	\$ 6,530	4.5 %	\$ (13,037)	(10.0)%	\$ (6,207)	(3.8)%

(a) State taxes in North Dakota made up the majority (greater than 50 percent) of the tax effect in this category.

Basin Electric had available federal and state research and carbon sequestration tax credit carryforwards of approximately \$16.1 million. The research tax credits expire in varying amounts from 2026 through 2039 and the carbon sequestration credits generated in 2025 expire in 2045. Basin Electric has a consolidated net operating loss carryforward as of December 31, 2025 of \$381.7 million, and a patron net operating loss of \$106.1 million. The losses are carried forward indefinitely.

Deferred tax assets are reduced by a valuation allowance when it is more likely than not that a portion or all of the deferred tax assets will not be realized. The valuation allowance on deferred tax assets increased from \$25.8 million in 2024 to \$35.7 million in 2025. It is more likely than not that the benefit from certain federal and state net operating losses and federal and state tax credits will not be fully realized. In recognition of this risk, Basin Electric recorded an incremental partial valuation allowance on the related deferred tax assets. Basin Electric has a federal interest expense carryforward that is carried forward indefinitely. As it is unlikely the benefit from the interest expense carryforward will be fully realized, Basin Electric recorded an incremental partial valuation allowance on the related deferred tax asset.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

In accordance with the provisions of ASC 740, *Income Taxes*, Basin Electric records a liability for unrecognized tax benefits. A reconciliation of the beginning and ending amount of the liability for unrecognized tax benefits is as follows:

	2025	2024	2023
	(In thousands)		
Balance, January 1	\$ 5,946	\$ 6,392	\$ 6,638
Addition for tax positions of current period	199	5	-
Reduction for tax positions of prior periods	(473)	(451)	(246)
Balance, December 31	<u>\$ 5,672</u>	<u>\$ 5,946</u>	<u>\$ 6,392</u>

Basin Electric recognizes interest and penalties related to unrecognized tax benefits, if any, in the respective interest and penalties expense accounts and not in the income tax expense (benefit) on the consolidated statements of operations.

As of December 31, 2025, with limited exceptions, Basin Electric is no longer subject to examinations by taxing authorities for tax years prior to 2022 for federal and prior to 2021 for most states and for Canadian taxing authorities. Management does not believe future settlements with the IRS will be material to Basin Electric's financial position.

Income taxes paid (net of refunds) for the years ended December 31 as follows:

	2025	2024	2023
	(In thousands)		
Cash paid (received) for income taxes, net:			
Federal	\$ 50	\$ 2,000	\$ (743)
State	(22)	228	88
Foreign - Canada	125	183	52
Total income taxes paid (net of refunds)	<u>\$ 153</u>	<u>\$ 2,411</u>	<u>\$ (603)</u>
State income taxes paid (net of refunds) exceeding 5 percent of total income taxes paid (net of refunds):			
Texas	\$ 88	\$ 32	\$ 87
Minnesota	\$ (111)	\$ 193	(a)

(a) Jurisdiction below the threshold for the period presented.

14. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Level 1 inputs utilize observable market data in active markets for identical assets or liabilities. Level 2 inputs consist of observable market data, other than that included in Level 1, that is either directly or indirectly observable. Level 3 inputs consist of unobservable market data which are typically based on an entity's own assumptions of what a market participant would use in pricing an asset or liability as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Basin Electric's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

On December 31, 2025 and 2024, Basin Electric had government obligations, equity securities, bond market funds and corporate bonds included in restricted and designated investments, mine related assets and other investments, recorded at a fair value, using quoted prices in active markets for identical assets as the fair value measurement (Level 1).

Basin Electric recorded derivative financial instruments including commodity contracts and interest rate swaps using significant other observable inputs as the fair value measurement (Level 2). The fair value for commodity contracts is determined by comparing the difference between the net present value of the cash flows for the commodity contracts at their initial price and the current market price. The initial price is quoted in the commodity contract and the current market price is corroborated by observable market data. The fair value for interest rate swap contracts is determined by comparing the difference between the net present value of the cash flows for the swaps at their initial fixed rate and the current market interest rate. The initial fixed rate is quoted in the swap agreement and the current market interest rate is corroborated by observable market data.

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2025, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
Assets:				
Investments:				
Equities and equity funds	\$ 128,659	\$ 128,659	\$ -	\$ -
Corporate and government bonds	1,971	1,971	-	-
Bond market funds	73,004	73,004	-	-
	203,634	203,634	-	-
Commodity derivatives	42,880	-	42,880	-
	<u>\$ 246,514</u>	<u>\$ 203,634</u>	<u>\$ 42,880</u>	<u>\$ -</u>
Liabilities:				
Interest rate swaps	\$ 22,031	\$ -	\$ 22,031	\$ -
Commodity derivatives	31,440	-	31,440	-
	<u>\$ 53,471</u>	<u>\$ -</u>	<u>\$ 53,471</u>	<u>\$ -</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2024, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Fair Value Measurements Using			
	Fair Value	in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
Assets:				
Investments:				
Equities and equity funds	\$ 120,596	\$ 120,596	\$ -	\$ -
Corporate and government bonds	117,093	117,093	-	-
Bond market funds	57,582	57,582	-	-
	<u>295,271</u>	<u>295,271</u>	<u>-</u>	<u>-</u>
Commodity derivatives	34,560	-	34,560	-
	<u>\$ 329,831</u>	<u>\$ 295,271</u>	<u>\$ 34,560</u>	<u>\$ -</u>
Liabilities:				
Interest rate swaps	\$ 18,351	\$ -	\$ 18,351	\$ -
Commodity derivatives	18,903	-	18,903	-
	<u>\$ 37,254</u>	<u>\$ -</u>	<u>\$ 37,254</u>	<u>\$ -</u>

15. EMPLOYEE BENEFIT PLANS

POSTRETIREMENT BENEFITS—Employees of Basin Electric, Dakota Gas, and MLC retiring at or after attaining age 55 and completing five years of service may elect to continue medical and dental benefits by paying premiums to Basin Electric, Dakota Gas or MLC for participating in the current employee plan, subject to deductible, coinsurance and copayment provisions. Eligible dependents of retired employees continue to receive benefits after the death of the former employee, with certain limitations. Participation in Basin Electric’s, Dakota Gas’s or MLC’s medical plan can continue until the retiree or spouse becomes eligible for Medicare. Once a retiree becomes eligible for Medicare, the spouse may continue under each of the plans until the spouse becomes eligible for Medicare. Basin Electric, Dakota Gas, and MLC reserve the right to change or terminate these benefits at any time.

Basin Electric, Dakota Gas and MLC fund postretirement medical benefits from general funds, and in 2025, 2024 and 2023 funding was \$1.2 million, \$2.2 million and \$2.4 million, respectively.

Coteau also maintains medical care and life insurance plans which provide benefits to eligible retired employees.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The following sets forth the changes in the postretirement benefit obligation and plan assets during the year and amounts recognized in the consolidated balance sheets, as of December 31:

	Basin Electric and Subsidiaries		Coteau	
	2025	2024	2025	2024
(In thousands)				
Change in postretirement benefit obligation:				
Balance at January 1	\$ 21,947	\$ 24,061	\$ 1,320	\$ 2,021
Service cost	1,278	1,168	19	22
Interest cost	1,031	934	65	92
Actuarial (gain) loss	(3,206)	(1,021)	251	(710)
Assumption changes	(6,229)	(970)	-	-
Benefit payments	(4,766)	(6,924)	(514)	(105)
Plan participant contributions	3,571	4,699	-	-
Balance at December 31	<u>\$ 13,626</u>	<u>\$ 21,947</u>	<u>\$ 1,141</u>	<u>\$ 1,320</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ -	\$ -	\$ -	\$ -
Employer contributions	1,195	2,225	514	105
Plan participant contributions	3,571	4,699	-	-
Benefit payments	(4,766)	(6,924)	(514)	(105)
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
As of December 31, the funded status of the plan was:				
Postretirement benefit liability	\$ 13,626	\$ 21,947	\$ 1,141	\$ 1,320
Amounts recognized in the balance sheets are:				
Other current liabilities	\$ 1,420	\$ 1,991	\$ 152	\$ 218
Other noncurrent liabilities	12,206	19,956	989	1,102
Net amount recognized	<u>\$ 13,626</u>	<u>\$ 21,947</u>	<u>\$ 1,141</u>	<u>\$ 1,320</u>
Amounts not yet reflected in periodic postretirement benefit expense and included in accumulated other comprehensive income (loss) and regulatory liabilities:				
Prior service cost	\$ (308)	\$ (538)	\$ -	\$ -
Actuarial gain	31,695	23,909	2,176	3,103
Accumulated other comprehensive income and regulatory liabilities	<u>\$ 31,387</u>	<u>\$ 23,371</u>	<u>\$ 2,176</u>	<u>\$ 3,103</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Net periodic postretirement benefit expense (income) for the years ended December 31, 2025, 2024, and 2023 for Basin Electric and subsidiaries was \$891,000, \$497,000 and \$1.0 million, respectively, and for Coteau was \$(592,000), \$(548,000) and \$(822,000), respectively.

	Basin Electric and Subsidiaries			Coteau		
	2025	2024	2023	2025	2024	2023
	(In thousands)					
Other changes recognized in other comprehensive income (loss) and regulatory liabilities:						
Net (gain) loss arising during the period	\$ (9,435)	\$ (1,990)	\$ 3,008	\$ 251	\$ (710)	\$ (156)
Amortization of prior service (cost) credit	(230)	(233)	(232)	-	-	139
Amortization of actuarial gain	1,649	1,838	1,608	676	662	822
Total recognized in other comprehensive income (loss) and regulatory liabilities ..	<u>\$ (8,016)</u>	<u>\$ (385)</u>	<u>\$ 4,384</u>	<u>\$ 927</u>	<u>\$ (48)</u>	<u>\$ 805</u>

Assumptions used in accounting for the postretirement benefit obligations were as follows for the years ended December 31:

	Basin Electric and Subsidiaries		Coteau	
	2025	2024	2025	2024
Weighted-average discount rates	5.41%	5.62 %	4.63%	5.26 %
Initial health care cost trend rate	8.50%	6.74 %	7.50%	6.50 %
Ultimate health care cost trend rate	4.00%	4.00 %	4.75%	4.75 %
Year that the rate reaches the ultimate trend rate	2051	2048	2037	2033

Assumptions used to determine net periodic postretirement benefit expense (income) were as follows for the years ended December 31:

	Basin Electric and Subsidiaries		Coteau	
	2025	2024	2025	2024
Weighted-average discount rates	5.62%	5.14%	5.26%	4.98%
Initial health care cost trend rate	6.74%	7.37%	6.50%	6.50%
Ultimate health care cost trend rate	4.00%	4.00%	4.75%	4.75%
Year that the rate reaches the ultimate trend rate	2048	2048	2033	2033

Basin Electric and its subsidiaries and Coteau expect to make contributions of \$1.4 million and \$153,000, respectively, in 2026 to their postretirement benefit plans.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The following are the expected future benefits to be paid:

	Basin Electric and Subsidiaries		Coteau	
	(In thousands)			
2026	\$	1,420	\$	153
2027	\$	1,326	\$	157
2028	\$	1,147	\$	151
2029	\$	1,045	\$	120
2030	\$	957	\$	131
2031-2035	\$	4,627	\$	529

DEFINED BENEFIT PLANS

NRECA RS PLAN—Pension benefits for Basin Electric and Dakota Gas employees participating in the pension plan are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) which is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue code. It is a multiemployer plan under GAAP.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Basin Electric and Dakota Gas contributions to the RS Plan in 2025 and in 2024 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. Pension costs charged to expense during 2025, 2024 and 2023 were \$37.5 million, \$36.8 million and \$36.0 million, respectively.

In the RS Plan, a “zone status” determination is not required, and therefore not determined, under the Pension Protection Act of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded at January 1, 2025 and 2024.

Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

BCS AND COTEAU PLANS—BCS’s former United Mine Workers of America employees are covered under a defined benefit plan which is funded by BCS.

Substantially all of Coteau’s salaried employees hired prior to January 1, 2000, participate in the Coteau Pension Plan (the Plan), a noncontributory defined benefit plan sponsored by NACoal. Benefits under the defined benefit pension plan are based on years of service and average compensation during certain periods. The Plan benefits were frozen effective December 31, 2013. Employees whose benefits were frozen subsequently receive retirement benefits under defined contribution plans. In 2025, Coteau terminated the Plan and settled all future obligations by transferring the remaining benefit obligations to a third-party insurance company. The excess funds from the Plan will be utilized by the Coteau defined contribution plan, which is a qualified replacement plan. These funds will be used for future profit sharing contributions to eligible defined contribution plan participants. A non-cash pension settlement charge of

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

\$2.8 million was recognized. The settlement charge accelerated the loss recorded in accumulated other comprehensive income that would have otherwise been recognized in subsequent periods.

The following sets forth the changes in the pension benefit obligation and plan assets during the year and amounts recognized in the consolidated balance sheets as of December 31:

	BCS		Coteau	
	2025	2024	2025	2024
(In thousands)				
Change in pension benefit obligation:				
Balance at January 1	\$ 2,576	\$ 2,800	\$ 67,945	\$ 72,754
Interest cost	128	124	3,016	3,545
Actuarial (gain) loss	(19)	(70)	3,588	(2,332)
Benefits payments	(259)	(278)	(6,026)	(6,022)
Settlements	-	-	(68,523)	-
Balance at December 31	<u>\$ 2,426</u>	<u>\$ 2,576</u>	<u>\$ -</u>	<u>\$ 67,945</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 2,848	\$ 2,906	\$ 94,672	\$ 93,365
Actual return on plan assets	275	220	6,465	7,329
Employer contributions	-	-	-	-
Benefits payments	(259)	(278)	(6,026)	(6,022)
Settlements	-	-	(68,523)	-
Fair value of plan assets at end of year	<u>\$ 2,864</u>	<u>\$ 2,848</u>	<u>\$ 26,588</u>	<u>\$ 94,672</u>
As of December 31, the funded status of the plan was:				
Fair value of plan assets	\$ 2,864	\$ 2,848	\$ 26,588	\$ 94,672
Accumulated postretirement benefit liability	2,426	2,576	-	67,945
Funded status – over	<u>\$ 438</u>	<u>\$ 272</u>	<u>\$ 26,588</u>	<u>\$ 26,727</u>
Amounts recognized in the balance sheets are:				
Other investments and special funds	\$ 438	\$ 272	\$ 26,588	\$ 26,727
Amounts not yet reflected in periodic postretirement benefit expense and included in accumulated other comprehensive income (loss):				
Actuarial loss	\$ (630)	\$ (837)	\$ -	\$ (2,285)
Accumulated other comprehensive income (loss)	<u>\$ (630)</u>	<u>\$ (837)</u>	<u>\$ -</u>	<u>\$ (2,285)</u>

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Net periodic pension expense (income) for the years ended December 31, 2025, 2024 and 2023 for BCS was \$41,000, \$49,000 and \$83,000, respectively and for Coteau was \$2.4 million, \$(3.2) million and \$(3.0) million, respectively.

	BCS			Coteau		
	2025	2024	2023	2025	2024	2023
	(In thousands)					
Other changes recognized in other comprehensive income (loss):						
Net (gain) loss arising during the period	\$ (159)	\$ (152)	\$ (184)	\$ 546	\$ (2,944)	\$ (4,769)
Amortization of actuarial loss	(48)	(63)	(83)	-	-	-
Recognition of settlement cost	-	-	-	(2,831)	-	-
Total recognized in other comprehensive income (loss)	<u>\$ (207)</u>	<u>\$ (215)</u>	<u>\$ (267)</u>	<u>\$ (2,285)</u>	<u>\$ (2,944)</u>	<u>\$ (4,769)</u>

Assumptions used to account for the pension benefit obligation were as follows for the years ended December 31:

	BCS		Coteau	
	2025	2024	2025	2024
Weighted-average discount rate	4.94%	5.27%	N/A	5.56%

The assumptions used to determine net periodic pension expense were as follows for the years ended December 31:

	BCS		Coteau	
	2025	2024	2025	2024
Weighted-average discount rate	5.27%	4.65%	5.56%	5.07%
Expected return on plan assets	5.00%	5.00%	4.40%	7.00%

BCS does not expect to make any contributions in 2026 to its defined benefit plans. The following are the expected future benefit payments for the BCS Plan:

	BCS
	(In thousands)
2026	\$ 255
2027	\$ 248
2028	\$ 241
2029	\$ 233
2030	\$ 224
2031-2035	\$ 974

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

The following is the actual and target allocation percentages for the Plan and BCS Plan assets as of December 31, 2025:

	BCS	
	Actual Allocation	Target Allocation
Fixed income securities	66.2%	60.0%
Equity securities	28.8%	37.0%
Other	5.0%	3.0%
	<u>100.0%</u>	

BCS Plan assets are invested with a trust that is responsible for maintaining an appropriate investment ratio in common stocks, long-term corporate bonds and money market funds.

DEFINED CONTRIBUTION PLANS—Basin Electric, Dakota Gas and MLC have qualified tax deferred savings plans for eligible employees. Eligible participants of the tax deferred savings plans may make pre-tax and after-tax contributions, as defined, with Basin Electric, Dakota Gas and MLC matching various percentages of the participants' annual compensation. Contributions to these plans by Basin Electric, Dakota Gas, and MLC were \$17.6 million, \$15.0 million and \$13.1 million for 2025, 2024 and 2023, respectively.

For employees hired after December 31, 1999, Coteau established a defined contribution plan which requires Coteau to make retirement contributions based on a formula using age and salary as components of the calculation. Employees are vested at a rate of 20 percent for each year of service and are 100 percent vested after five years of employment. Coteau recorded contribution expense of approximately \$3.6 million, \$3.5 million and \$3.3 million related to this plan in 2025, 2024 and 2023, respectively.

Substantially all of Coteau's salaried employees also participate in a defined contribution plan sponsored by NACoal. Employee contributions are matched by Coteau up to a limit of 5 percent of the employee's salary. Coteau's contributions to this plan were approximately \$3.4 million, \$3.2 million and \$2.7 million in 2025, 2024 and 2023, respectively.

Under the provisions of the lignite sales agreement between Dakota Coal and Coteau, retirement related costs are recovered as a cost of coal as tonnage is sold.

16. ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation is the result of legal or contractual obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, or development and/or the normal operation of a long-lived asset. Basin Electric and Coteau determine these obligations based on an estimated asset retirement cost adjusted for inflation and projected to the estimated settlement dates, and discounted using a credit-adjusted risk-free interest rate.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation included in other noncurrent liabilities on the consolidated balance sheets is as follows:

	2025	2024
	(In thousands)	
Balance, January 1	\$ 216,721	\$ 214,666
Additions and revisions	27,785	(2,375)
Accretion expense	14,791	12,851
Liabilities settled	(2,117)	(8,421)
Balance, December 31	<u>\$ 257,180</u>	<u>\$ 216,721</u>

17. SEGMENT REPORTING

Basin Electric’s reportable segments include the Electric Utility, Gasification, and Coal and Limestone Operations. Certain activities that support the reportable segments, ancillary projects, or operating segments that do not meet the quantitative threshold for a reportable segment are presented as Other. The operating segments are based on Basin Electric’s method of internal reporting that the Chief Operating Decision Maker (CODM) reviews to make decisions on overall resource allocation and to assess performance. The CODM is Basin Electric’s Chief Executive Officer and General Manager. The CODM reviews actual financial information and forecasted financial information at an operating segment level and primarily uses segment net margin and earnings for making decisions on resource allocation and assessing performance. The CODM uses segment net income in assessing financial performance on a monthly basis, reviewing and approving annual operating budgets and long-term forecasts, allocating capital or financial resources to our segments and in making strategic decisions.

The Electric Utility reportable segment provides wholesale electric service and other ancillary services to Basin Electric’s members throughout its service territory with its own electrical generation and transmission assets and various contractual arrangements.

The Gasification reportable segment includes Dakota Gasification Company (DGC). DGC operates a gasification facility that converts lignite coal into synthetic natural gas and other products including fertilizers, diesel exhaust fluid, carbon dioxide, and other oil and chemical products.

The Coal and Limestone Operations reportable segment purchases coal and coordinates deliveries of coal to Basin Electric’s Electric Utility generation facilities and Gasification operations. It also produces lime and limestone that is used for emissions control at the generation facilities.

Other consists of Basin Cooperative Services, Nemadji River Generation, and certain tax adjustments and other activity not associated with the reportable segments. Basin Cooperative Services provides certain nonutility property management services to Basin Electric. Nemadji River Generation owned an undivided interest in a proposed electric generation facility. In January 2026, Nemadji River Generation exited the project.

Substantially all of Basin Electric’s assets and revenues are located in the United States. Revenues and assets outside the United States were not material for the periods presented.

Major Customer – For the years ended December 31, 2025, 2024, and 2023, revenues from a single customer, Upper Missouri, represented approximately 29.9 percent, 30.5 percent, and 27.5 percent respectively, of Basin Electric’s consolidated revenues, all of which were attributable to the Electric Utility reportable segment. No other customer contributed 10 percent or more of consolidated revenues for the periods.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Information on Basin Electric's segments as of December 31 and for the years ended December 31 was as follows:

	2025			Total Reportable Segments
	Electric Utility	Gasification	Coal and Limestone Operations	
	(In thousands)			
Operating revenue:				
External	\$ 2,396,364	\$ 494,065	\$ 197,342	\$ 3,087,771
Intersegment	-	-	106,917	106,917
	<u>2,396,364</u>	<u>494,065</u>	<u>304,259</u>	<u>3,194,688</u>
Elimination of intersegment revenue				(106,917)
Total operating revenue				<u>\$ 3,087,771</u>
Less:				
Electric fuel and purchased power	1,116,603	-	-	
Electric operations and maintenance	758,006	-	-	
Cost of products sold:				
External	-	361,780	235,452	
Intersegment	-	106,917	-	
Nonelectric selling, general and administrative	-	104,800	9,810	
Depreciation, depletion and amortization	216,612	41,537	18,612	
Impairment of assets	-	4,164	-	
Interest and other charges, net:				
External	229,173	34,671	13,669	
Intersegment	35,027	-	-	
Other income	(64,981)	(122,072)	(16,217)	
Income tax expense (benefit)	1,212	(2,981)	7,235	
Net margin and earnings attributable to noncontrolling interest	-	-	23,000	
Segment net margin and earnings	104,712	(34,751)	12,698	82,659
Elimination of intercompany loss				35,027
Other net expenses				(1,414)
Net margin and earnings attributable to Basin Electric				\$ 116,272
Segment capital expenditures ^(a)	\$ 757,474	\$ 28,192	\$ 21,558	\$ 807,224
Other capital expenditures				-
Total consolidated capital expenditures				<u>\$ 807,224</u>
Segment total assets	\$ 9,014,439	\$ 1,053,066	\$ 568,599	\$ 10,636,104
Other assets				35,504
Elimination of intersegment assets				(1,273,951)
Total consolidated assets				<u>\$ 9,397,657</u>

(a) Does not include accruals for property, plant and equipment as disclosed in the supplemental cash flow information to the consolidated statements of cash flows.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

	2024			Total Reportable Segments
	Electric Utility	Gasification	Coal and Limestone Operations	
(In thousands)				
Operating revenue:				
External	\$ 2,270,832	\$ 382,403	\$ 162,164	\$ 2,815,399
Intersegment	-	-	96,740	96,740
	<u>2,270,832</u>	<u>382,403</u>	<u>258,904</u>	<u>2,912,139</u>
Elimination of intersegment revenue				(96,740)
Total operating revenue				<u>\$ 2,815,399</u>
Less:				
Electric fuel and purchased power	1,074,416	-	-	
Electric operations and maintenance	679,558	-	-	
Cost of products sold:				
External	-	325,257	217,038	
Intersegment	-	96,740	-	
Nonelectric selling, general and administrative	-	39,373	8,752	
Depreciation, depletion and amortization	204,903	38,532	16,042	
Impairment of assets	-	4,013	-	
Interest and other charges, net:				
External	216,511	36,967	11,379	
Intersegment	56,804	-	-	
Other income	(77,804)	(125,968)	(16,467)	
Income tax expense (benefit)	(9,139)	(1,211)	2,603	
Net margin and earnings attributable to noncontrolling interest	-	-	23,215	
Segment net margin and earnings	125,583	(31,300)	(3,658)	90,625
Elimination of intercompany loss				56,804
Impairment of assets, net of tax				(25,504)
Other net expenses				(1,146)
Net margin and earnings attributable to Basin Electric				\$ 120,779
Segment capital expenditures ^(a)	\$ 561,450	\$ 13,946	\$ 68,355	\$ 643,751
Other capital expenditures				1,375
Total consolidated capital expenditures				<u>\$ 645,126</u>
Segment total assets	\$ 7,770,419	\$ 1,051,134	\$ 528,844	\$ 9,350,397
Other assets				33,015
Elimination of intersegment assets				(888,630)
Total consolidated assets				<u>\$ 8,494,782</u>

(a) Does not include accruals for property, plant and equipment as disclosed in the supplemental cash flow information to the consolidated statements of cash flows.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

	2023			Total Reportable Segments
	Electric Utility	Gasification	Coal and Limestone Operations	
(In thousands)				
Operating revenue:				
External	\$ 2,279,538	\$ 444,229	\$ 163,351	\$ 2,887,118
Intersegment	-	-	79,779	79,779
	<u>2,279,538</u>	<u>444,229</u>	<u>243,130</u>	<u>2,966,897</u>
Elimination of intersegment revenue				(79,779)
Total operating revenue				<u>\$ 2,887,118</u>
Less:				
Electric fuel and purchased power	1,077,496	-	-	
Electric operations and maintenance	662,056	-	-	
Cost of products sold:				
External	-	335,448	208,991	
Intersegment	-	79,779	-	
Nonelectric selling, general and administrative	-	33,525	5,722	
Depreciation, depletion and amortization	203,527	32,883	13,090	
Impairment of assets	-	5,035	-	
Interest and other charges, net:				
External	221,013	26,533	8,157	
Intersegment	47,722	-	-	
Other income	(83,548)	(9,252)	(15,608)	
Income tax expense (benefit)	1,304	(12,000)	3,109	
Net margin and earnings attributable to noncontrolling interest	-	-	21,083	
Segment net margin and earnings	149,968	(47,722)	(1,414)	100,832
Elimination of intercompany loss				47,722
Other net expenses				(1,038)
Net margin and earnings attributable to Basin Electric				\$ 147,516
Segment capital expenditures ^(a)	\$ 469,748	\$ 31,095	\$ 17,449	\$ 518,292
Other capital expenditures				6,347
Total consolidated capital expenditures				<u>\$ 524,639</u>
Segment total assets	\$ 7,685,441	\$ 1,034,954	\$ 454,891	\$ 9,175,286
Other assets				54,895
Elimination of intersegment assets				(884,193)
Total consolidated assets				<u>\$ 8,345,988</u>

(a) Does not include accruals for property, plant and equipment as disclosed in the supplemental cash flow information to the consolidated statements of cash flows.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

18. COMMITMENTS AND CONTINGENCIES

POWER PURCHASE COMMITMENTS—Basin Electric entered into various power purchase contracts with terms ranging from one to 50 years. The estimated commitments under these contracts as of December 31, 2025 were \$423.9 million in 2026, \$447.4 million in 2027, \$468.3 million in 2028, \$451.9 million in 2029, \$442.0 million in 2030, and \$5.6 billion thereafter. Amounts purchased under the contracts totaled \$364.5 million in 2025, \$338.5 million in 2024, and \$317.0 million in 2023.

Basin Electric entered into various power purchase agreements with its Class A member, Corn Belt Power Cooperative (Corn Belt), under which Basin Electric buys substantially all of the output from Corn Belt's generation resources at cost through December 2075. Basin Electric also entered into a transmission lease agreement with Corn Belt which expires in December 2075. ASC 810, *Consolidation*, requires that certain of Corn Belt's generation assets and liabilities associated with the power purchase agreements be consolidated in Basin Electric's consolidated balance sheets. As of December 31, 2025 and 2024, the assets and liabilities of Corn Belt included in the consolidated balance sheets totaled \$8.6 million and \$9.8 million, respectively.

CONTRACT COMMITMENTS—Basin Electric has outstanding contractual commitments for pipeline transportation totaling \$8.8 million as of December 31, 2025. Basin Electric also has various other outstanding contractual commitments totaling \$2.9 billion as of December 31, 2025, for various construction projects, equipment purchases, supplies, and for miscellaneous services to be provided.

Coteau has outstanding commitments of \$4.1 million to purchase equipment and \$1.0 million committed under various diesel fuel contracts through October 2026.

MINE CLOSING COSTS AND COAL PURCHASE COMMITMENTS—Under the terms of the Coteau Lignite Sales Agreement (Agreement) between Dakota Coal and Coteau, Dakota Coal is obligated to purchase all of its lignite requirements for AVS, the Synfuels Plant and LOS from Coteau, and Coteau is obligated to sell and deliver the required coal to Dakota Coal from contractually defined dedicated coal reserves. The coal purchase price includes all costs incurred by Coteau for development and operation of the dedicated coal reserves and may include costs to be incurred in connection with the Freedom Mine closing. During 2025, 2024 and 2023, Dakota Coal paid \$263.2 million, \$246.5 million and \$235.0 million, respectively, to Coteau for coal purchased under the lignite sales agreement. As a result of applying ASC 810, Coteau is consolidated with Dakota Coal and coal purchases from Coteau are eliminated within the consolidated financial statements.

Under certain federal and state regulations, Coteau is required to reclaim land disturbed as a result of mining. Reclamation of disturbed land is a continuous process throughout the term of the Agreement. Costs of ongoing reclamation are charged to expense in the period incurred and are recovered as a cost of coal as tonnage is sold to Dakota Coal. Costs to complete reclamation after mining is completed in a specific mine area are reimbursed under the Agreement as costs of reclamation are actually incurred.

Coteau accounts for its asset retirement obligations under ASC 410, *Asset Retirement and Environmental Obligations*, which provides accounting requirements for retirement obligations associated with tangible long-lived assets and requires that an asset's retirement cost be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method.

Coteau's annual costs related to amortization of the asset and accretion of the liability totaled \$9.9 million, \$6.5 million, and \$6.2 million in 2025, 2024 and 2023, respectively.

Dakota Coal has established designated funds for mine closing costs. The Agreement includes provisions whereby, upon expiration of the agreement, Dakota Coal has the option to purchase the

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

outstanding common stock of Coteau for its book value from NACoal. Dakota Coal may exercise this option only if Coteau has not exercised its right to extend the Agreement. NACoal has the option to require Dakota Coal to purchase the outstanding stock of Coteau for its book value in the event all of the plants Dakota Coal presently sells lignite coal to are closed or if lignite coal may no longer be legally mined in North Dakota and Dakota Coal exercises its right to terminate the Agreement with Coteau. Under the current mine plan, mining is anticipated to cease in 2047.

COAL PURCHASE AND FINANCING COMMITMENTS—Basin Electric, on behalf of the MBPP, has executed an agreement with Western Fuels for all coal purchase requirements through the life of LRS, with an option to extend the contract with approval by both parties. The average price of coal under this agreement during 2025, 2024 and 2023 was approximately \$23.19, \$22.75, and \$22.23 per ton, respectively.

Basin Electric executed an agreement with Western Fuels for all coal purchase requirements through the life of DFS, with an option to extend the contract with approval by both parties. Coal purchased under this agreement is used at the DFS. The average price of coal purchased under this agreement during 2025, 2024, and 2023 was approximately \$12.98, \$15.67, and \$14.91 per ton, respectively.

RECLAMATION GUARANTEES—Basin Electric provides guarantees of certain reclamation obligations of Coteau. These guarantees cover the reclamation of mined areas as required by the State of North Dakota's Public Service Commission (PSC). The bonds are released by the PSC after a period of time (generally ten years after final reclamation is completed) when it has been determined that the mined area has been returned to its original condition. As of December 31, 2025, the aggregated value of these guarantees is \$215.0 million.

Basin Electric guarantees certain reclamation obligations of WFW. Those guarantees cover the reclamation of mined areas as approved by the Wyoming Department of Environmental Quality (WDEQ) with the use of surety bonds. The bonds are released by the WDEQ after a period of time (generally ten years after final reclamation is completed) when it has been determined that the mined area has been returned to its approved post-mining use. As of December 31, 2025, the aggregated value of these guarantees is \$31.9 million.

DEBT GUARANTEE—Basin Electric guarantees, on an unsecured basis, a certain debt obligation of Dakota Coal totaling \$21.4 million as of December 31, 2025. In the event Dakota Coal defaults under this obligation, Basin Electric would be required to make payments under its guarantee.

DISMANTLEMENT COSTS—The county zoning permit requires Dakota Gas to dismantle the Synfuels Plant at such time that operations or other alternative uses approved by the Board of County Commissioners are terminated. Although Dakota Gas has no current plans to cease operations at the plant site, in accordance with ASC 410, Dakota Gas accrues an obligation for the eventual dismantlement and discontinuation of use of the Synfuels Plant.

LEASE INDEMNIFICATIONS—In general, under the terms of Basin Electric's sale and leaseback agreements discussed in Note 10, the lessors are indemnified should certain disqualifying events occur resulting in the recapture of tax credits, accelerated cost recovery deductions and interest deductions. Management believes that if indemnification occurs, there will not be a material adverse effect on Basin Electric's financial position, results of operations or cash flows.

CO₂ SALES COMMITMENTS—Dakota Gas has contracts involving commitments for the sale of CO₂ for enhanced oil recovery. These agreements extend through December 2027.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

LEGAL

CARBON CAPTURE AND SEQUESTRATION—In February 2024, Dakota Gas entered into an LLC agreement with an investor in which DCS has been formed to monetize tax credits for the CO₂ it sequesters. Dakota Gas has made certain representations to the investor with respect to the project qualifying for the credits as well as to the level of the credit. Dakota Gas will be liable to indemnify the investor to the extent the tax credits are disqualified or recaptured by the IRS. In February 2024, Dakota Gas procured tax credit insurance for protection of liability under certain conditions. Basin Electric has provided a limited guarantee of Dakota Gas’s obligations under the project agreements.

CCR RULE—The 2015 Coal Combustion Residuals Rule (CCR Rule) mandated closure of unlined surface impoundments upon a specified triggering event. If after multiple levels of monitoring and an alternate source demonstration, a statistically significant level of contamination could not be attributed to another source, a company was required to retrofit or close a surface impoundment.

In August 2018, the D.C. Circuit Court of Appeals vacated and remanded to EPA three provisions of the original 2015 CCR Rule including the provision allowing unlined surface impoundments to continue to operate unless they detected a leak. On December 2, 2019, EPA published proposed amendments to the CCR Rule that included new deadlines to cease waste receipt and initiate closure for unlined surface impoundments. The proposed amendments indicated all five Laramie River Station ponds would be required to cease accepting waste by August 31, 2020 (with a potential extension to November 30, 2020). On July 29, 2020, EPA released a final rule (Part A Rule), which established April 11, 2021 as the cease waste receipt deadline for unlined surface impoundments.

Basin Electric has substantially completed the implementation of a long-term compliance plan for its surface impoundments to meet the CCR Rule. Four surface impoundments have been retrofitted and are in compliance with the CCR Rule. The remaining surface impoundment is undergoing retrofit or closure activities.

On May 8, 2024, EPA published a final rule titled “Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residuals from Electric Utilities; Legacy CCR Surface Impoundments” (the 2024 CCR Rule). The 2024 CCR Rule removes the exemption for inactive CCR surface impoundments at inactivate generation facilities and establishes regulations for CCR management units (CCRMUs). The 2024 CCR Rule becomes effective 180 days after publication. EPA has identified one surface impoundment at Basin Electric’s former WJ Neal Station as being regulated under the 2024 CCR Rule. EPA has also identified two specific CCRMUs – one at Antelope Valley Station and one at Leland Olds Station – as being subject to the 2024 CCR Rule. Basin Electric is in the process of determining a compliance plan for the 2024 CCR Rule at all facilities. However, the 2024 CCR Rule is subject to petitions for review in the D.C. Circuit Court of Appeals. In addition, EPA has issued a proposed rule extending certain deadlines in the 2024 CCR Rule and is reconsidering the 2024 CCR Rule. The D.C. Circuit Court of Appeals litigation is being held in abeyance so that EPA can complete its reconsideration. Basin Electric considered this matter and currently have not made an accrual for this and is unable to predict what cost, if any, may be incurred to comply.

EGU MATS RULE—On May 7, 2024, EPA published a final rule titled “National Emission Standards for Hazardous Air Pollutants: Coal- and Oil-Fired Electric Utility Steam Generating Units Review of the Residual Risk and Technology Review” (EGU MATS Rule). The EGU MATS Rule eliminates the lignite subcategory for mercury emission limits, lowers the filterable particulate matter limits, and requires all units to install a particulate matter continuous emissions monitoring system. Basin Electric is in the process of determining a compliance plan for the EGU MATS Rule at all facilities, though Basin Electric has been granted a presidential exemption granting a 2-year extension to the compliance deadline. However, Basin Electric, other industry, and several states have filed petitions for review in the D.C.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Circuit Court of Appeals, which is currently being held in abeyance. On February 24, 2026, EPA published a final rule that repeals the more stringent standards in the EGU MATS Rule and reinstates the former standards. On March 30, 2026, a coalition of environmental groups filed a petition for review in the D.C. Circuit Court of Appeals challenging the repeal. Basin Electric considered this matter and currently has not made an accrual for this and is unable to predict what cost, if any, may be incurred to comply.

GHG RULE—On May 9, 2024, EPA published a final rule titled “New Source Performance Standards for Greenhouse Gas Emissions from New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emission Guidelines for Greenhouse Gas Emissions from Existing Fossil Fuel-Fired Electric Generating Units” (GHG Rule). As part of this rulemaking, EPA also repealed the Affordable Clean Energy Rule.

For new sources, the GHG Rule establishes performance standards for three categories of natural gas generation: low load, intermediate load, and base load. These new source performance standards apply to all combustion turbines that commenced construction on or after May 23, 2023. The standard for low load facilities is based on the use of lower emitting fuels. The standard for intermediate load facilities is based on highly efficient simple cycle technology with best operation and maintenance practices. The standard for base load facilities is divided into two phases. For phase one, the standard is based on highly efficient combined cycle generation with best operation and maintenance practices. For phase two, which applies beginning January 1, 2032, the standard is based on phase one with the addition of 90 percent capture of CO₂.

For existing sources, the GHG Rule establishes emission guidelines for two categories of coal-fired electric generating units (EGUs): medium-term and long-term. EGUs that permanently cease operation before January 1, 2032, are exempt. The emission guidelines for medium-term facilities – operating on or after January 1, 2032, and ceasing operating by January 1, 2039 – are based on co-firing 40 percent natural gas. The compliance date for medium-term facilities is January 1, 2030. The emission guidelines for long-term facilities are based on 90 percent capture of CO₂. The compliance date for long-term facilities is January 1, 2032. States must submit plans setting standards for existing sources using these emission guidelines and incorporating other factors.

Basin Electric is in the process of determining a compliance plan for the GHG Rule at all facilities. However, industry, and several states have filed petitions for review in the D.C. Circuit Court of Appeals. In addition, EPA issued a proposed rule that includes significant changes to the GHG Rule, and the D.C. Circuit Court of Appeals litigation is being held in abeyance so that EPA can complete its reconsideration. Basin Electric considered this matter and currently have not made an accrual for this and is unable to predict what cost, if any, may be incurred to comply.

REGIONAL HAZE— On December 2, 2024, EPA issued a final partial approval and partial disapproval of North Dakota’s and Wyoming’s Regional Haze plans. On January 31, 2025, Basin Electric filed petitions for reconsideration with EPA and petitions for judicial review of the disapprovals. The states and other industry have also filed similar petitions. For North Dakota, EPA disagreed with the state’s determination that no additional controls were required for Antelope Valley and Leland Olds. In particular, EPA disagreed with North Dakota’s consideration of visibility impacts. For Wyoming, EPA argued that the state should have done a four-factor analysis for PM. EPA has not proposed federal plans to replace the state plans. EPA has granted reconsideration of its decision of both states’ plans but has not yet issued new proposals. Basin Electric considered this matter and currently has not made an accrual for this and is unable to predict what cost, if any, may be incurred to comply.

LITIGATION— On November 7, 2019, McKenzie Electric Cooperative, Inc. (McKenzie), a Class C member of Basin Electric and a member of Class A Member Upper Missouri G&T Electric Cooperative, Inc. (Upper Missouri), filed a lawsuit in North Dakota State Court against both Basin Electric and Upper

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Missouri. The complaint brought multiple claims against Basin Electric, some of which have since been dismissed. McKenzie's remaining claims against Basin Electric are: (1) breach of the wholesale power contract (WPC) between Basin Electric and Upper Missouri (either as an alleged three-tier contract among Basin Electric, Upper Missouri and McKenzie, or with McKenzie being a third-party beneficiary to the WPC) by including losses associated with Dakota Gas in rates; and (2) declaratory judgment that the WPC permits McKenzie to terminate its contract with Upper Missouri prior to the expiration of the contract. Summary judgment motions were argued in April 2025 and are currently pending before the court. In September 2025, the parties reached a non-binding settlement in principle, through which the parties agreed to a settlement of all claims and allegations related to the matter. The settlement in principle is contingent upon execution of a mutually acceptable settlement agreement and corporate and regulatory approvals, as applicable to each party. At this time, while a loss is reasonably possible, Basin Electric does not believe that the amount of loss can be reasonably estimated pending finalization of a definitive settlement agreement and therefore has not currently made any accrual for this matter.

FERC REGULATION—Effective November 1, 2019, Basin Electric met certain criteria making the cooperative subject to the jurisdiction of the FERC. In July 2020, Basin Electric began filing with FERC its wholesale power contracts and rate schedule A. FERC accepted Basin Electric's filings, subject to settlement and hearing procedures. Class A Member Tri-State Generation & Transmission Association, Inc. (Tri-State), Class C Members McKenzie, Minnesota Valley Electric Cooperative (Minnesota Valley), and Wright-Hennepin Cooperative Electric Association, and the Sierra Club opposed in several FERC dockets Basin Electric's rate schedule A filings with FERC on various matters. In particular, the Sierra Club argued that Basin Electric should not be allowed to recover costs in its rates relating to certain of its coal generation assets; McKenzie argued that Basin Electric should not be allowed to recover costs in its rates relating to Dakota Gas; and Tri-State argued that Basin Electric's calculation of rates for depreciation expense and transmission service are not just and reasonable. A hearing before an administrative law judge was held from August 28, 2023, to October 27, 2023, and a second phase from February 5, 2024, through February 7, 2024. An initial non-binding decision by the administrative law judge was issued in June 2024. In September 2024, Basin Electric filed a brief on exceptions to the initial decision. No final decision has been issued by FERC, and the case remains pending. On July 16, 2025, Basin Electric received financing under the Rural Electrification Act of 1936. Basin Electric subsequently filed a motion at FERC to dismiss the active rate proceedings on the basis that, pursuant to Federal Power Act (FPA) Section 201(f), Basin Electric is no longer a public utility subject to FERC rate regulation and also filed notices of cancellation of its rate schedules, tariffs, and other agreements. The motion to dismiss remains pending before FERC. On September 12, 2025, FERC issued an order accepting the notices of cancellation, finding that, due to Basin Electric's change of jurisdictional status, it is no longer required to maintain tariff records with FERC. The cancellation order has since been appealed by Tri-State to the D.C. Circuit Court of Appeals, and remains pending with the appellate court. Minnesota Valley has subsequently voluntarily dismissed its objections in this proceeding and withdrawn as a participant in the matter. In September 2025, Basin Electric and McKenzie reached a settlement in principle, through which McKenzie agreed to withdraw its objections to Basin Electric's rates in the FERC proceedings and withdraw from and dismiss any other FERC proceedings and/or appeals in which it had intervened against Basin Electric. The settlement in principle is contingent upon execution of a mutually acceptable settlement agreement and corporate and regulatory approvals, as applicable to each party. See also "Litigation" above. Basin Electric considered these FERC proceedings and currently has not made an accrual.

RUS FINANCING – On June 10, 2025, McKenzie filed with FERC a Federal Power Act complaint against Basin Electric. The complaint requests that FERC find that Basin Electric is not authorized to obtain financing under the Rural Electrification Act of 1936 and that FERC retain jurisdiction over Basin Electric notwithstanding Basin Electric receiving such financing. Basin Electric contests the allegations of the complaint, and further contests McKenzie's right to the relief requested under the Federal Power Act.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Basin Electric has filed an Answer to the Complaint and a motion to dismiss. No further action has been taken by FERC and the case remains pending. In September 2025, Basin Electric and McKenzie reached a settlement in principle, through which McKenzie agreed to dismiss with prejudice its FERC complaint. The settlement in principle is contingent upon execution of a mutually acceptable settlement agreement and regulatory approval, as applicable to each party. See also “Litigation” above. Basin Electric considered this FERC proceeding and currently has not made an accrual.

NORTHWEST RURAL PUBLIC POWER DISTRICT – On March 26, 2024, Northwest Rural Public Power District (NRPPD) filed with FERC a complaint against Basin Electric and Tri-State. The complaint requested that FERC find that NRPPD is permitted to withdraw its membership in Tri-State, terminate its wholesale electric service contract (WESC) with Tri-State, and that its withdrawal and termination is permissible under the wholesale power contract between Basin Electric and Tri-State. In December 2024, FERC issued its order denying the complaint, but finding that NRPPD’s withdrawal from Tri-State and termination of its WESC is not a breach of the wholesale power contract between Basin Electric and Tri-State. Basin Electric filed an appeal of the FERC order with the D.C. Circuit Court of Appeals and the matter remains pending with the appellate court. In April 2026, Basin Electric and NRPPD reached a settlement in principle, through which NRPPD will dismiss its pending appeal at the D.C. Circuit and the underlying FERC complaint. The settlement in principle is contingent on execution of a mutually acceptable settlement agreement and regulatory approval, as applicable to each party. Basin Electric considered this matter and currently has not made an accrual.

Additionally, NRPPD has filed a complaint against Basin Electric in federal district court in Nebraska. In its amended complaint, NRPPD seeks a declaratory judgment that Basin Electric and Tri-State are bound by the December 2024 FERC Order that NRPPD’s withdrawal as a member of Tri-State, and therefore as a Class C Member of Basin Electric, is not a breach of the wholesale power contract for the Eastern Interconnection between Basin Electric and Tri-State. NRPPD further claims that it is a third-party beneficiary of the wholesale power contract between Basin Electric and Tri-State, and that Basin Electric has breached its obligations to Tri-State under the wholesale power contract by failing to provide NRPPD with an exit fee. Additional claims were added against Basin Electric for tortious interference with contract, tortious interference with a business relationship, and tortious interference with a prospective business relationship. Basin Electric contests the allegations of the complaint and has filed a motion to dismiss, which remains pending with the court. In April 2026, Basin Electric and NRPPD reached a settlement in principle, through which NRPPD will dismiss the pending complaint. The settlement in principle is contingent on execution of a mutually acceptable settlement agreement and regulatory approval, as applicable to each party. Basin Electric considered this complaint and currently has not made an accrual.

19. RELATED PARTY TRANSACTIONS

Basin Electric provides wholesale electricity sales and other services to its members. Basin Electric had accounts receivable from its members related to member wholesale power agreements of \$202.4 million and \$191.4 million as of December 31, 2025 and 2024, respectively.

Other receivables include \$2.3 million and \$3.7 million as of December 31, 2025 and 2024, respectively, for amounts Basin Electric, as operating agent, and its subsidiaries, have billed to MBPP. Included in special funds on the consolidated balance sheets is Basin Electric’s advance to MBPP of approximately \$17.0 million at both December 31, 2025 and 2024.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

CONTRACTUAL COMMITMENTS—Basin Electric provides and receives power, various materials, supplies and services to and from affiliates which are under the following agreements through 2026, except as noted below:

- **POWER SUPPLY**—Basin Electric provides all electric capacity, energy and transmission service needed to meet Dakota Gas's Synfuels Plant requirements under an agreement that extends through 2050.
- **SCREENED COAL**—Dakota Gas's Synfuels Plant provides screened coal to Basin Electric under an agreement that extends through 2037.
- **COAL SUPPLY**—Dakota Coal provides all coal requirements of Dakota Gas's Synfuels Plant and Basin Electric's AVS and LOS. This agreement extends through 2037.
- **ADMINISTRATIVE SERVICES**—Basin Electric provides various administrative and financial services to Dakota Gas, Dakota Coal, MLC and BCS.
- **LIME SALES**—Dakota Coal provides lime to Basin Electric's AVS and LRS.
- **LIMESTONE SALES**—Dakota Coal provides limestone to Basin Electric's LOS under an agreement that extends through 2040.
- **WATER SUPPLY**—Basin Electric provides water supply facilities for use by Dakota Gas's Synfuels Plant.
- **SALE OF NATURAL GAS**—Dakota Gas sells natural gas to Basin Electric for operation of utility gas generating plants and AVS (includes pipeline related costs).
- **USE OF TRANSMISSION ASSETS**—Basin Electric uses certain Dakota Gas transmission assets for a fee under an agreement that extends through 2047.
- **SALE OF FERTILIZERS, UREA AND DEF**—Dakota Gas sells fertilizers, urea and DEF to Basin Electric and MBPP for operation of power generation units.
- **PROJECT SERVICES**—Basin Electric provides the use of operational assets to Dakota Gas' Synfuels Plant.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Related party amounts that were not eliminated in consolidation in accordance with ASC 980 were billed as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
	(In thousands)		
Sales of goods and services to:			
Dakota Gas:			
Power supply	\$ 61,887	\$ 57,645	\$ 58,350
Administrative services	27,262	23,175	22,867
Water supply	2,339	2,482	2,541
Project and other services	491	369	221
Dakota Coal:			
Administrative services	2,535	2,457	2,410
Total	<u>\$ 94,514</u>	<u>\$ 86,128</u>	<u>\$ 86,389</u>
Goods and services provided by:			
Dakota Gas:			
Screened coal	\$ 67,942	\$ 59,711	\$ 50,637
Natural gas	14,241	11,524	14,164
Transmission and other misc. services	990	1,037	1,060
Fertilizers, urea and DEF	4,774	-	-
Dakota Coal:			
Coal supply	101,160	77,794	88,128
Lime	15,797	11,970	11,425
Limestone	2,570	2,709	2,804
Total	<u>\$ 207,474</u>	<u>\$ 164,745</u>	<u>\$ 168,218</u>

Various other intercompany management, administrative and financial services were performed, which were not significant.