



2023

ANNUAL REPORT



INVESTING FOR THE FUTURE
BASIN ELECTRIC POWER COOPERATIVE

ON THE COVER

Basin Electric will be focused on investment over the next five to 10 years. Strategically investing in critical resources will shape the cooperative's future, ensuring our members are served with reliable and affordable electricity produced in a safe and environmentally responsible manner. Bobby Nasset, Basin Electric Civil Engineering supervisor, coordinates the major transmission buildout underway in western North Dakota.

"We had 23 people in a room for two days, all from varying facilities, to create a mission statement and a set of values. ... Incorporating employees from multiple facilities really allowed our work to provide an accurate representation of Basin Electric from multiple perspectives."

Mandi Hetletved
Basin Electric business systems analyst



Throughout this report, you will see quotes from employees, and each will have an icon depicting one of Basin Electric's six core values: community, integrity, reliability, teamwork, safety, and adaptability. These values were developed by the all-employee BE Leaders team in 2023 after the group completed a SWOT (strengths, weaknesses, opportunities, and threats) analysis and crafted a mission statement for the cooperative.

TABLE OF CONTENTS

2	President and General Manager’s Message	32	Consolidated Financial Summary
4	Forging Our Future	35	Independent Auditor’s Report
9	Building for Reliability	36	Consolidated Balance Sheets
12	Adapting to Provide Value	37	Consolidated Statements of Operations
14	Engaging People With Purpose	38	Consolidated Statements of Comprehensive Income
16	Membership	38	Consolidated Statements of Changes in Equity
17	Board of Directors	39	Consolidated Statements of Cash Flows
20	Executive Leadership Team	40	Notes to Consolidated Financial Statements
21	Business Overview & Results		

CONTRIBUTORS

Editor: Tracie Bettenhausen
(tbettenhausen@bepc.com)

Graphic Designer: Janene Pudwill

Feature Writer: Jenifer Gray

Photographers: Greg Wheeler, Michael Hardy,
and Joy Schnabel

INFORMATION REQUESTS

Basin Electric Power Cooperative
Strategic Planning and Communications
1717 East Interstate Avenue
Bismarck, ND 58503-0564
Phone: 701-223-0441
basinelectric.com

This 2023 Annual Report was written, compiled, and produced by the employees of Basin Electric Power Cooperative and its subsidiaries.

PRINTED ON RECYCLED PAPER 



CONNECT WITH US



/basinelectric



@Basin_Electric



/basinelectric



basin_electric



/company/
basin-electric-
power-cooperative



basinelectric.com/
news-center



PRESIDENT AND GENERAL MANAGER'S MESSAGE

In 2023, Basin Electric continued to provide reliable and affordable power to our members. We understand that the quality of life of our members depends on our efforts, and we value the trust our members place in us to provide electric service.

The reliability and affordability we benefit from today is the result of careful planning and prudent investments that occurred years and even decades ago. We are striving to continue this tradition of stewardship. Over the next five years we expect to invest as much as \$4 billion in our utility system. This is in addition to the \$470 million we invested in 2023, which was our highest single year of capital expenditures since 2015.

These investments are required due to the robust growth of Basin Electric's members. In 2023, Basin Electric's megawatt-hour sales to members increased 7.5%, which is on top of 7.8% growth in 2022. We expect strong growth to continue over the next decade driven by healthy agricultural, petroleum, and technology sectors of the economy.

Growth presents both opportunities and risks. The biggest opportunity is for our members to experience higher standards of living from economic growth. With respect to risks, many of these loads can materialize faster than Basin Electric can build generation, which impacts both reliability and affordability. To mitigate some of the risks, we worked with our members throughout the year to develop innovative rates for cryptocurrency and large loads.

Our 2023 consolidated margins were consistent with our targeted margin of \$150 million, although we achieved these margins by utilizing a portion of our Rate Stability Fund. Our utility margins were well above what was budgeted, however results at Dakota Gasification Company, our for-profit subsidiary, were below budget due to weak commodity prices and lower-than-budgeted plant capacity factors.

Dakota Gas' results will always be impacted by commodity prices, but we made great progress toward de-risking a portion of this volatility in 2023. By the end of the year, construction related to Dakota Gas' carbon dioxide (CO₂) sequestration project was largely complete, and CO₂ sequestration commenced in mid-February 2024.

During 2023, our senior leadership team and board updated Basin Electric's strategic plan. This included a new mission statement: ***We are a safe, environmentally responsible cooperative that provides reliable, affordable power, products, and services to sustain the quality of life for our member-owners across rural America.*** This mission statement provides us with a unifying sense of purpose and is supported by eight strategic objectives designed to increase the value we provide to our members. While achieving all of our strategic objectives is important, we put particular emphasis on safety, reliability, and affordability by making them cooperative-wide goals.

In closing, we offer our thanks to our teammates for your hard work and to our members and stakeholders for your trust and support.



WAYNE PELTIER
President



TODD T. BRICKHOUSE
CEO and General Manager

FORGING OUR FUTURE

Basin Electric is a safe, environmentally responsible cooperative that provides reliable, affordable power, products, and services to sustain the quality of life for our member-owners across rural America.

This mission, newly refreshed in 2023, unifies the Basin Electric team in a common purpose, helping everyone use the same map to get where the cooperative needs to go. However, the mission is neither simple nor easy. Both the members and employees of the cooperative demonstrate resilience in serving this mission while Basin Electric is facing unparalleled load growth amongst its peers in the United States — a projected 3.2% growth annually over the next 10 years; national average growth over the same time period is approximately 0.7%.

Basin Electric generates and delivers electricity to 141 member cooperatives across nine states, serving a large geographical footprint through the middle of the United States. Areas of rural America across the Upper Great Plains are attractive to industries, companies, and people due to the availability of land and resources, along with reliable and affordable electricity.

Thanks to these attractive qualities, the growth occurring and forecasted to occur within Basin Electric's service area is in the residential and commercial sectors as well as cryptocurrency and data processing loads, the projected emergence of ethanol production-related carbon dioxide (CO₂) capture and sequestration, and continued economic development in western North Dakota.

Basin Electric's next five to 10 years will be focused on investment. Strategically investing in critical resources will shape the cooperative's future, ensuring our members are served with reliable and affordable electricity produced in a safe and environmentally responsible manner.

The cooperative will invest in reliability through additional generation and transmission facilities, and upgrades to our current facilities. The cooperative team will focus on solutions that keep reliable, affordable, and safe electricity in the forefront. Basin Electric will invest in its

members by continuing to provide electricity and products that enrich their lives and strengthen their communities. And the cooperative will invest in its employees through a focus on safety, organizational development, and strategic modernization.

ADDRESSING VOLATILITY

Basin Electric's member load forecast, the tool used to determine how much electricity is needed for the next decade and beyond, is used for multiple purposes, from power supply and transmission planning to financial forecasting and rate planning. The bandwidth forecast captures a range of possible outcomes, with the actuals likely falling somewhere in between, an approach especially useful when forecasting loads or sectors with high unpredictability.

While a bandwidth approach for the load forecast has become especially prudent, an updated approach to some rates was necessary to help protect continued affordability for all members.

The types of loads entering Basin Electric's membership are quickly changing. While the categories of residential, agricultural, and industrial once encompassed most loads, Basin Electric members are now receiving inquiries from companies wanting to build data centers, some of which would be used for cryptocurrency mining, that could each use anywhere from a few megawatts (MW) to 100-200 MW of electricity; compare that to an ethanol plant, common across Basin Electric's membership area, which on average is 7 MW. These loads prefer the cooler temperatures of the Upper Great Plains, which help the constantly running servers stay cool.

Not only are the loads large, but they are unpredictable in nature — because electricity is the major variable cost of crypto mining and the process consumes so much electricity, companies building the data centers want the lowest cost power they can find, choosing "interruptible power" where they turn off the processors or servers when the price gets to a point where mining isn't cost effective.



"A safe workplace is going to be a more productive workplace. Between the equipment, the cords, the hoses, and the day-to-day hazards, safety is the main focus; if somebody gets hurt, it's all for naught."

Darrell Slavick
Basin Electric construction coordinator III



MEMBER LOAD FORECASTING

The member load forecast starts and ends with the members. Data is provided by them to produce a forecast result that is then reviewed and approved by them.

Missy Schell, Basin Electric load forecast analyst III, says load forecasters understand the broad economic issues facing our members, but it's members' local knowledge and expertise that's critical to informing and guiding the way we analyze their unique systems and predict their needs. "Each year we produce a load forecast for every Class A distribution member, and Class C members, excluding the members of Tri-State Generation and Transmission Association, as they have their own forecasting department," Schell says. "The forecast period is the end of the current year through 2050. We forecast this long of a duration because one of the key uses of the forecast is transmission and power supply planning, which need to utilize a long-range view of the system."

Members file certain federal and financial forms detailing their annual sales by consumer category, and Basin Electric obtains this information from them, along with their monthly demand and energy purchases from their power supplier(s).

"We then analyze the statistical metrics of the models to make sure there is an appropriate confidence level to the forecast outputs," Schell says. "We share the modeled results with each member via a report specific to their cooperative. We rely on their feedback to inform us if our mathematical predictions are in line with their local conditions and economies."

Member feedback is integrated to arrive at a final forecast, approved by them and their board of directors. The final result is a forecast of Basin Electric's monthly demand and energy sales, which is used in budgeting, financial forecasting, rate setting, and transmission and power supply planning.

Collaborating with members on the forecast inspires cooperation, honesty, and accountability. Basin Electric works with its members to analyze, update, implement, and innovate rates to accommodate the struggles or opportunities members are seeing within their service territories.

Providing affordable rates to our members is a priority. "Since Basin Electric is a not-for-profit cooperative, any rate changes or deviations cause cost shifts to our members," says Elizabeth Erhardt, Basin Electric manager of Member Rates. Over the past year, Erhardt's workload shifted heavily to one issue: crypto and large load rates. "I had the opportunity to work closely with other teams at Basin Electric to determine what would be impacted with the implementation of these rates."

Load forecasting and rate design focus on providing continued stability for our members, and through shared values, mutual respect, and collaboration, members are supported by a cooperative that prioritizes their needs and well-being.



Missy Schell
Basin Electric load forecast analyst III



"Our members expect reliable electricity, and upgrading and testing equipment during an outage ensures we can provide that to them."

Dustin Rothe
Laramie River Station electrical engineer III



To mitigate risk, new rates were designed for these loads. The proposed new crypto and large load rates have a market-based pass-through structure whereby Basin Electric is incurring market charges and then passing them through to the member along with an administrative charge. These new rates would provide members with a rate structure to offer these loads while minimizing the risk of negatively impacting the rest of the membership. The new rates are planned to go into effect in June 2024, pending Federal Energy Regulatory Commission (FERC) approval. Based on conversations with Basin Electric's FERC legal counsel, this will be the first time FERC will contemplate rates specific to crypto-related loads.

INVESTING IN RELIABLE ELECTRICITY

The way our nation is using electricity is evolving, and as more industries and devices are turning to electricity, people's lives and livelihoods depend on electricity more than ever.

We tend to associate power outages, or lack of reliability, with downed power lines. While this is most often the case, the nation's changing generation mix is more frequently impacting reliability. Dispatchable generation resources are able to be turned on, or dispatched, as needed, while non-dispatchable generation resources are not. In the United States, the generation mix is shifting from dispatchable resources like nuclear, coal, and natural gas generation to non-dispatchable, renewable resources. The generation mix has changed considerably over the last decade in SPP (Southwest Power Pool) and MISO (Midcontinent Independent System Operator), two regional transmission organizations (RTO) Basin Electric participates in. The pending generation interconnection requests in SPP and MISO indicate that these trends are likely to continue.

Unfortunately, non-dispatchable resources can be impacted in unique ways. During severe cold, wind turbines need to shut down to protect equipment. Precipitation during colder weather can create icing on turbine blades. Snow can cover solar panels. And any time of year, no matter the temperature, the wind may not blow and the sun may not shine when electricity is needed most — when loads are highest due to cold or hot weather events.

Even as it becomes the dominant dispatchable resource, natural gas generation is not without its challenges, given the fuel must be continually transported via pipeline as opposed to inventoried on site like nuclear and coal fuel sources.

In short, the shift away from dispatchable generation with on-site fuel storage to more non-dispatchable generation means the U.S. electrical system is becoming less resilient and more fragile.

Basin Electric is committed to reliability as demonstrated by the cooperative's capital expenditure program. There are several major projects building or strengthening generation and transmission infrastructure underway with a forecasted cost of \$2 billion. Over the next five years, Basin Electric's financial forecast projects \$4 billion in capital expenditures.

EVOLVING TRANSMISSION MARKETS

The benefits of participation in an RTO are many: organizations such as SPP and MISO allow for the sharing of generation and transmission resources and determine the most economic and reliable way for all the available resources and transmission to serve the load.

Alongside these benefits, however, Basin Electric's efforts can be constrained in several ways despite having resources to ensure reliability. Inside of the RTOs' operations, during energy emergency events, if there is not enough generation in the market to serve all of the market load, the RTOs and Transmission Operators have the ability to direct Basin Electric and other market participants to shed load, or cut power to customers. This is performed regardless of Basin Electric's own resource availability.

When the RTOs declare Conservative Operations, meaning the event is not an emergency but conditions are such that they must operate more conservatively, RTOs will sometimes limit or cancel maintenance outages at generation facilities, and operate with an increased operating reserve level, for example.

While evolving conditions have led to strains on both reliability and affordability, utilities and RTOs are finding new ways to create efficiencies within the system. Basin Electric is one of seven western utilities to sign a Commitment Agreement with SPP in September 2023 to continue the process of exploring membership in a West-side RTO.

SPP expects the expansion of its service territory to create economic and reliability benefits for its market participants through access to a larger generation fleet, integrated transmission system, greater geographic diversity, and efficiencies with the current SPP RTO.

As Basin Electric determines whether to eventually join the RTO in the West, several uncertainties need to be balanced. Environmental regulations, renewable growth in the West, and potential transmission buildouts need to be considered. Basin Electric has until early 2026 to make a final decision about joining this new SPP West RTO.

CONSTRUCTION COORDINATION

Coordinating the construction of a generation facility is no small task, as at any given time there can be several dozen to several hundred people working together efficiently and safely to get the job done for our members.

Darrell Slavick, Basin Electric construction coordinator III, is responsible for day-to-day oversight of contractor activities, and any coordination between contractors and plant personnel, on the Pioneer Generation Station Phase IV (PGSIV) project. When complete, the natural gas-fueled, dispatchable generation facility near Williston, North Dakota, will be an important component to Basin Electric's all-of-the-above energy portfolio.

Slavick meets with contractors frequently to review schedules, progress, and any safety incidents that may have happened. "It's juggling all the bits and pieces to make sure at the end of the day that we're all pulling the rope in the same direction," he says.

Coordinating a project of this size also includes managing money. Investing in assets on behalf of our members requires sticking to a budget. "Every line item is budgeted, every dollar spent is accounted for," Slavick says. "Contingencies are built in for the things that you don't foresee, but managing and sticking to that budget all the way back to the project management group is critical."

For Slavick, a can-do attitude helps get things accomplished for our members. "I take a lot of pride in the concept-to-completion

mentality and being a part of it, knowing that this was a wheat field not too many months ago, seeing where it is now and where I know it's going to be in the next year and through its completion, it's exciting," he says.

Building a power plant involves teamwork, time, communication, and planning. It can take five years or more to develop and build a large generation or transmission project due to front-end scope and engineering design development, permitting, right-of-way acquisition, equipment procurement, and construction schedules. "A project budget requires an accurate cost estimate, and cost estimate accuracy is a function of how well-defined the project scope is. It can take a year or longer to work through enough of the early development activities and produce a cost estimate for budget purposes," says Matt Ehrman, Basin Electric vice president of Engineering and Construction.

Space is reserved at the initial phases of Pioneer Generation Station to possibly convert the facility from simple cycle to combined cycle and for possible future emissions controls such as carbon capture. "We also leave space in electrical rooms, cable trays, and other similar areas to accommodate some amount of plant modifications that we can reasonably expect over the course of a facility's lifetime," Ehrman says. "That flexibility allows us to respond to future events sooner and ultimately provides us with reliability for our members."



Darrell Slavick
Basin Electric construction coordinator III

MANAGING REGULATORY OVERREACH

While the way members use electricity is changing, and utilities and markets are developing solutions, there is a factor pressing in on dispatchable generation units that continues to make operation difficult or costly.

Proposed federal regulations are threatening Basin Electric and other electric cooperatives' ability to provide reliable and affordable electricity to their members. The Environmental Protection Agency

recently proposed greenhouse gas emissions rules that pose the biggest risk to reliability. The proposed regulation would force utilities into a decision to either install costly and unproven technology on an unrealistic timeline that relies on infrastructure that does not exist, or commit to prematurely retire power generation facilities.

Basin Electric is working with trade organizations, transmission organizations, other utilities, and state and local governments to educate and encourage the development of a balanced and reasonable final rule that doesn't jeopardize reliability and affordability.

EPICENTER OF GROWTH

The rate of growth in western North Dakota is causing a race to a finish line that keeps advancing forward.

Continued economic development in western North Dakota is contributing heavily to Basin Electric's projected load growth. Data processing and crypto mining loads, along with other commercial and industrial development, are putting stress on the systems that generate and deliver reliable and affordable electricity to the entire region.

The Basin Electric Generation team is working to maintain and enhance the existing assets in the region, and the Engineering and Construction team is working to build the additional infrastructure needed to serve members with ever-growing electricity needs.

Because Basin Electric's existing dispatchable gas-fueled facilities are so critical to reliability, spare turbines have been ordered to keep on site for the ability to get the units back online again quickly in case of failure. Equipment will be able to be changed out more quickly than sending it in for repair, a process that can take months.



PGSIV held a groundbreaking event on Sept. 11. (From left): Travis Fucich, Burns & McDonnell project executive and engineering director; Jeremy Mahowald, Upper Missouri Power Cooperative general manager; Todd Brickhouse, Basin Electric chief executive officer and general manager; North Dakota Lt. Gov. Tammy Miller; Gavin McCollam, Basin Electric senior vice president and chief operating officer; and Chris Baumgartner, Basin Electric senior vice president of Member and External Relations.



Wärtsilä contractors performed maintenance work on reciprocating engines at Pioneer Generation Station in 2023-2024. Pioneer and Lonesome Creek Station each ran over 1 million megawatt-hours in 2023, the most in one year since both facilities came online in 2013.

The Transmission team is pursuing short-term solutions to address congestion in the region until future transmission is added. One initiative involves collaborating with SPP to expedite the approval and installation of a Remedial Action Scheme (RAS). This scheme is designed to shed load in the region in the event of a specific transmission line outage. By creating additional capacity on the transmission system during such events, the RAS enables other generation sources to serve the region without taking up precious run hours at generation facilities. While this serves as a short-term solution, it is crucial until additional transmission infrastructure is put in place.

In parallel, the Transmission team is exploring innovative devices capable of assessing line ratings and line capacity more effectively. These Dynamic Line Rating devices offer real-time data to transmission operators and reliability coordinators, providing accurate insights into how much electricity a transmission line can carry at any given moment. Unlike traditional assumptions based on seasonal considerations, this dynamic approach allows for a more flexible and efficient use of transmission lines, enabling increased generation and load service during certain conditions.

While Basin Electric adjusts to ensure electricity is reliable in the region, members, partners, and stakeholders are kept informed on a regular basis.

BUILDING FOR RELIABILITY

Basin Electric's ultimate goal and commitment to our membership is that we will do everything we can to keep reliability simple — when you flip the switch, the light comes on.

Our cooperative is able to respond to many of the challenges our industry is facing in unique ways. The geographical location of Basin Electric means our member load and generators exist on both the West and East Interconnection; our firm access to Direct Current (DC) ties enables us to move electricity back and forth across the divide as needed. Additionally, the generators are located in several markets giving access to the benefits available in each area.

Both the Transmission and Marketing teams have found near-term solutions to alleviate the economic impacts of congestion and price volatility, but in the long-term, investment in adequate transmission and generation infrastructure will help keep rates affordable. As Basin Electric adds transmission and generation infrastructure to alleviate congestion, the cooperative can lean less on potentially volatile market purchases to serve load.

INVESTING IN CONCRETE AND STEEL

While power markets and regional transmission organizations offer value in the ability to buy and sell power when a utility generates more or less electricity than they need, relying on the market isn't enough.

On the generation side of the business, Basin Electric is building the largest single-site generation project in North Dakota since the 1980s. The cooperative began construction on the Pioneer Generation Station Phase IV site near Williston, North Dakota, in March 2023. The project represents an investment of about \$800 million.

This 580-megawatt natural gas-fueled generating site will serve as an important component to Basin Electric's all-of-the-above energy strategy. Because natural gas generators can start up quickly, they work well alongside renewable generation to ramp up and down as electricity is needed.



Basin Electric is investing in the equipment needed to keep electricity reliable into the future as our membership grows. Nathan Miller, Basin Electric senior electrical engineer, is project coordinator on the Leland Olds 345-kilovolt substation project, which covers more than double the area of Basin Electric's average substation. Work began in 2020; the substation is expected to be in service in late 2025.

On the transmission side, Basin Electric is constructing a massive addition to its transmission infrastructure, with nearly 350-miles of high-voltage transmission line to be energized by the end of 2027.

This transmission infrastructure will be built in northwest North Dakota. This additional transmission will increase the load-serving capability of the area, increase the transfer capability in the region, allow additional loads or generation, and include a couple new delivery points for Basin Electric's members, adding redundancy to their load-serving capability.

In addition to building new transmission, the cooperative's current system is being upgraded systematically over several years. A team identified which transmission facilities are the most impactful and built a plan to replace the equipment with newer technology to make sure those facilities will be reliable for the next 40-50 years.



"It's important to have transmission and generation systems that are adaptable since we're never quite sure what the future holds. Members' needs for electricity, regulatory requirements, and technologies change over time, so the generation and transmission systems need to be able to adapt."

Matt Ehrman
Basin Electric vice president of Engineering and Construction



ADAPTABILITY

FACILITY MAINTENANCE

Electrical upgrades at a power plant can significantly enhance both reliability and safety. These upgrades often involve modernizing or improving various components of the electrical system, ensuring it operates efficiently, withstands potential challenges, and adheres to the latest safety standards.

The team at Laramie River Station, a 1,700-megawatt coal-based dispatchable generation facility, is upgrading the 480-volt (V) switchgear, which includes the transformer, the load center, and the motor control center. Dustin Rothe, electrical engineer III at Laramie River, is the site contact helping to complete these electrical upgrades. “Currently, we have long-range engineering plans through at least 2030 for the 480V switchgear upgrades for the scrubbers, coal yard, and water treatment areas,” Rothe says. “We will complete the 480V switchgear upgrade for the main plant during the 2024 spring outage.”

In 2024, work will be completed to tie the backup generator to the facility’s Unit 3. The plant has also added a few new cross-feed connections, providing multiple options to keep the plant operating in case of equipment failure or routine maintenance, and ensuring continued reliability for members.

Upgrading equipment and electrical systems takes planning and foresight, part of which stems from having a solid resource portfolio. “Fundamentally, Basin Electric’s resource portfolio needs to be aligned with its expected member loads,” says Ben Hertz, Basin Electric manager of Power Supply Planning.

“Dispatchable generation, such as at our coal- and natural gas-fueled facilities, is a crucial component to reliability. Each year Basin Electric performs an update to each member’s load forecast, then re-analyzes its need for future resources on a recurring basis. As the membership and resulting obligations grow, technology and infrastructure development has enabled additional forms of generation and fuel supply throughout Basin Electric’s service territories. This means we have added combustion turbines, reciprocating engines, dispatchable energy purchases, combined cycle plants, as well as wind and solar generation. Portfolio additions are based on an evaluation of all feasible forms of generation, with decisions made on an economic basis.”

Resource Planning gathers input from the Transmission Planning and Engineering teams, along with information compiled through requests for proposal for power supply, to analyze the optimal resource additions for Basin Electric and to provide reliable electricity for its members.

Electrical upgrades, along with managing Basin Electric’s resource portfolio, play a crucial role in enhancing reliability. Modernizing equipment, improving monitoring and control systems, implementing redundancy, evaluating all feasible forms of generation, and ensuring compliance with standards and regulations help keep the power on.



Dustin Rothe
Laramie River Station electrical engineer III



"As individual members and cooperatives, we jointly face different challenges at different times, though we approach, embrace, and overcome them as one community, like we always have."

Missy Schell
Basin Electric load forecast analyst III



RENEWABLES PROVIDE MITIGATION

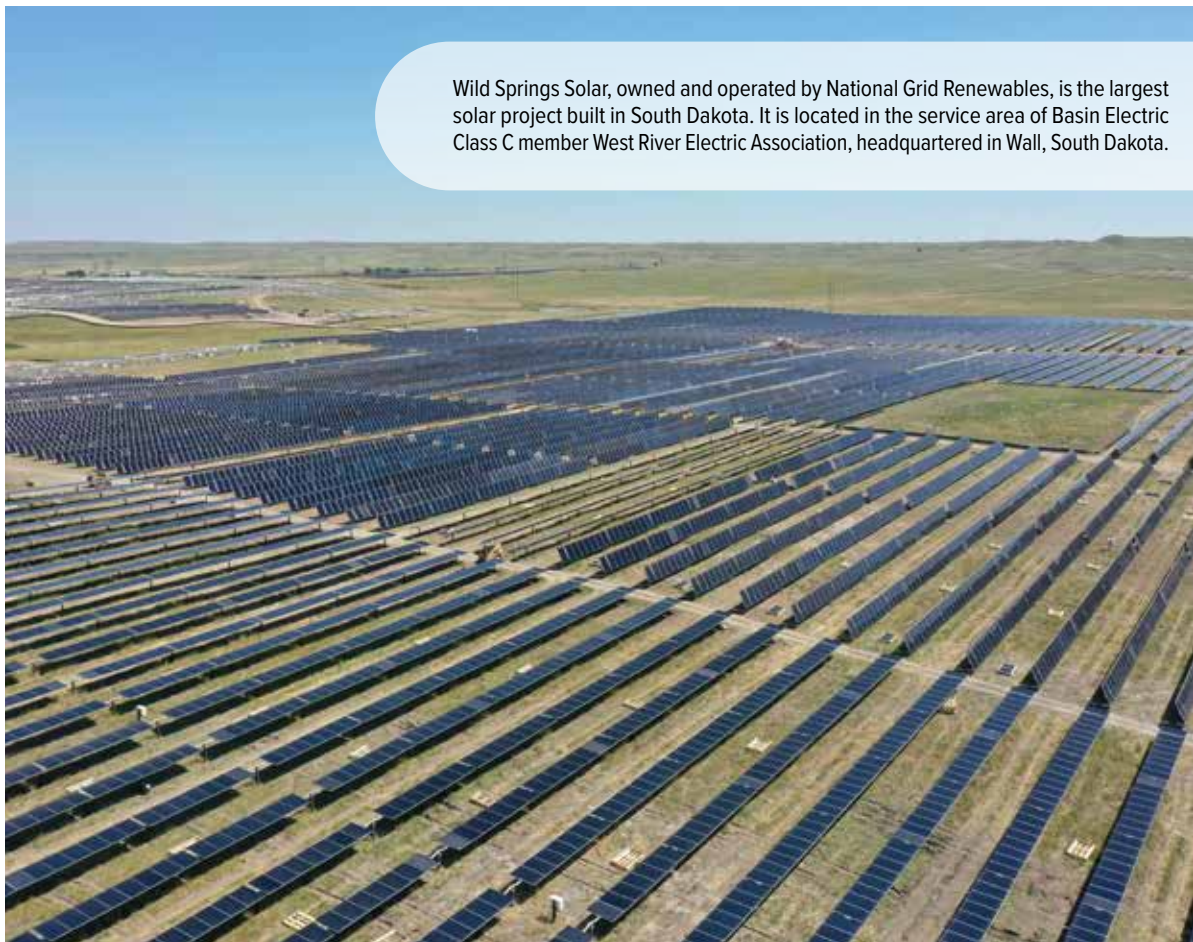
Renewables are part of Basin Electric's all-of-the-above energy strategy; both owned projects and power purchase agreements bring value in their fixed fuel cost, providing mitigation against volatile fuel markets.

Basin Electric has invested in and committed to more than \$6 billion in renewable resources through direct investments and annual payments under purchased power agreements. With more than 2,100 megawatts of renewable capacity in its portfolio, Basin Electric has the largest renewable portfolio of any generation and transmission cooperative in the nation.

Part of that investment included building the largest wind projects in the nation solely owned by a cooperative, in North Dakota and South Dakota. These projects, built from 2009-2011, are eligible for repowering within the next couple years. To repower a wind turbine can mean anything from simply updating software so that the turbine is able to generate more electricity to changing out the blades so they catch more wind. This enables the wind project's useful life to be extended beyond 25 years.

For the first time, in 2024, Basin Electric is purchasing large-scale solar generation to serve its members. Wild Springs Solar is a 128-megawatt project located near New Underwood, South Dakota, from which Basin Electric purchases 114 megawatts of its output.

Wild Springs Solar, owned and operated by National Grid Renewables, is the largest solar project built in South Dakota. It is located in the service area of Basin Electric Class C member West River Electric Association, headquartered in Wall, South Dakota.



ADAPTING TO PROVIDE VALUE

Resilience in the face of growing and changing pressures is the norm for Basin Electric. Since 1961, the cooperative family has worked together to face the challenges of the time, and decades-long investments in resources and infrastructure have held up to deliver the reliable, affordable, and safe electricity members depend on.

STABILITY AND AFFORDABILITY

Keeping electricity affordable at the same time as ensuring it is reliable is key to Basin Electric's mission, even in the face of the tremendous investments necessary over the coming years.

But affordability is subjective. It can be defined in a number of ways, and no one definition fits all members. Affordability is impacted by factors like the types of load on the system and how they are handled, cost of transmission service, and the meter density of a service territory.

Affordability is also impacted by the way the cooperative manages the risk associated with unexpected rate increases. Basin Electric maintains a Rate Stability Fund, in which revenue is deferred and added to the fund when financial results are strong. The purpose of the Rate Stability Fund is to shelter the membership from unexpected rate increases due to unplanned events that would otherwise result in increased rates.

The fund is a positive for members by enhancing the value of their generation and transmission cooperative, and it's also viewed positively by the credit ratings agencies whose ratings impact the interest rates at which the cooperative can borrow money. A lower cost of borrowing money translates to a lower total cost to build generation and transmission, meaning more affordable electricity for the cooperative family.

On Jan. 1, 2023, Basin Electric's average member rate was decreased by 1 mill; from 2023 to 2024, the rate remained the same thanks to the Rate Stability Fund.

VALUE OF DISPATCHABLE RESOURCES

As more dispatchable generation is being replaced by non-dispatchable, intermittent resources like wind and solar power, cold and hot weather events have emphasized the need for a reliable grid. Power markets' increased reliance on non-dispatchable resources can result in volatile market prices and reduced reliability when severe weather occurs.

All markets Basin Electric participates in are working on new guidelines that may increase capacity requirements. Basin Electric's fleet of



At about 9 p.m. on Dec. 12, 2023, Deer Creek Station, a combined-cycle generation facility located near Elkton, South Dakota, surpassed a major generation milestone. The facility generated its 1 millionth megawatt-hour of net generation in one year for the first time since the facility went online in 2012. Pictured: Hung Nguyen, Deer Creek Station lead operator technician, in the control room.

dispatchable generation resources is vital when people need electricity most, showing its value by helping insulate our members from volatility when market prices spike.

HEDGING TO PROTECT OUR MEMBERS

Through fuel hedging, Basin Electric's team has developed strategies that give price certainty to the cost of fuel for a portion of its electricity generation.

Basin Electric has unique value in its largest subsidiary, providing a natural hedge for the fluctuating price of natural gas. Dakota Gasification Company turns coal into synthetic natural gas that it transports on the Northern Border Pipeline using a firm pipeline capacity agreement. Because, collectively, Basin Electric and Dakota Gas are producing, transporting, and consuming 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.

LEADING AT ANOTHER LEVEL



Dakota Gas is a leader in capturing carbon dioxide (CO₂) from the Great Plains Synfuels Plant, and a new project is taking that leadership to another level. Since 2000, Dakota Gas has been capturing and safely transporting CO₂ via pipeline to Canada for enhanced oil recovery — 44 million metric tons. In fact, the Synfuels Plant is home to the largest coal-based carbon capture and storage project in the world.

Through the new Great Plains CO₂ Sequestration Project, Dakota Gas captures and sequesters additional tons of CO₂ via a permanent geologic storage reservoir adjacent to the facility. The Great Plains CO₂ Sequestration Project went into service in mid-February 2024, and it's expected the facility will capture an estimated additional 1 million to 2.25 million metric tons of CO₂ per year.



"Utility planning is often described as 'Integrated Resource Planning' as it requires many stakeholders inside and outside of the organization to work together to accomplish large projects. Teamwork across the cooperative is fundamental to meeting its goals."

Ben Hertz
Basin Electric manager of Power Supply and Planning



ENGAGING PEOPLE WITH PURPOSE

Basin Electric's team of employees is the most critical component and a competitive advantage to Basin Electric's success, which is why it is important they thrive in their work environment.

The world has changed quickly in the last five years, and the work employees are doing today may be different from what they will be doing five years from now.

From an organizational development perspective, strategic modernization to meet employees where they are with the service and accessibility best suited was Basin Electric's direction in 2023 and going forward. Strategic modernization is a focus within Human Resources, which included implementing new processes and efficiencies to improve the employee experience. In the coming years, Basin Electric plans to continue the modernization efforts by identifying areas of opportunity and implementing best-practice solutions to best serve the cooperative and achieve our strategic objectives.

PEOPLE STRATEGY

Inspiring an engaged workforce is a top priority for Basin Electric. The cooperative has a renewed focus on leadership development to include both our current and future leaders.

The Human Resources team launched the Gallup Employee Engagement Survey in 2023 to gather baseline data to determine the level of engagement throughout the entire workforce. Across all facilities, 80% of employees completed the survey, indicating they want their voices to be heard. The results of the survey were compiled and analyzed by Gallup, and action plans were developed by leaders targeting areas to optimize employee engagement within their teams. The Human Resources team plans to conduct this survey annually for three years with a goal to improve employee engagement each year.

Multiple initiatives are being created or improved upon to develop employees across all levels of the organization. A redesigned



Jeremy Wittenberg, Basin Electric enterprise systems administrator III, leads coworkers on a tour of the data center during an open house event facilitated by the Information Technology team.

Performance Management process was launched for all non-bargaining employees to not only achieve our strategic business objectives throughout the year, but also to provide each employee feedback on their performance. Aligning the future strategy of the organization with people-focused initiatives is critical to ensure our employees have the skills and competencies that will be required to meet our future needs.

Enabling growth and improvement amongst employees is important for Basin Electric's continued success. The Performance Management goal-setting process for employees was developed alongside the cooperative's Strategic Planning process. Performance management is designed to support them in two ways: prioritizing work to achieve Basin Electric's strategic objectives and aligning merit with performance. Three cooperative-wide goals were set for all employees.



"When a community collectively upholds a strong sense of integrity, it contributes to the overall well-being and sustainability of our members."

Elizabeth Erhardt
Basin Electric manager of Member Rates



COOPERATIVE-WIDE GOALS

Basin Electric has an obligation to our members, employees, and industry to do things safely, reliably, and affordably. Through Strategic Planning, the cooperative's board and management set three goals for employees to focus on in 2023.

These goals not only provide value to our members, but also help develop a unified sense of purpose within Basin Electric.



SAFETY: Safety is core to who we are and how Basin Electric operates; safety ownership is every employee's responsibility. To align with this philosophy, Basin Electric hired a new safety director who is leading and prioritizing safety efforts. The safety function was centralized to better leverage knowledge of safety professionals from across the cooperative.

Safety metrics were implemented with scorecards and continuous improvement goals. Policies and procedures continue to be updated to align with best practices. A life-critical rules program was implemented to support these procedures to prevent incidents with the highest risk of serious injuries.

We will continue to focus on the safety and health of our employees with continuous improvement in safety.



RELIABILITY: As the need for dispatchable generation to ensure reliability continues to grow, Basin Electric took a fresh look at raising the availability factor of its units. That means facilities are ready to run when members need electricity.

Basin Electric's team focused on improving systems from lessons learned and analyzing the root cause of unplanned outages, increased warehouse inventories, conducted planned outages, and used software that assists with monitoring systems.



AFFORDABILITY: Basin Electric strives to maintain affordable rates; in fact our members tell us it should continue to be a priority.

To keep affordability top of mind for employees, Basin Electric management set a financial goal. The rate we charge members is ultimately a function of the costs we incur to provide electric service, so controlling costs is an important factor in having an affordable rate.

The rate Basin Electric charges its members remained steady from 2023 to 2024 thanks to the Rate Stability Fund, which did what it was created to do — shelter the membership from unexpected rate increases due to unplanned events that would have otherwise resulted in increased rates.

Basin Electric will continue tracking our efforts in 2024 to ensure our team remains focused on the priorities set by the cooperative's board and management.

INVITING MEMBERS IN

Basin Electric member tours continue to be one of the most effective ways to show end-use member-consumers how their electricity is generated and transmitted to their homes, businesses, and communities.

Members see several ways Basin Electric generates electricity. They see wind turbines and transmission lines on the drive to tour dispatchable generation resources. The groups also get a chance to see the Great Plains Synfuels Plant, which turns lignite coal into synthetic natural gas and 12 other products including fertilizers and chemicals. Nearby is the Freedom Mine, owned and operated by The Coteau Properties' Company, which supplies lignite coal to Basin Electric facilities in North Dakota.

Some member cooperatives choose to bring their groups for a look inside Basin Electric's Headquarters building. New this year, groups see an updated trading floor and Security and Response Services

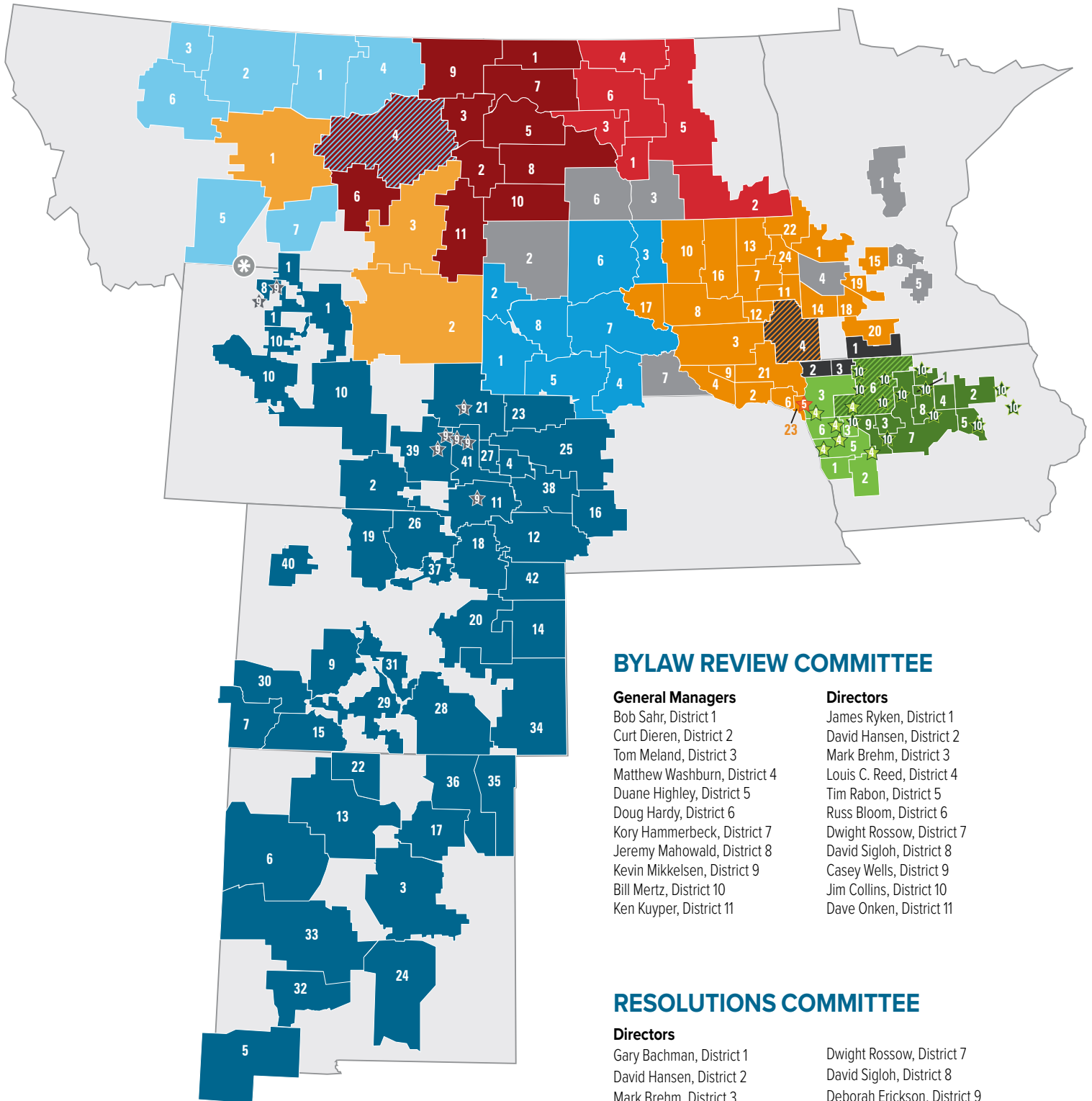
dispatch center. The tours give members a chance to talk directly with employees who work around the clock to keep electricity reliable, affordable, and safe.

Member manager tours are offered each year, providing an opportunity for managers to meet with the Headquarters team and tour plant facilities.

Members of Basin Electric's senior leadership team conduct several meetings each year for member managers and directors to keep the lines of communication open. Class A district meetings are held throughout the year to discuss and address key issues. Two member managers conferences are held each year, in winter and summer.

The Annual Meeting and Members-Only Meeting were moved from November to August for the first time in 2023. These meetings draw the largest and most diverse participation, including staff from member cooperatives, many member directors, and other stakeholders.

MEMBERSHIP



BYLAW REVIEW COMMITTEE

General Managers

Bob Sahr, District 1
 Curt Dieren, District 2
 Tom Meland, District 3
 Matthew Washburn, District 4
 Duane Highley, District 5
 Doug Hardy, District 6
 Kory Hammerbeck, District 7
 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
 Russ Bloom, 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
 Deborah Erickson, District 9
 Philip Habeck, District 10
 Dave Onken, District 11
 Tom Wagner, 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
- 20 Sioux Valley Energy
- 21 South Central Electric Association
- 22 Southeastern Electric Cooperative
- 23 Traverse Electric Cooperative
- 24 Union County Electric Cooperative
- 25 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 Gunnison County Electric Association
- 10 High Plains Power
- 11 High West Energy
- 12 **Highline Electric Association**
- 13 Jemez Mountains Electric Cooperative
- 14 K.C. Electric Association
- 15 La Plata Electric Association
- 16 Midwest Electric Cooperative Corporation
- 17 Mora-San Miguel Electric Cooperative
- 18 Morgan County Rural Electric Association
- 19 Mountain Parks Electric
- 20 Mountain View Electric Association
- 21 Niobrara Electric Association
- 22 Northern Rio Arriba Electric Cooperative
- 23 Northwest Rural Public Power District
- 24 Otero County Electric Cooperative
- 25 Panhandle Rural Electric Membership Association
- 26 Poudre Valley Rural Electric Association
- 27 Roosevelt Public Power District
- 28 San Isabel Electric Association
- 29 San Luis Valley Rural Electric Cooperative
- 30 San Miguel Power Association
- 31 Sangre de Cristo Electric Association
- 32 Sierra Electric Cooperative
- 33 Socorro Electric Cooperative
- 34 Southeast Colorado Power Association
- 35 Southwestern Electric Cooperative
- 36 Springer Electric Cooperative
- 37 United Power
- 38 Wheat Belt Public Power District
- 39 Wheatland Rural Electric Association
- 40 White River Electric Association
- 41 Wyrulec Company
- 42 Y-W Electric Association

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**
- 4  McCone Electric Cooperative
- 5 NorVal Electric Cooperative
- 6 Park Electric Cooperative
- 7 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 THIESEN
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)
- 10  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
- 6 **Iowa Lakes Electric Cooperative**
- 7 Midland Power Cooperative
- 8 Prairie Energy Cooperative
- 9 Raccoon Valley Electric Cooperative
- 10  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.

MISSION STATEMENT

We are a safe, environmentally responsible cooperative that provides reliable, affordable power, products, and services to sustain the quality of life for our member-owners across rural America.

TRANSMISSION PLANNING

Initiating any transmission project, whether it involves building a new substation or constructing a new line, is a process that begins with a distinct need. Transmission studies are initiated by transmission service providers like Southwest Power Pool, Midcontinent Independent System Operator, or the Common Use System. These transmission service providers offer services across the transmission system ensuring the proper utilization of existing lines and voltage parameters.

The need for transmission projects can arise from various factors, including the aging condition of facilities requiring refurbishment or the necessity to expand the transmission network to accommodate growing loads and new generation interconnections. This expansion is crucial for alleviating congestion issues. "Congestion occurs when there is not enough room on the existing transmission network," says Jeremy Severson, Basin Electric vice president of Transmission. "Severe congestion results in costs to our membership because the energy market isn't dispatching the most economic resources, as well as the financial risks due to congestion rights." To address this, the Transmission team strategically identifies potential congestion points or needs on the system five to 10 years ahead. Once those needs are identified, transmission planners embark on an exploration of multiple avenues to address the issue at hand and narrow options down to a preferred project to mitigate the need.

Once a project is chosen by the transmission authority, a project team performs an analysis of the project area, identifying constraints related to potential transmission routes, such as proximity to residences, wildlife refuges, and critical habitats. Area landowners are contacted, and public open house meetings are often scheduled

in the project area to provide information on the project, purpose, and need. As the team gathers landowner feedback, numerous iterations take place to adjust the proposed routes until a preferred route is selected. At that point, the project team will engage in negotiations with landowners to secure easements or options for an easement. Upon finalizing the route, applications are submitted to regulatory agencies overseeing and permitting the project. "In the meantime, Engineering develops construction plans, collaborating with Procurement staff to issue requests for proposals for hardware, materials, structures, and construction contracts. The team reviews bids and schedules proposals and selects and awards contracts," says Bobby Nasset, Basin Electric Civil Engineering supervisor.

Basin Electric has four transmission projects going simultaneously, which can create challenges when it comes to schedules and resources. Nasset says the intricacies of multiple projects require careful consideration of priorities, spending allocation, and material procurement. Nasset says there are advantages to combining contracts for materials and delivery across projects to enhance flexibility, despite the challenge of material lead times and potential adjustments as the final route evolves. The team must strike a balance between schedule needs, cost considerations, and efficiency in the procurement process while evaluating risks and implementing mitigations during the permitting and construction phases.

For Basin Electric, building additional generation and transmission infrastructure is necessary. This is not merely a matter of expansion but a critical step in maintaining a reliable, affordable, and sustainable generation and transmission system that can adapt to evolving energy demands.

Belfield-to-Rhame
230-kV transmission line in North Dakota

EXECUTIVE LEADERSHIP TEAM



TODD BRICKHOUSE

Chief Executive Officer and General Manager

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.



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.



CHRIS JOHNSON

Senior Vice President and Chief Financial Officer

Employed with Basin Electric since 2024; 30 years of finance and accounting experience in the utility industry; M.B.A., University of Georgia; B.B.A. Accounting, Georgia State University.



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 Resources 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, solar, and fuel oil.

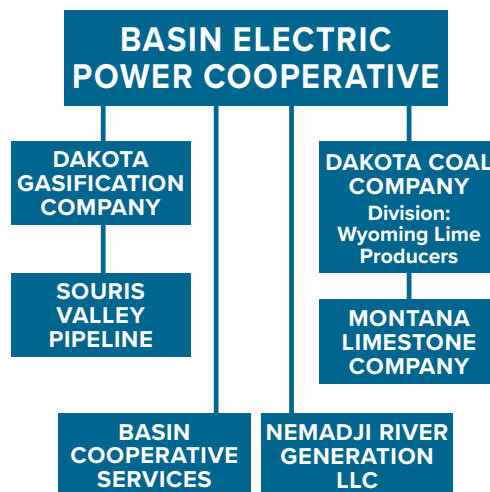
We participate in the following energy markets: Midcontinent Independent System Operator (MISO) and the Southwest Power Pool (SPP) in the Eastern Interconnection. In the Western Interconnection, our load and assets participate in energy imbalance markets of SPP's Western Energy Imbalance Service market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

We are owned entirely by our members, who are the primary purchasers of the power we sell. Basin Electric has 141 members composed of four membership classifications.

In general, a cooperative is a business organization owned by its members, that are also either the cooperative's wholesale or retail customers. Cooperatives are organized to give their members the opportunity to satisfy their collective needs in a particular area of

business more effectively than if the members acted independently. As not-for-profit organizations, cooperatives are intended to provide services to their members on a cost-effective basis, in part by eliminating the need to produce a return on equity in excess of required margins. Margins earned by a cooperative that are not distributed to its members constitute patronage capital, a cooperative's principal source of equity. Patronage capital is held on behalf of the members without interest and returned when the board of directors of the cooperative deems it appropriate to do so.

COOPERATIVE STRUCTURE



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.

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. The G&T cooperatives are owned by their members and their boards are elected by their members. Each of these 11 districts is 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 85% of our revenue from electric sales in 2023.
- 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 120 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 that 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 2022 (the latest year information is available) for the distribution members of our G&T Class A members and our distribution Class A members.

2022 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	8,927,713	29.2%	\$ 1,026,383	42.3%
Commercial and Industrial	20,889,865	68.4%	1,322,405	54.5%
Irrigation	313,216	1.0%	39,644	1.6%
Other	409,118	1.3%	36,648	1.5%
Total	<u>30,539,912</u>		<u>\$ 2,425,080</u>	

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.

Sisters Serena and Elle Harmon own businesses in Mission, South Dakota, including a hardware store and equipment rental business. Serena and Elle are members of Cherry-Todd Electric Cooperative, a Basin Electric Class C member, which is served by Basin Electric Class A member Rushmore Electric Power Cooperative, headquartered in Rapid City, South Dakota.



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 2023, revenues from electric sales to members with wholesale power contracts expiring in 2050 were approximately 10% 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).

POWER SUPPLY

In 2023, we sold our members 32.1 million megawatt-hours (MWh) of energy and our billing system peak was 4,702 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 2023, approximately 74.9% of our member MWh sales were in the SPP Integrated Marketplace, 9.5% in MISO's energy market, and 15.6% in the Western Interconnection.

RATE REGULATION

We provide electric power to our Class A members at rates established by our board of directors. 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.

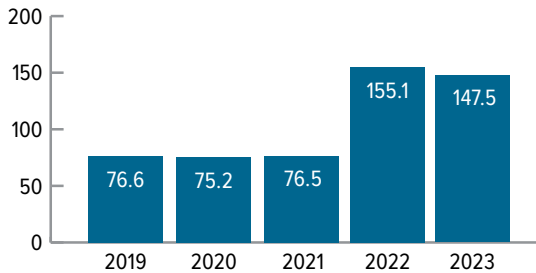
CREDIT RATINGS

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

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

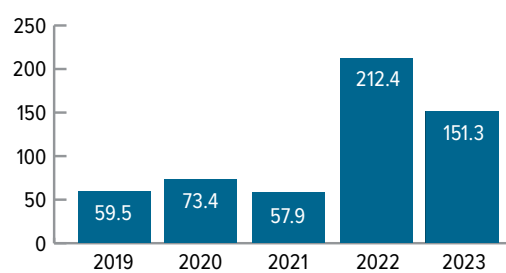
CONSOLIDATED NET MARGIN & EARNINGS

In millions of dollars – for the years ended



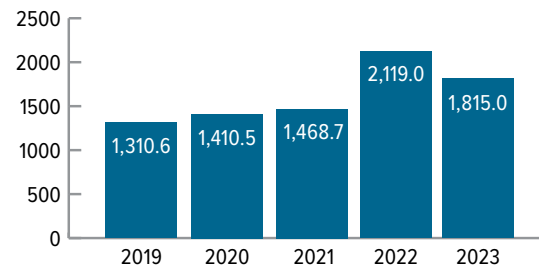
BASIN ELECTRIC STAND-ALONE MARGIN ALLOCATION

In millions of dollars – for the years ended



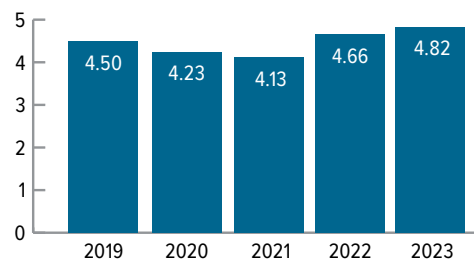
CONSOLIDATED LIQUIDITY

In millions of dollars – at year-end



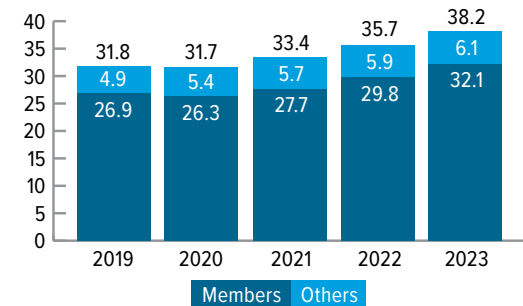
AVERAGE INTEREST RATE ON UTILITY DEBT

As a percentage – at year-end



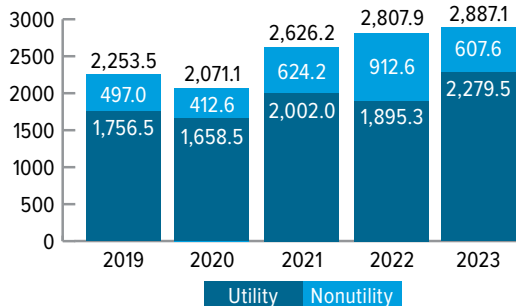
TOTAL ELECTRIC SALES TO MEMBER SYSTEMS & OTHERS

In millions of megawatt-hours – for the years ended



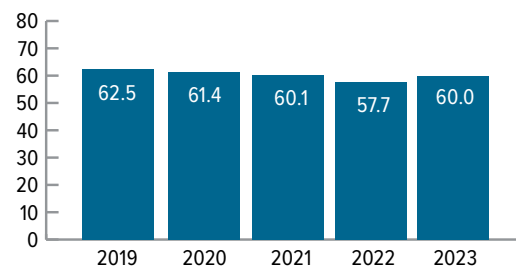
CONSOLIDATED REVENUE

In millions of dollars – for the years ended



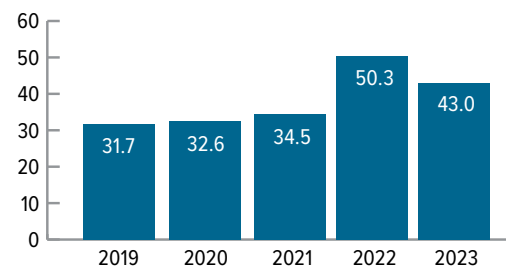
AVERAGE MEMBER RATES

In dollars per MWh – for the years ended



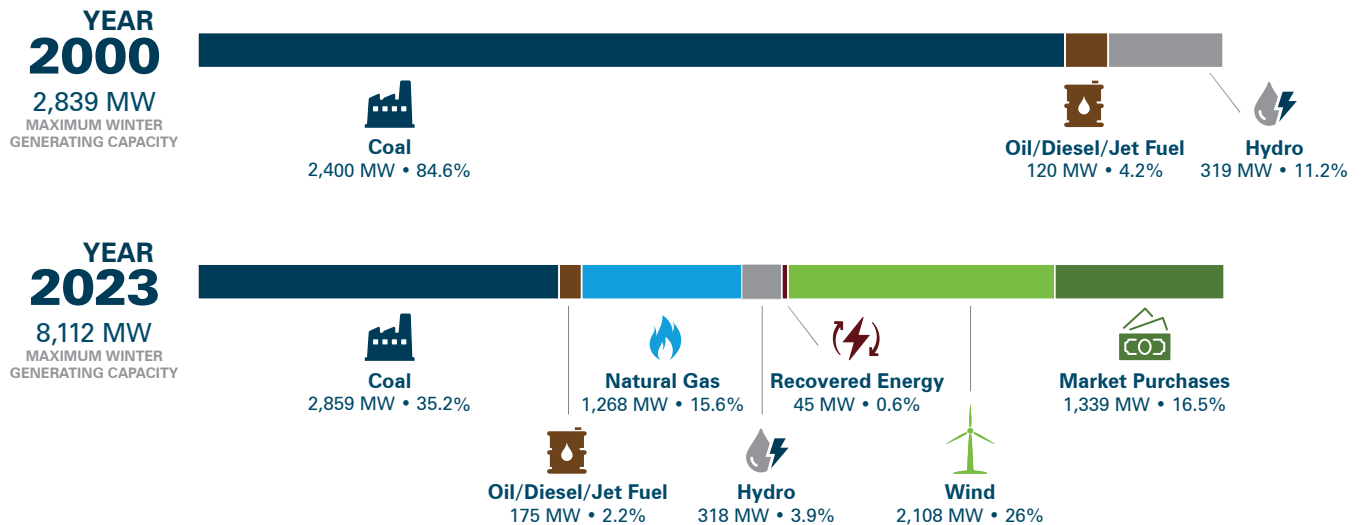
PATRONAGE DISTRIBUTIONS

In millions of dollars – for the years ended



DIVERSIFYING THE PORTFOLIO

Basin Electric takes a responsible approach through a diverse energy supply and growth that manages risks to our member-owners. The cooperative is focused on a resilient and reliable infrastructure that meets the needs of its members while adapting to the challenges of a rapidly changing energy landscape. The capacity bar graphs below show Basin Electric's investment in added fuel diversity over the past two decades; they depict facilities built to generate electricity.



Note: Megawatts based on winter season net generating capacity as of Dec. 31, 2023, 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

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

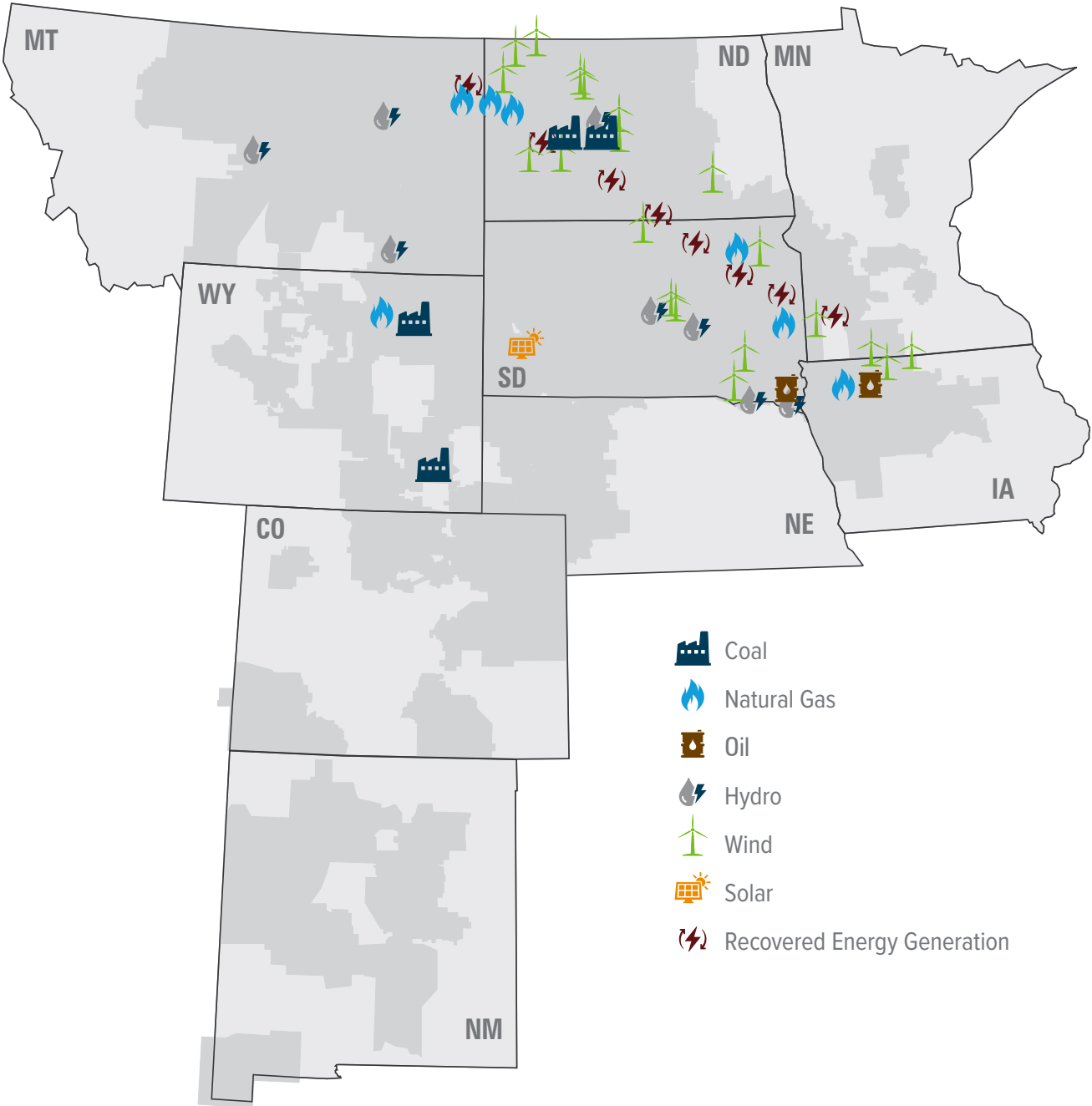
PRAIRIEWINDS 1

Minot, North Dakota • 115.5 MW • 77 turbines

Note: Megawatts based on winter season net generating capacity as of Dec. 31, 2023, across the entire service territory.

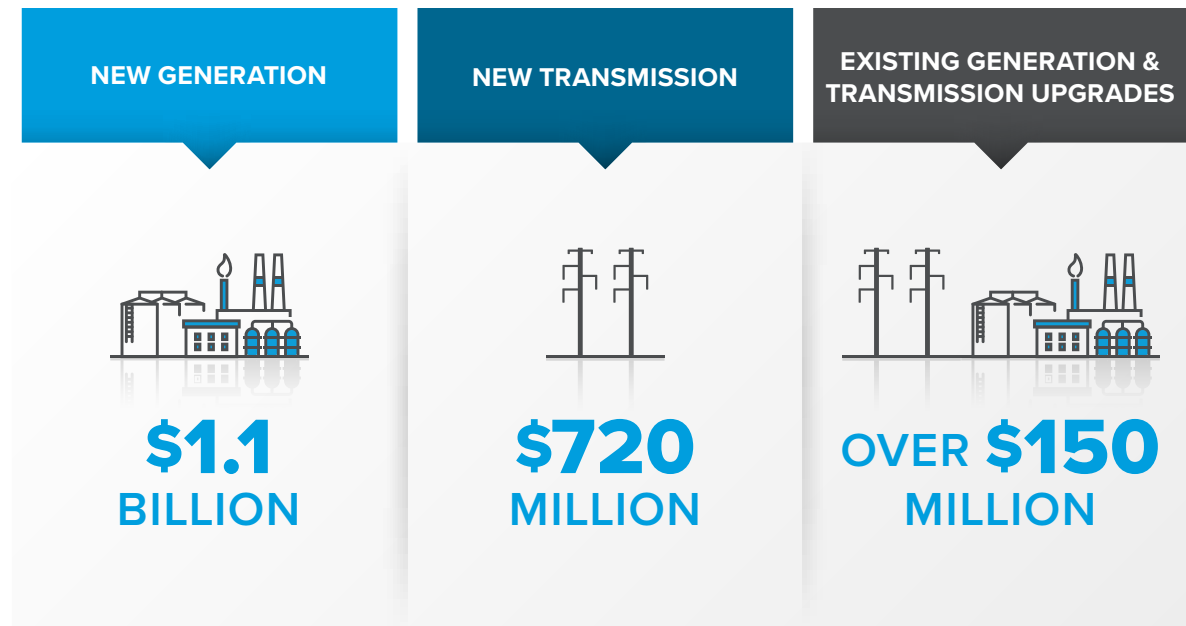
GENERATION FACILITIES

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 2023, Basin Electric operated 5,217 MW of maximum winter generating capacity and had 8,112 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 power purchase agreements. Wild Springs Solar, in Pennington County, South Dakota, began commercial operation in March 2024.



INVESTING IN FACILITIES

Basin Electric plans to make major investments into critical generation and transmission facilities in the next five years to ensure our members continue to receive the reliable electricity they depend on. Basin Electric's board of directors approves all projects with budgets of more than \$1 million. The information below shows planned investments in new generation and transmission and the upgrades at existing facilities, for projects approved through March 2024.



Pioneer Generation Station Phase IV
Natural gas-based dispatchable generation facility near Williston, North Dakota

Nemadji Trail Energy Center
Natural gas-based combined cycle generation facility near Superior, Wisconsin

Leland Olds Station-to-Tande
345-kilovolt (kV) transmission project

Roundup-to-Kummer Ridge
345-kV transmission project

Springbrook
Substation project

Wheelock- and Tande-to-Saskatchewan
230-kV transmission projects

Owned and operated **generation and transmission facilities** are receiving equipment upgrades ensuring technology is up-to-date and reliable.

In addition to upgrades, spare equipment such as turbines are being purchased to ensure the parts are available in case of outages.

TOTAL \$2 BILLION

INVESTING IN EMISSIONS CONTROL

THROUGH 2023, BASIN ELECTRIC AND ITS SUBSIDIARIES HAVE INVESTED MORE THAN **\$2 BILLION** IN EMISSIONS CONTROL TECHNOLOGY, AND MORE THAN **\$200 MILLION** WAS SPENT IN 2023 ALONE TO OPERATE AND MAINTAIN THOSE CONTROLS.

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, 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

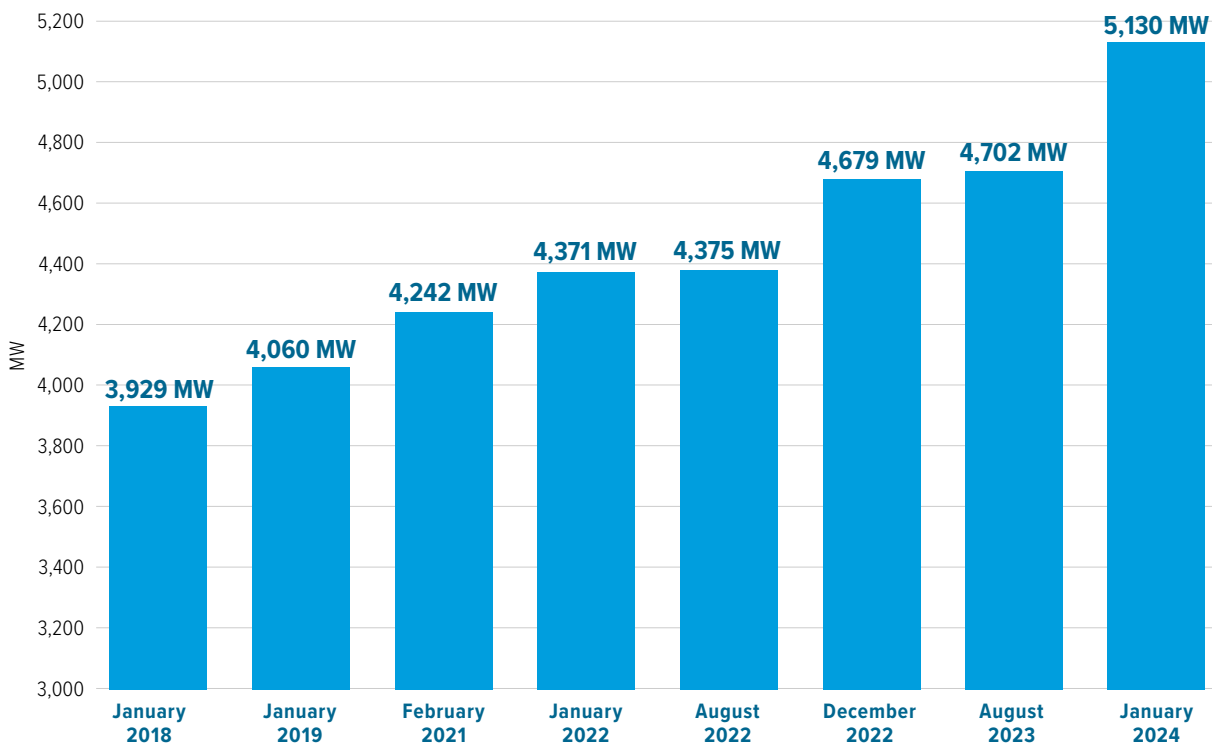
Interconnection	Transmission Tariff	Basin Electric Owned	Basin Electric Maintained
Eastern	Southwest Power Pool*	2,047	2,117
	Non-tariff facilities	15	21
Western	Common Use System	279	348
	BEPW**	180	64
	Non-tariff facilities	5	15
Total Basin Electric Miles		2,526	2,565

* 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 2018. 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. The January 2024 peak was the second largest member billing peak increase since 2014.

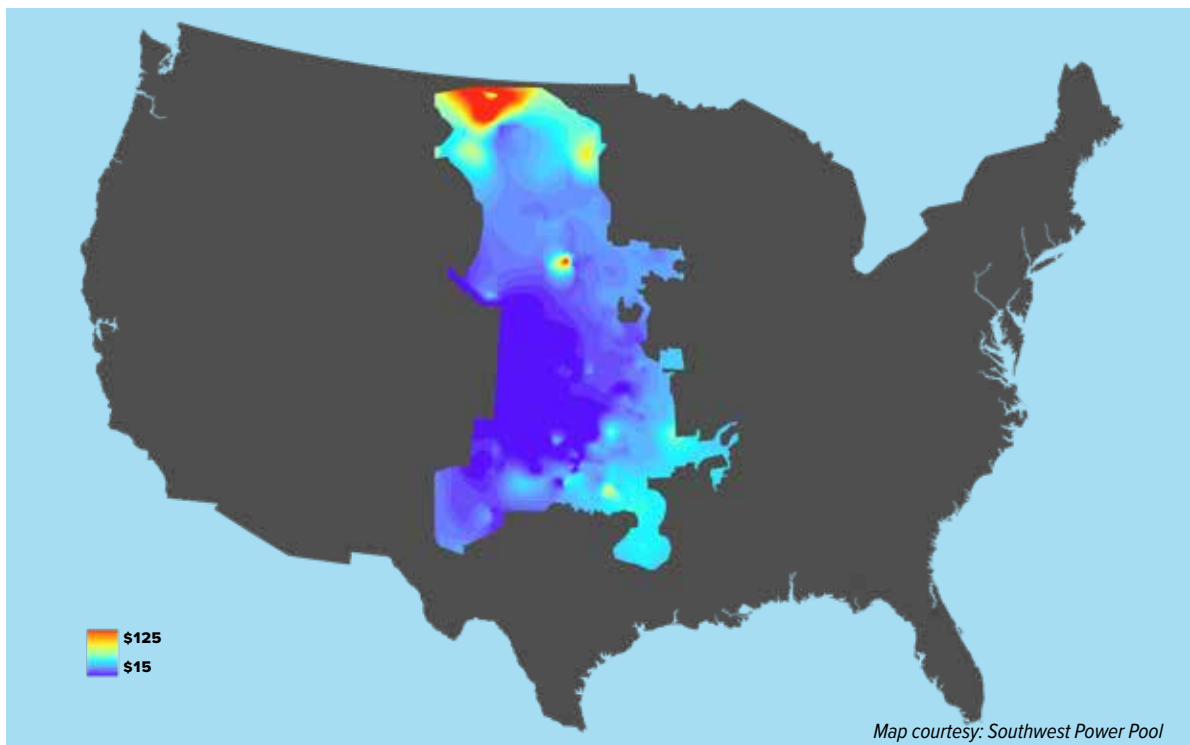


INVESTING IN RENEWABLES



PRICES IN THE MARKET

This map depicts annual simple average day-ahead market pricing in Southwest Power Pool in 2023. Without going into technical details, the red shows where congestion is causing high market pricing in Basin Electric's service area. Investment in transmission lines, substations, and generation facilities in western North Dakota is part of the solution to help relieve this congestion as member load growth continues.

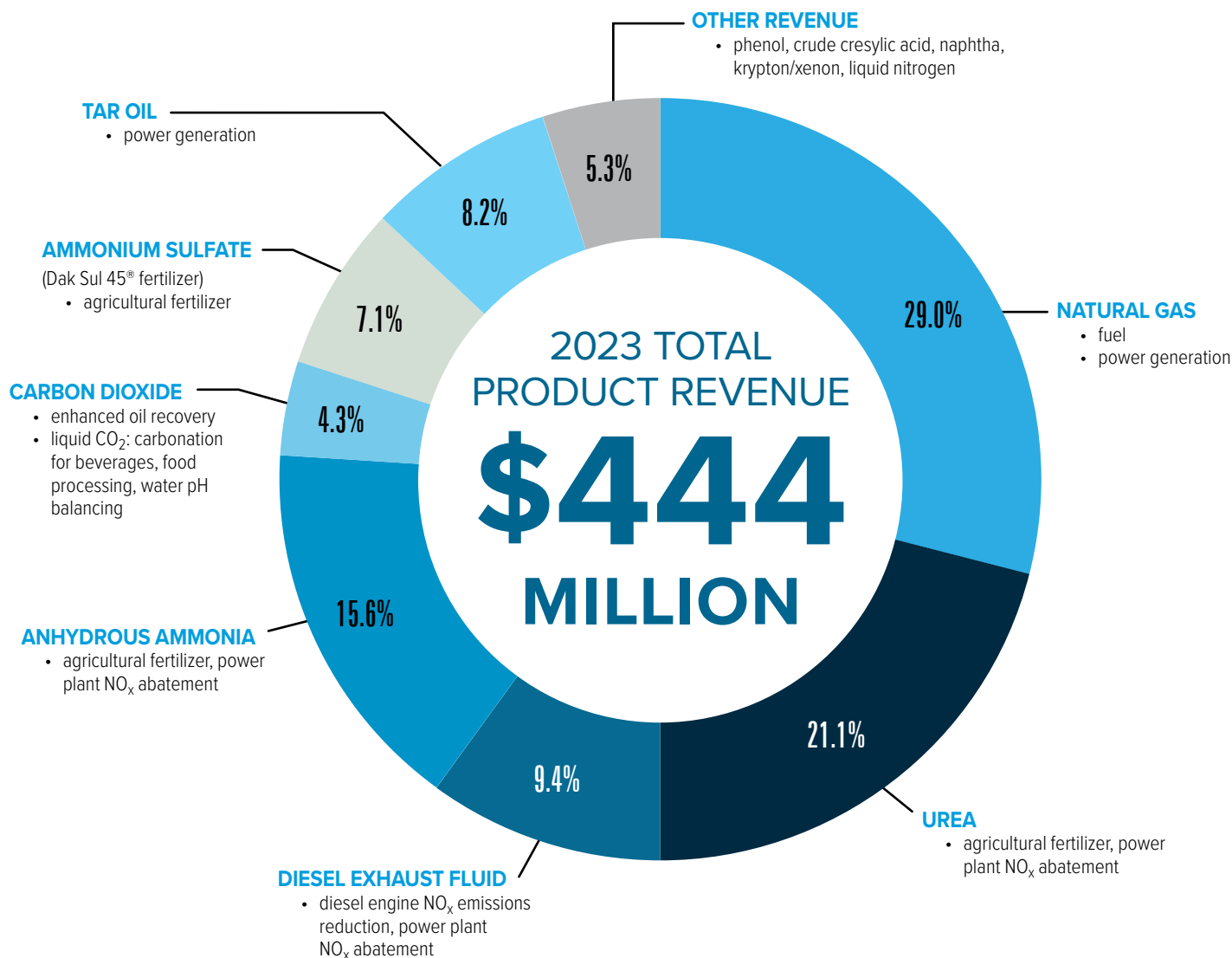


DAKOTA GAS PRODUCT REVENUE

Basin Electric owns and operates the Great Plains Synfuels Plant through its for-profit subsidiary, Dakota Gasification Company. Located near Beulah, North Dakota, the Synfuels Plant has been owned and operated by Dakota Gas since 1988. It is the only commercial-scale coal gasification plant in the United States that manufactures natural gas using the Lurgi gasification technology. The Synfuels Plant gasifies lignite coal to produce valuable products. The plant is capable of producing 13 products, including up to 170 million cubic feet of natural gas, which is sent through the Northern Border pipeline to market.

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.



BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED FINANCIAL SUMMARY

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

	2023	2022	2021	2020	2019
Utility operations:					
Operating revenue:					
Sales of electricity for resale	\$ 2,271,975	\$ 1,889,419	\$ 1,982,722	\$ 1,635,705	\$ 1,734,812
Other electric revenue	7,563	5,880	19,323	22,800	21,706
Total utility operating revenue	<u>2,279,538</u>	<u>1,895,299</u>	<u>2,002,045</u>	<u>1,658,505</u>	<u>1,756,518</u>
Operating expenses:					
Operation	1,542,786	1,410,250	1,360,248	1,043,836	1,124,145
Maintenance	194,283	124,619	164,051	97,916	149,350
Depreciation and amortization	203,527	198,100	171,328	159,182	154,510
Taxes other than income	3,032	3,124	3,022	2,766	2,901
Total utility operating expenses	<u>1,943,628</u>	<u>1,736,093</u>	<u>1,698,649</u>	<u>1,303,700</u>	<u>1,430,906</u>
Interest and other charges:					
Interest on long-term debt	190,186	156,705	187,568	193,608	198,982
Interest on short-term debt	22,098	9,346	2,061	5,101	12,361
Other, net of regulatory expense deferral	12,467	19,328	93,803	25,826	27,881
Total interest and other charges	<u>224,751</u>	<u>185,379</u>	<u>283,432</u>	<u>224,535</u>	<u>239,224</u>
Operating margin (deficit)	<u>111,159</u>	<u>(26,173)</u>	<u>19,964</u>	<u>130,270</u>	<u>86,388</u>
Nonoperating margin:					
Interest and other income	83,067	48,143	30,884	33,051	38,513
Patronage allocations from other cooperatives	4,767	4,617	4,840	4,928	5,064
Total nonoperating margin	<u>87,834</u>	<u>52,760</u>	<u>35,724</u>	<u>37,979</u>	<u>43,577</u>
Utility margin before income taxes	<u>198,993</u>	<u>26,587</u>	<u>55,688</u>	<u>168,249</u>	<u>129,965</u>
Nonutility operations:					
Operating revenue:					
Synthetic natural gas	129,028	239,708	170,635	87,789	129,096
Byproducts, coproduct and other	339,787	531,482	335,649	213,961	240,675
Lignite coal	138,765	141,379	117,898	110,852	127,243
Total nonutility operating revenue	<u>607,580</u>	<u>912,569</u>	<u>624,182</u>	<u>412,602</u>	<u>497,014</u>
Operating expenses	694,464	720,300	630,243	576,798	588,187
Interest and other income	25,541	10,445	22,870	17,281	17,730
Nonutility income (loss) before income taxes	<u>(61,343)</u>	<u>202,714</u>	<u>16,809</u>	<u>(146,915)</u>	<u>(73,443)</u>
Margin and earnings before income taxes	<u>137,650</u>	<u>229,301</u>	<u>72,497</u>	<u>21,334</u>	<u>56,522</u>
Income tax expense (benefit)	<u>(9,866)</u>	<u>74,228</u>	<u>(3,978)</u>	<u>(53,827)</u>	<u>(20,044)</u>
Net margin and earnings	<u>\$ 147,516</u>	<u>\$ 155,073</u>	<u>\$ 76,475</u>	<u>\$ 75,161</u>	<u>\$ 76,566</u>
Electric sales information:					
Electric energy sales (in thousands of MWh)					
Members	32,082	29,831	27,663	26,336	26,966
Others	6,082	5,873	5,731	5,390	4,870
Total	<u>38,164</u>	<u>35,704</u>	<u>33,394</u>	<u>31,726</u>	<u>31,836</u>

Year ended December 31, 2023 compared to year ended December 31, 2022

RESULTS OF UTILITY OPERATIONS

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

ELECTRICITY REVENUE			
(in millions)	2023	2022	% change
Sales of electricity to members	\$ 1,926.2	\$ 1,719.7	12.0%
Sales of electricity to non-members (total)	280.8	324.7	-13.5%
(Deferral) amortization of non-member revenue	65.0	(155.0)	-141.9%
Non-member revenue, net	345.8	169.7	103.8%
Total electricity revenue	\$ 2,272.0	\$ 1,889.4	20.2%

ELECTRIC ENERGY SALES			
(in thousand MWh)	2023	2022	% change
Members	32,082	29,831	7.5%
Others	6,082	5,873	3.6%
Total electricity energy sales	38,164	35,704	6.9%
Peak billing demand (in MW)	4,702	4,679	0.5%

ELECTRICITY REVENUE

- Sales of electricity to members increased by \$206.5 million.
 - Energy sold to our members increased by 2,251,000 MWh's, or 7.5%. Average rates are higher in 2023 compared to 2022 largely due to the absence of bill credits that were provided in 2022.
- Sales of electricity to non-members (before the impact of revenue deferral or amortization) decreased by \$43.9 million. Previously deferred non-member electricity sales revenue in the amount of \$65.0 million of revenue was recognized in 2023 compared to the deferral of \$155.0 million of revenue in 2022.
 - Energy sold to non-members increased 209,000 MWhs, or 3.6%. The decrease in revenue from non-member sales is primarily attributed to lower prices. The average sales price decreased from \$55.29 per MWh in 2022 to \$46.17 per MWh in 2023.

UTILITY OPERATING EXPENSES			
(in millions)	2023	2022	% change
Production expense	\$ 161.1	\$ 154.8	4.1%
Fuel expense	357.7	379.0	-5.6%
Other power supply	719.8	579.7	24.2%
Transmission operations	38.6	37.4	3.2%
Transmission wheeling	145.0	143.3	1.2%
Rent expense	10.0	10.0	0.0%
Administration	110.6	106.1	4.2%
Maintenance	194.3	124.6	55.9%
Depreciation & amortization	203.5	198.1	2.7%
Taxes other than income	3.0	3.1	-3.2%
Total operating expenses	\$ 1,943.6	\$ 1,736.1	12.0%

UTILITY OPERATING EXPENSES

- Utility operating expenses increased by \$207.5 million.
 - Other power supply was \$140.1 million higher due to higher purchased power related expenses.
 - Maintenance expense increased \$69.7 million mainly due to additional planned maintenance work performed in 2023 compared to 2022.
 - Fuel expense decreased \$21.3 million due to lower natural gas prices and lower coal expense resulting from lower generation from coal facilities. This decrease was partially offset by higher natural gas burned at the natural gas generation facilities.

UTILITY INTEREST AND OTHER CHARGES

- Utility interest and other charges increased by \$39.4 million.
 - Interest on long-term debt increased by \$33.5 million primarily due to the absence of a favorable interest rate hedge settlement in 2022.
 - Interest on short-term debt increased by \$12.8 million resulting from higher interest rates.

UTILITY NONOPERATING MARGIN

- Utility nonoperating margin increased by \$35.1 million primarily due to higher interest income.

RESULTS OF NONUTILITY OPERATIONS

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

NONUTILITY OPERATING REVENUE

(in millions)	2023	2022	% change
Synthetic natural gas	\$ 129.0	\$ 239.7	-46.2%
Byproduct, coproduct and other	339.8	531.5	-36.1%
Lignite coal	138.8	141.4	-1.8%
Total nonutility operating revenue	\$ 607.6	\$ 912.6	-33.4%
Synthetic gas sold (dekatherms in millions)	40.3	41.3	-2.4%
Fertilizer products sold (tons in thousands)	417.8	472.1	-11.5%
Coal sales (tons in millions) ⁽¹⁾	7.4	8.1	-8.6%

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

NONUTILITY OPERATING REVENUE

- Nonutility operating revenue decreased \$305.0 million.
 - Decreased synthetic natural gas revenue of \$110.7 million was a result of lower natural gas prices. Realized prices in 2023 of \$3.27 per dekatherm were 43% lower than in 2022.
 - Decreased fertilizer sales revenue of \$134.1 million primarily due to lower fertilizer prices and a decrease of 11.5% in volumes sold.
 - Decreased diesel exhaust fluid sales revenue of \$22.2 million due to lower volumes sold and lower prices.
 - Tar oil sales revenue decreased \$21.4 million primarily due to lower volumes sold.
 - Lignite coal sales revenue decreased \$2.6 million due to lower volumes sold at higher prices.

NONUTILITY OPERATING EXPENSES

- Nonutility operating expenses decreased by \$25.8 million
 - Insurance proceeds of \$26.6 million from a business interruption claim related to a 2022 event offset operating expenses.
 - Decreased purchases of natural gas at Dakota Gas of \$35.0 million due to lower prices partially offset by increased volumes purchased.
 - Partially offset by increased contracted services and maintenance expense at Dakota Gas due to planned maintenance work and increased purchased coal expense at Dakota Coal primarily due to higher costs at the mine.



DELOITTE & TOUCHE LLP
 50 South 6th Street
 Suite 2800
 Minneapolis, MN 55402-1538
 USA

Tel: +1 612 397 4000
 Fax: +1 612 397 4450
 www.deloitte.com

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, 2023 and 2022, 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, 2023 and 2022, 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.

March 12, 2024

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

as of December 31, (dollars in thousands)

	2023	2022
Assets		
Utility plant (Notes 4 and 5):		
Electric plant in service	\$ 7,512,056	\$ 7,436,472
Construction work in progress, net of contribution in aid of construction	528,741	165,963
Total electric plant	8,040,797	7,602,435
Less: accumulated provision for depreciation and amortization	(3,293,839)	(3,117,364)
	<u>4,746,958</u>	<u>4,485,071</u>
Nonutility property (Notes 4 and 5):		
Property, plant and equipment	1,570,231	1,553,633
Construction work in progress	95,015	61,835
Total nonutility property	1,665,246	1,615,468
Less: accumulated provision for depreciation and depletion	(668,172)	(621,706)
	<u>997,074</u>	<u>993,762</u>
Other property, investments and deferred charges:		
Mine related assets (Notes 7 and 8)	134,372	117,886
Investments in associated companies	33,869	33,733
Restricted and designated investments (Notes 6 and 7)	46,102	39,258
Other investments (Notes 7 and 9)	269,282	304,087
Special funds	70,989	70,561
Regulatory assets (Note 10)	305,035	304,945
Other deferred charges (Note 4)	135,747	143,693
	<u>995,396</u>	<u>1,014,163</u>
Current assets:		
Cash and cash equivalents	69,147	66,672
Restricted and designated cash and equivalents (Note 6)	392,046	435,797
Short-term investments (Notes 6 and 7)	398,608	690,566
Customer accounts receivable	188,577	218,164
Other receivables	90,931	108,031
Fuel stock, materials and supplies (Note 2)	295,465	244,071
Prepayments and other current assets (Note 9)	171,786	172,067
	<u>1,606,560</u>	<u>1,935,368</u>
	<u>\$ 8,345,988</u>	<u>\$ 8,428,364</u>
Capitalization and liabilities		
Capitalization:		
Equity:		
Memberships	\$ 22	\$ 21
Patronage capital	1,395,966	1,228,756
Retained earnings of subsidiaries	123,974	120,410
Other equity (Note 11)	286,417	346,348
Accumulated other comprehensive income (Note 11)	5,738	9,075
	<u>1,812,117</u>	<u>1,704,610</u>
Noncontrolling interest	1,821	5,006
	<u>1,813,938</u>	<u>1,709,616</u>
Long-term debt, net of current portion (Note 12)	4,305,500	4,393,451
Finance lease obligations, net of current portion (Note 4)	4,259	3,439
	<u>6,123,697</u>	<u>6,106,506</u>
Regulatory liabilities (Note 10)	437,430	562,010
Other deferred credits, taxes and other liabilities (Notes 4, 9 and 17)	592,013	574,884
	<u>1,029,443</u>	<u>1,136,894</u>
Commitments and contingencies (Notes 18)		
Current liabilities:		
Current portion of long-term debt (Note 12)	171,134	89,587
Current portion of finance lease obligations (Note 4)	676	444
Accounts payable	359,689	264,414
Notes payable – affiliates (Note 12)	238,370	251,993
Notes payable (Note 12)	274,739	274,054
Taxes and other current liabilities (Notes 4 and 9)	148,240	304,472
	<u>1,192,848</u>	<u>1,184,964</u>
	<u>\$ 8,345,988</u>	<u>\$ 8,428,364</u>

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

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	2023	2022
Utility operations:		
Operating revenue:		
Sales of electricity for resale:		
Members	\$ 1,926,214	\$ 1,719,709
Others	345,761	169,710
	2,271,975	1,889,419
Other electric revenue	7,563	5,880
	2,279,538	1,895,299
Operating expenses:		
Operation	1,542,786	1,410,250
Maintenance	194,283	124,619
Depreciation and amortization	203,527	198,100
Taxes other than income	3,032	3,124
	1,943,628	1,736,093
Interest and other charges:		
Interest on long-term debt	190,186	156,705
Interest on short-term debt	22,098	9,346
Other	12,467	19,328
	224,751	185,379
Operating margin (deficit)	111,159	(26,173)
Nonoperating margin:		
Interest and other income	83,067	48,143
Patronage allocations from other cooperatives	4,767	4,617
	87,834	52,760
Utility margin before income taxes	198,993	26,587
Nonutility operations:		
Operating revenue:		
Synthetic natural gas	129,028	239,708
Byproducts, coproducts and other	339,787	531,482
Lignite coal	138,765	141,379
	607,580	912,569
Operating expenses:		
Other operating expenses (includes \$21,083 and \$24,859 of net income attributed to noncontrolling interest)	694,464	720,300
Operating income (loss)	(86,884)	192,269
Interest and other income	25,541	10,445
Nonutility income (loss) before income taxes	(61,343)	202,714
Margin before income taxes	137,650	229,301
Income tax expense (benefit)	(9,866)	74,228
Net margin and earnings	\$ 147,516	\$ 155,073

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)

	2023	2022
Net margin and earnings	\$ 147,516	\$ 155,073
Other comprehensive income (loss):		
Adjustment to post employment liability (net of tax of \$13 and \$169, respectively)	4,010	(2,474)
Unrealized gain (loss) on securities (net of tax of \$725 and \$(971), respectively)	2,706	(3,628)
Reclassification of net realized loss on securities (net of tax of \$13 and \$10, respectively)	50	37
Unrealized gain on cash flow hedges (net of tax of \$3,651 and \$1,390, respectively)	13,736	5,228
Reclassification of net realized (gain) loss on cash flow hedges (net of tax of \$(6,338) and \$2,426, respectively)	(23,839)	9,123
Total other comprehensive income (loss)	(3,337)	8,286
Comprehensive income	\$ 144,179	\$ 163,359

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended December 31, 2023 and 2022 (dollars in thousands)

	Memberships	Patronage Capital	Retained Earnings of Subsidiaries	Other Equity	Accumulated Other Comprehensive Income	Non- controlling Interest	Total
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
Comprehensive income	-	150,254	(2,738)	-	(3,337)	-	144,179
Transfers to other equity (Note 11)	-	59,931	-	(59,931)	-	-	-
Purchase of memberships	1	-	-	-	-	-	1
Retirement of patronage capital	-	(42,975)	6,302	-	-	-	(36,673)
Noncontrolling interest in net margin and earnings	-	-	-	-	-	21,083	21,083
Dividends paid to noncontrolling interest	-	-	-	-	-	(24,268)	(24,268)
Balance, December 31, 2023	\$ 22	\$ 1,395,966	\$ 123,974	\$ 286,417	\$ 5,738	\$ 1,821	\$ 1,813,938

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)

	2023	2022
Operating activities:		
Net margin and earnings	\$ 147,516	\$ 155,073
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	258,681	251,222
Deferred income taxes	(12,725)	5,224
Changes in regulatory assets and liabilities	(58,826)	192,086
Unrealized loss (gain) on investments	(11,384)	19,424
Patronage capital allocated	(8,444)	(7,662)
Other amortization and accretion	38,171	34,353
Income attributable to noncontrolling interest	21,083	24,859
Tax sharing agreement reimbursement	1,124	67,750
Changes in other operating elements:		
Customer accounts receivable	29,587	(74,067)
Other receivables	22,152	5,855
Fuel stock, materials and supplies	(52,948)	1,295
Prepayments and other current assets	(10,009)	(19,817)
Accounts payable	56,800	(27,581)
Taxes and other current liabilities	(166,396)	105,007
Changes in collateral	385	28,147
Other operating activities, net	3,890	6,315
Net cash provided by operating activities	<u>258,657</u>	<u>767,483</u>
Investing activities:		
Acquisition of electric plant	(469,748)	(105,564)
Acquisition of nonutility property	(54,891)	(40,125)
Proceeds from sales of property	1,783	3,478
Purchase of investments	(1,300,771)	(1,792,100)
Sale of investments	1,607,266	1,297,600
Sale of other assets and payments received on notes receivable	17,971	3,184
Purchase of other assets and issuance of notes receivable	(18,626)	(10,360)
Net cash used in investing activities	<u>(217,016)</u>	<u>(643,887)</u>
Financing activities:		
Proceeds from issuance of long-term debt	80,000	309,110
Principal payments of long-term debt	(88,692)	(102,339)
Payment of debt issuance costs	(383)	(5,254)
Proceeds from issuance of notes payable - affiliates	2,336,735	2,355,853
Payments of notes payable - affiliates	(2,349,511)	(2,404,423)
Proceeds from issuance of notes payable	769,009	934,119
Payments of notes payable	(768,324)	(1,104,295)
Payments under finance lease obligations	(810)	(662)
Retirement of patronage capital	(36,673)	(44,657)
Dividends paid to noncontrolling interest	(24,268)	(24,543)
Net cash used in financing activities	<u>(82,917)</u>	<u>(87,091)</u>
Net increase (decrease) in cash and cash equivalents and designated cash and equivalents	<u>(41,276)</u>	<u>36,505</u>
Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period	<u>502,469</u>	<u>465,964</u>
Cash and cash equivalents and restricted and designated cash and equivalents, end of period	<u>\$ 461,193</u>	<u>\$ 502,469</u>

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 acceptance 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 (CO₂), tar oil and chemical products. The Synfuels Plant is located adjacent to Basin Electric's Antelope Valley Station (AVS) electric generating plant. These plants share certain facilities, and coal and water supplies. 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 CO₂ pipeline in Saskatchewan, Canada. Dakota Coal purchases lignite coal from the Freedom Mine, a coal mine in North Dakota that is owned and operated by The Coteau Properties Company (Coteau), a wholly owned subsidiary of The North American Coal Corporation (NACoal). NACoal is a wholly owned subsidiary of NACCO Industries, Inc. (NACCO). Coteau is a variable interest entity (VIE) of Dakota Coal. Pursuant to the coal purchase agreement, Dakota Coal is obligated to provide financing for and has certain rights with respect to the operation of the coal mine. The lignite coal is used in Basin Electric's Leland Olds Station (LOS), AVS, and Dakota Gas' 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.

Dakota Carbon Services LLC (DCS), a Delaware LLC, was incorporated in October 2023. As of February 2024, Dakota Gas and a third-party investor own membership interests in DCS. DCS was formed to own and operate carbon capture assets in North Dakota and to contract for transportation and sequestration of CO₂ to monetize tax credits associated with Section 45Q of the United States Internal Revenue Code. See Subsequent Events in Note 2 for more information.

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:

	2023	2022
Materials and supplies	\$ 203,324	\$ 174,705
Coal and fuel oil	54,813	38,452
Lime and limestone inventory	7,411	6,786
Ammonia	11,087	4,320
Urea	6,657	7,045
Natural gas held in storage	2,822	5,641
Ammonium sulfate	1,567	3,208
Other products	6,632	2,970
Process inventory	1,152	944
	<u>\$ 295,465</u>	<u>\$ 244,071</u>

PATRONAGE CAPITAL — At the discretion of Basin Electric's Board of Directors, utility margins are allocated to members on a patronage basis or may be offset in whole or in part against current or prior losses. Basin Electric may not retire patronage capital if, after the distribution, an event of default would exist or Basin Electric's equity would be less than 20 percent of total long-term debt and equity. Cumulative patronage capital retired was \$471,716 and \$428,741 at December 31, 2023 and 2022.

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 CO₂, 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.

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

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

LEASES — Leases are classified as either operating leases or finance leases based on guidance provided in FASB Accounting Standards Codification (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 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 \$5.0 and \$2.7 million in 2023 and 2022 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:

	2023	2022
Other investments	\$ 48,845	\$ 47,519
Cash and cash equivalents	5	13,533
Prepayments and other current assets	10,890	12,675
Taxes and other current liabilities	(5,328)	(128,639)
	<u>\$ 54,412</u>	<u>\$ (54,912)</u>

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

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). For more information, see Note 15.

INSURANCE PROCEEDS — In 2022, Dakota Gas had an electrical power outage loss that resulted in reduced equipment availability. As a result of that event, in 2023, Dakota Gas and Dakota Coal received \$26.6 million of business interruption insurance proceeds. The business interruption insurance proceeds were recognized as a reduction of nonutility operating expenses in the Consolidated Statements of Operations.

SUBSEQUENT EVENTS — Basin Electric considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to December 31, 2023 through March 12, 2024, the date the consolidated financial statements were available for issuance.

Dakota Carbon Services LLC (DCS), a Delaware LLC, was incorporated in October 2023 with Dakota Gas acting as the sole member of DCS. DCS was formed to own and operate carbon capture assets and to contract for transportation and sequestration of the CO₂ to monetize tax credits. On February 8, 2024, Dakota Gas contributed certain assets to DCS in exchange for an equity interest in DCS. On February 9, 2024, Dakota Gas sold certain equity interests in DCS to a third-party investor. In addition, on February 9, 2024, an LLC agreement was entered into by Dakota Gas and the third-party investor as members of the LLC. The LLC agreement sets forth the rights and obligations of the members as they engage in the business of owning and operating the carbon capture assets and contracting for the transportation and sequestration of the carbon to monetize tax credits. In order to invest in DCS and effectuate the contribution of the assets to DCS, Dakota Gas was required to receive consent and waiver of certain conditions in its Indenture from the noteholders of the senior secured notes. As a part of the consent and waiver from the noteholders, Dakota Gas made an offer to prepay the notes in the amount of \$36.4 million. Dakota Gas will be notified of the acceptance of the offers by the end of March 2024.

Basin Electric issued long-term debt in the amount of \$370,000 in February 2024 with a weighted average interest rate of 6.22% and due dates ranging from 2029 to 2054. Proceeds are to be used to support general operations and to finance capital expenditures.

In February 2024, Dakota Gas amended and extended its Credit Agreement with Royal Bank of Canada to extend the maturity date to June 2025.

Other than the items in the previous paragraphs, management is not aware of any additional material subsequent events that would require recognition or disclosure in the 2023 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). 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.

ASU 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 former GAAP. Basin Electric adopted the new guidance effective January 1, 2023 and it did not have a material impact on the consolidated financial statements and disclosures.

RECENTLY ISSUED ACCOUNTING STANDARD UPDATES

ASU 2023-09 Improvements to Income Tax Disclosures — In December 2023, the FASB issued new guidance to improve the transparency of income tax disclosures related to the rate reconciliation and income taxes paid disclosures. Other amendments improve the effectiveness and comparability of disclosures by adding disclosures of pretax income (or loss) and income tax expense (or benefit) and removing disclosures that no longer are considered cost beneficial or relevant. The new guidance will be effective for Basin Electric in 2026. Management is currently evaluating the impact of adoption of this new guidance on the financial statement 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, 2023 and 2022.

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

	2023	2022
Finance lease cost:		
Amortization of lease assets	\$ 1,228	\$ 958
Interest on lease liabilities	435	348
Operating lease cost	25,502	25,973
Short-term lease cost	4,478	1,151
Variable lease cost	1,062	1,223
Sublease income	(1,541)	(1,461)
Total lease cost	<u>\$ 31,164</u>	<u>\$ 28,192</u>

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

	Balance Sheet Location	2023	2022
Assets:			
Net operating lease assets	Other deferred charges	\$ 132,956	\$ 140,356
Financing lease assets	Utility plant – electric plant in service	\$ 9,052	\$ 9,892
Less: Accumulated amortization	Accumulated provision for depreciation and amortization	(2,854)	(2,440)
Financing lease assets	Nonutility property – property, plant and equipment	2,482	59
Less: Accumulated amortization	Accumulated provision for depreciation and amortization	(421)	(44)
Net finance lease assets		<u>\$ 8,259</u>	<u>\$ 7,467</u>
Liabilities:			
Current:			
Operating leases	Taxes and other current liabilities	\$ 20,781	\$ 20,123
Finance leases	Current portion of finance lease obligations	676	444
Total current lease liabilities		<u>\$ 21,457</u>	<u>\$ 20,567</u>
Noncurrent:			
Operating leases	Other deferred credits, taxes and other liabilities	\$ 112,310	\$ 120,394
Finance leases	Finance lease obligations, net of current portion	4,259	3,439
Total noncurrent lease liabilities		<u>\$ 116,569</u>	<u>\$ 123,833</u>

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

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 286	\$ 67
Operating cash flows from operating leases	\$ 25,848	\$ 24,828
Financing cash flows from finance leases	\$ 810	\$ 662

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

	2023	2022
Weighted-average remaining lease term-finance leases	12.5 years	16.2 years
Weighted-average remaining lease term-operating leases	11.4 years	12.1 years
Weighted-average discount rate-finance leases	5.0%	4.6%
Weighted-average discount rate-operating leases	3.8%	3.4%

The reconciliation of the future undiscounted cash flows to the lease liabilities presented on the Consolidated Balance Sheet at December 31, 2023, was as follows:

Year	Operating Leases	Finance Leases	Total
2024	\$ 26,888	\$ 927	\$ 27,815
2025	22,879	833	23,712
2026	16,498	799	17,297
2027	15,277	759	16,036
2028	13,931	318	14,249
Thereafter	68,881	3,316	72,197
Total lease payment	164,354	6,952	171,306
Less discount	(31,263)	(2,017)	(33,280)
Total lease liabilities	<u>\$ 133,091</u>	<u>\$ 4,935</u>	<u>\$ 138,026</u>

5. PROPERTY, PLANT AND EQUIPMENT AND JOINTLY OWNED FACILITIES

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

	Depreciable Lives	2023	2022
Utility property:			
Electric plant in service:			
Generation	20-60 years	\$ 5,816,768	\$ 5,785,083
Transmission	20-60 years	1,381,103	1,343,110
General plant	3-20 years	314,185	308,279
Construction work in progress		528,741	165,963
Total utility property		8,040,797	7,602,435
Less: accumulated provision for depreciation and amortization		(3,293,839)	(3,117,364)
		<u>\$ 4,746,958</u>	<u>\$ 4,485,071</u>
Nonutility property:			
Dakota Gasification Company:			
Fertilizer plant	30 years	\$ 907,027	\$ 909,914
Pipelines	4-30 years	32,559	30,172
Other property	3-30 years	79,502	78,296
Dakota Coal Company:			
Mining	10-20 years	483,799	468,838
Lime and limestone	10-20 years	50,314	50,058
Other property	3-20 years	13,227	12,554
Other		3,803	3,801
Construction work in progress		95,015	61,835
Total nonutility property		1,665,246	1,615,468
Less: accumulated provision for depreciation and depletion		(668,172)	(621,706)
		<u>\$ 997,074</u>	<u>\$ 993,762</u>

Construction work in progress includes \$12,296 and \$4,133 as of December 31, 2023 and 2022, respectively, of interest charged and capitalized to construction. Annual electric plant depreciation and amortization expense totaled \$205,011 and \$199,450 for 2023 and 2022. Annual nonutility depreciation, depletion and amortization expense totaled \$55,092 and \$53,153 for 2023 and 2022.

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

	2023	2022
Electric plant	\$ 950,294	\$ 936,524
Less accumulated provision for depreciation and amortization	(611,210)	(595,944)
	<u>\$ 339,084</u>	<u>\$ 340,580</u>

6. RESTRICTED AND DESIGNATED CASH AND INVESTMENTS

Cash, cash equivalents, and restricted and designated cash and cash equivalents reported within the Consolidated Balance Sheets and included in the Consolidated Statement of Cash Flows are as follows at December 31:

	2023	2022
Cash and cash equivalents	\$ 69,147	\$ 66,672
Restricted and designated cash and equivalents:		
MBPP operating funds	42,046	29,173
Deferred revenue	350,000	406,624
	<u>392,046</u>	<u>435,797</u>
Total cash, cash equivalents and restricted and designated cash and equivalents included in the Consolidated Statements of Cash Flows	<u>\$ 461,193</u>	<u>\$ 502,469</u>

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

	2023	2022
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	3,285	2,914
Asset retirement obligations	42,817	36,344
	<u>\$ 46,102</u>	<u>\$ 47,634</u>

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

7. INVESTMENTS

Investments in equity securities and available-for-sale debt securities are included in Mine related assets, Restricted and designated investments and Other investments on the Consolidated Balance Sheets. The cost, unrealized holding gains and losses, and fair value of equity and debt securities that do not have an allowance for credit losses were as follows at December 31, 2023:

	Cost	Gross Unrealized Holding		Fair Value
		Gains	Losses	
Available-for-sale debt securities:				
Corporate and government bonds	\$ 116,991	\$ -	\$ (1,389)	\$ 115,602
Equity securities:				
Equities and equity funds	40,627	55,685	-	96,312
Bond market funds	62,753	-	(6,116)	56,637
	<u>103,380</u>	<u>55,685</u>	<u>(6,116)</u>	<u>152,949</u>
Other	60	-	(1)	59
	<u>\$ 220,431</u>	<u>\$ 55,685</u>	<u>\$ (7,506)</u>	<u>\$ 268,610</u>

During 2023, sales proceeds on debt securities classified as available-for-sale were \$51,897. The cost of securities sold is based on the specific identification method.

The cost, unrealized holding gains and losses, and fair value of equity and debt securities that do not have an allowance for credit losses were as follows at December 31, 2022:

	Cost	Gross Unrealized Holding		Fair Value
		Gains	Losses	
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
	<u>98,773</u>	<u>38,427</u>	<u>(7,367)</u>	<u>129,833</u>
Other	78	1	-	79
	<u>\$ 224,505</u>	<u>\$ 38,428</u>	<u>\$ (12,198)</u>	<u>\$ 250,735</u>

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 fair value of available-for-sale debt securities by contracted maturity date at December 31, 2023 was as follows:

	2023
Due through one year	\$ 70,590
Due after one year through five years	44,744
Due after five years	268
	<u>\$ 115,602</u>

Held-to-maturity debt securities have contracted maturity dates of one year or less and are included in Cash and cash equivalents, Restricted and designated cash and equivalents and Short-term investments on the Consolidated Balance Sheets. The amortized costs were as follows:

	2023	2022
Corporate commercial paper	\$ 47,500	\$ 31,650
Money market	366,796	352,200
Treasuries	438,321	779,990
	<u>\$ 852,617</u>	<u>\$ 1,163,840</u>

Included in Other investments on the Consolidated Balance Sheets is the cash surrender value of life insurance policies of \$1,887 and \$2,203, as of December 31, 2023 and 2022.

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

Notes receivable from WFW of \$20,315 and \$21,896 as of December 31, 2023 and 2022 are included in Other investments, Investments in associated companies and Other receivables on the Consolidated Balance Sheets. Maturities range from June 2025 through May 2043, and the weighted average interest rate is 5.26 percent. The estimated fair value of these notes receivable at December 31, 2023 and 2022 was \$20,709 and \$22,545, 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:

	2023	2022
Mine closing fund investments	\$ 108,186	\$ 91,969
Prepaid coal royalties	19,121	20,226
Notes receivable and mine financing costs	7,065	5,691
	<u>\$ 134,372</u>	<u>\$ 117,886</u>

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, urea, electricity and diesel. Any changes in cash flows from the underlying purchases and sales that are indexed to certain prices are offset by corresponding changes in the cash flows from the derivatives. As directed by a Basin Electric Board of Director's policy (Board Policy) to monitor risk and establish an internal control framework, Basin Electric maintains a Risk Management Steering Committee (RMSC) that is governed by a Commodity Risk Management Manual (Manual). The Board Policy prohibits speculation and the Manual has been adopted by the RMSC. In offsetting market risk, Basin Electric, is exposed to other forms of incremental risk such as credit or liquidity risk.

The following table presents the outstanding hedged forecasted transactions as of December 31, 2023:

Hedged Transaction	Term	Contracted Monthly Volumes of Forecasted Transactions	Price
Natural gas sales	Through February 2024	16% to 24%	\$3.36 - \$6.42 per dekatherm
Natural gas purchases	Through December 2026	8% to 43%	\$2.26 - \$4.27 per dekatherm
Tar oil sales	Through December 2025	27% to 66%	\$60.00 - \$72.01 per barrel
Electricity purchases	Through December 2026	1% to 10%	\$40.00 - \$53.50 per MWh
Diesel purchases	Through May 2026	24% to 78%	\$2.29 - \$2.79 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, 2023:

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:

Balance Sheet Location	2023		2022	
	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	\$ 5,304	\$ -	\$ 22,431	\$ -
Other investments	1,651	-	85	-
Taxes and other current liabilities	-	(1,056)	-	(471)
Other deferred credits, taxes and other liabilities	-	(446)	-	(113)
Total derivatives designated as cash flow hedges	\$ 6,955	\$ (1,502)	\$ 22,516	\$ (584)
Derivatives not designated as cash flow hedges:				
Commodity derivatives:				
Prepayments and other current assets	\$ 93,359	\$ -	\$ 84,811	\$ -
Other investments	24,125	-	63,702	-
Taxes and other current liabilities	-	(28,277)	-	(40,692)
Other deferred credits, taxes and other liabilities	-	(9,343)	-	(5,252)
Interest rate derivatives:				
Other deferred credits, taxes and other liabilities	-	(28,811)	-	(30,780)
Total derivatives not designated as cash flow hedges	\$ 117,484	\$ (66,431)	\$ 148,513	\$ (76,724)
	\$ 124,439	\$ (67,933)	\$ 171,029	\$ (77,308)

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, 2023 and 2022 of \$84,241 and \$(77,556), 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, 2023 and 2022 resulted in net deferred gains (losses) of \$(63,798) and \$84,332.

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, 2023. 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 Recognized in Net Loss on Cash Flow Hedging Relationships		
	2023		
	Synthetic Gas	Byproducts, Coproduct 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	\$ 129,028	\$ 339,787	\$ 694,464
Gain on cash flow hedges:			
Commodity derivatives:			
Amount reclassified from accumulated other comprehensive income (loss) into net margins and earnings	\$ 23,657	\$ 5,753	\$ 767

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.

	Location of Gain (Loss) Recognized in Net Loss on Cash Flow Hedging Relationships		
	2022		
	Synthetic Gas	Byproducts, Coproduct 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 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, 2023 and 2022.

	2023	2022
Increase in fair value of commodity derivatives	\$ 17,387	\$ 6,618
Recognition of (gains) losses in earnings due to settlements on commodity derivatives	(30,177)	11,549
Total other comprehensive income (loss) from hedging	\$ (12,790)	\$ 18,167

Based on December 31, 2023 prices, a \$4,248 gain would be realized, reported in pre-tax earnings and reclassified from Accumulated other comprehensive income during the next 12 months. As market prices fluctuate, estimated and actual realized gains or losses will change during future periods.

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

Location of Gain (Loss) on Derivatives Recognized in Net Margin and Earnings	2023 Recognized Gain (Loss)	2022 Recognized Gain
Derivatives not designated as cash flow hedges:		
Commodity derivatives:		
Synthetic gas	\$ (1,924)	\$ 3,889
Byproducts, coproduct and other	612	-
Other operating expenses	-	710
Total	\$ (1,312)	\$ 4,599

10. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities were as follows at December 31:

	Remaining Recovery Period	2023	2022
Regulatory assets:			
Deferred income taxes	Over Plant lives	\$ 133,515	\$ 129,986
Refinancing fees	Up to 26 years	92,470	98,645
Unrealized loss on interest rate swaps	Up to 9 years	27,845	29,815
Unrealized loss on commodity derivatives	Up to 3 years	37,620	34,507
Other	Up to 52 years	13,585	11,992
		\$ 305,035	\$ 304,945
Regulatory liabilities:			
Deferred revenue		(350,000)	(415,000)
Unrealized gain on purchase power contracts		(48,594)	(111,249)
Unrealized gain on equity investments		(10,181)	(4,975)
Post-retirement medical gain		(15,579)	(19,770)
Other		(13,076)	(11,016)
		(437,430)	(562,010)
Net regulatory liabilities		(132,395)	(257,065)

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

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, 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
Comprehensive income (loss)	4,010	2,756	(10,103)	(3,337)
Balance, December 31, 2023	\$ 2,485	\$ (1,057)	\$ 4,310	\$ 5,738

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 2023, \$59,931 of net income tax expense and in 2022, \$1,767 of net income tax benefit was closed into Other equity. As of December 31, 2023, \$13,127 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, 2023	December 31, 2023	December 31, 2022
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
			<u>700,000</u>	<u>700,000</u>
First Mortgage Obligations				
2005 Series	Dec. 2028-May 2030	5.85%	90,000	90,000
2007 Series	Sept. 2042	5.72%	235,220	242,890
2008 Series	Dec. 2028-Dec. 2038	6.36%	445,278	461,222
2009 Series	Oct. 2027-April 2040	5.39%	154,445	165,556
2011 Series	Oct. 2031-Oct. 2049	4.46%	238,810	253,295
2012 Series	Nov. 2044	4.07%	78,929	81,272
2015 Series	June 2027-June 2044	4.44%	1,494,320	1,498,705
2016 CoBank Note	April 2046	4.48%	75,000	78,333
2016 CFC Note	April 2046	3.74%	56,723	59,244
2022 Series	Feb. 2042-Feb. 2062	3.00%	276,810	292,270
Wells Fargo Notes (2007 & 2008)	June 2027-Dec. 2028	5.12%	8,750	10,750
Wells Fargo Note (2023)	Oct. 2043	5.56%	80,000	-
			<u>3,234,285</u>	<u>3,233,537</u>
2019 Solid Waste Facilities Revenue Bonds	July 2039	3.63%	150,000	150,000
Notes payable to affiliates	Nov. 2025	5.56%	3,148	2,300
			<u>153,148</u>	<u>152,300</u>
Dakota Coal				
Equipment notes	Nov. 2024-April 2032	3.81%	51,120	59,937
Dakota Gasification Company				
Senior Secured Notes 2015 Series	May 2030-May 2045	4.11%	350,755	350,755
Other				
		Various	13,753	15,132
			<u>415,628</u>	<u>425,824</u>
			<u>4,503,061</u>	<u>4,511,661</u>
Less:				
Current portion			(171,134)	(89,587)
Unamortized debt issue costs			(26,427)	(28,623)
Long-term debt, net of current portion			<u>\$ 4,305,500</u>	<u>\$ 4,393,451</u>

The estimated fair value of debt at December 31, 2023 and 2022 was \$4,115,881 and \$4,102,807, 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, 2023 are as follows:

	2024	2025	2026	2027	2028
Long-term debt	\$ 171,134	\$ 179,706	\$ 186,295	\$ 195,077	\$ 162,564

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, 2023 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, 2023
Commercial Paper/Revolving Credit Agreement (a)	March 2026	\$ 130,000	\$ 100,000
Commercial Paper/Revolving Credit Agreement (a) (b)	Aug. 2027	\$ 500,000	74,739
Revolving Credit Agreement	Sept. 2026	\$ 500,000	-
Revolving Credit Agreement	June 2024	\$ 100,000	100,000
		<u>\$ 1,230,000</u>	<u>\$ 274,739</u>

(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, 2023, the effective interest rate of the outstanding advances is 5.53%.

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:

	2023	2022
Long-term debt, net of current portion	\$ 3,148	\$ 2,300
Notes payable-affiliates	238,370	251,993
	<u>\$ 241,518</u>	<u>\$ 254,293</u>

13. REVENUE

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

	2023		2022	
	Utility Operations	Nonutility Operations	Utility Operations	Nonutility Operations
Member wholesale electricity sales	\$ 1,926,214	\$ -	\$ 1,719,709	\$ -
Nonmember wholesale electricity sales	257,953	-	326,214	-
Synthetic natural gas	-	107,295	-	256,442
Fertilizer and DEF products	-	235,260	-	392,104
Other byproducts	-	72,131	-	113,143
Lignite coal	-	218,544	-	241,208
Other	7,563	26,031	5,880	26,842
Intercompany revenue	-	(79,779)	-	(99,829)
Revenue from contracts with customers	<u>\$ 2,191,730</u>	<u>\$ 579,482</u>	<u>\$ 2,051,803</u>	<u>\$ 929,910</u>
Regulatory deferred revenue recognized (deferred)	65,000	-	(155,000)	-
Other revenue (expense)	22,808	28,098	(1,504)	(17,341)
Total operating revenue	<u>\$ 2,279,538</u>	<u>\$ 607,580</u>	<u>\$ 1,895,299</u>	<u>\$ 912,569</u>

NET DEFERRED REVENUE AND OTHER REVENUE (EXPENSE) — Revenue from nonmember wholesale electricity sales of \$65,000 that was previously deferred was recognized in 2023, as compared to net revenue of \$155,000 that was deferred in 2022 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, urea, 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, 2023 and 2022, the unearned revenue balance (included in Taxes and other current liabilities on the Consolidated Balance Sheets) was \$2,213 and \$6,548. There were no contract assets at December 31, 2023 and 2022. 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:

	2023	2022
Current tax expense	\$ 2,859	\$ 69,004
Deferred tax expense (benefit)	(12,725)	5,224
Income tax expense (benefit)	<u>\$ (9,866)</u>	<u>\$ 74,228</u>

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 \$1,124 was attributable to Basin Electric's utilization of Dakota Gas' net operating losses to offset other taxable income. At December 31, 2023, Basin Electric had a receivable from Dakota Gas in the amount of \$5,311 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:

	2023	2022
Deferred tax assets:		
Patronage loss	\$ 10,485	\$ -
Lease obligation	28,220	29,434
Deferred revenue	73,500	87,150
Deferred credits	17,163	15,338
Tax credits available	19,035	19,717
Interest expense carryover	34,452	26,213
Mine related	13,549	11,793
Net operating loss carryforward	97,192	81,653
Other deferred tax assets	12,290	12,619
Valuation allowance	(15,999)	(18,257)
Total deferred tax assets	<u>289,887</u>	<u>265,660</u>
Deferred tax liabilities:		
Depreciation and property	(278,158)	(270,601)
Tax benefit transfer leases	(14,457)	(2,215)
Right-of-use lease asset	(28,208)	(29,417)
Patronage capital	(6,795)	(8,119)
Debt refinancing expense	(15,392)	(16,465)
Direct financing leases	(12,694)	(14,993)
Other deferred tax liabilities	(4,552)	(2,745)
Unrealized gains	(10,165)	(10,320)
Total deferred tax liability	<u>(370,421)</u>	<u>(354,875)</u>
Net deferred tax liability	<u>\$ (80,534)</u>	<u>\$ (89,215)</u>

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:

	2023	2022
Computed income tax at statutory rate	\$ 28,907	\$ 48,153
Permanent differences:		
Patronage capital allocated	(31,770)	(5,585)
Other, net	(881)	(431)
Change in regulatory asset associated with deferred taxes	(11,958)	52,486
Increase (decrease) in valuation allowance for subsidiaries	1,619	(24,355)
Other	4,607	1,582
State income taxes	(390)	2,378
Income tax expense (benefit)	<u>\$ (9,866)</u>	<u>\$ 74,228</u>

Basin Electric had available federal and state research tax credit carryforwards of approximately \$19,035 and charitable contribution carryforwards of approximately \$1,268 at December 31, 2023. The research tax credits expire in varying amounts from 2024 through 2039 and the charitable contribution carryforwards expire in 2028. Basin Electric has a consolidated net operating loss carryforward as of December 31, 2023 of \$462,820, and a patron net operating loss of \$49,929. 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 \$164,056 as of December 31, 2023. 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:

	2023	2022
Balance at January 1	\$ 6,638	\$ 6,275
Addition for tax positions of current period	-	572
Reduction for tax positions of prior periods	(246)	(209)
Balance at December 31	<u>\$ 6,392</u>	<u>\$ 6,638</u>

Basin Electric recognizes interest and penalties related to unrecognized tax benefits (if any) in the respective interest and penalties expense accounts and not in the Income tax expense (benefit) on the Consolidated Statements of Operations. 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, 2023, with limited exceptions, Basin Electric is no longer subject to examinations by taxing authorities for tax years prior to 2020 for federal and prior to 2019 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, 2023 and 2022, 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, 2023, 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	\$ 96,312	\$ 96,312	\$ -	\$ -
Government securities	66,217	66,217	-	-
Bond market funds	56,637	56,637	-	-
Corporate bonds	49,385	49,385	-	-
	<u>268,551</u>	<u>268,551</u>	<u>-</u>	<u>-</u>
Commodity derivatives	124,439	-	124,439	-
	<u>\$ 392,990</u>	<u>\$ 268,551</u>	<u>\$ 124,439</u>	<u>\$ -</u>
Liabilities:				
Interest rate swaps	\$ 28,811	\$ -	\$ 28,811	\$ -
Commodity derivatives	39,122	-	39,122	-
	<u>\$ 67,933</u>	<u>\$ -</u>	<u>\$ 67,933</u>	<u>\$ -</u>

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	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	\$ 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	-
	<u>\$ 421,685</u>	<u>\$ 250,656</u>	<u>\$ 171,029</u>	<u>\$ -</u>
Liabilities:				
Interest rate swaps	\$ 30,780	\$ -	\$ 30,780	\$ -
Commodity derivatives	46,528	-	46,528	-
	<u>\$ 77,308</u>	<u>\$ -</u>	<u>\$ 77,308</u>	<u>\$ -</u>

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 2023 and 2022 funding was \$2,379 and \$2,234.

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		Coteau	
	2023	2022	2023	2022
Change in postretirement benefit obligation:				
Balance at January 1	\$ 21,048	\$ 27,692	\$ 2,282	\$ 3,057
Service cost	1,182	1,584	27	35
Interest cost	1,202	696	112	60
Actuarial (gain) loss	2,420	(1,206)	(156)	(590)
Assumption changes	588	(5,484)	-	-
Benefit payments	(7,627)	(7,201)	(244)	(280)
Plan participant contributions	5,248	4,967	-	-
Balance at December 31	<u>\$ 24,061</u>	<u>\$ 21,048</u>	<u>\$ 2,021</u>	<u>\$ 2,282</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ -	\$ -	\$ -	\$ -
Employer contributions	2,379	2,234	244	280
Plan participant contributions	5,248	4,967	-	-
Benefit payments	(7,627)	(7,201)	(244)	(280)
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
As of December 31, the funded status of the plan was:				
Postretirement benefit liability	\$ 24,061	\$ 21,048	\$ 2,021	\$ 2,282
Amounts recognized in the balance sheets are:				
Taxes and other current liabilities	\$ 2,155	\$ 1,996	\$ 398	\$ 361
Other deferred credits, taxes and other liabilities	21,906	19,052	1,623	1,921
Net amount recognized	<u>\$ 24,061</u>	<u>\$ 21,048</u>	<u>\$ 2,021</u>	<u>\$ 2,282</u>

Amounts not yet reflected in periodic postretirement benefit expense and included in Accumulated other comprehensive income (loss) and Regulatory liabilities:

	Basin Electric and Subsidiaries		Coteau	
	2023	2022	2023	2022
Prior service credit (cost)	\$ (771)	\$ (1,003)	\$ -	\$ 139
Actuarial gain	23,757	28,373	3,055	3,721
Accumulated other comprehensive income and Regulatory liabilities	<u>\$ 22,986</u>	<u>\$ 27,370</u>	<u>\$ 3,055</u>	<u>\$ 3,860</u>

Net periodic postretirement benefit expense (income) for the years ended December 31, 2023 and 2022 for Basin Electric and subsidiaries was \$1,008 and \$923, and for Coteau was \$(822) and \$(942).

Other changes recognized in Other comprehensive income (loss) and Regulatory liabilities:

	Basin Electric and Subsidiaries		Coteau	
	2023	2022	2023	2022
Net (gain) loss arising during the period	\$ 3,008	\$ (6,691)	\$ (156)	\$ (590)
Amortization of prior service (cost) credit	(232)	(233)	139	227
Amortization of actuarial gain	1,608	1,590	822	810
Total recognized in Other comprehensive income (loss) and Regulatory liabilities	<u>\$ 4,384</u>	<u>\$ (5,334)</u>	<u>\$ 805</u>	<u>\$ 447</u>

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

	Basin Electric and Subsidiaries		Coteau	
	2023	2022	2023	2022
Weighted-average discount rates	5.14%	5.42%	4.98%	5.29%
Initial health care cost trend rate	7.37%	8.00%	6.50%	6.25%
Ultimate health care cost trend rate	4.00%	4.00%	4.75%	4.75%
Year that the rate reaches the ultimate trend rate	2048	2048	2033	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	
	2023	2022	2023	2022
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

Basin Electric and its subsidiaries and Coteau expect to make contributions of \$2,155 and \$399 in 2024 to their postretirement benefit plans.

The following are the expected future benefits to be paid:

	Basin Electric and Subsidiaries	Coteau
2024	\$ 2,155	\$ 399
2025	\$ 2,197	\$ 355
2026	\$ 2,177	\$ 281
2027	\$ 2,170	\$ 258
2028	\$ 2,060	\$ 204
2029-2033	\$ 8,514	\$ 716

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 2023 and in 2022 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. Pension costs charged to expense during 2023 and 2022 were \$36,026 and \$37,255.

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, 2023 and 2022.

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	
	2023	2022	2023	2022
Change in pension benefit obligation:				
Balance at January 1	\$ 2,925	\$ 3,783	\$ 72,428	\$ 97,071
Interest cost	135	86	3,773	2,664
Actuarial (gain) loss	23	(646)	2,234	(21,800)
Benefits payments	(283)	(298)	(5,681)	(5,507)
Balance at December 31	\$ 2,800	\$ 2,925	\$ 72,754	\$ 72,428
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 2,848	\$ 3,633	\$ 85,249	\$ 108,954
Actual (loss) return on plan assets	341	(487)	13,797	(18,198)
Employer contributions	-	-	-	-
Benefits payments	(283)	(298)	(5,681)	(5,507)
Fair value of plan assets at end of year	\$ 2,906	\$ 2,848	\$ 93,365	\$ 85,249
As of December 31, the funded status of the plan was:				
Fair value of plan assets	\$ 2,906	\$ 2,848	\$ 93,365	\$ 85,249
Accumulated postretirement benefit liability	2,800	2,925	72,754	72,428
Funded status – over (under)	\$ 106	\$ (77)	\$ 20,611	\$ 12,821
Amounts recognized in the balance sheets are:				
Other investments and Special funds	\$ 106	\$ -	\$ 20,611	\$ 12,821
Other deferred credits, taxes and other liabilities	\$ -	\$ 77	\$ -	\$ -
Amounts not yet reflected in periodic postretirement benefit expense and included in Accumulated other comprehensive income:				
Actuarial loss	\$ (1,052)	\$ (1,319)	\$ (5,229)	\$ (9,998)
Accumulated other comprehensive loss	\$ (1,052)	\$ (1,319)	\$ (5,229)	\$ (9,998)

Net periodic pension expense (income) for the years ended December 31, 2023 and 2022 for BCS was \$83 and \$(10) and for Coteau was \$(3,021) and \$(3,598).

	BCS		Coteau	
	2023	2022	2023	2022
Other changes recognized in Other comprehensive income (loss):				
Net loss (gain) arising during the period	\$ (184)	\$ 15	\$ (4,769)	\$ 3,099
Amortization of actuarial loss	(83)	(77)	-	(439)
Total recognized in Other comprehensive income (loss)	\$ (267)	\$ (62)	\$ (4,769)	\$ 2,660

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

	BCS		Coteau	
	2023	2022	2023	2022
Weighted average discount rate	4.65%	4.85%	5.07%	5.41%

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

	BCS		Coteau	
	2023	2022	2023	2022
Weighted average discount rate	4.85%	2.38%	5.41%	2.82%
Expected long-term return on plan assets	5.00%	5.00%	7.00%	7.00%

BCS and Coteau do not expect to make any contributions in 2024 to their defined benefit plans. The following are the expected future benefit payments for the BCS Plan and the Coteau Pension Plan:

	BCS	Coteau
2024	\$ 274	\$ 5,723
2025	\$ 268	\$ 5,579
2026	\$ 261	\$ 5,725
2027	\$ 253	\$ 5,616
2028	\$ 245	\$ 5,485
2029-2033	\$ 1,088	\$ 26,322

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, 2023:

	BCS		Coteau	
	Actual Allocation	Target Allocation	Actual Allocation	Target Allocation
Equity securities	37.8%	37.0%	66.4%	55.0% – 70.0%
Fixed income securities	59.4%	60.0%	33.1%	30.0% – 40.0%
Other	2.8%	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 \$13,136 and \$12,492 for 2023 and 2022.

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 \$3,251 and \$3,053 related to this plan in 2023 and 2022.

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 \$2,747 and \$2,496 in 2023 and 2022.

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:

	2023	2022
Asset retirement obligations	\$ 214,666	\$ 192,709
Non-current lease obligation	112,310	120,394
Long-term derivative liability	38,600	36,145
Non-current deferred income tax liability, net	80,534	89,215
Pension and benefit obligations	54,085	53,371
MBPP operating advances	40,207	40,207
Customer advance	27,659	20,925
Other	23,952	21,918
	<u>\$ 592,013</u>	<u>\$ 574,884</u>

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:

	2023	2022
Balance, January 1	\$ 192,709	\$ 166,511
Additions and revisions	14,876	25,266
Accretion expense	10,761	7,661
Liabilities settled	(3,680)	(6,729)
Balance, December 31	<u>\$ 214,666</u>	<u>\$ 192,709</u>

18. COMMITMENTS AND CONTINGENCIES

POWER PURCHASE COMMITMENTS — Basin Electric entered into various power purchase contracts with terms ranging from one to 52 years. The estimated commitments under these contracts as of December 31, 2023 were \$394,095 in 2024, \$400,554 in 2025, \$434,935 in 2026, \$421,661 in 2027, \$313,037 in 2028, and \$4,791,513 thereafter. Amounts purchased under the contracts totaled \$317,023 in 2023 and \$319,269 in 2022.

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, 2023 and 2022, the assets and liabilities of Corn Belt included in the Consolidated Balance Sheets totaled \$11,251 and \$12,568. 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 \$17,556 as of December 31, 2023. Basin Electric also has various other outstanding contractual commitments totaling \$405,473 as of December 31, 2023, for various equipment purchases, supplies, and for miscellaneous services to be provided.

Coteau has outstanding commitments of \$22,686 to purchase equipment and \$209 committed under various diesel fuel contracts through March 2024.

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 2023 and 2022, Dakota Coal paid \$234,962 and \$224,932 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 \$6,240 and \$5,993 in 2023 and 2022.

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 2023 and 2022 was approximately \$22.23 and \$20.44 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 2023 and 2022 was approximately \$14.91 and \$12.84 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, 2023, the aggregated value of these guarantees is \$200,000.

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, 2023, the aggregated value of these guarantees is \$29,600.

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.

CO₂ SALES COMMITMENTS — Dakota Gas has two contracts involving commitments for the sale of CO₂ for enhanced oil recovery. One of these contracts is to sell and deliver CO₂ from the Synfuels Plant to oil fields located near Weyburn, Saskatchewan. The Weyburn agreement extends through December 2027.

The second CO₂ agreement is to sell and deliver CO₂ from the Synfuels Plant to oil fields located near Midale, Saskatchewan through December 2027.

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

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

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

Basin Electric is in the process of implementing a long-term compliance plan for the surface impoundments to meet the CCR Rule. Four 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 \$65.6 million with \$33.5 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, 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 6, 2025 to February 14, 2025.

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 were set for hearing, and the balance of the filings have been approved by FERC. The hearing was held from August 28, 2023, to October 27, 2023. An initial decision by the administrative law judge is to be issued by June 25, 2024. Management believes the FERC's future orders related to our 2020, 2021, 2022, and 2023 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 \$175,597 and \$172,077 as of December 31, 2023 and 2022.

Other receivables include \$2,948 and \$2,662 at December 31, 2023 and 2022, 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, 2023 and 2022.

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:

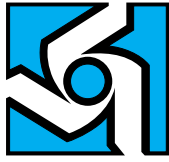
	2023	2022
Sales of goods and services to:		
Dakota Gas		
Power supply	\$ 58,350	\$ 65,997
Administrative services	22,867	20,239
Water supply	2,541	2,473
Project services	221	226
Dakota Coal		
Administrative services	2,410	2,186
Total	<u>\$ 86,389</u>	<u>\$ 91,121</u>
Goods and services provided by:		
Dakota Gas		
Screened coal	\$ 50,637	\$ 60,000
Natural gas	14,164	37,814
Transmission and other misc. services	1,060	1,110
Dakota Coal		
Coal supply	88,128	81,378
Lime	11,425	12,447
Limestone	2,804	2,696
Total	<u>\$ 168,218</u>	<u>\$ 195,445</u>

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

20. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2023	2022
Cash paid for interest and income taxes:		
Cash paid for interest	\$ 241,791	\$ 217,584
Cash paid (refunded) for income taxes	\$ (603)	\$ 1,434
Non-cash investing and financing activity:		
Accrued acquisition of utility plant and nonutility property	\$ 66,828	\$ 76,526
Non-cash operating lease additions	\$ 14,695	\$ 20,214





**BASIN ELECTRIC
POWER COOPERATIVE**

A Touchstone Energy® Cooperative 

