

**B**asin Electric Power Cooperative (Basin Electric), on a consolidated basis with its wholly owned subsidiaries, Basin Cooperative Services, Dakota Coal Company (Dakota Coal), and Dakota Gasification Company (Dakota Gas), and with its variable interest entity, The Coteau Properties Company (Coteau), presents its consolidated financial statements for the six-month periods ended June 30, 2018 and 2017. The consolidated net margin and earnings for the periods were \$31.2 million and \$49.1 million, respectively.

Total electric sales for the first six months of 2018 were 15.6 million megawatt hours (MWh), generating revenue of \$853.0 million. Total MWh sales increased by 0.8 million MWhs and total revenue from sales increased by \$47.5 million from the same period last year. Electricity sales to Basin Electric's Class A and D members were 12.8 million MWhs generating \$783.7 million of revenue, which represents a 9.4 percent increase in MWh sales and a 6.8 percent increase in revenue from the same period last year. Member sales revenue increased primarily due to an increase in MWhs sold. Non-member sales decreased by 0.3 million MWhs or 8.6 percent and revenue decreased by \$2.3 million or 3.2 percent. Non-member revenue is lower during the first six months of 2018 compared to the same period in 2017 primarily due to a decrease in MWhs sold.

The Great Plains Synfuels Plant (Synfuels Plant), owned and operated by Dakota Gas, sold 26.1 million dekatherms of synthetic natural gas (SNG) during the first six months of 2018, which is 1.4 million dekatherms more than the volume sold during the same period in 2017. SNG revenue during the first six months of 2018 was \$68.2 million compared to the revenue for the first six months of 2017 of \$81.2 million. The average sales price for SNG was \$2.62 per dekatherm for the first six months of 2018 compared to an average sales price of \$3.29 during the same period in 2017. Byproducts, coproducts and other operating revenue increased by \$23.2 million or 23.0 percent for the first six months of 2018 compared to the same period in 2017.

Revenue from tar oil and sulfate were higher for the first six months of 2018 compared to the same period in 2017 by \$6.4 million and \$3.1 million, respectively. The urea facility which had previously been under construction began producing product in January of 2018. Urea revenue for the six month period was \$32.3 million. Revenue from ammonia, naphtha and carbon dioxide was lower

for the first six months of 2018 compared to the same period in 2017 by \$12.3 million, \$4.4 million and \$1.0 million, respectively. The net loss for Dakota Gas for the first six months of 2018 and 2017 was \$57.3 million and \$30.3 million, respectively.

Dakota Coal is the supplier of lignite to Basin Electric's Antelope Valley Station and Leland Olds Station and the Synfuels Plant, and the supplier of lime to certain Basin Electric facilities and other regional power plants. Dakota Coal sold 512 thousand fewer tons of coal during the first six months of 2018 than the same period in 2017. Net income for Dakota Coal for the first six months of 2018 was \$5.5 million compared to \$11.3 million for the first six months of 2017.

The accompanying consolidated balance sheets, statements of operations and statements of cash flows are unaudited. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) have been made and this report constitutes a fair and accurate representation of the consolidated financial position and operations of Basin Electric and its wholly owned subsidiaries and Coteau as of and for the six-month periods ended June 30, 2018 and 2017. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in Basin Electric Power Cooperative's 2017 Annual Report.



**Paul Sukut**  
Chief Executive Officer  
and General Manager



**Steve Johnson**  
Senior Vice President and  
Chief Financial Officer



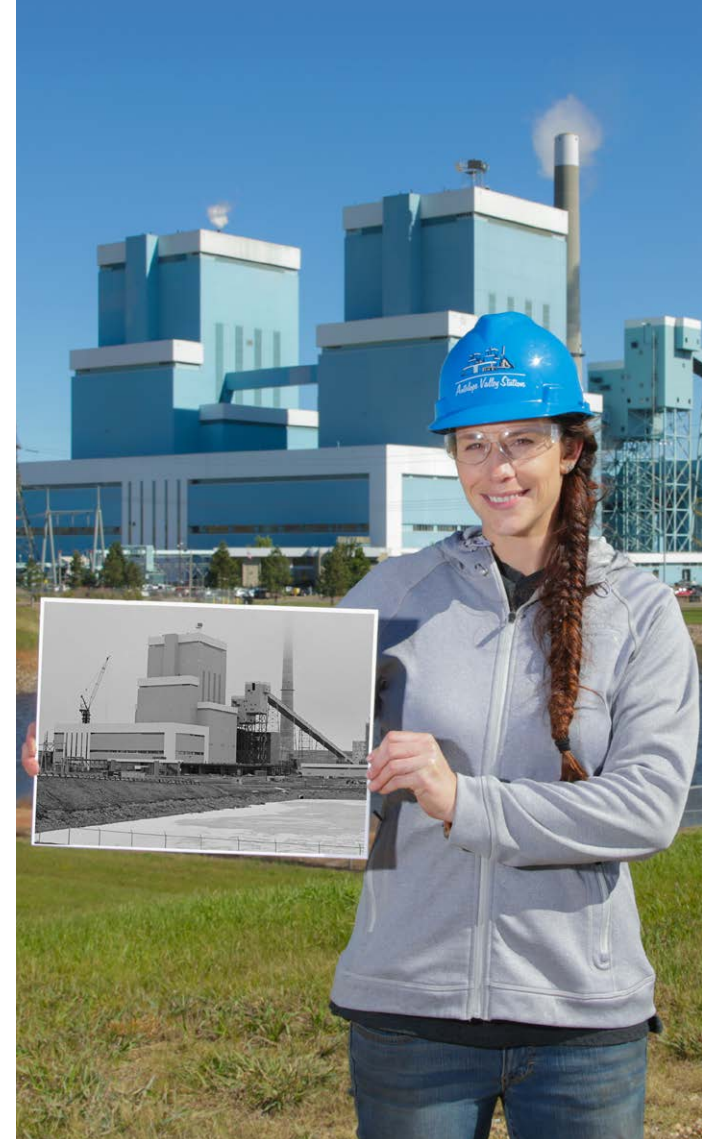
**BASIN ELECTRIC  
POWER COOPERATIVE**

A Touchstone Energy® Cooperative 

Financial information requests  
**BASIN ELECTRIC POWER COOPERATIVE  
FINANCIAL SERVICES**

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*Equal Employment Opportunity Employer M/F/D/V*



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**2018 2<sup>ND</sup> QUARTER REPORT**



**BASIN ELECTRIC  
POWER COOPERATIVE**

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## Basin Electric Power Cooperative and Subsidiaries CONSOLIDATED BALANCE SHEETS

as of June 30 (dollars in thousands)

	2018	2017
<b>Assets</b>		
Electric plant:		
In service	\$ 6,923,984	\$ 6,365,497
Property held under capital leases	2,386	117,387
Held for future use	6,992	-
Construction work in progress	148,608	151,573
Total electric plant	7,081,970	6,634,457
Less: accumulated provision for depreciation and amortization	2,483,218	2,227,349
	4,598,752	4,407,108
Nonutility property:		
Property, plant and equipment	2,089,552	1,760,308
Construction work in progress	40,559	615,072
Total nonutility property	2,130,111	2,375,380
Less: accumulated provision for depreciation and depletion	741,625	834,387
	1,388,486	1,540,993
Other property, investments and deferred charges:		
Mine related assets	154,091	150,003
Investments in associated companies	40,370	41,855
Other investments	123,533	140,986
Special funds	56,593	51,461
Deferred charges	315,991	309,465
	690,578	693,770
Current assets:		
Cash and cash equivalents	145,406	285,735
Restricted and designated cash and investments	231,153	30,875
Short-term investments	100	100
Customer accounts receivable	169,268	161,755
Other receivables	83,355	101,286
Coal stock, materials and supplies	205,913	212,722
Prepayments and other current assets	86,567	86,202
	921,762	878,675
	<u>\$ 7,599,578</u>	<u>\$ 7,520,546</u>
<b>Liabilities</b>		
Equity:		
Memberships	\$ 21	\$ 21
Patronage capital	915,981	853,974
Retained earnings of subsidiaries	179,433	258,910
Other equity	343,303	299,251
Accumulated other comprehensive loss	(14)	(6,988)
	1,438,724	1,405,168
Noncontrolling interest	2,208	1,889
	1,440,932	1,407,057
Long-term debt, net of current portion	4,547,119	4,607,787
Capital lease obligations, net of current portion	3,787	113,511
	5,991,838	6,128,355
Deferred credits, taxes and other liabilities	591,685	512,863
Current liabilities:		
Current portion of long-term debt	79,292	48,030
Current portion of capital lease obligations	901	3,081
Accounts payable	192,628	215,402
Notes payable – affiliates	218,981	200,595
Notes payable	423,602	329,127
Taxes and other current liabilities	100,651	83,093
	1,016,055	879,328
	<u>\$ 7,599,578</u>	<u>\$ 7,520,546</u>

## Basin Electric Power Cooperative and Subsidiaries CONSOLIDATED STATEMENTS OF OPERATIONS

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

	2018	2017
Utility operations:		
Operating revenue:		
Sales of electricity for resale:		
Members	\$ 783,662	\$ 733,910
Others	69,333	71,629
	852,995	805,539
Other electric revenue	11,325	10,715
	864,320	816,254
Operating expenses:		
Operation	528,291	509,088
Maintenance	90,490	92,360
Depreciation and amortization	74,808	67,860
Taxes other than income	1,871	1,699
	695,460	671,007
Interest and other charges:		
Interest on long-term debt	99,597	91,559
Other	9,466	7,928
	109,063	99,487
Operating margin	59,797	45,760
Nonoperating margin:		
Interest and other income	19,292	18,445
Patronage allocations from other cooperatives	3,943	3,699
	23,235	22,144
Utility margin before income taxes	83,032	67,904
Nonutility operations:		
Operating revenue:		
Synthetic gas	68,197	81,226
Byproducts, coproduct and other	134,341	130,116
Lignite coal	56,739	65,710
	259,277	277,052
Operating expenses (includes \$9,078 and \$8,300 of net income attributed to noncontrolling interest)	325,467	314,383
Operating loss	(66,190)	(37,331)
Interest and other income	3,984	6,599
Nonutility loss before income taxes	(62,206)	(30,732)
Margin and income before income taxes	20,826	37,172
Benefit from income taxes	(10,417)	(11,923)
Net margin and earnings	<u>\$ 31,243</u>	<u>\$ 49,095</u>

## Basin Electric Power Cooperative and Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOW

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

	2018	2017
Operating activities:		
Net margin and earnings	\$ 31,243	\$ 49,095
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	109,642	96,993
Increase in reserves	4,205	4,808
Other amortization	7,532	329
Patronage capital and other	(6,513)	(6,143)
Deferred income taxes	(10,512)	(12,010)
Other, including regulatory revenue deferral	(497)	11,000
Income attributable to noncontrolling interest	9,078	8,179
Changes in other operating elements:		
Customer accounts receivable	(1,862)	1,581
Other receivables	23,815	(1,726)
Coal stock, materials and supplies	(805)	(15,394)
Prepayments and other current assets	(9,711)	(26,368)
Accounts payable	1,475	14,846
Taxes and other current liabilities	(4,684)	(15,764)
Net cash provided by operating activities	152,406	109,426
Investing activities:		
Acquisition of electric plant	(69,612)	(48,069)
Acquisition of nonutility property	(27,932)	(111,559)
Purchase of investments	(15,852)	(17,760)
Sale of investments	23,552	8,721
Purchase of other assets	(2,249)	(3,827)
Net cash used in investing activities	(92,093)	(172,494)
Financing activities:		
Loan advances	2,517	504,119
Principal payments of long-term debt	(19,969)	(21,165)
Payment of debt issue costs	(325)	(7,766)
Proceeds of notes payable – affiliates	941,094	782,357
Payments of notes payable – affiliates	(915,461)	(763,857)
Proceeds of notes payable	1,093,307	1,313,039
Payments of notes payable	(1,148,352)	(1,663,427)
Payments under capital lease obligations	(886)	(1,889)
Dividends paid to noncontrolling interest	(9,194)	(7,316)
Net cash used in financing activities	(57,269)	134,095
Net increase in cash and cash equivalents	3,044	71,027
Cash and cash equivalents, beginning of period	142,362	214,708
Cash and cash equivalents, end of period	<u>\$ 145,406</u>	<u>\$ 285,735</u>