2022 ANNUAL REPORT

BASIN ELECTRIC POWER COOPERATIVE

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ON THE COVER

Louis and Terri Reed are members of Western Iowa Power Cooperative, a Basin Electric Class C member headquartered in Denison, Iowa. Louis serves on the board of that cooperative; serves as board chair for Northwest Iowa Power Cooperative (NIPCO), a Basin Electric Class A member in LeMars; and represents NIPCO on both the Basin Electric Bylaws and Resolutions Committees.

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This 2022 Annual Report was written, compiled, and produced by the employees of Basin Electric Power Cooperative and its subsidiaries.

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BASIN ELECTRIC POWER COOPERATIVE
A Touchstone Energy® Cooperative

PRESIDENT AND GENERAL MANAGER'S MESSAGE

Basin Electric's story in 2022 is one of incredible financial performance and the opportunity as stewards of our members' assets to create an even more stable and sustainable foundation for success.

Basin Electric enjoyed margins far beyond what was budgeted, largely the result of the cooperation between our Marketing and Operations teams. The Marketing team's insights and strategies created value by optimizing our members' assets — generation, transmission, and DC ties. This was coupled with our all-of-the-above generation fleet, which performed extremely well in 2022, particularly during times of high market stress.

These factors were amplified by a series of record-setting demand levels from our membership. Despite high inflation and volatile markets, our cooperative was able to remain steady, forecasting stable rates for the next decade, a testament to our operational excellence and disciplined risk management practices.

Dakota Gasification Company, our for-profit subsidiary, benefitted from high commodity prices and strong operational performance at the Great Plains Synfuels Plant where systems operated at near-record capacity levels. This meant Dakota Gas was able to repay more than $250 million to Basin Electric on a revolver that the subsidiary had used to fund operating expenses over the last several years.

We know it will be difficult to replicate, sustain, or scale this financial success going forward. As we plan for future years, we are focusing our time, energy, and efforts on key strategic initiatives that will provide us the leverage to deliver incremental value and absorb more risk for our membership.

The Basin Electric board of directors and management plans to allocate our member capital through investing in assets and people, de-risking Basin Electric, and returning value to the membership.

The good fortune of 2022, in part, was returned to our members through patronage and bill credits, and the board authorized a 1 mill rate decrease that took effect in 2023. To protect members from rate volatility, Basin Electric also further built up our rate stabilization fund which serves as a shock-absorber for market disruptions that have become increasingly more commonplace. Also, Basin Electric has

accelerated the depreciation of our oldest coal generation units to ensure the member at the end of the line will not be forced to pay for the same kilowatt-hour twice.

Regarding investment, nearly $1.5 billion in construction projects has been authorized by our board to add more generation to our fleet and miles to our high-voltage transmission lines. As rural America grows and the criticality of reliable electricity is on the minds of many, the Basin Electric membership is building assets to ensure that demand is met and reliability is maintained.

This year was remarkable for all the reasons we mention above, but we know our work never ends. As we strive every day to provide reliable, affordable, and responsible electricity for our members produced safely by our employees, we recognize the importance of electric cooperatives to the communities and people of our service territory.

Access to reliable and affordable electricity creates immense opportunities. You'll meet a consumer-owner in this report who has held on to a family business, another who used their entrepreneurial spirit to diversify, and yet another who has adapted to changing markets. Hard work and good business sense has carried them through, no doubt, and also the lives they have built for their families and communities are supported by a network of electric cooperatives providing the energy they need.

We are proud of the work we do and know the good fortune we realized over the last year must be deployed and invested with steady shoulders. Deliberative conversations and an adherence to decision-making driven by data, rigorous analytics, and collaborative debate will enable us to make the best decisions for our membership. Above all, we will keep a laser focus on our members at the end of the line to remember why and how what we do matters for success in rural America.

WAYNE PELTIER
President

TODD E. TELESZ
CEO and General Manager

RELIABLE ELECTRICITY FOR OUR WAY OF LIFE

Basin Electric's members count on reliable electricity to keep the lights on at home and to power their businesses and the services they need every day. Basin Electric generates and delivers electricity to 131 member cooperatives across nine states. Our generation and transmission assets are the engines of commerce for a service territory that helps feed and fuel our nation, supporting quality of life and economic opportunity for consumer-owners and industries across rural America.

Reliability is achieved and maintained at Basin Electric in a number of ways: fuel choice for generation, generation availability, proactive plans for additional resources to both generate and deliver electricity, focus on diligent maintenance, consistent communication with members regarding load growth, and a dedicated workforce that understands the priorities of the cooperative and works toward those goals in everything they do.

THE VALUE OF DIVERSITY

Basin Electric's generation fleet is diverse, from the fuel that turns the turbines, to the way our units are offered into the power markets, to the geographic location of our units and how that can drive value for our membership.

Our all-of-the-above energy strategy has proven successful in maintaining a reliable electric system. This strategy employs a diversified portfolio of dispatchable and non-dispatchable resources. The distinction between these resources is dispatchable resources have a readily available fuel supply to power their generation, whereas non-dispatchable resources rely on intermittent, renewable fuel and produce electricity when weather conditions are right.

The majority of our dispatchable resources — coal, natural gas, and fuel oil generation facilities — are situated in relatively close proximity to the mines, wells, and pipelines that provide their fuel. This proximity enhances reliability, lowers costs, and reduces the environmental footprint of our dispatchable resources. Our portfolio of non-dispatchable, renewable resources, currently consisting of wind facilities, has a generating capacity of more than 1,800 megawatts (MW) of electricity. Our system also benefits from access to hydroelectric power, which provided approximately 4.3% of our winter season generating capacity in 2022.

Our all-of-the-above energy strategy capitalizes on Basin Electric's service territory being one of the best areas in the nation for wind generation. In the past decade, we have added nearly 1,200 MW of wind resources to our portfolio, and will soon add solar generation to our portfolio through a power purchase agreement with a new solar project under construction in South Dakota.

In addition to environmental benefits, the cooperative's renewable assets, both through the wind projects Basin Electric owns and operates and the power purchase agreements we have with independent power producers, bring value in that they have a fixed fuel cost, thereby providing mitigation against volatile market prices.

MEGHAN AND TRAVIS WILL

Capital Scale Company, a member of Capital Electric Cooperative and Central Power Electric Cooperative

When a family is in the scale industry for four generations, relationships carry weight.

In 1979, after many years of working with his dad, Meghan Will's father moved his family from Minneapolis, Minnesota, to Bismarck, North Dakota, where he purchased Capital Scale Company. One of their first relationships was with Capital Electric Cooperative, a Basin Electric Class C member. The family went on to build a thriving business that Meghan and her husband, Travis, began operating in 2012 and purchased in 2018. The company sells, services, and certifies scales, like the scale in the ring at Kist Livestock in Mandan, North Dakota (shown here). "From the food you eat to the roads you drive on, the fertilizer you put on your crops and the truck that transports the fertilizer, all those things get weighed by scales," Meghan says. "We can start our day testing the scale at the local butcher shop, go to the clinic to test medical scales, and finish on a truck scale at the weigh station ensuring trucks on the road are not over capacity."

When the area began growing quickly due to an oil boom in the Bakken shale formation of western North Dakota and eastern Montana, oil companies were courting Capital Scale Company with offers to pay four times what their current customers were paying. "The boom made the service side of our business a lot busier, but we have prided ourselves on customer service and taking care of the customers who have been with us for 25 years," Meghan says. "We appreciate the customers who have kept us in business year after year. The oil boom has been a great asset, but agriculture is still a bigger industry for us."

The Wills say the reliable electricity and small business feel they receive from Capital Electric mean a lot. "If our power wasn't reliable, we may as well not come to work. I couldn't imagine trying to operate without reliable electricity," Meghan says. "I love the fact we are a member of a cooperative that gives a percentage back to the loyal customers they have."

TRANSMISSION PROJECTS TO ENSURE RELIABILITY AND SERVICE

Following is a list of the transmission projects recently completed and underway at Basin Electric.

Neset-to-Northshore
230-kilovolt, 27-mile transmission line
Energized in January 2023

Pioneer Generation Station-to-Judson
345-kilovolt, 15-mile transmission line
To be energized in 2024

Springbrook
345/115-kilovolt substation
Includes new delivery point for Mountrail-Williams Electric Cooperative
To be energized in 2025

Roundup-to-Kummer Ridge
345-kilovolt, 35-mile transmission line
To be energized in 2025

Leland Olds Station-to-Tande
345-kilovolt, 175-mile transmission line and new 345/115-kilovolt substation
To be energized in 2026

Wheelock-to-Saskatchewan Tande-to-Saskatchewan
230-kilovolt transmission lines, 50 to 60 miles each
To be energized in 2027

BUILDING FOR RELIABILITY AND GROWTH

Basin Electric's 2023 member load forecast projects growth of 1.14% over the next 10 years. Basin Electric's projected growth is driven by the residential and commercial sectors, as well as high density computing facilities, the projected emergence of agriculture-based carbon dioxide (CO_2) capture and sequestration, and continued economic development in western North Dakota.

But even before the latest member load forecast was released in January 2023, the cooperative determined it needed to build new generation and transmission to be able to keep providing reliable electric service to the membership.

As a result, Basin Electric is pursuing its largest single-site electric generation project since the 1980s. The cooperative is constructing approximately 600 MW of natural gas generation near the existing Pioneer Generation Station, northwest of Williston, North Dakota.

The project is referred to as Pioneer Generation Station Phase IV (PGSIV). The project team plans to have the first simple-cycle turbine and set of reciprocating engines online by 2025 and an additional simple-cycle turbine online in 2026. The project also includes a 15-mile, 345-kilovolt (kV) transmission line expected to be in service in 2024.

Separately, Basin Electric is on track to energize nearly 350 miles of high-voltage transmission line in western North Dakota by the end of 2027. These projects, summarized above, are being constructed to address concerns with future reliability and service. The two 230-kV transmission lines that will connect with SaskPower at the Canadian border will support reliability by providing larger transfer capability between Canada and the Southwest Power Pool (SPP) system, a regional transmission organization of which Basin Electric is a member.

The cooperative also serves load, and develops plans to serve future load growth, with power purchase agreements and energy and capacity purchases. Basin Electric entered into a 200-MW power purchase agreement in December 2022 with ENGIE North America for the output of its North Bend Wind Project in Hughes and Hyde counties in South Dakota. The project is set to begin commercial operation in 2023.

In addition, the cooperative began receiving 142 MW from the Aurora Wind Project near Tioga, North Dakota, on Jan. 1, 2023.

Basin Electric's efforts to contract for solar power have been impacted by supply chain disruptions and inflation. Fortunately, the Wild Springs Solar Project, a 128-MW facility in Pennington County, South Dakota, began construction in January 2023. Basin Electric will purchase 114 MW of the output. The project, owned and operated by National Grid Renewables, is set to begin commercial operation in 2023, and will be the largest solar project in South Dakota.

ADDRESSING MAINTENANCE TO ENSURE RELIABILITY

Without upgrades, aging transmission infrastructure will eventually falter, affecting reliability.

To prevent this from happening, Basin Electric launched the Aging Substation Infrastructure Replacement Initiative in 2018 as the cooperative's approach to strengthen and modernize its infrastructure and help ensure reliability for the cooperative's members. Basin Electric is on track to complete upgrades to an additional 15 substations by 2027.

With the Engineering team leading the coordination efforts, a cross-functional team was developed to create a ranking system to help identify infrastructure most in need of equipment replacement. Ranking was based on age, test data, and the availability of manufacturers that could supply replacement substation equipment.

Major maintenance on generation units is typically completed during coordinated plant outages in the spring and fall, the times of year when demand for electricity is lower due to milder temperatures. These outages include activities such as replacement of components affected by wear and catalyst replacement for environmental control equipment.

The cooperative evaluates maintenance costs in conjunction with how they affect the competitiveness from each generation facility and how that energy is priced in the market. The cooperative's Outage Cost Analysis Report documents the source of unplanned plant outages and tracks patterns to determine whether attention needs to be directed toward a particular element for maintenance. Costs of both maintenance and fuel are compared against the energy prices, cost of replacing that generation with energy purchased on the market, or selling surplus electricity on the market. Based upon this information, decisions can be made as to what will bring the best value to Basin Electric's consumer-owners.

STRATEGICALLY FOCUSED TEAMWORK

A realigned organizational structure and emphasis on strategic planning has contributed to Basin Electric's ability to develop guidance for employees to follow as they make decisions at work every day to provide reliable, affordable, and responsible electricity for the membership.

Basin Electric has experienced several retirements in its executive ranks. Many of the positions were filled through internal promotions, while the cooperative was able to hire a number of executives to further enhance the cooperative's workforce. The Executive Leadership Team's streamlined reporting structure provides a single point of accountability and responsibility for leadership regarding key risks, opportunities, and assets.

In addition to the leadership team's new structure and diversity of experience, strategic planning with the board of directors and Executive and Senior Leadership Teams contributes to better-focused efforts throughout the cooperative.

Several times each year, the Basin Electric board and Senior Leadership Team hold strategic planning sessions to develop and monitor initiatives for Basin Electric and its subsidiaries. Efforts are focused on building upon our all-of-the-above energy strategy to further augment the value Basin Electric provides to its members.

Three cooperative-wide initiatives have been developed for the cooperative, falling in the areas of safety, reliability, and financial agility. These cooperative-wide initiatives are supported by well-defined objectives, departmental initiatives, and individual goals throughout Basin Electric.

Regular maintenance is important to keeping electricity reliable and units in compliance. Pictured: Brady Hillerud, instrument and control technician I at Antelope Valley Station near Beulah, North Dakota.

FINDING VALUE IN EVERY CORNER

The size of Basin Electric's service territory and scale of our generation and transmission assets make the cooperative unique and allow us to deliver value to our members and communities in a variety of ways.

Basin Electric's service area stretches through the heartland of the United States and has generation and load in both the Western Interconnection and the Eastern Interconnection. The cooperative has firm access to DC ties and the ability to move the electricity as it is generated to where it's needed at the most optimal prices. Basin Electric also owns and operates facilities across different regional transmission organizations (RTO), participating in SPP, Midcontinent Independent System Operator (MISO), and the western bilateral markets. In the West, Basin Electric also participates in SPP's Western Energy Imbalance Service Market.

Expanding the SPP RTO into the Western Interconnection remains a possibility as prospective participants continue conversations and studies into the venture.

Basin Electric continues an internal evaluation of the economics of joining the full RTO in the Western Interconnection.

VOLATILITY AND OPPORTUNITY

All of the markets Basin Electric operates in are experiencing tightening capacity positions, meaning while market participants have enough generation capacity to serve their loads, the ample surplus that was previously available is shrinking. More and more, dispatchable generation is being replaced by non-dispatchable, intermittent resources like wind. In addition, given recent events that have emphasized the need to have a reliable grid in adverse weather conditions, all of the markets Basin Electric participates in are working on new guidelines that will increase capacity requirements.

Dispatchable generation continues to show its value. SPP reached progressively higher peaks five times during a stretch of hot weather in July 2022 until it reached an overall record peak that month. At the time of the final peak load, dispatchable resources made up 85% of online generation.

While severe weather events are not a new occurrence, power markets' increased reliance on non-dispatchable resources can result in volatile market prices and reduced reliability when the severe weather occurs. Basin Electric's dispatchable resources help insulate our members from volatile energy markets. In September, the cooperative's dispatchable resources in the Western Interconnection experienced a record month for surplus sales.

LOUIS REED

Western Iowa Power Cooperative and Northwest Iowa Power Cooperative

For farmers who grow corn, the ethanol industry's growth starting in 2005 has been a game changer. When the Renewable Fuels Act went into place, corn had a new purpose aside from feeding people and livestock. It became important to the energy industry.

Louis Reed and his wife Terri farm near Castana, Iowa, and are members of Basin Electric Class C member Western Iowa Power Cooperative (WIPCO) in Denison, Iowa. Louis serves on WIPCO's board and also as board chair at Northwest Iowa Power Cooperative, a Basin Electric Class A member in Le Mars.

"Ethanol has had a tremendous impact on corn farmers. The price is the obvious one," Louis says. "This summer we had a positive basis of a dollar a bushel. We get the distillers grain back from an ethanol plant when we sell it, which is about a third of the volume. The plant takes the oil from the corn, and we get the distillers grain back to feed to our cattle, which is a lot better feed than corn."

The Reeds sell to three ethanol plants, all within an hour drive of their farm: the Andersons Denison Ethanol plant in Denison, the POET Bioprocessing plant in Arthur, Iowa, and the CargillAg ethanol plant in Blair, Nebraska.

Louis says farmers today don't have to transport their corn as far because the ethanol industry brought more local demand for their product. Also, ethanol has created high-paying jobs that keep young people in the area after school. "The ethanol is burned in our vehicles around here, and it helps support our local stores and our local farmers in many ways," he says.

The Marketing and Operations teams work together to optimize Basin Electric's assets. Marketing's strategy and insight is coupled with a generation fleet which performs well during periods of high market stress. Pictured: Patti Weisz, Basin Electric market analyst I.

HEDGING TO PROTECT OUR MEMBERS

Higher natural gas prices typically mean higher energy prices in the power markets. For example, average annual power prices in SPP over the past two years have more than doubled.

To protect the Basin Electric member load from this volatility, energy prices can be hedged in the forward power markets. The cooperative has implemented procedures to govern participation in these transactions, and Basin Electric's Risk Management Steering Committee is responsible for overseeing the hedging program.

In a power market such as SPP, the market objective is to dispatch generating facilities in a manner to meet the demand for energy in the most reliable and cost-effective way. When SPP cannot dispatch the most economical generating facilities due to transmission constraints, SPP will dispatch more expensive generating facilities to meet the required power requirements. SPP members whose power requirements cause the redispatch are obligated to pay the additional costs to dispatch more expensive generating facilities. These additional costs are commonly referred to as congestion costs. Utilities protect against these price differences through congestion hedging, and Basin Electric did so with positive results in 2022.

Through fuel hedging, Basin Electric's experienced and knowledgeable team of employees has developed strategies that have held down the cost of fuel for electricity generation. In 2022, many utilities were forced to raise rates because of higher natural gas prices. Through Basin Electric's all-of-the-above energy strategy, many different kinds of fuel contribute to the total generation mix, meaning the high cost of natural gas is just one factor of many in the price of delivering electricity.

VALUE OF DAKOTA GAS

Basin Electric is also home to a very unique natural hedge for the pricing of natural gas — Dakota Gasification Company's Great Plains Synfuels Plant. Dakota Gas is Basin Electric's largest subsidiary and turns coal into synthetic natural gas that it transports on the Northern Border Pipeline using a firm pipeline capacity agreement. Because Basin Electric and Dakota Gas are producing, transporting, and consuming the natural gas, the cooperative can serve some of our own natural gas-fueled generating units using the natural gas we produce ourselves.

And, in yet another way Basin Electric and Dakota Gas are able to keep costs within the cooperative, Dakota Gas buys electricity from Basin Electric to operate its facility that produces synthetic natural gas and 12 other products.

Fertilizers, chemicals, fuels, and liquefied gases comprise the products at the Synfuels Plant, a highly diversified portfolio that today derives approximately 32% of its revenue from synthetic natural gas and 44% of its revenue from fertilizers, with the balance coming from other products.

The facility saw some firsts and records in production in 2022. Anhydrous ammonia production at the Synfuels Plant was the highest on record. A new product, 40% diesel exhaust fluid (DEF), was sold for the first time in January 2022 and is used in large combustion diesel engines, predominantly for marine applications. In addition to the 40% DEF blend, Dakota Gas also sells 32.5% and 50% DEF blends.

A diversified customer base has proven valuable for the Synfuels Plant as well. Beverage-grade carbon dioxide (CO_2), first produced at the Synfuels Plant in 2020, is used in water treatment plants, as carbonation for beverages, and for refrigeration and preservation for food processing. The Synfuels Plant team also earned a certification — ISO 9001 certification for cresylic acid — that allows sales into the automotive industry to continue.

NEW OPPORTUNITY THROUGH LEGISLATION

The United States Congress passed the Inflation Reduction Act (IRA) in 2022 which includes extensions and expansion of incentives for renewable energy, CO_2 capture and sequestration, the production of hydrogen, and other clean energy technologies. The act also created a new tax incentive for zero-emissions electrical generation.

The direct-pay provision of the IRA provides opportunities for Basin Electric and its members. Prior to the IRA legislation, monetization of renewable energy tax credits was limited to for-profit entities, but the new legislation provides for cooperatives and other not-for-profit entities to receive these benefits directly.

The Section 45Q tax credit is a significant opportunity with direct pay eligibility for Basin Electric. Dakota Gas' Synfuels Plant has more than 20 years of experience capturing CO_2 for enhanced oil recovery in Canada. Through the Great Plains CO_2 Sequestration Project, the plant plans to capture and sequester additional tons of CO_2 via a permanent geologic storage reservoir adjacent to the plant.

In addition, the IRA provides opportunity in the near-term for increased renewable energy deployment. The extension of current renewable production tax credits provides opportunity for repowering of existing projects and incentive for building battery storage.

Crews are installing pipeline as part of the Great Plains CO_2 Sequestration Project. The project will capture additional CO_2 from the Great Plains Synfuels Plant and sequester it in close proximity to the plant site near Beulah, North Dakota.

PLACING PRIORITY ON PEOPLE

External forces such as legislation and markets may provide opportunities, but it takes the combined knowledge, insight, and hard work of the Basin Electric team — including the board of directors, Executive and Senior Leadership Teams, and all employees — moving forward together to execute on those opportunities.

The knowledge gained through exploration into new technology or opportunities brings value to both Basin Electric employees who learn more about their industry and cooperative, and also to the membership that benefits from the enrichment of the entire team.

From research into de-carbonization to investments in training and professional development for all employees, Basin Electric's priority on innovation, knowledge, and the people who can put ideas into action shines through.

FUTURE TECHNOLOGY FOR DE-CARBONIZATION

Basin Electric has been leading the way in CO_2 capture, utilization, and storage for more than two decades. Looking to the future, we are at the forefront of research and development for new technologies that will allow for continued de-carbonization of our nation's electric generation portfolio.

Basin Electric hosts the Integrated Test Center (ITC) at our Dry Fork Station near Gillette, Wyoming.

The Wyoming ITC is a research facility for testing CO_2 capture technologies on the flue gas from the operating power plant. The Wyoming ITC has received more than $100 million in research and development funding including from the U.S. Department of Energy (DOE). It was the site of the NRG COSIA Carbon XPRIZE, as well as the current site of a pilot project for novel membrane technology developed by Membrane Technology & Research (MTR) to remove the CO_2.

In November 2022, Basin Electric sent a letter to the DOE supporting a proposal by MTR for DOE funds. DOE issued a Funding Opportunity Announcement for integrated CO_2 capture, transport, and storage systems earlier in the year.

The funds would be used for a $5 million supplemental front-end engineering design study (FEED). This FEED study would supplement a prior study MTR finished last summer. DOE is now requiring 90% CO_2 capture, whereas the previous work was done with a 70% capture target. If the proposal is successful, DOE would provide 50% of the project budget. The other 50% would include $2 million from the state of Wyoming and $500,000 provided by Basin Electric. An announcement from DOE is expected in spring 2023.

Additionally, Basin Electric is part of the CarbonSAFE project (Carbon Storage Assurance Facility Enterprise) facilitated by the University of Wyoming. This project is assessing the feasibility of large-scale CO_2 storage. Wyoming CarbonSAFE was launched in 2016, and the DOE determined the project had merit and supported moving forward with Phase II in 2018 and Phase III in 2020. Phase III is a three-year effort.

NOAH BRINKMAN

Instructor of Wind Turbine Technology at Mitchell Technical College

Young people from across South Dakota and beyond attend Mitchell (South Dakota) Technical College to get their start in a growing industry. The Wind Turbine Technology program is a two-year program in which students learn the basics of turbines, mechanics, hydraulics, electronics, and the computer networks that allow the systems to communicate.

Noah Brinkman, an instructor in the program, did work for a contractor at the Crow Lake Wind Project, a Basin Electric owned and operated 172-MW wind facility, before he entered the field of education. The unique aspect of Mitchell Tech's program is that students get hands-on experience when they climb a full-sized wind turbine owned by the school and located within the Crow Lake Wind Project.

"We use all the safety equipment, and you have to climb hand-over-hand the old-fashioned way. It's a really good learning experience to have a fully functional tower to visit," he says. "When your students get to the top, it's always an exciting thing. It kind of makes you relive the first time you did that as well, just the wonder of it all."

Brinkman says having a top-notch program close to home — and supported by an electric cooperative — is important for area students. "When I took the tour here as a new hire, I was impressed with the amount of robotics, like welding arms. There's a lineman program, electrical utilities, and substation technology," he says. "It's nice to see the younger generation getting into the trades and taking an interest in working with their hands and fixing things, helping humanity in general."

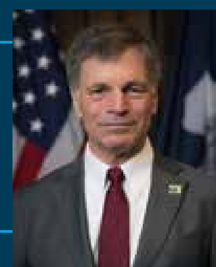
STATE SUPPORT FOR CARBON SOLUTIONS

Dakota Gasification Company, a subsidiary of Basin Electric, has been safely capturing and transporting CO_2 — over 40 million [metric] tons of it — and it's been transported to Weyburn, Saskatchewan, for enhanced oil recovery in the Canadian oil fields. ... Thank you for all you're doing to invent the future.

GOV. DOUG BURGUM, NORTH DAKOTA

Later this year construction will begin on two new projects at the Integrated Test Center at Basin Electric's Dry Fork Station in Gillette. Advancing and deploying carbon capture technology requires investment from generators and end users, and one key partner is Basin Electric Power Cooperative.

GOV. MARK GORDON, WYOMING



EXPERT KNOWLEDGE SHARED WITH THE BOARD

The Basin Electric board of directors regularly invites external experts and consultants to their monthly board meetings as a way to hear new perspectives and information to help them make the best decisions they can on behalf of the membership.

In 2020, Basin Electric hired the Eurasia Group as a consultant regarding geopolitics, energy, climate, and resources, and representatives from the group visit with directors several times each year. In 2022, the group's consultants focused on the Russian invasion of Ukraine and its implications for natural gas and fertilizer supply and prices, the impact of inflation and supply chain disruptions following the COVID-19 global pandemic, and political division in the United States and its effects on energy policy.

Interest in cryptocurrency and crypto mining has grown over the past couple years, and Basin Electric members are being approached with requests to connect to co-op lines, with substantial electricity needs and potential for quickly changing technology. At the February 2022 board of directors meeting, representatives from Royal Bank of Canada spoke to directors about blockchain and Bitcoin, the most popular and established form of cryptocurrency.

Oil and natural gas markets are of interest to directors because they impact Basin Electric and Dakota Gas in a number of ways. A representative from ACES, a cooperative that does energy management for and is owned by 22 electric cooperatives across the United States, spoke at the August 2022 board meeting about how higher natural gas prices are impacting power markets, the increasing cost of renewables due to soaring demand, and more.

INVESTING IN OUR TEAM

Basin Electric has renewed its focus to develop resources for employee engagement, development, and performance management, all elements necessary for Basin Electric to provide reliable, affordable, and responsible electricity to its consumer-owners.

Employee engagement is more important now than ever before as competition for talent is fierce, and every workplace must determine what competitive advantage it has to attract the employees they need and to retain their existing workforce. Compounding competition for talent, Basin Electric saw a large number of retirements in 2022.

The cooperative has partnered with Gallup, a leading research and analytics company, to conduct an employee engagement survey to gauge how engaged our workforce is and to determine areas to focus improvement efforts, the culture of the cooperative, and more. Those metrics will be used to determine where Basin Electric's employee engagement is strong and where more resources could be focused.

The Learning & Development team is working to integrate and develop employees from onboarding to preparation for future job opportunities by expanding and enhancing their knowledge and skillsets.

The BE Leaders program is a talent development opportunity allowing employees to elevate their leadership potential. The program is designed to boost personal strengths and build peer and professional networks while learning skills and acquiring tools to help them make a difference in their department, workplace, and community. Monthly gatherings include discussions concerning communication, conflict resolution, cooperative culture, change management, and more.

A remote work program was established in November 2022 to allow eligible positions greater flexibility and job satisfaction, while maintaining efficiency and productivity. The program gives employees the opportunity to work at home, on the road, or in a satellite location for part of their work week.

STRATEGY INFLUENCES PERFORMANCE

The ability to establish employee goals that directly tie their work to Basin Electric's strategic plan helps the cooperative ensure employees are aligned with the cooperative's priorities.

Basin Electric's strategic goals and objectives are funneled down to department initiatives and employee-goals; how employees supported the cooperative's goals and objectives will then be assessed during performance reviews. All this is tied to three cooperative-wide initiatives regarding safety, reliability, and financial agility.

A new Performance Management software program supports Basin Electric employees with purpose-driven compensation and performance management, and helps employees understand management's expectations. Human Resources administers the system and works with supervisors and managers to set goals, monitor employee performance, and conduct review and progress updates. Employees can review their progress in the system as well.

SAFETY CULTURE ON THE MEND

Improving safety metrics is one of Basin Electric's three cooperative-wide initiatives all employees are to strive toward.

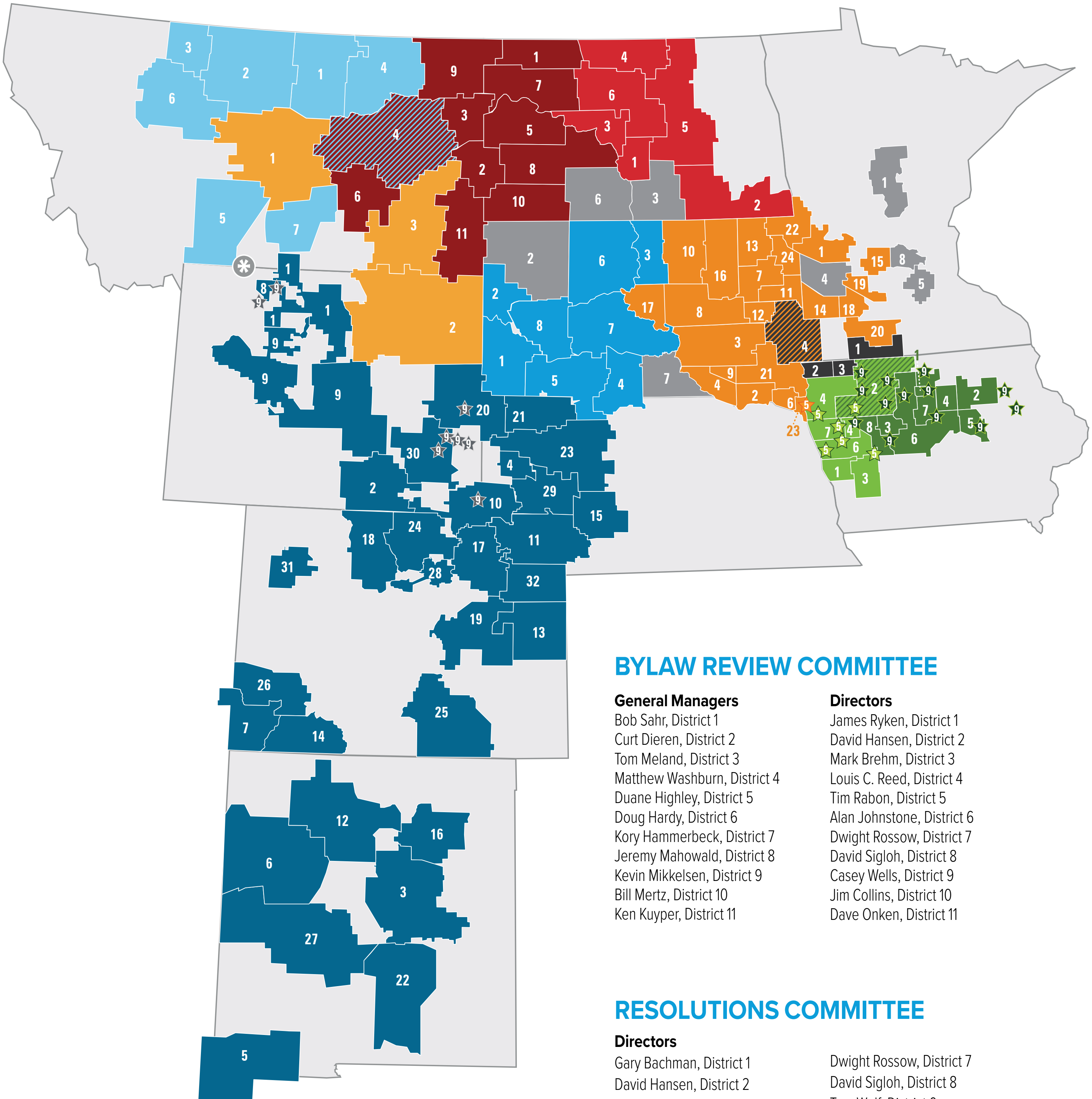
Basin Electric is recommitting to our safety culture with the help of a newly hired director of safety.

A change in culture involves employees thinking, acting, and working in the safest way possible, which can be accomplished starting with the board and Executive Leadership Team's commitment to safety, realistic practices for handling unsafe conditions, continuous learning, and a shared concern for unsafe conditions across the organization.

The initiative for all employees is to reduce by 10% those incidents which result in medical treatments and Days Away, Restricted or Transferred, which means a reduction in the severity of injuries and injuries that require an employee to miss work.

Basin Electric's Transmission System Maintenance team receives regular safety training at the cooperative's generation and transmission facilities. Pictured: Ryan Fisk (second from right), Basin Electric safety director, taking substation entry training along with lineworkers.

MEMBERSHIP



BYLAW REVIEW COMMITTEE

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Tom Meland, District 3
Matthew Washburn, District 4
Duane Highley, District 5
Doug Hardy, District 6
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Jeremy Mahowald, District 8
Kevin Mikkelsen, District 9
Bill Mertz, District 10
Ken Kuyper, District 11

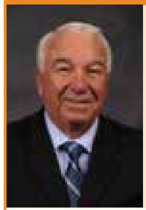
Directors
James Ryken, District 1
David Hansen, District 2
Mark Brehm, District 3
Louis C. Reed, District 4
Tim Rabon, District 5
Alan Johnstone, District 6
Dwight Rossow, District 7
David Sigloh, District 8
Casey Wells, District 9
Jim Collins, District 10
Dave Onken, District 11

RESOLUTIONS COMMITTEE

Directors
Gary Bachman, District 1
David Hansen, District 2
Mark Brehm, District 3
Louis C. Reed, District 4
Barbara Walz, District 5
Alan Johnstone, District 6
Dwight Rossow, District 7
David Sigloh, District 8
Tom Wolf, District 9
Philip Habeck, District 10
Dave Onken, District 11
Jerry Beck, Board Representative

BOARD OF DIRECTORS

DISTRICT 1
East River Electric Power Cooperative
Madison, South Dakota



KERMIT PEARSON
VICE PRESIDENT
Basin Electric director since 1997 and electric cooperative board member since 1981.

1 Agralite Electric Cooperative
2 Bon Homme Yankton Electric Association
3 Central Electric Cooperative
4 Charles Mix Electric Association
5 City of Elk Point, South Dakota
6 Clay-Union Electric Corporation
7 Codington-Clark Electric Cooperative
8 Dakota Energy Cooperative
9 Douglas Electric Cooperative
10 FEM Electric Association
11 H-D Electric Cooperative
12 Kingsbury Electric Cooperative
13 **Lake Region Electric Association**
14 Lyon-Lincoln Electric Cooperative
15 Meeker Cooperative Light & Power Association
16 Northern Electric Cooperative
17 Oahe Electric Cooperative
18 Redwood Electric Cooperative
19 Renville-Sibley Cooperative Power Association
Sioux Valley Energy
20 South Central Electric Association
21 Southeastern Electric Cooperative
22 Traverse Electric Cooperative
23 Union County Electric Cooperative
24 Whetstone Valley Electric Cooperative

DISTRICT 2
L & O Power Cooperative
Rock Rapids, Iowa

DAVID MESCHKE
Basin Electric director since 2017 and electric cooperative board member since 2005. Serves as vice chairman on the Dakota Gas board.

1 **Federated Rural Electric Association**
2 Lyon Rural Electric Cooperative
3 Osceola Electric Cooperative
4 Sioux Valley Energy

DISTRICT 3
Central Power Electric Cooperative
Minot, North Dakota

TROY PRESSER
Basin Electric director since 2015 and electric cooperative board member since 2007. Serves as chairman on Dakota Coal and Montana Limestone boards.

1 Capital Electric Cooperative
2 Dakota Valley Electric Cooperative
3 **McLean Electric Cooperative**
4 North Central Electric Cooperative
5 Northern Plains Electric Cooperative
6 Verendrye Electric Cooperative

DISTRICT 4
Northwest Iowa Power Cooperative
Le Mars, Iowa

TOM WAGNER
Basin Electric director since 2017 and electric cooperative board member since 2005. Serves as chairman on Dakota Gas board.

1 Harrison County Rural Electric Cooperative
2 Iowa Lakes Electric Cooperative
3 Nishnabotna Valley Rural Electric Cooperative
4 **North West Rural Electric Cooperative**
5 Western Iowa Municipal Electric Association (Anthon, Aurelia, Hinton, Manning, Mapleton, and Onawa)
6 Western Iowa Power Cooperative
7 Woodbury County Rural Electric Cooperative

DISTRICT 5
Tri-State Generation & Transmission Association
Westminster, Colorado

LEO BREKEL
ASSISTANT SECRETARY
Basin Electric director since 2014 and electric cooperative board member since 1995.

1 Big Horn Rural Electric Company
2 Carbon Power & Light
3 Central New Mexico Electric Cooperative
4 Chimney Rock Public Power District
5 Columbus Electric Cooperative
6 Continental Divide Electric Cooperative
7 Empire Electric Association
8 Garland Light & Power Company
9 High Plains Power
10 High West Energy
11 **Highline Electric Association**
12 Jemez Mountains Electric Cooperative
13 K.C. Electric Association
14 La Plata Electric Association
15 Midwest Electric Cooperative Corporation
16 Mora-San Miguel Electric Cooperative
17 Morgan County Rural Electric Association
18 Mountain Parks Electric
19 Mountain View Electric Association
20 Niobrara Electric Association
21 Northwest Rural Public Power District
22 Otero County Electric Cooperative
23 Panhandle Rural Electric Membership Association
24 Poudre Valley Rural Electric Association
25 San Isabel Electric Association
26 San Miguel Power Association
27 Socorro Electric Cooperative
28 United Power
29 Wheat Belt Public Power District
30 Wheatland Rural Electric Association
31 White River Electric Association
32 Y-W Electric Association

MISSION
We provide wholesale energy and services to our member-owners.

DISTRICT 6
Central Montana Electric Power Cooperative
Great Falls, Montana

DANIEL GLIKO, JR.
Basin Electric director since 2017 and electric cooperative board member since 2001. Serves as treasurer on Dakota Gas board.

1 Big Flat Electric Cooperative
2 Hill County Electric Cooperative
3 **Marias River Electric Cooperative**
McCone Electric Cooperative
4 NorVal Electric Cooperative
5 Park Electric Cooperative
6 Sun River Electric Cooperative
7 Yellowstone Valley Electric Cooperative

DISTRICT 7
Rushmore Electric Power Cooperative
Rapid City, South Dakota

MIKE McQUISTION
Basin Electric director since 2013 and electric cooperative board member since 1996.

1 Black Hills Electric Cooperative
2 Butte Electric Cooperative
3 Cam Wal Electric Cooperative
4 Cherry-Todd Electric Cooperative
5 Lacreek Electric Association
6 Moreau-Grand Electric Cooperative
7 **West Central Electric Cooperative**
8 West River Electric Association

DISTRICT 8
Upper Missouri Power Cooperative
Sidney, Montana

ALLEN THIESSEN
Basin Electric director since 2012 and electric cooperative board member since 1986. Serves as vice chairman on Dakota Coal and Montana Limestone boards.

1 Burke-Divide Electric Cooperative
2 Goldenwest Electric Cooperative
3 **Lower Yellowstone Rural Electric Cooperative**
4 McCone Electric Cooperative
5 McKenzie Electric Cooperative
6 Mid-Yellowstone Electric Cooperative
7 Mountrail-Williams Electric Cooperative
8 Roughrider Electric Cooperative
9 Sheridan Electric Cooperative
10 Slope Electric Cooperative
11 Southeast Electric Cooperative

DISTRICT 9

WAYNE PELTIER
PRESIDENT
Basin Electric director since 2008 and electric cooperative board member since 1999.

1 Crow Wing Power
2 Grand Electric Cooperative
3 KEM Electric Cooperative
4 **Minnesota Valley Cooperative Light & Power Association**
5 Minnesota Valley Electric Cooperative
6 Mor-Gran-Sou Electric Cooperative
7 Rosebud Electric Cooperative
8 Wright-Hennepin Cooperative Electric Association
★9 Wyoming Municipal Power Agency *(Cody, Fort Laramie, Guernsey, Lingle, Lusk, Pine Bluffs, Powell, and Wheatland)*
✻ Flathead Electric Cooperative

DISTRICT 10
Members 1st Power Cooperative
Sundance, Wyoming

PAUL BAKER
SECRETARY/TREASURER
Basin Electric director since 2013 and electric cooperative board member since 1994.

1 Fergus Electric Cooperative
2 **Powder River Energy Corporation**
3 Tongue River Electric Cooperative

DISTRICT 11
Corn Belt Power Cooperative
Spencer, Iowa

JERRY BECK
Basin Electric director since 2021 and electric cooperative director since 2001. Serves as treasurer on the Dakota Coal and Montana Limestone boards.

1 Boone Valley Electric Cooperative
2 Butler County Rural Electric Cooperative
3 Calhoun County Electric Cooperative Association
4 Franklin Rural Electric Cooperative
5 Grundy County Rural Electric Cooperative
Iowa Lakes Electric Cooperative
6 Midland Power Cooperative
7 Prairie Energy Cooperative
8 Raccoon Valley Electric Cooperative
★9 North Iowa Municipal Electric Cooperative Association *(Algona, Alta, Bancroft, Coon Rapids, Graettinger, Grundy Center, Laurens, Milford, New Hampton, Spencer, Sumner, Webster City, West Bend)*

★ Stars represent municipal power utilities.
✻ Asterisks represent Class D members.

Cooperatives that buy power from two districts are identified on the map with both colors, and by the number in their voting district.

Cooperatives in bold identify the Class C each director resides in.

VESS HURLEY

Hurley's Oilfield Services, a member of Lower Yellowstone Rural Electric Cooperative and Upper Missouri Power Cooperative

A good entrepreneur knows saying "yes" is what keeps customers coming back. Vess Hurley says he was able to diversify and grow because he was willing to adapt. "In the early years, I would recognize every oil company truck on the road. As oil grew, I had to compete. If you stick to your niche, someone else will have that niche plus three or four other services to add to it," Hurley says. Lower Yellowstone Rural Electric Cooperative, a Basin Electric Class C member headquartered in Sidney, Montana, keeps his business competitive as well. "We need reliable electricity to compete. If we have 15 mechanics in the shop and no power, they're not getting anything done," he says. "The oil industry relies on reliable electricity too, and they have really grown. Our area is extremely busy because of oil activity, and that brings in people, new stores. It's good for the local, small businesses like me and others."

EXECUTIVE LEADERSHIP TEAM

TODD TELESZ

Chief Executive Officer and General Manager

Employed with Basin Electric since 2021; leadership experience in finance and energy; B.S. Economics with dual concentration in finance and strategic management, The Wharton School of the University of Pennsylvania, Philadelphia.

CHRIS BAUMGARTNER

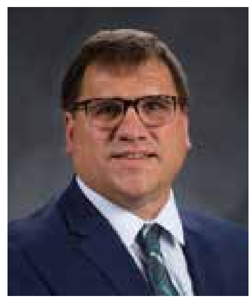
Senior Vice President of Member and External Relations

Employed with Basin Electric and electric cooperatives since 1992; served as co-general manager/CEO of Innovative Energy Alliance; M.B.A., Masters of Management, and B.S. Mass Communications, University of Mary, Bismarck, North Dakota.

TODD BRICKHOUSE

Senior Vice President and Chief Financial Officer

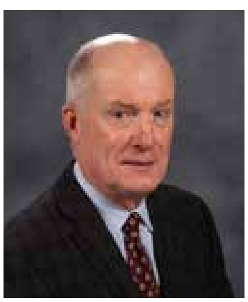
Employed with Basin Electric since 2022; finance, risk management, strategic planning, and leadership experience in the utility industry since 2000; background in securities trading, investment banking, and investment management; B.A. Economics and Business, Virginia Military Institute, Lexington.



DALE JOHNSON

Senior Vice President and Plant Manager - Dakota Gas

Employed with Basin Electric and Dakota Gas since 1985; serves as plant manager of Great Plains Synfuels Plant; B.S. Chemical Engineering, Montana State University, Bozeman.



MARK FOSS

Senior Vice President and General Counsel

Employed with Basin Electric since 1978; B.A. English, University of North Dakota, Grand Forks; J.D. University of North Dakota School of Law; admitted to practice before state and federal courts of North Dakota, 8th Circuit Court of Appeals, and the U.S. Supreme Court.

GAVIN MCCOLLAM

Senior Vice President and Chief Operating Officer

Employed with Basin Electric since 1989; Masters in Systems Management, University of Southern California, Los Angeles; B.S. Mechanical Engineering, North Dakota State University, Fargo; registered Professional Engineer.

MILES MCGREW

Senior Vice President and Chief Human Relations Officer

Employed with Basin Electric since 2022; more than 25 years of experience in human resources, international labor relations, mergers and acquisitions, operations with profit and loss responsibility, and organizational development and design; Masters in Public Health, University of Illinois Springfield; B.S. Labor Relations, Sangamon State University, Springfield.

BUSINESS OVERVIEW & RESULTS

OVERVIEW

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

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

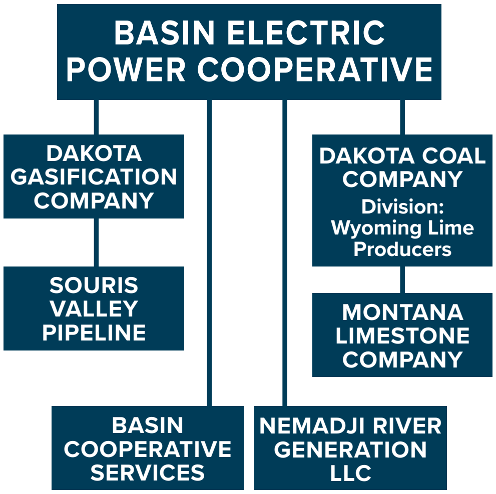
We participate in the following energy markets: Midcontinent Independent System Operator (MISO) and the Southwest Power Pool (SPP) in the Eastern Interconnection. In the Western Interconnection, our load and assets participate in energy imbalance markets of SPP's Western Energy Imbalance Service market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

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

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

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

COOPERATIVE STRUCTURE



MEMBERS

Basin Electric is part of a three-tiered electric cooperative system. The top tier consists of 121 distribution cooperatives and municipal utilities. These members are the "last mile of line" that provide electric service to approximately 3 million consumers in our nine-state service area. The distribution cooperatives are owned by their end-use consumers and their boards are composed of end-use consumers democratically elected by other end-use consumers. The second tier consists of 11 districts (Class A members), 10 of which are G&T cooperatives whose membership is composed of distribution cooperatives and municipal utilities. The remaining district, while not a G&T cooperative itself, is composed of nine distribution cooperatives and one municipal utility association identified in the top tier. The G&T cooperatives are owned by their members and their boards are elected by their members. Each of these 11 districts are represented on Basin Electric's board. Basin Electric is the third tier of this cooperative system.

We have four membership classifications:

- Our Class A members consist of 10 wholesale G&T cooperatives, eight distribution cooperatives, and one wholesale municipal provider that have entered into long-term wholesale power contracts with us (the "Class A members"). Our Class A members have service areas in Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, and Wyoming. We supply power directly to and receive revenue directly from our Class A members. Electric sales to our Class A members comprised approximately 91% of our revenue from electric sales in 2022.

- Our Class B members consist of any municipality or association of municipalities operating within an area served by a Class A member and which is a member of and contracts for its electric capacity or energy from that Class A member (the "Class B members"). We currently have one Class B member. We do not supply power directly to or receive revenue directly from our Class B member.

- Our Class C members consist of distribution cooperatives and public power districts that are members of our G&T Class A members (the "Class C members"). Our Class C members do not purchase power directly from us, but rather from their respective G&T Class A members. We currently have 110 Class C members. We do not supply power directly to or receive revenue directly from our Class C members.

- Our Class D members consist of electric cooperatives which purchase power directly from us as a member on a basis other than on an all-supplemental requirements basis that we have with our Class A members (the "Class D members"). We currently have one Class D member.

Our members that are distribution cooperatives and municipal utilities provide electric services to residential, farm, commercial, industrial, and irrigation end-use consumers. Our members serve major industries that include oil and gas, pipelines, ethanol production, mining, livestock, and agriculture. The table below shows energy sales and revenue by customer class for the year 2021 (the latest year information is available) for the distribution members of our G&T Class A members and our distribution Class A members.

2021 Sales by Distribution Members of Basin Electric's G&T Class A Members and Distribution Class A Members

	Megawatt-hour (MWh) Sales	MWh Sales (%)	Revenue (in thousands)	Revenue (%)
Farm and Residential	8,320,253	28.6%	$ 958,249	41.4%
Commercial and Industrial	19,948,798	68.7%	1,278,548	55.2%
Irrigation	338,888	1.2%	41,203	1.8%
Other	432,227	1.5%	36,380	1.6%
Total	29,040,166		$ 2,314,380	

The information in this table has been compiled by Basin Electric from information obtained from the Annual Statistical Report Rural Electric Borrowers (Publication 201.1) and Rural Utilities Service or Cooperative Finance Corporation, and does not include Wyoming Municipal Power Agency, Tri-State G&T, nor the members of either. We have not independently verified this information.

Ratings agencies and investors in New York City receive annual updates from a team of Basin Electric finance team, management, and board of directors. The topics covered include financial performance and strategic priorities. Pictured (left to right): Kelly Bergquist, Basin Electric manager of investment relations and financial analytics, and Katrina Wald, Basin Electric vice president and controller.

WHOLESALE POWER CONTRACTS

Our financial relationships with our Class A members are defined by wholesale power contracts for the sale of capacity and energy. Our wholesale power contracts with our Class A members extend through 2075, with the exception of our wholesale power contracts with Tri-State G&T, Minnesota Valley Electric Cooperative, Wright-Hennepin Cooperative Electric Association, and Wyoming Municipal Power Agency, which extend through 2050. In 2022, revenues from electric sales to members with wholesale power contracts expiring in 2050 were approximately 11.4% of our total member sales. Some of our Class A members are G&T cooperatives with membership comprising our Class B and C members. With limited exceptions, the wholesale power contracts our Class A members have with their members extend through similar dates as our contracts with Class A members.

RATE REGULATION OF MEMBERS

Of the nine states in our service territory, two (Colorado and Wyoming) have statutes providing for the regulation of rates of electric distribution cooperative associations operating on an intra-state basis. The distribution members of our G&T Class A members located in Wyoming are subject to rate regulation by the respective state regulatory authorities. In Colorado, legislation in 1983 gave distribution cooperatives the option, by the affirmative vote of a majority of their membership prior to July 1, 1984, to avoid rate regulation by the Colorado Public Utilities Commission. All but one of our Class C members in Colorado chose to do so. In addition to the state rate regulation of the distribution cooperatives of several G&T Class A members, Class A members Upper Missouri Power Cooperative and Tri-State G&T are subject to rate regulation by the Federal Energy Regulatory Commission (FERC).

CREDIT RATINGS

Basin Electric is consistently one of the top rated generation and transmission cooperatives with "A" ratings and a stable outlook.

Basin Electric Credit Ratings	Senior Secured	Commercial Paper	Outlook
S&P Global Ratings	A	A1	Stable
Moody's Investors Service	A3	P-2	Stable
Fitch Ratings	A	F1+	Stable

POWER SUPPLY

In 2022, we sold our members 29.8 million megawatt-hours (MWh) of energy and our system peak was 4,679 MW. To satisfy these requirements we own or lease a diversified portfolio of generation assets, as depicted on page 26. In addition, we own approximately 2,500 miles of high-voltage transmission lines. The power requirements not met by our owned or leased resources are obtained from multiple suppliers under various long-term, short-term, and spot market purchases of energy and capacity.

In addition to our owned transmission facilities, we rely on a variety of transmission systems to serve our members' power requirements. The electric transmission system in the United States is separated into two major alternating current electrical power grids, the Eastern Interconnection and the Western Interconnection. The most significant effect of this separation is a limited power-transfer capability from one interconnection to the other. We provide service to our members located in both the Eastern Interconnection and the Western Interconnection; as such, Basin Electric has access to several DC ties.

In the Eastern Interconnection we are members of SPP and MISO, both regional transmission organizations. In the Western Interconnection our transmission needs are satisfied through:

- The Common Use System, a joint transmission system between, Black Hills Power, Powder River Energy Corporation, and Basin Electric;
- Basin Electric's West side transmission tariff that includes Basin Electric's Western Interconnection Missouri Basin Power Project transmission facilities; and
- Various transmission contracts we have entered into with the Western Area Power Administration and others.

In 2022, approximately 73.4% of our member MWh sales were in the SPP Integrated Marketplace, 9.5% in MISO's energy market, and 17.1% in the Western Interconnection.

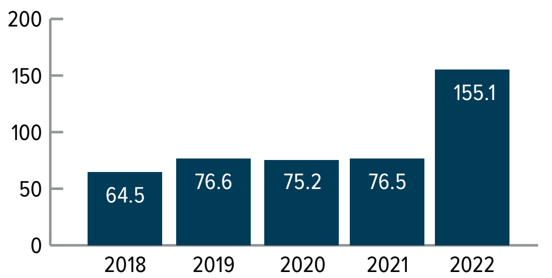
RATE REGULATION

We provide electric power to our Class A members at rates established by our board. Our wholesale power contracts with our Class A members provide that the board shall establish sufficient rates, with our revenues from all other sources, to meet the costs of operation and maintenance of the generating plants, transmission system, and related facilities, the cost of any power and energy purchased for resale by us, the cost of transmission service, the cost of lease payments, interest expense, depreciation expense or principal repayments, and to provide for the establishment and maintenance of reasonable reserves.

Since 2019, we have been subject to regulation as a "public utility" by FERC under the Federal Power Act. As an entity subject to regulation as a "public utility" by FERC, our rates to our members are subject to FERC approval. In addition, we must obtain prior FERC approval to incur indebtedness and sell assets above a certain threshold.

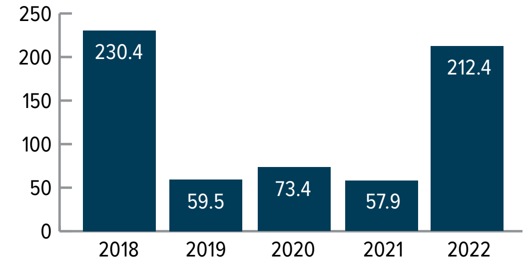
CONSOLIDATED NET MARGIN & EARNINGS

In millions of dollars – for the years ended



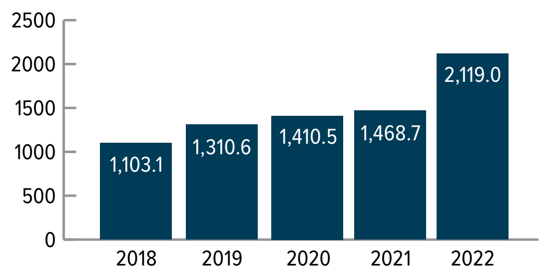
BASIN ELECTRIC STAND-ALONE MARGIN ALLOCATION

In millions of dollars – for the years ended



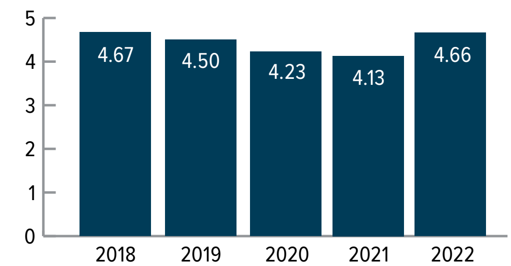
CONSOLIDATED LIQUIDITY

In millions of dollars – at year-end



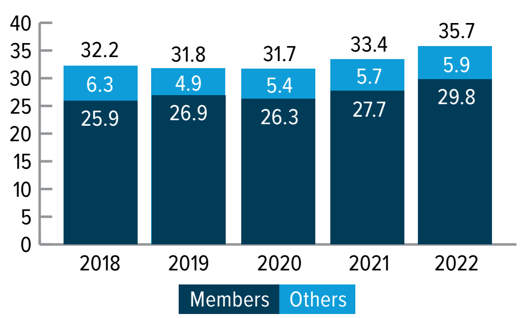
AVERAGE INTEREST RATE ON UTILITY DEBT

As of Dec. 31 – as a percentage



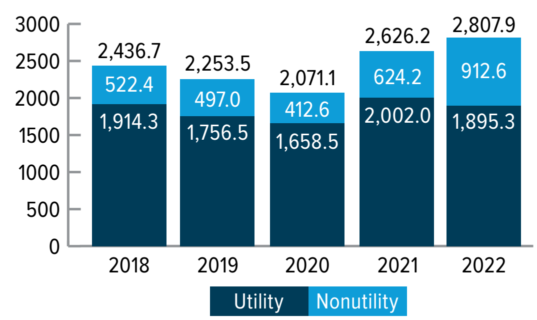
TOTAL ELECTRIC SALES TO MEMBER SYSTEMS & OTHERS

In millions of megawatt-hours



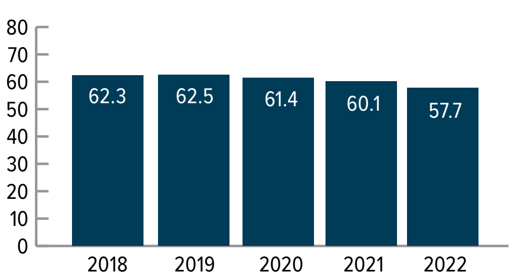
CONSOLIDATED REVENUE

In millions of dollars



AVERAGE MEMBER RATES

In dollars per MWh - for the years ended



COOPERATIVE VALUE

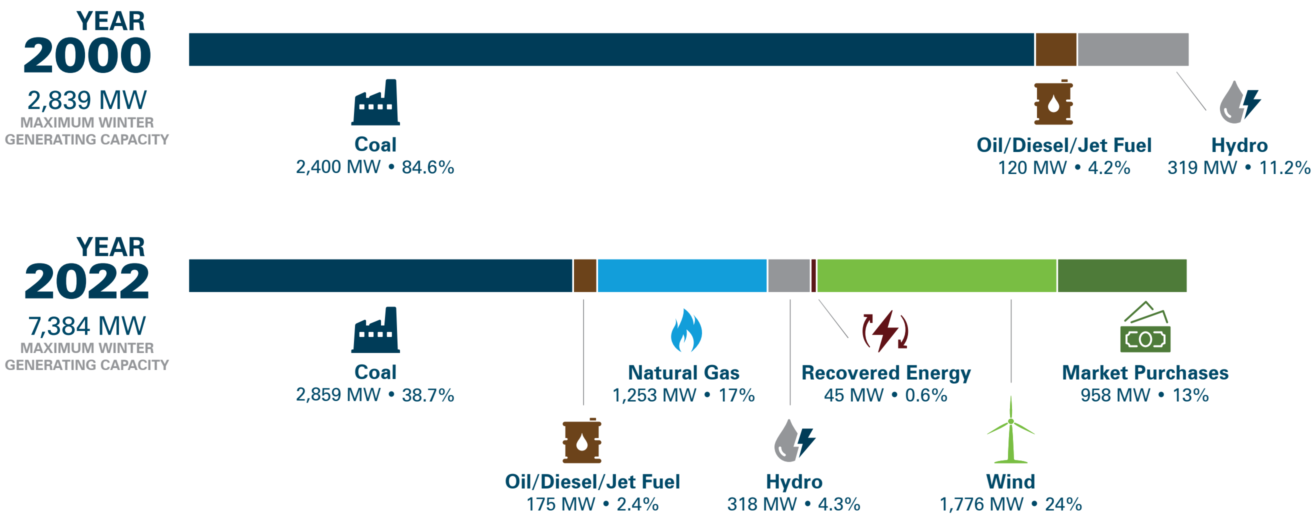
One of the unique benefits of the cooperative business model is when a cooperative does well financially, its members benefit as well. A cooperative's board of directors can move to return value to members in several ways.

Retire Patronage Capital Credits	$84.8 million
Bill Credits	$145.0 million
Rate Reduction	$33.5 million in 2023 (1 mill)

More than $250 million since November 2021

GENERATING CAPACITY

Basin Electric takes a responsible approach through a diverse energy supply and growth that manages risks to our consumer-owners. In the last decade, Basin Electric has grown almost 50% and 80% of that load growth was met with wind, natural gas, and market purchases. We take advantage of the benefits of renewables while maintaining dispatchable resources that ensure the reliability our members expect. The bar graph below shows added fuel diversity over the past two decades.



Note: Megawatts based on winter season net generating capacity as of Dec. 31, 2022, across the entire service territory.

OWNED AND OPERATED

NATURAL GAS

CULBERTSON GENERATION STATION
Culbertson, Montana • 95 MW • 1 unit

DEER CREEK STATION
Elkton, South Dakota • 297 MW • 1 unit

EARL F. WISDOM STATION UNIT 2
Spencer, Iowa • 40 MW • 1 unit
Megawatts noted reflect Basin Electric's 50% ownership share of an 80-MW generation station. Operated by Corn Belt Power Cooperative.

GROTON GENERATION STATION
Groton, South Dakota • 188 MW • 2 units

LONESOME CREEK STATION
Watford City, North Dakota • 270 MW • 6 units

PIONEER GENERATION STATION
Williston, North Dakota • 242 MW • 15 units

WYOMING DISTRIBUTED GENERATION
Hartzog, Arvada, and Barber Creek, Wyoming
48 MW • 8 units

COAL

ANTELOPE VALLEY STATION
Beulah, North Dakota • 900 MW • 2 units

DRY FORK STATION
Gillette, Wyoming • 405 MW • 1 unit

LARAMIE RIVER STATION
Wheatland, Wyoming • 719 MW • 3 units
Megawatts noted reflect Basin Electric's 42.27% ownership share of a 1,700-MW generation station.

LELAND OLDS STATION
Stanton, North Dakota • 660 MW • 2 units

OIL

SPIRIT MOUND STATION
Vermillion, South Dakota • 120 MW • 2 units

WIND

CHAMBERLAIN WIND
Chamberlain, South Dakota • 2.6 MW • 2 turbines

CROW LAKE WIND
White Lake, South Dakota • 170.4 MW • 107 turbines
Megawatts noted reflect Basin Electric's 99.1% ownership of 172-MW capacity.

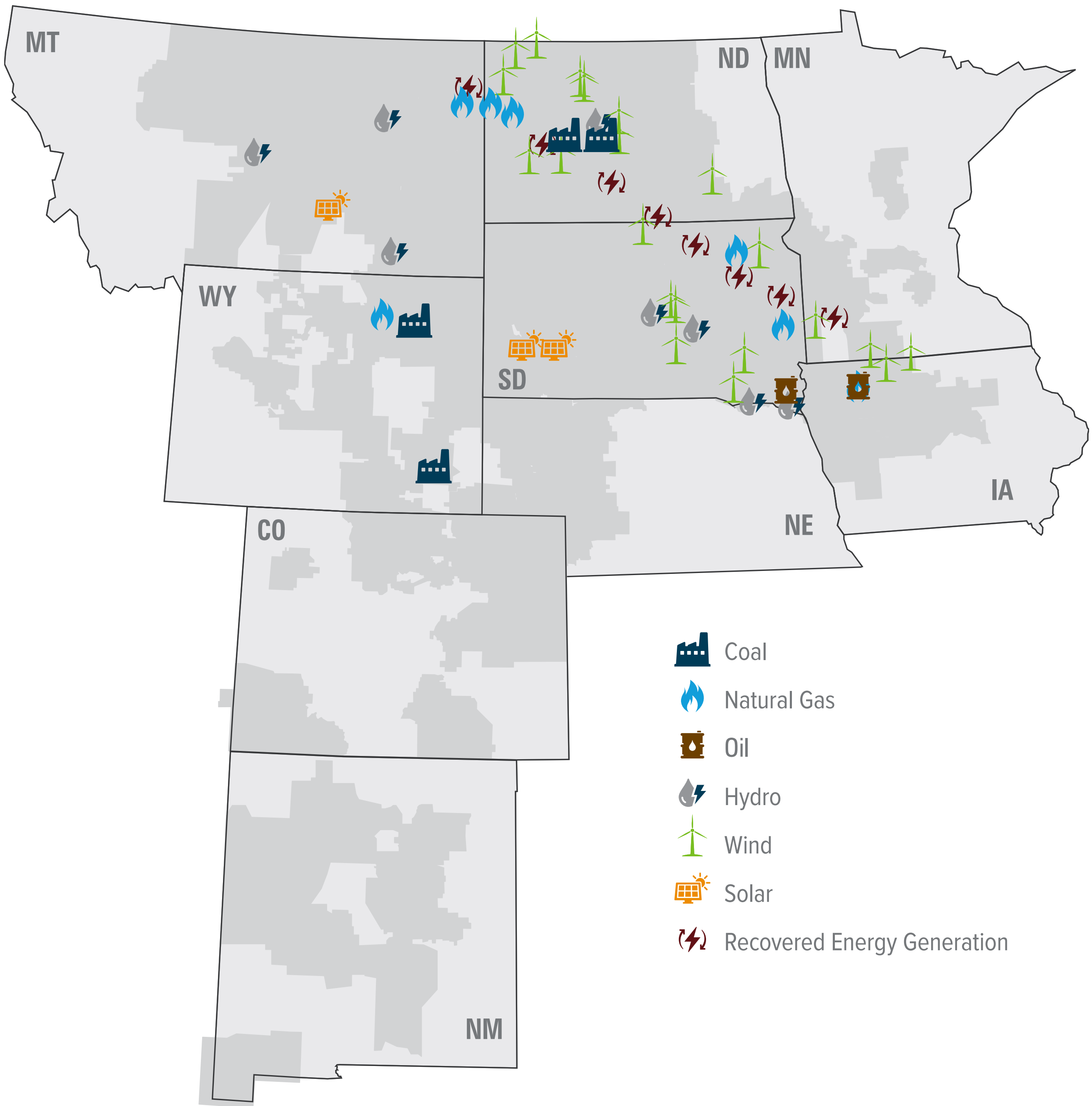
MINOT WIND
Minot, North Dakota • 4.5 MW • 3 turbines

PRAIRIEWINDS 1
Minot, North Dakota • 115.5 MW • 77 turbines

Note: Megawatts based on winter season net generating capacity as of Dec. 31, 2022, across the entire service territory.

GENERATION FACILITIES

Basin Electric's resource portfolio is fueled by a diverse energy supply across a vast geographical area in both the Eastern Interconnection and the Western Interconnection. The cooperative's all-of-the-above energy strategy will continue to provide reliable, affordable, and responsible electricity to our membership. At the end of 2022, Basin Electric operated 5,219 MW of maximum winter generating capacity and had 7,384 MW of generating capacity within its resource portfolio. The map includes all facilities within Basin Electric's resource portfolio, both currently operating and projects with which Basin Electric has executed purchase power agreements. One solar project, Wild Springs Solar, in Pennington County, South Dakota, is under construction and planned to begin operation in 2023.



MAINTAINING RELIABILITY

For electricity to be reliable, transmission must be available to move the electricity from the generators to the people and businesses who use it. Basin Electric owns and/or maintains thousands of miles of high-voltage transmission across seven states of our nine-state service territory in both the Eastern and Western Interconnections. Because the cooperative has generation and transmission on both sides of the interconnection, and access to the DC ties which permit electricity to flow from one side to the other, Basin Electric is in a unique geographical position for serving members' electricity needs.

TRANSMISSION OWNED AND MAINTAINED

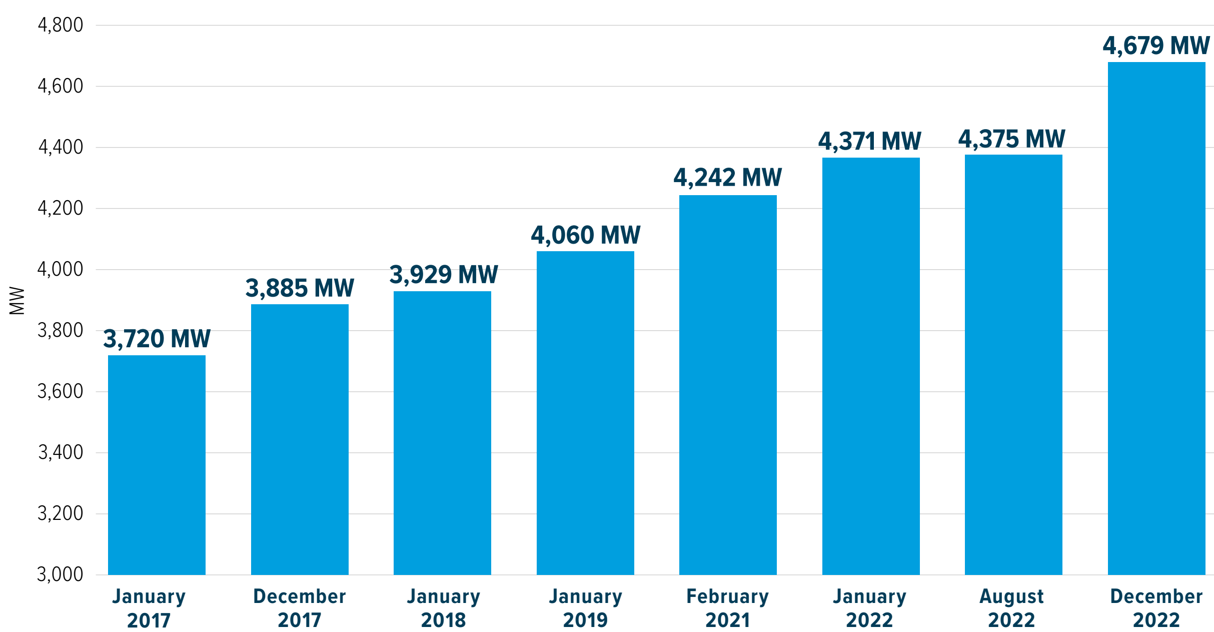
Interconnection	Transmission Tariff	Basin Electric Owned	Basin Electric Maintained
Eastern	Southwest Power Pool*	2,047	2,117
	Non-tariff facilites	15	21
Western	Common Use System	279	348
	BEPW**	180	64
	Non-tariff facilities	5	15
	Total Basin Electric Miles	**2,526**	**2,565**

* Basin Electric includes its entitlement share over the Missouri Basin Power Project transmission facilities located in the Eastern Interconnection in the Southwest Power Pool transmission tariff.

** The Basin Electric Power Cooperative West Side Transmission System (BEPW) represents Basin Electric's entitlement share over the Missouri Basin Power Project transmission facilities located in the Western Interconnection.

ALL-TIME SYSTEM PEAKS

As Basin Electric's membership grows, the system sets new peaks as determined by member billing processes. The chart below shows that the cooperative has reached eight new all-time peaks since 2017, with three peaks occurring from January 2022 to time of publication. Widespread hot or cold weather is often a driver of the peak, as well as new sales to members and new loads in the system.



DAKOTA GAS PRODUCT REVENUE

DAKOTA GASIFICATION COMPANY PRODUCTS

Below are each commodity produced and sold, and examples of its end use. In addition, the percentage of revenue attributed to each product is noted.

NAPHTHA
- blend stock for benzene, toluene and xylenes, gasoline additives, paint thinners, solvents

KRYPTON/XENON
- halogen headlights and light bulbs, lasers, window insulation

TAR OIL
- power generation

OTHER REVENUE

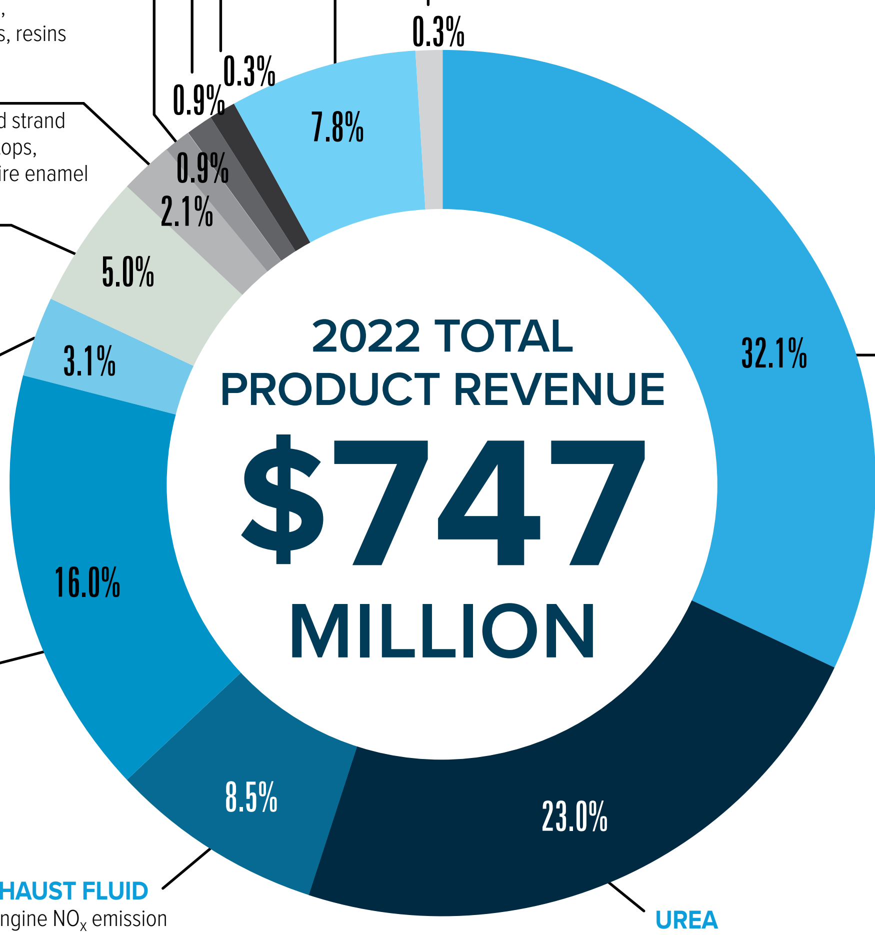
CRUDE CRESYLIC ACID
- wire enamel coatings, pesticides, vitamin E, antioxidants, dyes, solvents, insecticides, semiconductors, electronic chips, alkylphenols, resins

PHENOL
- automotive parts, oriented strand board, plywood, counter tops, insulation, floral foams, wire enamel

AMMONIUM SULFATE

(Dak Sul 45® fertilizer)
- agricultural fertilizer

CARBON DIOXIDE
- enhanced oil recovery
- liquid CO_2: carbonation for beverages, food processing, water pH balancing



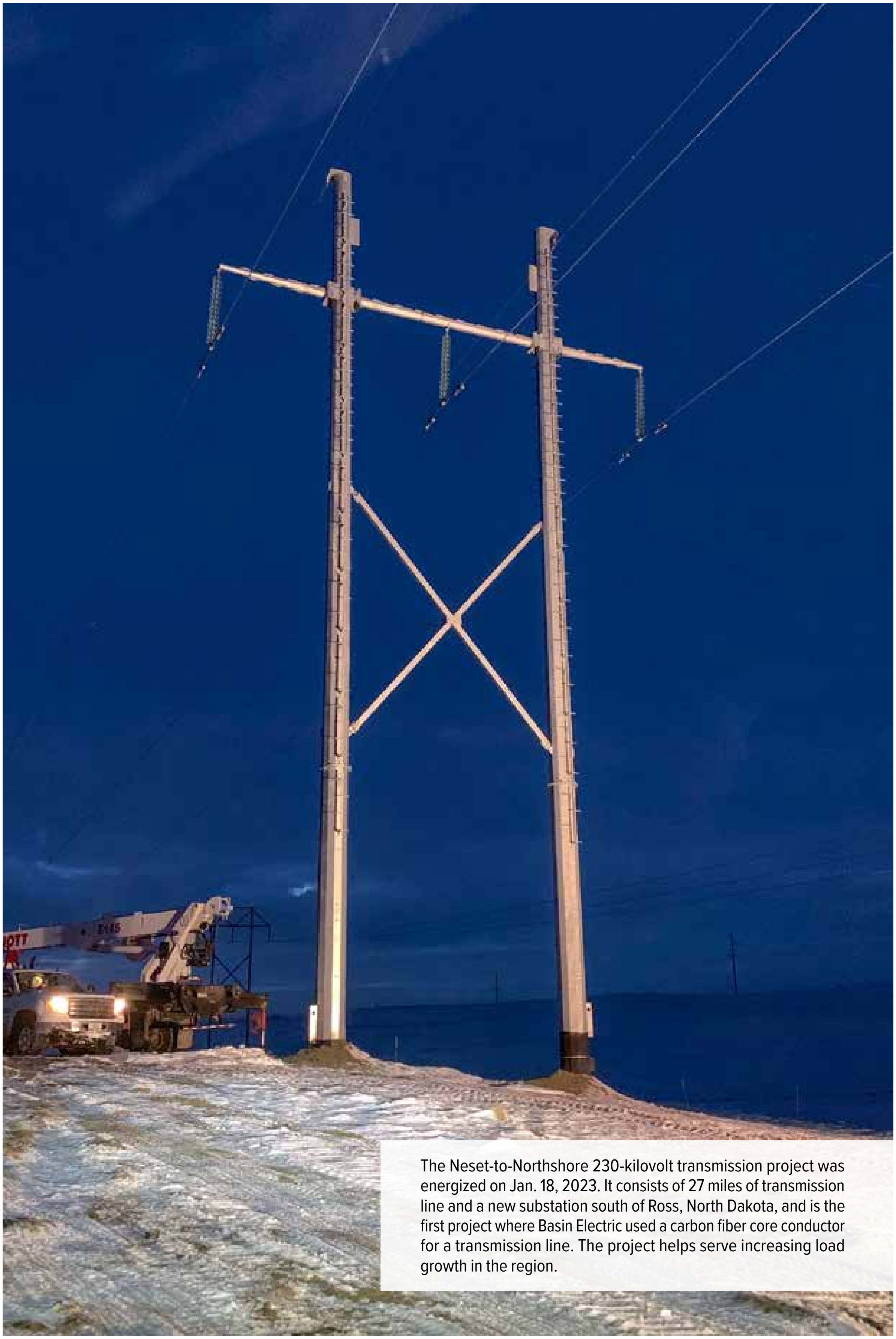
NATURAL GAS
- fuel
- power generation

ANHYDROUS AMMONIA
- agricultural fertilizer, power plant NO_x abatement

DIESEL EXHAUST FLUID
- diesel engine NO_x emission reduction, power plant NO_x abatement

UREA
- agricultural fertilizer, power plant NO_x abatement

INNOVATION IN RELIABILITY



The Neset-to-Northshore 230-kilovolt transmission project was energized on Jan. 18, 2023. It consists of 27 miles of transmission line and a new substation south of Ross, North Dakota, and is the first project where Basin Electric used a carbon fiber core conductor for a transmission line. The project helps serve increasing load growth in the region.

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED FINANCIAL SUMMARY

for the years ended December 31, (dollars in thousands)

	2022	2021	2020	2019	2018
Utility operations:					
Operating revenue:					
Sales of electricity for resale	$ 1,889,419	$ 1,982,722	$ 1,635,705	$ 1,734,812	$ 1,891,237
Other electric revenue	5,880	19,323	22,800	21,706	23,069
Total utility operating revenue	1,895,299	2,002,045	1,658,505	1,756,518	1,914,306
Operating expenses:					
Operation	1,410,250	1,360,248	1,043,836	1,124,145	1,097,857
Maintenance	124,619	164,051	97,916	149,350	145,692
Depreciation and amortization	198,100	171,328	159,182	154,510	147,449
Taxes other than income	3,124	3,022	2,766	2,901	2,936
Total utility operating expenses	1,736,093	1,698,649	1,303,700	1,430,906	1,393,934
Interest and other charges:					
Interest on long-term debt	156,705	187,568	193,608	198,982	198,354
Interest on short-term debt	9,346	2,061	5,101	12,361	10,366
Other, net of regulatory expense deferral	19,328	93,803	25,826	27,881	(103,010)
Total interest and other charges	185,379	283,432	224,535	239,224	105,710
Operating margin (deficit)	(26,173)	19,964	130,270	86,388	414,662
Nonoperating margin:					
Interest and other income	48,143	30,884	33,051	38,513	38,163
Patronage allocations from other cooperatives	4,617	4,840	4,928	5,064	5,817
Total nonoperating margin	52,760	35,724	37,979	43,577	43,980
Utility margin before income taxes	26,587	55,688	168,249	129,965	458,642
Nonutility operations:					
Operating revenue:					
Synthetic natural gas	239,708	170,635	87,789	129,096	150,241
Byproducts, coproduct and other	531,482	335,649	213,961	240,675	255,049
Lignite coal	141,379	117,898	110,852	127,243	117,080
Total nonutility operating revenue	912,569	624,182	412,602	497,014	522,370
Operating expenses	720,300	630,243	576,798	588,187	961,144 *
Interest and other income	10,445	22,870	17,281	17,730	6,986
Nonutility income (loss) before income taxes	202,714	16,809	(146,915)	(73,443)	(431,788)
Margin and earnings before income taxes	229,301	72,497	21,334	56,522	26,854
Income tax expense (benefit)	74,228	(3,978)	(53,827)	(20,044)	(37,684)
Net margin and earnings	$ 155,073	$ 76,475	$ 75,161	$ 76,566	$ 64,538

* Includes impairment of certain assets of $298.8 million

	2022	2021	2020	2019	2018
Electric sales information:					
Electric energy sales (in thousands of MWh)					
Members	29,831	27,663	26,336	26,966	25,913
Others	5,873	5,731	5,390	4,870	6,239
Total	35,704	33,394	31,726	31,836	32,152

Year ended December 31, 2022 compared to year ended December 31, 2021

RESULTS OF UTILITY OPERATIONS

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

ELECTRICITY REVENUE

(in millions)	2022	2021	% change
Sales of electricity to members	$ 1,719.7	$ 1,659.1	3.7%
Sales of electricity to non-members (total)	324.7	319.9	1.5%
(Deferral) amortization of non-member revenue	(155.0)	3.7	
Non-member revenue, net	169.7	323.6	-47.6%
Total electricity revenue	**$ 1,889.4**	**$ 1,982.7**	-4.7%

ELECTRIC ENERGY SALES

(in thousand MWh)	2022	2021	% change
Members	29,831	27,663	7.8%
Others	5,873	5,731	2.5%
Total electricity energy sales	**35,704**	**33,394**	6.9%
Peak billing demand (in MW)	4,679	4,242	10.3%

ELECTRICITY REVENUE

- Sales of electricity to members increased by $60.6 million.
  - Energy sold to our members increased by 2,168,000 MWh, or 7.8%. In addition, member peak demand increased 437 MW, or 10.3%. This was partly offset by lower rates as the result of higher bill credits provided to members in 2022 compared to 2021.
- Sales of electricity to non-members (before the impact of revenue deferral or amortization) increased by $4.8 million. Non-member electricity sales revenue in the amount of $155.0 million was deferred in 2022 compared to the amortization of $3.7 million of previously recorded deferred revenue in 2021.
  - Energy sold to non-members increased 142,000 MWh, or 2.5%. The average sales price decreased slightly from $55.83 per MWh in 2021 to $55.29 per MWh in 2022. Winter Storm Uri in February 2021 had a significant impact on the average sales price to non-members in 2021.

UTILITY OPERATING EXPENSES

	2022	2021	% change
Operation	$ 1,410.3	$ 1,360.2	3.7%
Maintenance	124.6	164.1	-24.1%
Depreciation and amortization	198.1	171.3	15.6%
Taxes other than income	3.1	3.0	3.3%
Total operating expenses	**$ 1,736.1**	**$ 1,698.6**	2.2%

UTILITY OPERATING EXPENSES

- Utility operating expenses increased by $37.5 million.
  - Operation expense was $50.1 million higher mainly as a result of higher fuel and administrative expense partially offset by lower purchased power related expenses.
  - Maintenance expense decreased $39.5 million due to less scheduled outage work performed in 2022 compared to 2021.
  - Depreciation and amortization was $26.8 million higher largely due to an accelerated capital recovery plan for the Leland Olds Station coal facility.

UTILITY INTEREST AND OTHER CHARGES

- Utility interest and other charges decreased by $98.1 million.
  - Interest on long-term debt decreased by $30.9 million resulting from a favorable interest rate hedge settlement.
  - Other charges decreased by $74.5 million largely as a result of a decrease in the early amortization of regulatory assets.

RESULTS OF NONUTILITY OPERATIONS

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

NONUTILITY OPERATING REVENUE

(in millions)	2022	2021	% change
Synthetic natural gas	$ 239.7	$ 170.6	40.5%
Byproduct, coproduct and other	531.5	335.7	58.3%
Lignite coal	141.4	117.9	19.9%
Total nonutility operating revenue	**$ 912.6**	**$ 624.2**	46.2%
Synthetic gas sold (dekatherms in millions)	41.3	41.5	-0.5%
Fertilizer products sold (tons in thousands)	472.1	457.5	3.2%
Coal sales (tons in millions)(1)	8.1	7.1	14.1%

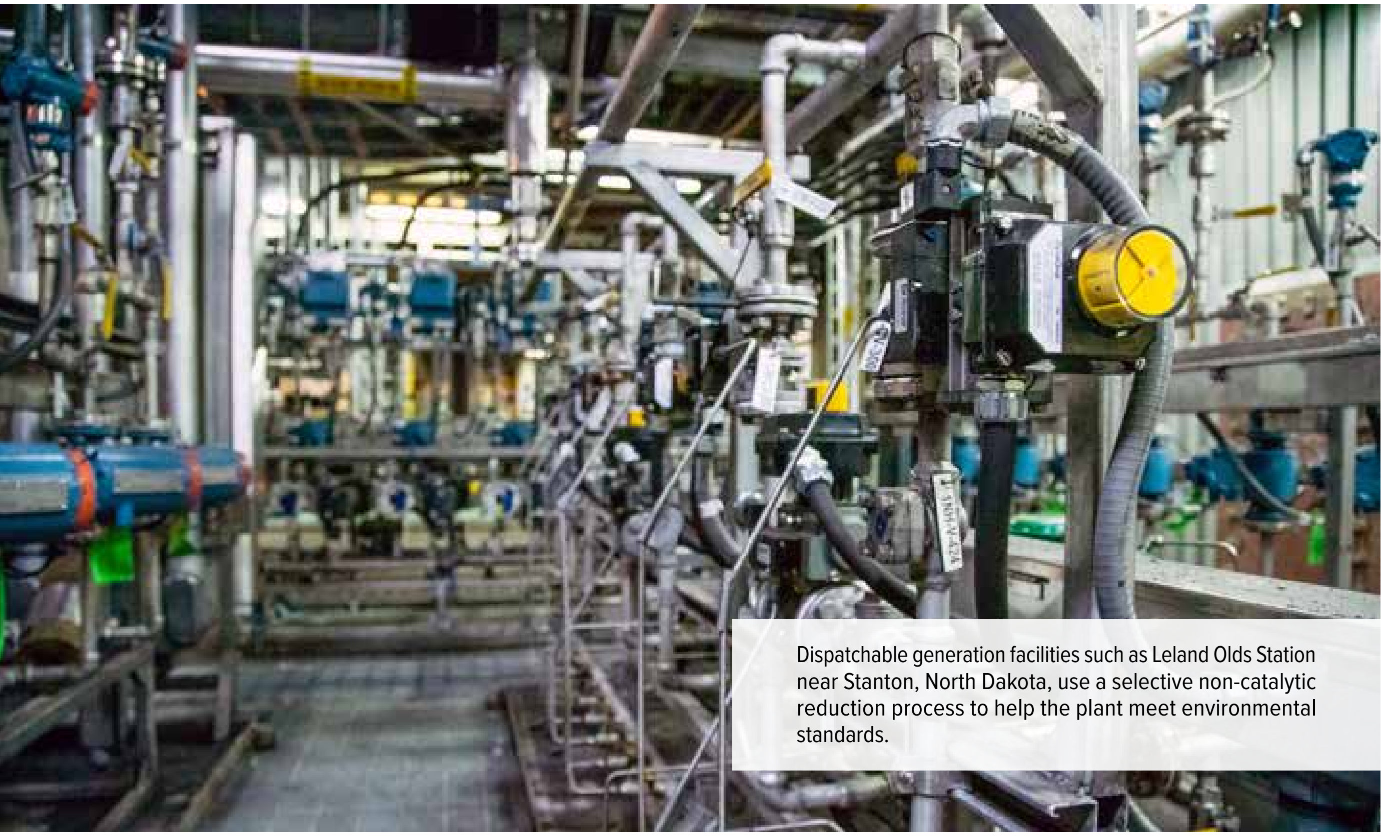
(1) Does not include tons sold to Dakota Gas as affiliate revenue is eliminated in the Consolidated Statement of Operations.

NONUTILITY OPERATING REVENUE

- Nonutility operating revenue increased $288.4 million.
  - Increased synthetic natural gas revenue of $69.1 million as a result of higher natural gas prices. Realized prices in 2022 of $5.75 per dekatherm were 40% higher than in 2021.
  - Increased fertilizer sales revenue of $135.3 million primarily due to higher fertilizer prices.
  - Increased diesel exhaust fluid sales revenue of $30.8 million due to higher volumes sold and higher prices.
  - Lignite coal sales revenue increased $23.5 million due to higher volumes sold at higher prices.

NONUTILITY OPERATING EXPENSES

- Nonutility operating expenses increased by $90.1 million or 14.3%.
  - Increased purchases of natural gas at Dakota Gas of $44.5 million due to increased volumes purchased at higher prices.
  - Increased operating expenses associated with additional volumes sold at Dakota Gas including operating costs relieved from inventory and freight.
  - Purchased coal expense increased at Dakota Coal primarily due to additional volumes purchased.
  - Partially offset by decreased utilities expense at Dakota Gas.



Dispatchable generation facilities such as Leland Olds Station near Stanton, North Dakota, use a selective non-catalytic reduction process to help the plant meet environmental standards.

POLLUTION CONTROL

Our environmental stewardship begins with our commitment to the air, land, and water, all critical to the continued success and growth of the service territories our members serve. Through 2022, Basin Electric and its subsidiaries have invested more than $2 billion of our members' capital in emissions control technology, and more than $180 million was spent in 2022 to operate and maintain those controls.

POLLUTION CONTROL INVESTMENT AND EXPENSES

Facility (dollars in millions)	Cumulative Pollution Control Capital Investment through 2022	2022 Annual Operations & Maintenance, Depreciation & Interest
Antelope Valley Station	$ 401.2	$ 29.8
Culbertson Generation Station	4.8	.2
Deer Creek Station	20.3	1.9
Dry Fork Station	345.2	24.0
Groton Generation Station	3.1	.2
Laramie River Station (Basin Electric only)	320.5	31.6
Leland Olds Station	519.3	44.8
Lonesome Creek Station	25.3	1.4
Pioneer Generation Station	18.6	1.0
Spirit Mound Station	.1	-
Subtotal: Basin Electric	1,658.4	134.9
Dakota Coal/Montana Limestone Company	27.2	2.2
Dakota Gasification Company	329.4	43.1
Subtotal: DCC/MLC and DGC	356.6	45.3
Total: Basin Electric & subsidiaries	$ 2,015.0	$ 180.2

Lonesome Creek Station amounts are estimated; finalized amounts will be available after the capital costs have been unitized.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Basin Electric Power Cooperative
Bismarck, North Dakota

OPINION

We have audited the consolidated financial statements of Basin Electric Power Cooperative and its subsidiaries (the "Cooperative") (a North Dakota cooperative corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

March 14, 2023

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
as of December 31, (dollars in thousands)

	2022	2021
Assets		
Utility plant (Notes 4 and 5):		
Electric plant in service	$ 7,436,472	$ 7,400,648
Construction work in progress, net of contribution in aid of construction	165,963	46,011
Total electric plant	7,602,435	7,446,659
Less: accumulated provision for depreciation and amortization	(3,117,364)	(2,947,332)
	4,485,071	4,499,327
Nonutility property (Notes 4 and 5):		
Property, plant and equipment	1,553,633	1,536,028
Construction work in progress	61,835	33,027
Total nonutility property	1,615,468	1,569,055
Less: accumulated provision for depreciation and depletion	(621,706)	(576,010)
	993,762	993,045
Other property, investments and deferred charges:		
Mine related assets (Notes 7 and 8)	117,886	141,132
Investments in associated companies	33,733	33,842
Restricted and designated investments (Notes 6 and 7)	39,258	46,715
Other investments (Notes 7 and 9)	304,087	275,385
Special funds	70,561	74,230
Regulatory assets (Note 10)	304,945	401,149
Other deferred charges (Note 4)	143,693	140,207
	1,014,163	1,112,660
Current assets:		
Cash and cash equivalents	66,672	174,444
Restricted and designated cash and equivalents (Note 6)	435,797	291,520
Short-term investments (Notes 6 and 7)	690,566	216,963
Customer accounts receivable	218,164	144,097
Other receivables	108,031	113,925
Fuel stock, materials and supplies (Note 2)	244,071	246,928
Prepayments and other current assets (Note 9)	172,067	79,601
	1,935,368	1,267,478
	$ 8,428,364	$ 7,872,510
Capitalization and Liabilities		
Capitalization:		
Equity:		
Memberships	$ 21	$ 21
Patronage capital	1,228,756	1,128,123
Retained earnings of subsidiaries	120,410	112,394
Other equity (Note 11)	346,348	344,581
Accumulated other comprehensive income (Note 11)	9,075	789
	1,704,610	1,585,908
Noncontrolling interest	5,006	4,690
	1,709,616	1,590,598
Long-term debt, net of current portion (Note 12)	4,393,451	4,184,219
Finance lease obligations, net of current portion (Note 4)	3,439	4,053
	6,106,506	5,778,870
Regulatory liabilities (Note 10)	562,010	338,757
Other deferred credits, taxes and other liabilities (Notes 4, 9 and 17)	574,884	563,555
	1,136,894	902,312
Commitments and contingencies (Notes 18)		
Current liabilities:		
Current portion of long-term debt (Note 12)	89,587	94,531
Current portion of finance lease obligations (Note 4)	444	651
Accounts payable	264,414	209,124
Notes payable – affiliates (Note 12)	251,993	301,359
Notes payable (Note 12)	274,054	444,230
Taxes and other current liabilities (Notes 4 and 9)	304,472	141,433
	1,184,964	1,191,328
	$ 8,428,364	$ 7,872,510

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, (dollars in thousands)

	2022	2021
Utility operations:		
Operating revenue:		
Sales of electricity for resale:		
Members	$ 1,719,709	$ 1,659,085
Others	169,710	323,637
	1,889,419	1,982,722
Other electric revenue	5,880	19,323
	1,895,299	2,002,045
Operating expenses:		
Operation	1,410,250	1,360,248
Maintenance	124,619	164,051
Depreciation and amortization	198,100	171,328
Taxes other than income	3,124	3,022
	1,736,093	1,698,649
Interest and other charges:		
Interest on long-term debt	156,705	187,568
Interest on short-term debt	9,346	2,061
Other, net of regulatory expense deferral	19,328	93,803
	185,379	283,432
Operating margin (deficit)	(26,173)	19,964
Nonoperating margin:		
Interest and other income	48,143	30,884
Patronage allocations from other cooperatives	4,617	4,840
	52,760	35,724
Utility margin before income taxes	26,587	55,688
Nonutility operations:		
Operating revenue:		
Synthetic natural gas	239,708	170,635
Byproducts, coproducts and other	531,482	335,649
Lignite coal	141,379	117,898
	912,569	624,182
Operating expenses:		
Other operating expenses (includes $24,859 and $21,692 of net income attributed to noncontrolling interest)	720,300	630,243
Operating income (loss)	192,269	(6,061)
Interest and other income	10,445	22,870
Nonutility income before income taxes	202,714	16,809
Margin before income taxes	229,301	72,497
Income tax expense (benefit)	74,228	(3,978)
Net margin and earnings	$ 155,073	$ 76,475

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, (dollars in thousands)

	2022	2021
Net margin and earnings	$ 155,073	$ 76,475
Other comprehensive income:		
Adjustment to post employment liability (net of tax of $169 and $702, respectively)	(2,474)	12,529
Unrealized loss on securities (net of tax of $(971) and $(332), respectively)	(3,628)	(1,303)
Reclassification of net realized (gain) loss on securities (net of tax of $10 and $(31), respectively)	37	(118)
Unrealized gain (loss) on cash flow hedges (net of tax of $1,390 and $(2,420), respectively)	5,228	(9,105)
Reclassification of net realized loss on cash flow hedges (net of tax of $2,426 and $2,606, respectively)	9,123	9,808
Total other comprehensive income	8,286	11,811
Comprehensive income	$ 163,359	$ 88,286

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2022 and 2021 (dollars in thousands)

	Memberships	Patronage Capital	Retained Earnings of Subsidiaries	Other Equity	Accumulated Other Comprehensive Income	Non-controlling Interest	Total
Balance, December 31, 2020	$ 21	$ 1,102,868	$ 95,811	$ 344,449	$ (11,022)	$ 2,294	$ 1,534,421
Comprehensive income	-	59,892	16,583	-	11,811	-	88,286
Transfers to other equity (Note 11)	-	(132)	-	132	-	-	-
Retirement of patronage capital	-	(34,505)	-	-	-	-	(34,505)
Noncontrolling interest in net margin and earnings	-	-	-	-	-	21,692	21,692
Dividends paid to noncontrolling interest	-	-	-	-	-	(19,296)	(19,296)
Balance, December 31, 2021	21	1,128,123	112,394	344,581	789	4,690	1,590,598
Comprehensive income	-	152,733	2,340	-	8,286	-	163,359
Transfers to other equity (Note 11)	-	(1,767)	-	1,767	-	-	-
Retirement of patronage capital	-	(50,333)	5,676	-	-	-	(44,657)
Noncontrolling interest in net margin and earnings	-	-	-	-	-	24,859	24,859
Dividends paid to noncontrolling interest	-	-	-	-	-	(24,543)	(24,543)
Balance, December 31, 2022	$ 21	$ 1,228,756	$ 120,410	$ 346,348	$ 9,075	$ 5,006	$ 1,709,616

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, (dollars in thousands)

	2022	2021
Operating activities:		
Net margin and earnings	$ 155,073	$ 76,475
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	251,222	225,823
Deferred income taxes	5,224	(4,109)
Changes in regulatory assets and liabilities	192,086	88,609
Unrealized loss (gain) on investments	19,424	(7,606)
Patronage capital allocated	(7,662)	(7,772)
Other amortization and accretion	34,353	34,047
Income attributable to noncontrolling interest	24,859	21,692
Tax sharing agreement reimbursement	67,750	-
Changes in other operating elements:		
Customer accounts receivable	(74,067)	12,310
Other receivables	5,855	(29,820)
Fuel stock, materials and supplies	1,295	(19,273)
Prepayments and other current assets	(19,817)	(9,049)
Accounts payable	(27,581)	48,686
Taxes and other current liabilities	105,007	4,457
Changes in collateral	28,147	42,082
Other operating activities, net	6,315	(15,906)
Net cash provided by operating activities	767,483	460,646
Investing activities:		
Acquisition of electric plant	(105,564)	(167,935)
Acquisition of nonutility property	(40,125)	(62,003)
Proceeds from sales of property	3,478	1,991
Purchase of investments	(1,792,100)	(318,898)
Sale of investments	1,297,600	100,763
Sale of other assets and payments received on notes receivable	3,184	7,264
Purchase of other assets and issuance of notes receivable	(10,360)	(5,019)
Net cash used in investing activities	(643,887)	(443,837)
Financing activities:		
Proceeds from issuance of long-term debt	309,110	-
Principal payments of long-term debt	(102,339)	(96,500)
Payment of debt issuance costs	(5,254)	(2,083)
Proceeds from issuance of notes payable - affiliates	2,355,853	2,418,285
Payments of notes payable - affiliates	(2,404,423)	(2,439,602)
Proceeds from issuance of notes payable	934,119	1,409,752
Payments of notes payable	(1,104,295)	(1,309,785)
Payments under finance lease obligations	(662)	(1,127)
Retirement of patronage capital	(44,657)	(34,505)
Dividends paid to noncontrolling interest	(24,543)	(19,296)
Net cash used in financing activities	(87,091)	(74,861)
Net (decrease) increase in cash and cash equivalents and designated cash and equivalents	36,505	(58,052)
Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period	465,964	524,016
Cash and cash equivalents and restricted and designated cash and equivalents, end of period	$ 502,469	$ 465,964

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

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, (dollars in thousands)

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 review by Federal Energy Regulatory Commission (FERC).

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 (CO_2), 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. Basin Electric also supplies the Synfuels Plant with electric capacity and energy, and Dakota Gas supplies various Basin Electric gas generating stations and AVS with synthetic gas. SVPL owns and operates a CO_2 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' 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. NRG is a 30% owner in the Nemadji Trail Energy Center (NTEC) project. The NTEC project is a proposed 600 megawatt combined cycle generating plant in Wisconsin. Basin Electric's ownership in MBPP and NTEC is accounted for using proportionate consolidation consistent with accounting for jointly owned utility property.

2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION — The consolidated financial statements include the accounts of Basin Electric, its wholly owned subsidiaries and its VIE, Coteau. 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' 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' 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 Nonutility interest and other income of the Consolidated Statements of Operations.

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, 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. 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 recognized in Interest and other income in the Consolidated Statements of Operations. For more information, see Note 7.

FUEL STOCK, MATERIALS AND SUPPLIES — 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:

	2022	2021
Materials and supplies	$ 174,705	$ 163,920
Coal and fuel oil	38,452	47,207
Lime and limestone inventory	6,786	8,221
Ammonia	4,320	5,036
Urea	7,045	10,725
Natural gas held in storage	5,641	5,824
Ammonium sulfate	3,208	1,579
Other products	2,970	3,889
Process inventory	944	527
	$ 244,071	$ 246,928

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 $428,741 and $378,408 at December 31, 2022 and 2021.

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 primarily from utility operations and nonutility operations.

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.

- Member wholesale electricity sales - 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.

- Non-member wholesale electricity sales - 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.

- Other electric utility revenue - Other electric utility 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.

Nonutility operations mainly consists of the sale of synthetic natural gas, fertilizer and DEF products and other byproducts such as CO_2, tar oil and chemical products which are produced at Dakota Gas' Synfuels Plant and the sale of lignite coal that Dakota Coal purchases from Coteau from the Freedom Mine for use at AVS, LOS and Dakota Gas' Synfuels Plant.

- Synthetic natural gas, certain other byproducts and lignite coal - The sale and delivery of synthetic natural gas, certain other byproducts (exclusive of fertilizer and DEF products), and 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 sales contracts and coal supply contracts specify the price, and revenue is recognized as delivery occurs.

- Fertilizer products - For the sale of fertilizer and DEF products, control transfers at the exit gate of the plant, therefore, the shipping of the product is not included in the performance obligation. The performance obligation is satisfied at a point in time. The marketing agreement with N-7 specifies the price, and revenue is recognized as products exit the plant.

- Other nonutility revenue - Other nonutility 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.

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.

ELECTRIC PLANT AND NONUTILITY PROPERTY — Electric plant and nonutility property 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 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, the cost and the related accumulated depreciation are eliminated and any gain or loss is reflected in nonutility operations in the Consolidated Statement of Operations. For more information, see Note 5.

DEPRECIATION 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 FASB Accounting Standards Codification (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.

A net impairment loss of $2.7 million and $1.3 million in 2022 and 2021 consists 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.

REGULATORY ASSETS AND LIABILITIES — Basin Electric is subject to the provisions of ASC 980, *Regulated Operations*. 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 10.

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 Statement of Operations. For more information, see Note 14.

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's Board of Directors 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. See Note 9 for more information.

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:

	2022	2021
Other investments	$ 47,519	$ 87,916
Cash and cash equivalents	13,533	2,219
Prepayments and other current assets	12,675	50
Taxes and other current liabilities	(128,639)	(27,721)
	$ (54,912)	$ 62,464

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 15.

SUBSEQUENT EVENTS — Basin Electric considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to December 31, 2022 through March 14, 2023, 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 2022 consolidated financial statements.

3. NEW ACCOUNTING PRONOUNCEMENTS

ACCOUNTING STANDARD UPDATES ADOPTED

ASU 2020-04 Reference Rate Reform — In March 2020, the FASB issued new accounting guidance to assist in the transition to other reference rates with the phase-out of the London Inter-bank Offered Rate (LIBOR) expected by June of 2023. The guidance provides optional short-term relief for certain contract modifications, hedging relationships and other transactions that reference LIBOR or any other reference rate that is expected to be discontinued. In January 2021, further guidance was issued that allows additional relief when accounting for derivative contracts and certain hedging relationships affected by changes in interest rates that are used in certain calculations. In December 2022, the FASB issued guidance, extending the optional short-term relief through December 31, 2024. Management has applied the optional relief for certain debt agreement modifications where the LIBOR rate was replaced by an alternate reference rate. This did not result in a material impact on the consolidated financial statements and disclosures. Management is currently evaluating other contracts that will be affected by the LIBOR phase out, however it does not believe there will be a material impact on the consolidated financial statements and disclosures.

RECENTLY ISSUED ACCOUNTING STANDARD UPDATES

AASU 2016-13 Measurement of Credit Losses on Financial Instruments — In June 2016, the FASB issued new accounting guidance on the measurement of credit losses on certain financial instruments. The new guidance introduces the use of a current expected credit loss (CECL) model for the measurement of credit losses on financial instruments within the scope of this guidance, which includes certain investments in debt securities, trade accounts receivable and other financial assets. The CECL model requires an entity to measure credit losses using historical information, current information and reasonable and supportable forecasts of future events, rather than the model required under current GAAP. The new guidance will be effective for Basin Electric in 2023. Management is currently evaluating the impact of adoption of this new guidance on the consolidated financial statements and disclosures, however it does not believe there will be a material impact on the consolidated 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 10 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 Operation and Maintenance expenses, Depreciation and amortization and Interest and other charges on the Consolidated Statements of Operations. The following tables provide information on Basin Electric's leases at and for the years ended December 31, 2022 and 2021.

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

	2022	2021
Finance lease cost:		
Amortization of lease assets	$ 958	$ 1,715
Interest on lease liabilities	348	429
Operating lease cost	25,973	25,159
Short-term lease cost	1,151	864
Variable lease cost	1,223	1,255
Sublease income	(1,461)	(1,470)
Total lease cost	$ 28,192	$ 27,952

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

	Balance Sheet Location	2022	2021
Assets:			
Net operating lease assets	Other deferred charges	$ 140,356	$ 141,398
Financing lease assets	Utility plant – electric plant in service	$ 9,892	$ 10,269
Less: Accumulated amortization	Accumulated provision for depreciation and amortization	(2,440)	(1,896)
Financing lease assets	Nonutility property – property, plant and equipment	59	1,519
Less: Accumulated amortization	Accumulated provision for depreciation and amortization	(44)	(1,282)
Net finance lease assets		$ 7,467	$ 8,610
Liabilities:			
Current:			
Operating leases	Taxes and other current liabilities	$ 20,123	$ 21,816
Finance leases	Current portion of finance lease obligations	444	651
Total current lease liabilities		$ 20,567	$ 22,467
Noncurrent:			
Operating leases	Other deferred credits, taxes and other liabilities	$ 120,394	$ 119,542
Finance leases	Finance lease obligations, net of current portion	3,439	4,053
Total noncurrent lease liabilities		$ 123,833	$ 123,595

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

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ 67	$ 242
Operating cash flows from operating leases	$ 24,828	$ 25,414
Financing cash flows from finance leases	$ 662	$ 1,127

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

	2022	2021
Weighted-average remaining lease term-finance leases	16.2 years	21.0 years
Weighted-average remaining lease term-operating leases	12.1 years	12.7 years
Weighted-average discount rate-finance leases	4.6%	4.6%
Weighted-average discount rate-operating leases	3.4%	2.5%

The reconciliation of the future undiscounted cash flows to the lease liabilities presented on the Consolidated Balance Sheet at December 31, 2022, was as follows:

Year	Operating Leases	Finance Leases	Total
2022	$ 24,784	$ 522	$ 25,306
2023	19,652	506	20,158
2024	18,127	491	18,618
2025	15,159	474	15,633
2026	14,656	458	15,114
Thereafter	83,185	2,468	85,653
Total lease payments	175,563	4,919	180,482
Less discount	(35,046)	(1,036)	(36,082)
Total lease liabilities	$ 140,517	$ 3,883	$ 144,400

5. PROPERTY, PLANT AND EQUIPMENT AND JOINTLY OWNED FACILITIES

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

	Depreciable Lives	2022	2021
Utility property:			
Electric plant in service:			
Generation	20-60 years	$ 5,785,083	$ 5,777,598
Transmission	20-60 years	1,343,110	1,323,850
General plant	3-20 years	308,279	299,200
Construction work in progress		165,963	46,011
Total utility property		7,602,435	7,446,659
Less: accumulated provision for depreciation and amortization		(3,117,364)	(2,947,332)
		$ 4,485,071	$ 4,499,327
Nonutility property:			
Dakota Gasification Company:			
Fertilizer plant	30 years	$ 909,914	$ 912,270
Pipelines	35 years	30,172	30,172
Other property	3-30 years	78,296	57,273
Dakota Coal Company:			
Mining	10-20 years	468,838	469,477
Lime and limestone	10-20 years	50,058	49,624
Other property	3-20 years	12,554	12,176
Other		3,801	5,036
Construction work in progress		61,835	33,027
Total nonutility property		1,615,468	1,569,055
Less: accumulated provision for depreciation and depletion		(621,706)	(576,010)
		$ 993,762	$ 993,045

Construction work in progress includes $4,133 and $3,765 as of December 31, 2022 and 2021, respectively, of interest charged and capitalized to construction. Annual electric plant depreciation and amortization expense totaled $199,450 and $172,474 for 2022 and 2021. Annual nonutility depreciation, depletion and amortization expense totaled $53,153 and $54,638 for 2022 and 2021.

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

	2022	2021
Electric plant	$ 936,524	$ 928,530
Less accumulated provision for depreciation and amortization	(595,944)	(576,562)
	$ 340,580	$ 351,968

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:

	2022	2021
Cash and cash equivalents	$ 66,672	$ 174,444
Restricted and designated cash and equivalents:		
MBPP operating funds	29,173	31,520
Deferred revenue	406,624	260,000
	435,797	291,520
Total cash, cash equivalents and restricted and designated cash and equivalents included in the Consolidated Statements of Cash Flows	$ 502,469	$ 465,964

Restricted and designated investments reported within the Consolidated Balance Sheets are as follows at December 31:

	2022	2021
Short-term investments:		
Deferred revenue	$ 8,376	$ -
Restricted and designated investments:		
Funds held in trust for an asset retirement obligation by Bank of Montreal as trustee for SVPL	2,914	3,362
Asset retirement obligations	36,344	43,353
	$ 47,634	$ 46,715

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.

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 were as follows at December 31, 2022:

		Gross Unrealized Holding		
	Cost	Gains	Losses	Fair Value
Available-for-sale debt securities:				
Corporate and government bonds	$ 125,654	$ -	$ (4,831)	$ 120,823
Equity securities:				
Equities and equity funds	37,833	38,427	-	76,260
Bond market funds	60,940	-	(7,367)	53,573
	98,773	38,427	(7,367)	129,833
Other	78	1	-	79
	$ 224,505	$ 38,428	$ (12,198)	$ 250,735

During 2022, sales proceeds on debt securities classified as available-for-sale were $19,024. 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 were as follows at December 31, 2021:

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale debt securities:				
Corporate and government bonds	$ 94,797	$ -	$ (278)	$ 94,519
Equity securities:				
Equities and equity funds	38,146	63,499	-	101,645
Bond market funds	58,351	1,890	-	60,241
	96,497	65,389	-	161,886
Other	82	-	-	82
	$ 191,376	$ 65,389	$ (278)	$ 256,487

During 2021, sales proceeds on debt securities classified as available-for-sale were $41,227. The cost of securities sold is based on the specific identification method.

The fair value of available-for-sale debt securities by contracted maturity date at December 31, 2022 was as follows:

	2022
Due through one year	$ 46,915
Due after one year through five years	73,685
Due after five years	223
	$ 120,823

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 equivalents and Short-term investments on the Consolidated Balance Sheets. The amortized costs were as follows:

	2022	2021
Corporate commercial paper	$ 31,650	$ 424,993
Money market	352,200	245,911
Treasuries	779,990	-
Certificate of deposit	-	250
	$ 1,163,840	$ 671,154

Included in Other investments on the Consolidated Balance Sheets is the cash surrender value of life insurance policies of $2,203 and $2,842, as of December 31, 2022 and 2021.

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 $21,896 and $21,930 as of December 31, 2022 and 2021 are included in Other investments, Investments in associated companies and Other receivables on the Consolidated Balance Sheets. Maturities range from February 2023 through May 2043, and the weighted average interest rate is 5.26 percent. The estimated fair value of these notes receivable at December 31, 2022 and 2021 was $22,545 and $27,830, respectively, based on the future cash flows discounted using the yield on a treasury note with a similar maturity.

8. MINE RELATED ASSETS

Assets associated with the properties that supply coal for AVS, LOS and Dakota Gas' Synfuels Plant are classified as Mine related assets and were as follows at December 31:

	2022	2021
Mine closing fund investments	$ 91,969	$ 116,610
Prepaid coal royalties	20,226	21,922
Notes receivable and mine financing costs	5,691	2,600
	$ 117,886	$ 141,132

9. 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 and Interest Rate 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, 2022:

Hedged Transaction	Term	Contracted Monthly Volumes of Forecasted Transactions	Price
Natural gas sales	Through October 2023	0% to 81%	$4.04 - $11.92 per dekatherm
Natural gas purchases	Through December 2025	7% to 81%	$2.82 - $6.16 per dekatherm
Tar oil sales	Through December 2023	25% to 60%	$83.15 - $84.75 per barrel
Electricity sales	Through December 2023	3% to 8%	$64.00 - $258.00 per MWh
Electricity purchases	Through December 2025	10% to 96%	$40.00 - $110.00 per MWh
Diesel purchases	Through December 2024	50% to 74%	$1.44 - $3.28 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, 2022:

Notional Amount	Due	Effective Interest Rate
$ 100,000	2032	6.18%
$ 50,000	2032	4.95%
$ 50,000	2030	5.33%

The fair value and classification of the asset and liability portion of the derivative instruments in the Consolidated Balance Sheets is as follows at December 31:

	2022		2021	
Balance Sheet Location	Fair Value of Asset Derivatives	Fair Value of Liability Derivatives	Fair Value of Asset Derivatives	Fair Value of Liability Derivatives
Derivatives designated as cash flow hedges:				
Commodity derivatives:				
Prepayments and other current assets	$ 22,431	$ -	$ 2,340	$ -
Other investments	85	-	1,065	-
Taxes and other current liabilities	-	(471)	-	(2,897)
Other deferred credits, taxes and other liabilities	-	(113)	-	-
Total derivatives designated as cash flow hedges	$ 22,516	$ (584)	$ 3,405	$ (2,897)
Derivatives not designated as cash flow hedges:				
Commodity derivatives:				
Prepayments and other current assets	$ 84,811	$ -	$ 37,555	$ -
Other investments	63,702	-	23,236	-
Taxes and other current liabilities	-	(40,692)	-	(630)
Other deferred credits, taxes and other liabilities	-	(5,252)	-	-
Interest rate derivatives:				
Other deferred credits, taxes and other liabilities	-	(30,780)	-	(85,118)
Total derivatives not designated as cash flow hedges	$ 148,513	$ (76,724)	$ 60,791	$ (85,748)
	$ 171,029	$ (77,308)	$ 64,196	$ (88,645)

Under ASC 980, Basin Electric's Board of Directors 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 (credits) to the Consolidated Statements of Operations for the years ended December 31, 2022 and 2021 of $(77,556) and $(11,181), 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, 2022 and 2021 resulted in net deferred gains of $84,332 and $94,674.

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.

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, 2022. 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		
	2022		
	Synthetic Gas	Byproducts, Coproducts and Other	Other Operating Expenses
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	$ 239,708	$ 531,482	$ 720,300
Gain (loss) on cash flow hedges:			
Commodity derivatives:			
Amount reclassified from accumulated other comprehensive income (loss) into net margins and earnings	$ (18,993)	$ (607)	$ 8,051

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, 2021.

	Location of Gain (Loss) Recognized in Net Loss on Cash Flow Hedging Relationships		
	2021		
	Synthetic Gas	Byproducts, Coproducts and Other	Other Operating Expenses
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	$ 170,635	$ 335,649	$ 628,970
Gain (loss) on cash flow hedges:			
Commodity derivatives:			
Amount reclassified from accumulated other comprehensive income (loss) into net margins and earnings	$ (11,118)	$ (1,638)	$ 342

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, 2022 and 2021.

	2022	2021
Increase (decrease) in fair value of commodity derivatives	$ 6,618	$ (11,525)
Recognition of (gains) losses on commodity derivatives in earnings due to settlements	11,549	12,414
Total other comprehensive income (loss) from hedging	$ 18,167	$ 889

Based on December 31, 2022 prices, an $18,270 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.

	2022	2021
Location of Gain (Loss) on Derivatives Recognized in Net Margin and Earnings	Recognized Gain (Loss)	Recognized Gain (Loss)
Derivatives not designated as cash flow hedges:		
Commodity derivatives:		
Synthetic natural gas	$ 3,889	$ 1,082
Byproducts, coproduct and other	-	(1)
Other operating expenses	710	12,452
Total	$ 4,599	$ 13,533

10. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities were as follows at December 31:

	Remaining Recovery Period	2022	2021
Regulatory assets:			
Deferred income taxes	Over Plant lives	$ 129,986	$ 179,019
Refinancing fees	Up to 22 years	98,645	104,820
Unrealized loss on interest rate swaps	Up to 10 years	29,815	84,152
Unrealized loss on commodity derivatives	Up to 3 years	34,507	-
Interest on coal royalties and other costs		-	15,009
Other	Up to 53 years	11,992	18,149
		$ 304,945	$ 401,149
Regulatory liabilities:			
Deferred revenue		(415,000)	(260,000)
Unrealized gain on purchase power contracts		(111,249)	(29,637)
Unrealized gain on equity investments		(4,975)	(13,557)
Unrealized gain on commodity derivatives		-	(20,386)
Post-retirement medical gain		(19,770)	(15,177)
Other		(11,016)	-
		(562,010)	(338,757)
Net regulatory assets (liabilities)		(257,065)	$ 62,392

In 2021, the Basin Electric Board of Directors authorized the early amortization of the previously deferred loss on investment in Dakota Gas. This amount is included in Other, net of regulatory expense deferral on the Consolidated Statements of Operations. 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 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.

11. 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
Balance, December 31, 2020	$ (11,580)	$ 1,199	$ (641)	$ (11,022)
Comprehensive income (loss)	12,529	(1,421)	703	11,811
Balance, December 31, 2021	949	(222)	62	789
Comprehensive income (loss)	(2,474)	(3,591)	14,351	8,286
Balance, December 31, 2022	$ (1,525)	$ (3,813)	$ 14,413	$ 9,075

OTHER EQUITY — From November 1981 through August 1983, Basin Electric sold approximately $894,000 of electric plant under sale and leaseback agreements in exchange for $310,000 in cash and $584,000 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 $310,000, net of expenses of $28,000, 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 2022 and 2021, $1,767 and $132 of net income tax benefit was closed into Other equity. As of December 31, 2022, $73,058 of cumulative net income tax benefit was closed into Other equity.

12. LONG-TERM DEBT AND OTHER FINANCING

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

	Due Date	Weighted Average Interest Rate at December 31, 2022	December 31, 2022	December 31, 2021
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
			700,000	700,000
First Mortgage Obligations				
2005 Series	Dec. 2028-May 2030	5.85%	90,000	90,000
2007 Series	Sept. 2042	5.71%	242,890	248,460
2008 Series	Dec. 2028-Dec. 2038	6.18%	461,222	477,167
2009 Series	Oct. 2027-April 2040	5.36%	165,556	176,667
2011 Series	Oct. 2031-Oct. 2049	4.43%	253,295	267,225
2012 Series	Nov. 2044	4.07%	81,272	83,523
2015 Series	June 2027-June 2044	4.43%	1,498,705	1,499,510
2016 CoBank Note	April 2046	4.48%	78,333	81,666
2016 CFC Note	April 2046	3.74%	59,244	61,134
2022 Series	Feb. 2042-Feb. 2062	2.98%	292,270	-
Wells Fargo Notes	June 2027-Dec. 2028	5.13%	10,750	12,750
			3,233,537	2,998,102
2019 Solid Waste Facilities Revenue Bonds	July 2039	3.63%	150,000	150,000
Notes payable to affiliates	Dec. 2024	3.57%	2,300	1,504
			152,300	151,504
Dakota Coal				
Equipment notes	Dec. 2023-April 2032	3.79%	59,937	60,989
Dakota Gasification Company				
Senior Secured Notes 2015 Series	May 2030-May 2045	4.11%	350,755	378,365
Other		Various	15,132	16,229
			425,824	455,583
			4,511,661	4,305,189
Less:				
Current Portion			(89,587)	(94,531)
Unamortized debt issue costs			(28,623)	(26,439)
Long-term debt, net of current portion			$ 4,393,451	$ 4,184,219

The estimated fair value of debt at December 31, 2022 and 2021 was $4,102,807 and $4,898,917, 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 at December 31, 2022 are as follows:

	2023	2024	2025	2026	2027
Long-term debt	$ 89,587	$ 169,432	$ 172,556	$ 182,293	$ 191,075

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. Dakota Gas is also required to maintain a minimum equity balance. As of December 31, 2022 Basin Electric and its subsidiaries are in compliance with all financial covenants related to the debt agreements.

All of Dakota Gas' long-term debt is secured under an Indenture dated as of May 1, 2015 between Dakota Gas and U.S. Bank, N.A., as trustee. Dakota Gas' long-term debt is 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.

NOTES PAYABLE — Basin Electric and Dakota Gas have outstanding revolving credit facilities which are included in Notes payable on the Consolidated Balance Sheets as follows:

Facility	Expiration Date	Total Availability	Outstanding Amounts as of December 31, 2022
Commercial Paper/Revolving Credit Agreement (a)	March 2023	$ 100,000	$ 100,000
Commercial Paper/Revolving Credit Agreement (a) (b)	Aug. 2027	$ 500,000	74,754
Revolving Credit Agreement	Sept. 2026	$ 500,000	-
Revolving Credit Agreement	June 2024	$ 100,000	99,300
			$ 274,054

(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) Certain provisions allow for increased borrowings, up to a maximum of $600 million.

As of December 31, 2022, the effective interest rate of the outstanding advances is 4.51%.

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:

	2022	2021
Long-term debt, net of current portion	$ 2,300	$ 1,504
Notes payable-affiliates	251,993	301,359
	$ 254,293	$ 302,863

13. REVENUE

The following table disaggregates revenue by major source for the year ended December 31.

	2022		2021	
	Utility Operations	Nonutility Operations	Utility Operations	Nonutility Operations
Member wholesale electricity sales	$ 1,719,709	$ -	$ 1,659,085	$ -
Nonmember wholesale electricity sales	326,214	-	319,551	-
Synthetic natural gas	-	256,442	-	180,672
Fertilizer and DEF products	-	392,104	-	226,051
Other byproducts	-	113,143	-	87,617
Lignite coal	-	241,208	-	215,053
Other	5,880	26,842	19,323	23,620
Intercompany revenue	-	(99,829)	-	(97,155)
Revenue from contracts with customers	$ 2,051,803	$ 929,910	$ 1,997,959	$ 635,858
Regulatory deferred revenue, net	(155,000)	-	3,700	-
Other revenue (expense)	(1,504)	(17,341)	386	(11,676)
Total operating revenue	$ 1,895,299	$ 912,569	$ 2,002,045	$ 624,182

NET DEFERRED REVENUE AND OTHER REVENUE (EXPENSE) — Revenue from nonmember wholesale electricity sales of $155,000 was deferred in 2022, as compared to net revenue of $3,700 that was previously deferred recognized in 2021 by Basin Electric's Board of Directors, in its capacity as regulator. This deferred revenue is accounted for under ASC 980. Other revenue (expense) includes derivative revenue (expense) from hedging activities for synthetic natural gas, tar oil, and electricity sales which is accounted for under ASC 815.

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, 2022 and 2021, the unearned revenue balance (included in Taxes and other current liabilities on the Consolidated Balance Sheets) was $6,548 and $3,912. There were no contract assets at December 31, 2022 and 2021. The balances in Customer accounts receivable and other receivables on the Consolidated Balance Sheets represent the unconditional right to consideration from customers.

14. 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.

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

	2022	2021
Current tax expense	$ 69,004	$ 131
Deferred tax expense (benefit)	5,224	(4,109)
Income tax expense (benefit)	$ 74,228	$ (3,978)

The tax sharing agreement between Basin Electric and Dakota Gas requires reimbursement for the usage of net operating losses and other tax attributes. Current tax expense of $67,750 was attributable to Basin Electric's utilization of Dakota Gas' net operating losses to offset other taxable income. At December 31, 2022, Basin Electric had a receivable from Dakota Gas in the amount of $352 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:

	2022	2021
Deferred tax assets:		
Tax benefit transfer leases	$ -	$ 8,324
Lease obligation	29,434	29,792
Deferred revenue	87,150	54,600
Deferred credits	15,338	15,102
Tax credits available	19,717	20,288
Interest expense carryover	26,213	31,907
Mine related	11,793	11,031
Net operating loss carryforward	81,653	138,343
Other deferred tax assets	12,619	12,802
Valuation allowance	(18,257)	(51,363)
Total deferred tax assets	265,660	270,826
Deferred tax liabilities:		
Depreciation and property	(270,601)	(254,599)
Tax benefit transfer leases	(2,215)	-
Right-of-use lease asset	(29,417)	(29,817)
Patronage capital	(8,119)	-
Debt refinancing expense	(16,465)	(17,538)
Direct financing leases	(14,993)	(17,090)
Other deferred tax liabilities	(2,745)	(1,013)
Unrealized gains	(10,320)	(12,181)
Total deferred tax assets	(354,875)	(332,238)
Net deferred tax liability	$ (89,215)	$ (61,412)

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.

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

	2022	2021
Computed income tax at statutory rate	$ 48,153	$ 15,224
Permanent differences:		
Patronage capital allocated	(5,585)	(12,149)
Other, net	(431)	(532)
Change in regulatory asset associated with deferred taxes	52,486	(973)
Decrease in valuation allowance for subsidiaries	(24,355)	(5,928)
Other	1,582	490
State income taxes	2,378	(110)
Income tax expense (benefit)	$ 74,228	$ (3,978)

Basin Electric had available federal and state research tax credit carryforwards of approximately $19,717 and charitable contribution carryforwards of approximately $6,865 at December 31, 2022. The research tax credits expire in varying amounts from 2023 through 2039 and the charitable contribution carryforwards expire in varying amounts from 2023 through 2027. Basin Electric has a consolidated net operating loss carryforward as of December 31, 2022 of $388,823. The losses are post 2017 losses which are carried forward indefinitely.

It is more likely than not that the benefit from certain federal and state net operating losses, federal and state tax credits and federal charitable contribution carryforwards will not be fully realized. In recognition of this risk, Basin Electric recorded a valuation allowance on the related deferred tax assets.

Basin Electric has a federal interest expense carryforward of $124,825 as of December 31, 2022. The interest expense is carried forward indefinitely. It is likely the benefit from the interest expense carryforward will be fully realized.

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:

	2022	2021
Balance at January 1	$ 6,275	$ 5,802
Addition for tax positions of current period	572	473
Reduction for tax positions of prior periods	(209)	-
Balance at December 31	$ 6,638	$ 6,275

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. There are no amounts of unrecognized tax benefits that are expected to significantly change within the next 12 months.

Basin Electric completed examinations by the Internal Revenue Service (IRS) through 2010. Management does not believe future settlements with the IRS will be material to Basin Electric's financial position. As of December 31, 2022, with limited exceptions, Basin Electric is no longer subject to examinations by taxing authorities for tax years prior to 2019 for federal and prior to 2018 for most states and for Canadian taxing authorities.

15. 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.

On December 31, 2022 and 2021, 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, 2022, aggregated by the level in the fair value hierarchy within which those measurements fall:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Equities and equity funds	$ 76,260	$ 76,260	$ -	$ -
Government securities	41,838	41,838	-	-
Bond market funds	53,573	53,573	-	-
U.S. corporate bonds	67,454	67,454	-	-
Foreign corporate bonds	11,531	11,531	-	-
	250,656	250,656	-	-
Commodity derivatives	171,029	-	171,029	-
	$ 421,685	$ 250,656	$ 171,029	$ -
Liabilities:				
Interest rate swaps	$ 30,780	$ -	$ 30,780	$ -
Commodity derivatives	46,528	-	46,528	-
	$ 77,308	$ -	$ 77,308	$ -

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, 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)
Assets:				
Investments:				
Equities and equity funds	$ 101,645	$ 101,645	$ -	$ -
Government securities	32,604	32,604	-	-
Bond market funds	60,241	60,241	-	-
U.S. corporate bonds	50,379	50,379	-	-
Foreign corporate bonds	11,536	11,536	-	-
	256,405	256,405	-	-
Commodity derivatives	64,196	-	64,196	-
	$ 320,601	$ 256,405	$ 64,196	$ -
Liabilities:				
Interest rate swaps	$ 85,118	$ -	$ 85,118	$ -
Commodity derivatives	3,527	-	3,527	-
	$ 88,645	$ -	$ 88,645	$ -

16. 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' 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. Employees age 60 and over who chose to participate in an enhanced voluntary separation plan in 2018 will receive the benefit of two years of a Medicare supplement plan when reaching age 65.

Basin Electric, Dakota Gas and MLC fund postretirement medical benefits from general funds, and in 2022 and 2021 funding was $2,234 and $1,617.

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

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 2022	Basin Electric and Subsidiaries 2021	Coteau 2022	Coteau 2021
Change in postretirement benefit obligation:				
Balance at January 1	$ 27,692	$ 37,075	$ 3,057	$ 3,970
Service cost	1,584	1,835	35	41
Interest cost	696	643	60	52
Actuarial gain	(1,206)	(8,967)	(590)	(662)
Assumption changes	(5,484)	(1,277)	-	-
Benefit payments	(7,201)	(6,722)	(280)	(344)
Plan participant contributions	4,967	5,105	-	-
Balance at December 31	$ 21,048	$ 27,692	$ 2,282	$ 3,057
Change in plan assets:				
Fair value of plan assets at beginning of year	$ -	$ -	$ -	$ -
Employer contributions	2,234	1,617	280	344
Plan participant contributions	4,967	5,105	-	-
Benefit payments	(7,201)	(6,722)	(280)	(344)
Fair value of plan assets at end of year	$ -	$ -	$ -	$ -
As of December 31, the funded status of the plan was:				
Postretirement benefit liability	$ 21,048	$ 27,692	$ 2,282	$ 3,057
Amounts recognized in the balance sheets are:				
Taxes and other current liabilities	$ 1,996	$ 2,169	$ 361	$ 408
Other deferred credits, taxes and other liabilities	19,052	25,523	1,921	2,649
Net amount recognized	$ 21,048	$ 27,692	$ 2,282	$ 3,057

	Basin Electric and Subsidiaries		Coteau	
	2022	2021	2022	2021
Amounts not yet reflected in periodic postretirement benefit expense and included in Accumulated other comprehensive income (loss) and Regulatory liabilities:				
Prior service credit (cost)	$ (1,003)	$ (1,236)	$ 139	$ 366
Actuarial gain	28,373	23,272	3,721	3,941
Accumulated other comprehensive income and Regulatory liabilities	$ 27,370	$ 22,036	$ 3,860	$ 4,307

Net periodic postretirement benefit expense (income) for the years ended December 31, 2022 and 2021 for Basin Electric and subsidiaries was $923 and $1,047, and for Coteau was $(942) and $(922).

	Basin Electric and Subsidiaries		Coteau	
	2022	2021	2022	2021
Other changes recognized in Other comprehensive income (loss) and Regulatory liabilities:				
Net gain arising during the period	$ (6,691)	$ (10,245)	$ (590)	$ (661)
Amortization of prior service (cost) credit	(233)	(21)	227	227
Amortization of actuarial gain	1,590	1,453	810	787
Total recognized in Other comprehensive income (loss) and Regulatory liabilities	$ (5,334)	$ (8,813)	$ 447	$ 353

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

	Basin Electric and Subsidiaries		Coteau	
	2022	2021	2022	2021
Weighted-average discount rates	5.42%	2.77%	5.29%	2.12%
Initial health care cost trend rate	8.00%	6.78%	6.25%	6.25%
Ultimate health care cost trend rate	4.00%	4.50%	4.75%	4.50%
Year that the rate reaches the ultimate trend rate	2048	2038	2029	2029

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

	Basin Electric and Subsidiaries		Coteau	
	2022	2021	2022	2021
Weighted-average discount rates	2.77%	2.34%	2.12%	1.37%
Initial health care cost trend rate	6.78%	7.14%	6.25%	6.50%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2038	2038	2029	2029

Basin Electric and its subsidiaries and Coteau expect to make contributions of $1,996 and $361 in 2023 to their postretirement benefit plans.

The following are the expected future benefits to be paid:

	Basin Electric and Subsidiaries	Coteau
2023	$ 1,996	$ 361
2024	$ 1,980	$ 408
2025	$ 1,909	$ 371
2026	$ 1,947	$ 307
2027	$ 1,963	$ 274
2028-2032	$ 7,984	$ 826

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 2022 and in 2021 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. Pension costs charged to expense during 2022 and 2021 were $37,255 and $38,279.

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, 2022 and 2021.

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.

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	
	2022	2021	2022	2021
Change in pension benefit obligation:				
Balance at January 1	$ 3,783	$ 4,202	$ 97,071	$ 103,103
Interest cost	86	77	2,664	2,455
Actuarial gain	(646)	(191)	(21,800)	(3,276)
Benefits payments	(298)	(305)	(5,507)	(5,211)
Balance at December 31	$ 2,925	$ 3,783	$ 72,428	$ 97,071
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 3,633	$ 3,621	$ 108,954	$ 101,651
Actual (loss) return on plan assets	(487)	317	(18,198)	12,514
Employer contributions	-	-	-	-
Benefits payments	(298)	(305)	(5,507)	(5,211)
Fair value of plan assets at end of year	$ 2,848	$ 3,633	$ 85,249	$ 108,954
As of December 31, the funded status of the plan was:				
Fair value of plan assets	$ 2,848	$ 3,633	$ 85,249	$ 108,954
Accumulated postretirement benefit liability	2,925	3,783	72,428	97,071
Funded status – over (under)	$ (77)	$ (150)	$ 12,821	$ 11,883
Amounts recognized in the balance sheets are:				
Other investments	$ -	$ -	$ 12,821	$ 11,883
Other deferred credits, taxes and other liabilities	$ 77	$ 150	$ -	$ -
Amounts not yet reflected in periodic postretirement benefit expense and included in Accumulated other comprehensive income:				
Actuarial loss	$ (1,319)	$ (1,381)	$ (9,998)	$ (7,338)
Accumulated other comprehensive loss	$ (1,319)	$ (1,381)	$ (9,998)	$ (7,338)

Net periodic pension income for the years ended December 31, 2022 and 2021 for BCS was $10 and $1 and for Coteau was $3,598 and $3,095.

	BCS		Coteau	
	2022	2021	2022	2021
Other changes recognized in Other comprehensive income (loss):				
Net loss (gain) arising during the period	$ 15	$ (326)	$ 3,099	$ (9,429)
Amortization of actuarial loss	(77)	(104)	(439)	(811)
Total recognized in Other comprehensive income (loss)	$ (62)	$ (430)	$ 2,660	$ (10,240)

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

	BCS		Coteau	
	2022	2021	2022	2021
Weighted average discount rate	4.85%	2.38%	5.41%	2.82%

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

	BCS		Coteau	
	2022	2021	2022	2021
Weighted average discount rate	2.38%	1.90%	2.82%	2.44%
Expected long-term return on plan assets	5.00%	5.25%	7.00%	7.00%

BCS and Coteau do not expect to make any contributions in 2023 to their defined benefit plans. The following are the expected future benefit payments for the BCS Plan and the Coteau Pension Plan:

	BCS	Coteau
2023	$ 292	$ 5,430
2024	$ 283	$ 5,512
2025	$ 273	$ 5,593
2026	$ 264	$ 5,637
2027	$ 255	$ 5,614
2028-2032	$ 1,135	$ 27,086

The expected long-term rate of return on the Plan assets reflects the expectations of NACCO with respect to long-term rates of return on funds invested to provide for benefits included in the projected benefit obligations. NACCO has established the expected long-term rate of return assumption for the Plan assets by considering historical rates of return over a period of time that is consistent with the long-term nature of the underlying obligations of the Plan. The historical rates of return for each of the asset classes used to determine its estimated rate of return assumption were based upon the rates of return earned by investments in the equivalent benchmark market indices for each of the asset classes.

The Plan maintains an investment policy that, among other things, establishes a portfolio asset allocation methodology with percentage allocation bands for individual asset classes. The investment policy further divides investments in equity securities among U.S. and non-U.S. companies. The investment policy provides that investments are reallocated between asset classes as balances exceed or fall below the appropriate allocation bands.

The following is the actual and target allocation percentages for the Plan and BCS Plan assets at December 31, 2022:

	BCS		Coteau	
	Actual Allocation	Target Allocation	Actual Allocation	Target Allocation
Equity securities	38.4%	37.0%	65.4%	60.0% – 70.0%
Fixed income securities	58.7%	60.0%	34.1%	30.0% – 40.0%
Other	2.9%	3.0%	0.5%	0.0% – 10.0%
	100.0%		100.0%	

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 post-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 $12,492 and $12,268 for 2022 and 2021.

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 $3,053 and $2,911 related to this plan in 2022 and 2021.

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 $2,496 and $2,413 in 2022 and 2021.

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.

17. OTHER DEFERRED CREDITS, TAXES AND OTHER LIABILITIES

Other deferred credits, taxes and other liabilities were as follows at December 31:

	2022	2021
Asset retirement obligations	$ 192,709	$ 166,511
Non-current lease obligation	120,394	119,542
Long-term derivative liability	36,145	85,118
Non-current deferred income tax liability, net	89,215	61,412
Pension and benefit obligations	53,371	66,617
MBPP operating advances	40,207	40,207
Customer advance	20,925	-
Other	21,918	24,148
	$ 574,884	$ 563,555

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.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation included in Other deferred credits, taxes and other liabilities on the Consolidated Balance Sheets is as follows:

	2022	2021
Balance, January 1	$ 166,511	$ 137,025
Additions and revisions	25,266	23,638
Accretion expense	7,661	6,721
Liabilities settled	(6,729)	(873)
Balance, December 31	$ 192,709	$ 166,511

18. COMMITMENTS AND CONTINGENCIES

POWER PURCHASE COMMITMENTS — Basin Electric entered into various power purchase contracts with terms ranging from one to 53 years. The estimated commitments under these contracts as of December 31, 2022 were $362,720 in 2023, $340,405 in 2024, $335,493 in 2025, $331,323 in 2026, $327,042 in 2027, and $4,460,360 thereafter. Amounts purchased under the contracts totaled $319,269 in 2022 and $299,873 in 2021.

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. At December 31, 2022 and 2021, the assets and liabilities of Corn Belt included in the Consolidated Balance Sheets totaled $12,568 and $13,869. Basin Electric accounts for the costs associated with these assets and liabilities as operation, maintenance, interest and depreciation expense, rather than purchased power expense.

CONTRACT COMMITMENTS — Basin Electric has outstanding contractual commitments for pipeline transportation totaling $21,942 as of December 31, 2022. Basin Electric also has various other outstanding contractual commitments totaling $214,754 as of December 31, 2022, for various equipment purchases, supplies, and for miscellaneous services to be provided.

Coteau has outstanding commitments of $8,836 to purchase equipment and $167 committed under various diesel fuel contracts through December 2021.

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 2022 and 2021, Dakota Coal paid $224,932 and $202,307 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 $5,993 and $5,760 in 2022 and 2021.

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 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 2045.

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 2022 and 2021 was approximately $20.44 and $19.87 per ton.

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 2022 and 2021 was approximately $12.84 and $12.68 per ton.

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, 2022, the aggregated value of these guarantees is $186,000.

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, 2022, the aggregated value of these guarantees is $39,100.

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 11, 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.

CO_2 SALES COMMITMENTS — Dakota Gas has two contracts involving commitments for the sale of CO_2. One of these contracts is to sell and deliver CO_2 from the Synfuels Plant to oil fields located near Weyburn, Saskatchewan. The Weyburn agreement was for a 15-year term ended April 2016, which may be extended by the buyer with at least 120 days prior written notice for up to ten one-year renewals. The buyer has elected to extend the agreement for an additional one-year renewal to April 2024. If the buyer, over the course of a contract year, fails to take an average stated volume, Dakota Gas has the right to terminate this agreement 30 days following such contract year unless the buyer provides written notice to extend the agreement and pays Dakota Gas a penalty fee for each month the average stated volume was not taken.

The second CO_2 agreement is to sell and deliver CO_2 from the Synfuels Plant to oil fields located near Midale, Saskatchewan for a 20-year period ending in 2025, and required that this buyer pay a certain portion of Dakota Gas' additional capital requirements up front, reducing Dakota Gas' capitalized equipment cost. This buyer can terminate this agreement without penalty by giving 120 days prior written notice. If the initial Weyburn agreement is terminated, Dakota Gas has the right to terminate this Midale agreement by giving the buyer 120 days prior written notice.

CARBON POLLUTION EMISSION GUIDELINES FOR EXISTING STATIONARY SOURCES — In October 2015, the Environmental Protection Agency (EPA) published the Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units; Final Rule (the Clean Power Plan). The Clean Power Plan established guidelines for states to develop plans to reduce CO_2 emissions from fossil fuel-fired electric generating units.

Twenty-seven states and a number of trade organizations and utilities, including Basin Electric, filed petitions for review with the United States Court of Appeals for the D.C. Circuit (D.C. Circuit) challenging the EPA's legal authority to issue the Clean Power Plan and applications to the United States Supreme Court to stay the Clean Power Plan. The Supreme Court issued a stay of the Clean Power Plan on February 9, 2016. Oral arguments were held on September 27, 2016.

On July 8, 2019, the EPA promulgated a final rule to repeal and replace the Clean Power Plan, substituting a plan called the Affordable Clean Energy Rule (ACE Rule). Because of the publication of the final ACE Rule, the D.C. Circuit dismissed the CPP litigation as moot on September 17, 2019. On January 19, 2021, a three judge panel of the D.C. Circuit vacated the ACE Rule along with its embedded repeal of the Clean Power Plan and remanded to EPA to consider the matter in light of the Court's ruling.

On April 29 and 30, 2021, a coalition of nineteen states and industry stakeholders, including Basin Electric, filed petitions for writ of certiorari before the U.S. Supreme Court requesting review and reversal of the D.C. Circuit's January 19, 2021 decision that invalidated the EPA decisions to repeal the CPP and adopt the ACE Rule. The petitioners argue that in reviewing the CPP repeal and ACE Rule, the D.C. Circuit improperly invalidated ACE Rule and effectively opened the door for the Biden Administration to adopt regulations even broader than the CPP by holding there are "no limits" on EPA's authority under CAA Section 111(d). On October 29, 2021 the Supreme Court granted certiorari on certain issues in the case West Virginia v. EPA. Oral arguments were heard on February 28, 2022.

On June 30, 2022, Chief Justice Roberts delivered the opinion of the Court holding that the EPA's interpretation of a "best system of emission reduction" cannot include generation shifting because there hasn't been a clear statement from the legislative branch. The Court defined generation shifting as "a shift in electricity production from higher-emitting to lower-emitting producers." Because building blocks two and three of the Clean Power Plan (CPP) included generation shifting, the Clean Power Plan was an unconstitutional expansion of the authority granted to the EPA under the Clean Air Act. The Court reversed the ruling of the D.C. Circuit Court.

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 is in the process of implementing a long-term compliance plan for the surface impoundments to meet the CCR Rule. Two surface impoundments have been retrofitted and are in compliance with the CCR Rule. The remaining surface impoundments are in the process of retrofit or closure activities. The total cost to close and retrofit the five impoundments at LRS is estimated at $45.8 million with $33.4 million spent to date.

LITIGATION — On November 7, 2019, McKenzie Electric Cooperative, Inc., a Class C member of Basin Electric, filed a lawsuit against both Basin Electric and Upper Missouri G&T Electric Cooperative, Inc. (Upper Missouri), a Class A member of Basin Electric. The complaint seeks relief (including the ability to buy out of its wholesale power contract) based upon an alleged breach of Basin Electric's articles of incorporation, a provision of the statute pursuant to which Basin Electric was incorporated, the implied covenant of good faith and fair dealing, and a three tier contract that McKenzie Electric alleges exists between McKenzie, Basin Electric and Upper Missouri. Trial in this matter is scheduled for January 29, 2024 to March 8, 2024.

FERC REGULATION — Effective November 1, 2019, Basin Electric met certain criteria making the cooperative subject to the jurisdiction of the FERC. On September 30, 2019, Basin Electric made all filings required for compliance with FERC regulations; however, on November 26, 2019, the FERC issued an order rejecting without prejudice the majority of our filings, including the cooperative's rate schedules. Basin Electric has since refiled with FERC, its wholesale power contract and rate schedule A filings have been set for hearing, and the balance of the filings have been approved by FERC. The hearing is scheduled to begin August 28, 2023 with an initial decision by the administrative law judge to be issued by March 25, 2024. Management believes the FERC's future orders related to our 2021 and 2022 rate filings will not have a material impact on the consolidated financial statements.

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 $172,077 and $131,816 as of December 31, 2022 and 2021.

Other receivables include $2,662 and $1,765 at December 31, 2022 and 2021, 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 $16,995 at December 31, 2022 and 2021.

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' Synfuels Plant requirements under an agreement that extends through 2050.
- SCREENED COAL — Dakota Gas' 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' 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.
- WATER SUPPLY — Basin Electric provides water supply facilities for use by Dakota Gas' 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.
- PROJECT SERVICES — Basin Electric provides the use of operational assets to Dakota Gas' Synfuels Plant.

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

	2022	2021
Sales of goods and services to:		
Dakota Gas		
Power supply	$ 65,997	$ 85,153
Administrative services	$ 20,239	$ 20,144
Water supply	$ 2,473	$ 2,423
Project Services	$ 226	$ 215
Dakota Coal		
Administrative services	$ 2,186	$ 2,082
Goods and services provided by:		
Dakota Gas		
Screened coal	$ 60,000	$ 60,250
Natural gas	$ 37,814	$ 57,224
Transmission service	$ 1,110	$ 1,077
Dakota Coal		
Coal supply	$ 81,378	$ 57,633
Lime sales	$ 12,447	$ 10,013
Limestone	$ 2,696	$ 2,656

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

20. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2022	2021
Cash paid for interest and income taxes:		
Cash paid for interest	$ 217,584	$ 210,127
Cash paid for income taxes	$ 1,434	$ 143
Non-cash investing and financing activity:		
Accrued acquisition of utility plant and nonutility property	$ 76,526	$ 7,943
Non-cash operating lease additions	$ 20,214	$ 163,153

BASIN ELECTRIC
POWER COOPERATIVE

A Touchstone Energy® Cooperative