

Basin 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 (DGC), and with its variable interest entity, The Coteau Properties Company (Coteau), presents its consolidated financial statements for the nine-month periods ended September 30, 2018 and 2017. The consolidated net margin and earnings for the periods were \$82.0 million and \$129.6 million, respectively.

Total electric sales for the first nine months of 2018 were 23.9 million megawatt hours (MWh), generating revenue of \$1.3 billion. Total MWh sales increased by 0.7 million MWhs and total revenue from sales increased by \$53.3 million from the same period last year. Electricity sales to Basin Electric's Class A and D members were 19.2 million MWhs generating \$1.2 billion of revenue, which represents a 7.4 percent increase in MWh sales and a 5.4 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 0.6 million MWhs or 10.9 percent and revenue decreased by \$8.4 million or 6.3 percent. Non-member revenue is lower during the first nine months of 2018 compared to the same period in 2017 primarily due to a decrease in MWh's sold.

The Great Plains Synfuels Plant (Synfuels Plant), owned and operated by DGC, sold 40.8 million dekatherms of synthetic natural gas (SNG) during the first nine months of 2018, which is 3.7 million dekatherms more than the volume sold during the same period in 2017. SNG revenue during the first nine months of 2018 was \$105.4 million compared to the revenue for the first nine months of 2017 of \$113.9 million. The average sales price for SNG was \$2.59 per dekatherm for the first nine months of 2018 compared to an average sales price of \$3.07 during the same period in 2017. Byproducts, coproducts and other operating revenue increased by \$33.9 million or 25.1 percent for the first nine months of 2018 compared to the same period in 2017.

The urea facility began producing product in January of 2018. Urea and urea solution revenue for the nine month period was \$50.4 million. Revenue from tar oil was higher for the first nine months of 2018 compared to the same period in 2017 by \$9.7 million. Revenue from ammonia, carbon dioxide and naphtha was lower for the first nine months of 2018 compared to the same period in 2017 by \$19.6 million, \$2.0 million and \$5.0 million, respectively.

The net loss for DGC for the first nine months of 2018 and 2017 was \$103.5 million and \$56.8 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 525 thousand fewer tons of coal during the first nine months of 2018 than the same period in 2017. Net income for Dakota Coal for the first nine months of 2018 was \$10.3 million compared to \$14.2 million for the first nine 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 nine-month periods ended September 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



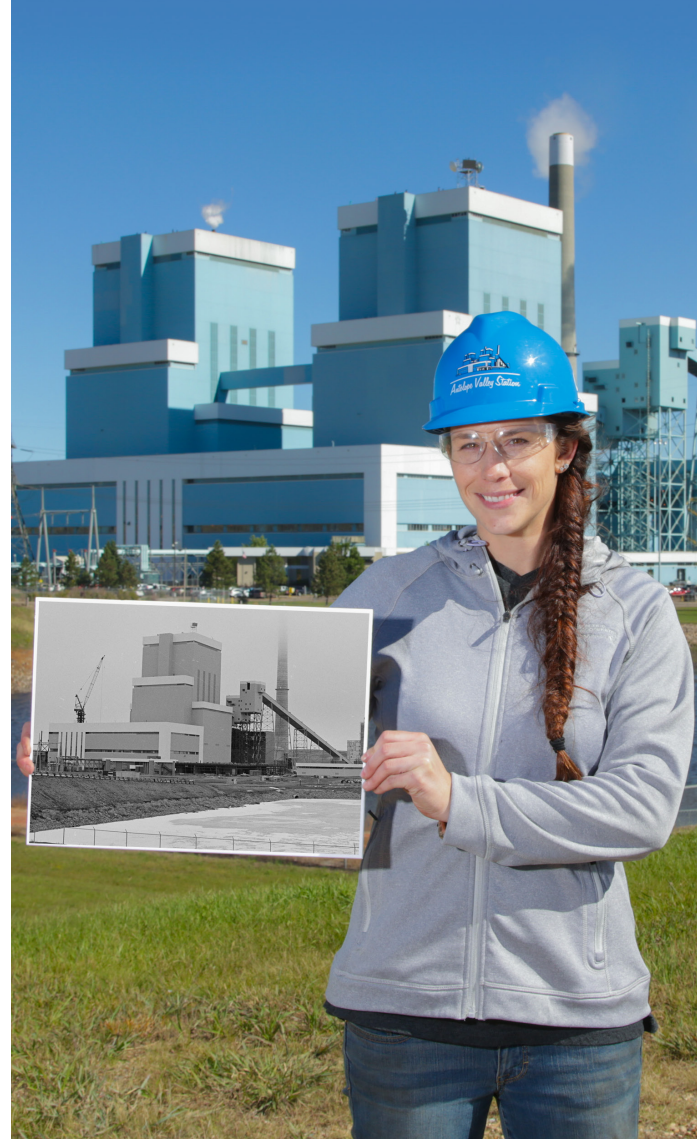
**BASIN ELECTRIC  
POWER COOPERATIVE**

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 3<sup>RD</sup> QUARTER REPORT**



**BASIN ELECTRIC  
POWER COOPERATIVE**

A Touchstone Energy® Cooperative 

**Basin Electric Power Cooperative and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**

as of September 30 (dollars in thousands)

	2018	2017
<b>Assets</b>		
Electric plant:		
In service	\$ 6,955,989	\$ 6,376,330
Property held under capital leases	2,141	11,236
Held for future use	6,992	-
Construction work in progress	175,675	195,631
Total electric plant	7,140,797	6,583,197
Less: accumulated provision for depreciation and amortization	(2,517,352)	(2,247,644)
	4,623,445	4,335,553
Nonutility property:		
Property, plant and equipment	2,123,625	1,813,691
Construction work in progress	13,518	667,816
Total nonutility property	2,137,143	2,481,507
Less: accumulated provision for depreciation and depletion	(758,832)	(847,362)
	1,378,311	1,634,145
Other property, investments and deferred charges:		
Mine related assets	158,027	151,798
Investments in associated companies	40,624	41,847
Other investments	116,476	143,095
Special funds	58,096	51,386
Deferred charges	320,328	305,553
	693,551	693,679
Current assets:		
Cash and cash equivalents	211,594	306,398
Restricted and designated cash and investments	224,221	42,571
Short-term investments	100	30,029
Customer accounts receivable	165,343	162,865
Other receivables	109,363	86,688
Coal stock, materials and supplies	207,421	211,057
Prepayments and other current assets	83,971	84,528
	1,002,013	924,136
	<u>\$ 7,697,320</u>	<u>\$ 7,587,513</u>
<b>Liabilities</b>		
Equity:		
Memberships	\$ 21	\$ 21
Patronage capital	1,008,164	958,646
Retained earnings of subsidiaries	137,975	234,738
Other equity	343,303	299,251
Accumulated other comprehensive income (loss)	3,765	(5,891)
	1,493,228	1,486,765
Noncontrolling interest	2,508	3,361
	1,495,736	1,490,126
Long-term debt, net of current portion	4,536,110	4,602,458
Capital lease obligations, net of current portion	3,721	12,795
	6,035,567	6,105,379
Deferred credits, taxes and other liabilities	579,577	499,620
Current liabilities:		
Current portion of long-term debt	82,959	49,747
Current portion of capital lease obligations	813	1,499
Accounts payable	186,183	223,890
Notes payable – affiliates	233,037	204,223
Notes payable	408,531	364,042
Taxes and other current liabilities	170,653	139,113
	1,082,176	982,514
	<u>\$ 7,697,320</u>	<u>\$ 7,587,513</u>

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

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

	2018	2017
Utility operations:		
Operating revenue:		
Sales of electricity for resale:		
Members	\$ 1,200,586	\$ 1,138,945
Others	124,066	132,416
	1,324,652	1,271,361
Other electric revenue	17,145	16,830
	1,341,797	1,288,191
Operating expenses:		
Operation	805,206	780,957
Maintenance	116,932	121,481
Depreciation and amortization	112,178	99,890
Taxes other than income	2,749	2,553
	1,037,065	1,004,881
Interest and other charges:		
Interest on long-term debt	149,119	141,018
Other	14,999	12,373
	164,118	153,391
Operating margin	140,614	129,919
Nonoperating margin:		
Interest and other income	28,801	35,115
Patronage allocations from other cooperatives	5,784	7,332
	34,585	42,447
Utility margin before income taxes	175,199	172,366
Nonutility operations:		
Operating revenue:		
Synthetic gas	105,417	113,894
Byproducts, coproduct and other	187,837	179,594
Lignite coal	90,307	99,891
	383,561	393,379
Operating expenses (includes \$14,090 and \$13,583 of net income attributed to noncontrolling interest)	494,920	472,065
Operating loss	(111,359)	(78,686)
Interest and other income	4,804	10,694
Nonutility loss before income taxes	(106,555)	(67,992)
Margin and loss before income taxes	68,644	104,374
Benefit from income taxes	(13,323)	(25,221)
Net margin and earnings	<u>\$ 81,967</u>	<u>\$ 129,595</u>

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

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

	2018	2017
Operating activities:		
Net margin and earnings	\$ 81,967	\$ 129,595
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	165,019	145,406
Change in reserves	(61)	6,315
Other amortization	15,242	5,219
Patronage capital and other	(8,415)	(11,087)
Deferred income taxes	(13,461)	(25,359)
Other, including regulatory revenue deferral	(18,988)	11,000
Income attributable to noncontrolling interest	14,090	13,583
Changes in other operating elements:		
Customer accounts receivable	2,063	471
Other receivables	(3,205)	12,902
Coal stock, materials and supplies	(2,314)	(13,729)
Prepayments and other current assets	(7,279)	(24,099)
Accounts payable	(4,853)	3,151
Taxes and other current liabilities	64,729	40,281
Net cash provided by operating activities	284,534	293,649
Investing activities:		
Acquisition of electric plant	(134,285)	(94,324)
Acquisition of nonutility property	(36,194)	(209,627)
Purchase of investments	(5,614)	(58,845)
Sale of investments	33,044	10,640
Purchase of other assets	(1,316)	(8,316)
Net cash used in investing activities	(144,365)	(360,472)
Financing activities:		
Loan advances	-	504,119
Principal payments of long-term debt	(24,957)	(24,925)
Payment of debt issue costs	(2,573)	(7,823)
Proceeds of notes payable – affiliates	1,411,270	1,197,862
Payments of notes payable – affiliates	(1,369,529)	(1,175,921)
Proceeds of notes payable	1,367,231	1,632,704
Payments of notes payable	(1,437,348)	(1,948,177)
Payments under capital lease obligations	(1,126)	(8,077)
Dividends paid to noncontrolling interest	(13,905)	(11,249)
Net cash provided by (used in) financing activities	(70,937)	158,513
Net increase in cash and cash equivalents	69,232	91,690
Cash and cash equivalents, beginning of period	142,362	214,708
Cash and cash equivalents, end of period	<u>\$ 211,594</u>	<u>\$ 306,398</u>