**<u>Basin Electric's Response to Staff IR's</u>**
EL09-028
August 30, 2021

**<u>Q: Please provide the appropriate financial information so the Commission can assess the financial condition of the Applicant.</u>**

A: The financial section of Basin Electric Power Cooperative's **(Basin Electric's)** most recent 2020 Annual Report (attached as Exhibit 1) as well as the 2021 first quarterly report (Exhibit 2) and second quarterly report of 2021 (Exhibit 3) provides detailed information regarding Basin Electric's financial condition. Exhibit 1 includes details on the consolidated financial statements of Basin Electric, which comprise the consolidated balance sheets and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years then ended.

As detailed on page 28 of Exhibit 1, Basin Electric's total utility operating revenue for 2020 was $1.7 billion, a decrease of $98 million from 2019. Revenue from member systems totaled $1.6 billion in 2020, a decrease of $68.2 million from 2019. Revenue from non-member sales totaled $17.5 million in 2020. Actual sales to non-members totaled $126.2 million, however, $108.7 million was deferred for recognition in the future. The 2020 non-member sales were $2.2 million less than the 2019 non-member sales before revenue deferral activity. Total 2020 sales were $70.4 million less than the 2019 sales before revenue deferral activity. Total utility operating expenses plus interest and other charges before income taxes for 2020 were $1.5 billion, which is $141.9 million less than in 2019. Basin Electric's margin before income taxes, combined with Basin Cooperative Services' net operating results, yielded a combined margin of $73.4 million to be allocated to members.

Further, as provided in Exhibit 1, the total assets of Basin Electric and its subsidiaries as of Dec. 31, 2020, were $7.6 billion, an increase of $123.5 million from a year earlier.

As evidenced in Exhibit 1, Basin Electric's financials were audited by Deloitte & Touche LLP **(Deloitte)**. In Deloitte's opinion provided for in Exhibit1, "the consolidated financial statements referred to above presented fairly, in all material respects, the financial position of Basin Electric as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America."

**<u>Q: The Applicant states "Basin Electric's strong bond ratings, liquidity, and equity positions support the idea of a corporate guarantee being sufficient in this case."</u>**

a) <u>What is Basin Electric's bond rating? Please explain and provide supporting documentation.</u>

A:

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

In both 2020 and 2021, Moody's Investors Service affirmed its A3 rating with a stable outlook, while Fitch Ratings and Standard & Poor's Rating Services affirmed their A ratings with a stable outlook (see page 28 of Exhibit 1). The rating agencies pointed to Basin Electric's membership's ability to financially weather the disruption caused by the COVID-19 pandemic, Basin Electric's robust liquidity position and financial strength, and healthy member relations that highlighted the positives of the cooperative model.

b) What is Basin Electric's liquidity? Please explain and provide supporting documentation.

A: On Dec. 31, 2020, Basin Electric's cash and cash equivalents and short-term investments, including restricted and designated cash, totaled $524.8 million. Basin Electric had additional liquidity of $885.7 million in unused lines of credit, for total available liquidity in excess of $1.4 billion (See page 28 of attached report). On June 30, 2021, cash and cash equivalents and short-term investments, including restricted and designated cash totaled $558.6 million. In addition, Basin Electric had $910.7 million of unused lines of credit. Thus, Basin Electric had nearly $1.5 billion of available liquidity (See Exhibit 3).

c) What is Basin Electric's equity position? Please explain and provide supporting documentation.

A: At year-end 2020, Basin Electric had total equity of $1.5 billion, an increase of $42.5 million from 2019. At the end of 2020, equity represented 26.4% of Basin Electric's total capitalization. As of Dec. 31, 2020, Basin Electric had an equity-to-asset ratio of 20.2%. As of June 30, 2021, Basin Electric had total equity of nearly $1.6 billion, an increase of $56.1 million from June 30, 2020. Basin Electric's equity-to-asset ratio was 20.4% as of June 30, 2021 (See Exhibit 3).

**Q: Besides the Applicant's financial condition, is there any other support for a corporate guarantee as an adequate decommissioning financial assurance for this facility? Please explain.**

A: While Basin Electric prefers the corporate guaranty, Basin Electric agrees to work with the Commission on a surety bond.

Further, Basin Electric has had a presence is South Dakota, since the cooperative was founded over sixty years ago. Additionally, Basin Electric, has met all local and state requirements for decommissioning other facilities in its footprint in the past.

**Q: Has Basin Electric been required to provide any other types of financial assurances for decommissioning besides a corporate guarantee for its other energy facilities? If yes, please list and describe.**

A: Yes. Other jurisdictions, including North Dakota have provisions in rule or law with specific criteria allowing the use of corporate guarantees. On December 5, 2019, Basin Electric met the stringent requirements under ND law and submitted a corporate guaranty to the ND PSC which was accepted. Further, Basin Electric routinely uses corporate guarantees as financial assurance mechanisms for a variety of other environmental purposes, including solid waste facility closure and post closure care.

For wind turbines located on US Fish and Wildlife Service **(USFWS)** grassland easements in both North and South Dakota, Basin Electric utilizes Irrevocable Letters of Credit **(ILOCs)** as the financial assurance mechanisms for decommissioning. An ILOC is an official correspondence from a bank that guarantees payment for goods or services (i.e. wind turbine decommissioning). An irrevocable letter of credit cannot be canceled, nor in any way modified, except with the explicit agreement of all parties involved: the buyer, the seller, and the issuing bank.

**Q: The Applicant states "in early 2018 PrairieWinds SD 1, Inc. was merged into Basin Electric, which took over ownership/operations of the project." Please explain why PrairieWinds SD 1, Inc. was merged into Basin Electric.**

A: The merger transferred all assets of the project to Basin Electric, eliminated intercompany purchases/sales of power generated by operation of the project, eliminated intercompany loans, eliminated all operational and administrative services provided by Basin Electric, and provided an income tax benefit to Basin Electric.

# FINANCIAL STABILITY

Basin Electric displayed its financial strength and stability during the COVID-19 global pandemic.

This was a direct reflection of the strong financial position of the membership. Unlike many others, Basin Electric was able to rely on existing cash balances and liquidity available through the Member Investment Program to pay bills when the short-term markets were not as accessible due to uncertainty caused by the economic impacts of the pandemic.

The cooperative preserved outlooks and ratings from our three rating agencies, Fitch Ratings, Standard & Poor's, and Moody's Investors Service, throughout these challenging times. The rating agencies pointed to the membership's ability to financially weather the disruption caused by the pandemic, Basin Electric's robust liquidity position and financial strength, and healthy member relations that highlighted the positives of the cooperative model.

As in the past several years, Basin Electric maintained close contact with the rating agencies throughout the year. Where typically we would travel to meet face-to-face, formal updates were given virtually to keep the agencies informed of our financial status.

This practice was particularly important during 2020 to keep the agencies updated on challenges faced, ability to absorb any financial stress, and plans for maintaining financial strength in the future.

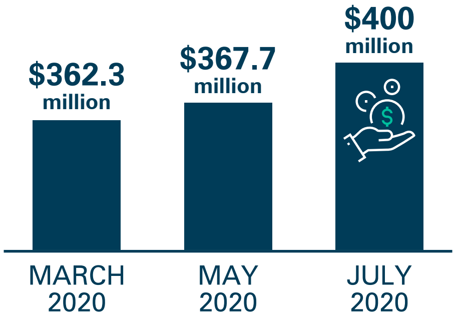
While 2020 was a financially difficult year for many businesses, Basin Electric and its subsidiaries continued to operate efficiently and were able to find ways to reduce costs.

General and administrative expenses for Basin Electric for 2020 were approximately $15 million or 11% under budget, due in a large part to many employees working from home.

Dakota Gas was also diligent in managing costs as total operating costs for 2020 were $32.4 million under budget.

## MEMBER INVESTMENT PROGRAM CONTINUES HITTING RECORDS

Basin Electric's Member Investment Program set several records in 2020. In March, a new record high of $362.3 million was set. Then in May, that was surpassed, reaching $367.7 million. An even higher milestone was reached in July, when investment levels surpassed $400 million for the first time in history. The success of this program is a testament to the financial strength of the membership.



## CO-OP 100

Basin Electric was ranked among the nation's top cooperatives by the National Cooperative Bank in its annual NCB Co-op 100 list, which highlights the economic impact of co-ops across the country. The cooperative was ranked #17 overall, and was ranked #1 in the energy sector.

## 2020 FINANCIAL SERVICES ACTIVITIES

ELECTRIC RATES – During 2020, Basin Electric's average Class A rate was 61.4 mills per kilowatt-hour.

SENIOR SECURED BOND RATINGS – Moody's Investors Service affirmed its A3 rating with a stable outlook, while Fitch Ratings and Standard & Poor's Rating Services affirmed their A ratings with a stable outlook.

SHORT-TERM RATINGS – Basin Electric's short-term ratings are F1+ from Fitch, A1 from S&P, and P-2 from Moody's. Basin Electric uses short-term commercial paper for short-term operating needs and as a source of bridge financing until it can secure long-term financing.

LIQUIDITY – On Dec. 31, 2020, cash and cash equivalents and short-term investments, including restricted and designated cash, totaled $524.8 million. Basin Electric had additional liquidity of $885.7 million in unused lines of credit, for total available liquidity in excess of $1.4 billion.

## OPERATING RESULTS

CONSOLIDATED RESULTS – Basin Electric's financial statements are consolidated with those of its subsidiaries. For the year ending Dec. 31, 2020, the consolidated net margin and earnings was $75.2 million. This is $1.4 million less than the 2019 consolidated net margin and earnings of $76.6 million.

ELECTRIC – Basin Electric's total utility operating revenue for 2020 was $1.7 billion, a decrease of $98 million from 2019. Revenue from member systems totaled $1.6 billion in 2020, a decrease of $68.2 million from 2019. Revenue from non-member sales totaled $17.5 million in 2020. Actual sales to non-members totaled $126.2 million, however, $108.7 million was deferred for recognition in the future. The 2020 non-member sales were $2.2 million less than the 2019 non-member sales before revenue deferral activity. Total 2020 sales were $70.4 million less than the 2019 sales before revenue deferral activity. Total utility operating expenses plus interest and other charges before income taxes for 2020 were $1.5 billion, which is $141.9 million less than in 2019. Basin Electric's margin before income taxes, combined with Basin Cooperative Services' net operating results, yielded a combined margin of $73.4 million to be allocated to members.

SUBSIDIARY RESULTS – Dakota Gas had a net loss of $94.9 million during 2020, and Dakota Coal had net income of $1.4 million

## FINANCIAL POSITION

ASSETS – The total assets of Basin Electric and its subsidiaries as of Dec. 31, 2020, were $7.6 billion, an increase of $123.5 million from a year earlier.

MEMBER INVESTMENT PROGRAM – Basin Electric's Member Investment Program ended the year with $324.2 million, however the program reached an all-time high of $401.8 million on July 10, 2020. The program offers members an additional investment source at a competitive rate of return while providing Basin Electric with an additional source of liquidity.

UTILITY DEBT – As of Dec. 31, 2020, Basin Electric had approximately $4.48 billion of debt outstanding including Member Investment Program obligations and outstanding advances on lines of credit, at a weighted average interest rate of 4.23%.

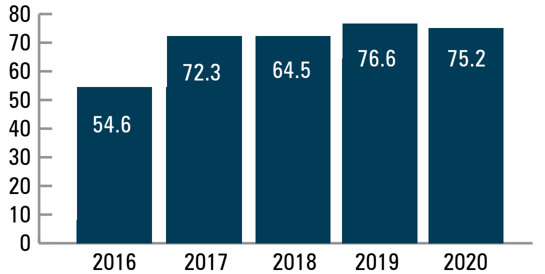
EQUITY POSITION – At year-end 2020, Basin Electric had total equity of $1.5 billion, an increase of $42.5 million from 2019. At the end of 2020, equity represented 26.4% of Basin Electric's total capitalization. As of Dec. 31, 2020, Basin Electric had an equity-to-asset ratio of 20.2%.

CAPITAL CREDIT ALLOCATIONS AND RETIREMENTS – In March 2020, Basin Electric allocated $59.5 million to its patrons. Since 1966, Basin Electric has allocated almost $1.4 billion in patronage capital credits to its members. During 2020, Basin Electric returned $32.6 million of previously allocated capital credits to its members. Basin Electric has retired $343.9 million of allocated patronage capital credits over the history of the cooperative.

RETURN OF CASH TO MEMBERS – Since 2000, Basin Electric has returned nearly $752.7 million to the membership through patronage capital retirements, bill credits, and power cost adjustments.

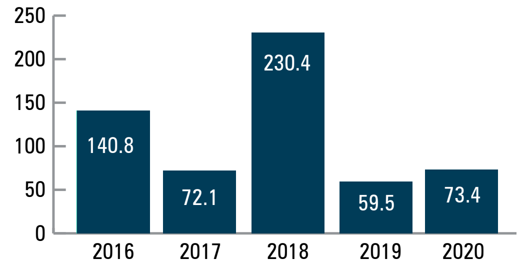
## CONSOLIDATED NET MARGIN & EARNINGS

*In millions of dollars – for the years ended*



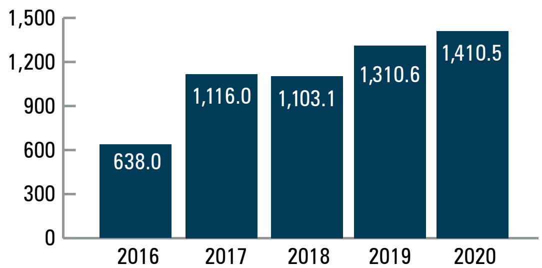

## BASIN ELECTRIC STAND-ALONE MARGIN ALLOCATION

*In millions of dollars – for the years ended*



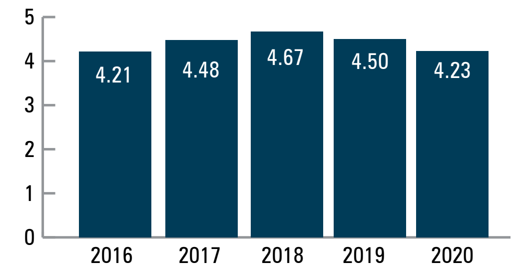

## CONSOLIDATED LIQUIDITY

*In millions of dollars – at year-end*



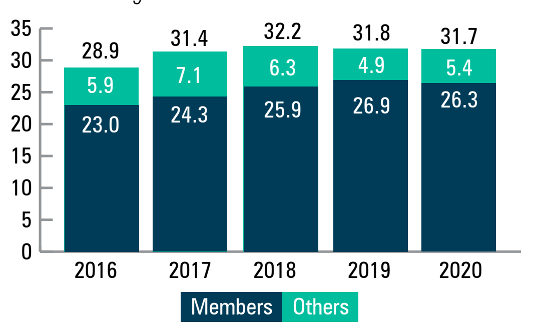

## AVERAGE INTEREST RATE ON UTILITY DEBT

*As of Dec. 31 – as a percentage*



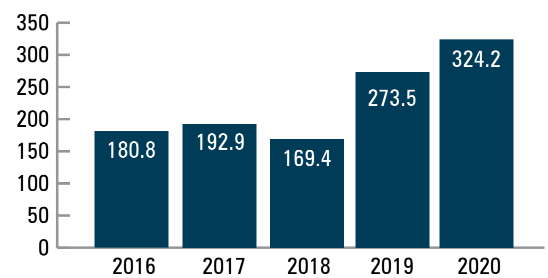

## TOTAL ELECTRIC SALES TO MEMBER SYSTEMS & OTHERS

*In millions of megawatt-hours*



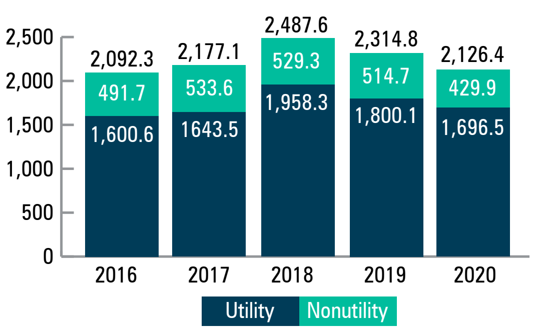

## MEMBER INVESTMENT PROGRAM BALANCE

*In millions of dollars – at year-end*



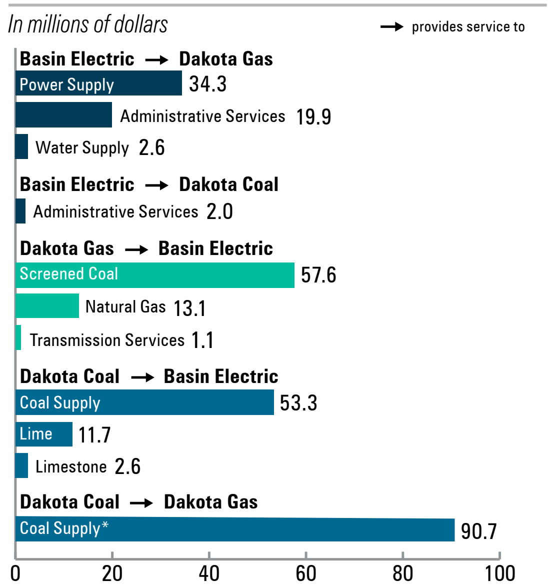

## CONSOLIDATED REVENUE AND OTHER INCOME

*In millions of dollars*




## INTERCOMPANY GOODS AND SERVICES

*In millions of dollars*




*Net of screened coal sold by Dakota Gas to Basin Electric

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

# FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Utility operations:** | | | | | |
| **Operating revenue:** | | | | | |
| Sales of electricity for resale | $ 1,635,705 | $ 1,734,812 | $ 1,891,237 | $ 1,567,242 | $ 1,531,257 |
| Other electric revenue | 22,800 | 21,706 | 23,069 | 23,381 | 30,321 |
| Total utility operating revenue | 1,658,505 | 1,756,518 | 1,914,306 | 1,590,623 | 1,561,578 |
| **Operating expenses:** | | | | | |
| Operation | 1,043,836 | 1,124,145 | 1,097,857 | 1,060,167 | 1,001,114 |
| Maintenance | 97,916 | 149,350 | 145,692 | 165,556 | 149,357 |
| Depreciation and amortization | 159,182 | 154,510 | 147,449 | 135,438 | 125,287 |
| Taxes other than income | 2,766 | 2,901 | 2,936 | 2,798 | 2,762 |
| Total utility operating expenses | 1,303,700 | 1,430,906 | 1,393,934 | 1,363,959 | 1,278,520 |
| **Interest and other charges:** | | | | | |
| Interest on long-term debt | 193,608 | 198,982 | 198,354 | 190,648 | 167,192 |
| Interest on short-term debt | 5,101 | 12,361 | 10,366 | 7,657 | 4,718 |
| Other, net of regulatory expense deferral | 25,826 | 27,881 | (103,010) | 9,566 | 9,370 |
| Total interest and other charges | 224,535 | 239,224 | 105,710 | 207,871 | 181,280 |
| Operating margin | 130,270 | 86,388 | 414,662 | 18,793 | 101,778 |
| **Nonoperating margin:** | | | | | |
| Interest and other income | 33,051 | 38,513 | 38,163 | 47,579 | 35,039 |
| Patronage allocations from other cooperatives | 4,928 | 5,064 | 5,817 | 5,262 | 3,979 |
| Total nonoperating margin | 37,979 | 43,577 | 43,980 | 52,841 | 39,018 |
| Utility margin before income taxes | 168,249 | 129,965 | 458,642 | 71,634 | 140,796 |
| **Nonutility loss before income taxes** | (146,915) | (73,443) | (431,788) | (107,350) | (153,150) |
| Benefit from income taxes | (53,827) | (20,044) | (37,684) | (108,056) | (66,921) |
| **Net margin and earnings** | $ 75,161 | $ 76,566 | $ 64,538 | $ 72,340 | $ 54,567 |
| **Electric sales information:** | | | | | |
| Electric energy sales (in thousands of MWh) | | | | | |
| Members | 26,336 | 26,966 | 25,913 | 24,337 | 23,000 |
| Others | 5,390 | 4,870 | 6,239 | 7,113 | 5,899 |
| **Total** | 31,726 | 31,836 | 32,152 | 31,450 | 28,899 |

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# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2020 and 2019, 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.

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 10, 2021

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

# CONSOLIDATED BALANCE SHEETS

*as of December 31, (dollars in thousands)*

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Utility plant (Note 5): | | |
| Electric plant in service | $ 7,225,866 | $ 7,201,074 |
| Construction work in progress, net of contribution in aid of construction | 66,707 | (18,153) |
| Total electric plant | 7,292,573 | 7,182,921 |
| Less: accumulated provision for depreciation and amortization | (2,808,434) | (2,667,398) |
| | 4,484,139 | 4,515,523 |
| Nonutility property (Note 5): | | |
| Property, plant and equipment | 1,515,951 | 1,534,028 |
| Construction work in progress | 6,663 | 1,174 |
| Total nonutility property | 1,522,614 | 1,535,202 |
| Less: accumulated provision for depreciation and depletion | (533,273) | (502,405) |
| | 989,341 | 1,032,797 |
| Other property, investments and deferred charges: | | |
| Mine related assets (Note 8) | 129,635 | 117,727 |
| Investments in associated companies | 35,810 | 38,280 |
| Restricted and designated investments (Note 6) | 40,402 | 35,454 |
| Other investments (Note 7) | 253,338 | 194,419 |
| Special funds | 65,752 | 58,548 |
| Regulatory assets (Note 10) | 538,296 | 522,617 |
| Other deferred charges | 4,274 | 4,700 |
| | 1,067,507 | 971,745 |
| Current assets: | | |
| Cash and cash equivalents | 228,222 | 154,636 |
| Restricted and designated cash and investments (Note 6) | 295,794 | 185,696 |
| Short-term investments (Note 7) | 767 | 79,303 |
| Customer accounts receivable | 156,407 | 174,779 |
| Other receivables | 84,323 | 87,119 |
| Coal stock, materials and supplies (Note 2) | 228,250 | 225,086 |
| Prepayments and other current assets | 68,803 | 53,377 |
| | 1,062,566 | 959,996 |
| | $ 7,603,553 | $ 7,480,061 |
| **Capitalization and Liabilities** | | |
| Capitalization: | | |
| Equity: | | |
| Memberships | $ 21 | $ 21 |
| Patronage capital | 1,102,868 | 1,063,045 |
| Retained earnings of subsidiaries | 95,811 | 94,444 |
| Other equity (Note 11) | 344,449 | 343,080 |
| Accumulated other comprehensive loss (Note 11) | (11,022) | (10,217) |
| | 1,532,127 | 1,490,373 |
| Noncontrolling interest | 2,294 | 1,535 |
| | 1,534,421 | 1,491,908 |
| Long-term debt, net of current portion (Note 12) | 4,278,306 | 4,376,911 |
| Capital lease obligations, net of current portion (Note 4) | 4,687 | 3,818 |
| | 5,817,414 | 5,872,637 |
| Regulatory liabilities (Note 10) | 282,849 | 163,272 |
| Other deferred credits, taxes and other liabilities (Note 17) | 469,275 | 476,679 |
| | 752,124 | 639,951 |
| Commitments and contingencies (Notes 18) | | |
| Current liabilities: | | |
| Current portion of long-term debt (Note 12) | 97,304 | 99,466 |
| Current portion of capital lease obligations (Note 4) | 1,762 | 1,180 |
| Accounts payable | 167,499 | 164,118 |
| Notes payable – affiliates | 323,420 | 272,501 |
| Notes payable (Note 12) | 344,263 | 339,014 |
| Taxes and other current liabilities | 99,767 | 91,194 |
| | 1,034,015 | 967,473 |
| | $ 7,603,553 | $ 7,480,061 |

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)*

| | 2020 | 2019 |
|---|---|---|
| **Utility operations:** | | |
| **Operating revenue:** | | |
| Sales of electricity for resale: | | |
| Members | $ 1,618,174 | $ 1,686,356 |
| Others | 17,531 | 48,456 |
| | 1,635,705 | 1,734,812 |
| Other electric revenue | 22,800 | 21,706 |
| | 1,658,505 | 1,756,518 |
| **Operating expenses:** | | |
| Operation | 1,043,836 | 1,124,145 |
| Maintenance | 97,916 | 149,350 |
| Depreciation and amortization | 159,182 | 154,510 |
| Taxes other than income | 2,766 | 2,901 |
| | 1,303,700 | 1,430,906 |
| **Interest and other charges:** | | |
| Interest on long-term debt | 193,608 | 198,982 |
| Interest on short-term debt | 5,101 | 12,361 |
| Other, net of regulatory expense deferral | 25,826 | 27,881 |
| | 224,535 | 239,224 |
| Operating margin | 130,270 | 86,388 |
| **Nonoperating margin:** | | |
| Interest and other income | 33,051 | 38,513 |
| Patronage allocations from other cooperatives | 4,928 | 5,064 |
| | 37,979 | 43,577 |
| Utility margin before income taxes | 168,249 | 129,965 |
| **Nonutility operations:** | | |
| **Operating revenue:** | | |
| Synthetic natural gas | 87,789 | 129,096 |
| Byproducts, coproducts and other | 213,961 | 240,675 |
| Lignite coal | 110,852 | 127,243 |
| | 412,602 | 497,014 |
| **Operating expenses:** | | |
| Impairment of assets, net | 3,814 | 1,665 |
| Other operating expenses (includes $17,991 and $17,908 of net income attributed to noncontrolling interest) | 572,984 | 586,522 |
| | 576,798 | 588,187 |
| Operating loss | (164,196) | (91,173) |
| **Interest and other income** | 17,281 | 17,730 |
| Nonutility loss before income taxes | (146,915) | (73,443) |
| Margin before income taxes | 21,334 | 56,522 |
| Benefit from income taxes | (53,827) | (20,044) |
| **Net margin and earnings** | $ 75,161 | $ 76,566 |

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)*

| | 2020 | 2019 |
|---|---|---|
| Net margin and earnings | $ 75,161 | $ 76,566 |
| Other comprehensive income (loss): | | |
| Adjustment to post employment liability (net of tax of $774 and $(661), respectively) | 2,573 | (3,950) |
| Unrealized gain on securities (net of tax of $192 and $842, respectively) | 707 | 3,166 |
| Reclassification of net realized gain on securities (net of tax of $(33) and $175, respectively) | (127) | (217) |
| Unrealized gain on cash flow hedges (net of tax of $145 and $914, respectively) | 546 | 3,439 |
| Reclassification of net realized gain on cash flow hedges (net of tax of $(1,197) and $(1,081), respectively) | (4,504) | (4,066) |
| Total other comprehensive loss | (805) | (1,628) |
| Comprehensive income | $ 74,356 | $ 74,938 |

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*for the years ended December 31, 2020 and 2019 (dollars in thousands)*

| | Memberships | Patronage Capital | Retained Earnings of Subsidiaries | Other Equity | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interest | Total |
|---|---|---|---|---|---|---|---|
| Balance, December 31, 2018 | $ 21 | $ 1,033,457 | $ 65,253 | $ 343,303 | $ 10,688 | $ 2,352 | $ 1,455,074 |
| Comprehensive income (loss) | - | 61,111 | 15,455 | - | (1,628) | - | 74,938 |
| Transfers to other equity (Note 11) | - | 152 | - | (152) | - | - | - |
| Retirement of patronage capital | - | (31,675) | - | - | - | - | (31,675) |
| Adoption of accounting standard (Note 2) | - | - | 13,736 | (71) | (19,277) | - | (5,612) |
| Noncontrolling interest in net margin and earnings | - | - | - | - | - | 17,908 | 17,908 |
| Dividends paid to noncontrolling interest | - | - | - | - | - | (18,725) | (18,725) |
| Balance, December 31, 2019 | 21 | 1,063,045 | 94,444 | 343,080 | (10,217) | 1,535 | 1,491,908 |
| Comprehensive income (loss) | - | 73,794 | 1,367 | - | (805) | - | 74,356 |
| Transfers to other equity (Note 11) | - | (1,369) | - | 1,369 | - | - | - |
| Retirement of patronage capital | - | (32,602) | - | - | - | - | (32,602) |
| Noncontrolling interest in net margin and earnings | - | - | - | - | - | 17,991 | 17,991 |
| Dividends paid to noncontrolling interest | - | - | - | - | - | (17,232) | (17,232) |
| Balance, December 31, 2020 | $ 21 | $ 1,102,868 | $ 95,811 | $ 344,449 | $ (11,022) | $ 2,294 | $ 1,534,421 |

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)*

| | 2020 | 2019 |
|---|---|---|
| **Operating activities:** | | |
| Net margin and earnings | $ 75,161 | $ 76,566 |
| Adjustments to reconcile net margin and earnings to net cash from operating activities: | | |
| Depreciation and amortization of property, plant and equipment | 214,008 | 210,368 |
| Deferred income taxes | (53,977) | (18,775) |
| Changes in regulatory assets and liabilities | 133,302 | 99,617 |
| Unrealized gain on investments | (5,366) | (11,040) |
| Patronage capital | (8,039) | (8,703) |
| Other amortization and accretion | 11,292 | 4,279 |
| Impairment of assets, net | 3,814 | 1,665 |
| Income attributable to noncontrolling interest | 17,991 | 17,908 |
| Changes in other operating elements: | | |
| Customer accounts receivable | 18,372 | (12,368) |
| Other receivables | 2,923 | 40,063 |
| Coal stock, materials and supplies | (4,664) | (21,419) |
| Prepayments and other current assets | (5,722) | 6,001 |
| Accounts payable | (10,062) | (3,630) |
| Taxes and other current liabilities | 8,356 | (23,107) |
| Changes in collateral | (27,222) | (17,301) |
| Other operating activities, net | (8,449) | 2,160 |
| Net cash provided by operating activities | 361,718 | 342,284 |
| **Investing activities:** | | |
| Acquisition of electric plant | (113,704) | (48,469) |
| Acquisition of nonutility property | (11,224) | (21,994) |
| Proceeds from sales of property | 6,312 | 3,045 |
| Purchase of investments | (91,051) | (116,147) |
| Sale of investments | 132,614 | 22,425 |
| Sale of other assets and prepayments received on notes receivable | 5,966 | 6,089 |
| Purchase of other assets and issuance of notes receivable | (7,766) | (10,639) |
| Net cash used in investing activities | (78,853) | (165,690) |
| **Financing activities:** | | |
| Proceeds of long-term debt | 10,241 | 150,000 |
| Principal payments of long-term debt | (114,387) | (249,190) |
| Payment of debt issue costs | - | (1,455) |
| Proceeds of notes payable - affiliates | 2,338,810 | 2,382,099 |
| Payments of notes payable - affiliates | (2,288,146) | (2,277,981) |
| Proceeds of notes payable | 1,125,368 | 1,311,775 |
| Payments of notes payable | (1,120,119) | (1,376,150) |
| Payments under capital lease obligations | (1,114) | (1,389) |
| Retirement of patronage capital | (32,602) | (31,675) |
| Dividends paid to noncontrolling interest | (17,232) | (18,725) |
| Net cash used in financing activities | (99,181) | (112,691) |
| Net increase in cash and cash equivalents and designated cash and equivalents | 183,684 | 63,903 |
| **Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period** | 340,332 | 276,429 |
| **Cash and cash equivalents and restricted and designated cash and equivalents, end of period** | $ 524,016 | $ 340,332 |

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.

Basin Electric's accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The rates charged to its members for electric service are established by Basin Electric's Board of Directors with changes in rates subject to review by FERC.

Basin Electric has two wholly owned for-profit subsidiaries, Dakota Gasification Company (Dakota Gas), and Dakota Coal Company (Dakota Coal). 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, 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% owner of the Missouri Basin Power Project (MBPP) and acts as the operating agent for the 1,700 megawatt LRS generating plant in Wyoming, associated transmission facilities and the Grayrocks Dam and Reservoir. Basin Electric is a 92.9% owner of the DFS generating plant in Wyoming and acts as the operating agent for the 385-megawatt plant.

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 potentially other companies' fertilizer and DEF production.

## 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 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 plant depreciable lives, actuarially determined benefit costs, valuation of derivatives, asset retirement obligations, cash flows used in asset impairment evaluations and benefit from income taxes. 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.

INVESTMENTS — In 2019, Basin Electric adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) *2016-01 Recognition and Measurement of Financial Assets and Liabilities*. This standard required equity investments (excluding equity method investments and investments that are consolidated) to be measured at fair value with changes in fair value recognized in net income. A cumulative-effect adjustment as of January 1, 2019 resulted in $13,736 of unrealized gains being reclassified from Accumulated other comprehensive loss to Retained earnings of subsidiaries, $71 of unrealized losses being reclassified from Accumulated other comprehensive loss to Other equity, $3,607 of unrealized gains being reclassified from Accumulated other comprehensive loss to Other deferred credits, taxes and other liabilities and $2,005 of unrealized gains being reclassified from Accumulated other comprehensive loss to Regulatory liabilities.

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 loss. 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.

COAL 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, and fuel stock, and materials and supplies inventories are stated at average cost, which approximates market. Inventories were as follows at December 31:

| | 2020 | 2019 |
|---|---|---|
| Materials and supplies | $ 168,753 | $ 156,757 |
| Coal and fuel oil | 36,044 | 39,592 |
| Lime and limestone inventory | 8,223 | 8,959 |
| Ammonia | 5,685 | 6,962 |
| Urea | 3,381 | 3,935 |
| Natural gas held in storage | 945 | 2,926 |
| Ammonium sulfate | 920 | 2,142 |
| Other products | 3,741 | 2,864 |
| Process inventory | 558 | 949 |
| | $ 228,250 | $ 225,086 |

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 at December 31, 2020 was $343,903.

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 refined coal equipment hosting fees, miscellaneous services provided and miscellaneous sales of equipment. Generally, a single performance obligation exists in the generation of other revenue and the performance obligation is satisfied at a point in time. The contract specifies the price, and revenue is recognized as delivery occurs or services are rendered.

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

- Synthetic natural gas, certain other byproducts and lignite coal - The sale and delivery of synthetic natural gas, certain other byproducts (exclusive of fertilizer and DEF products), and lignite coal is considered one single performance obligation as providing the commodity and the delivery of it is fulfilling a single promise to the customer as control transfers to the customer upon delivery. The performance obligation is satisfied at a point in time. The sales contracts and coal supply contracts specify the price, and revenue is recognized as delivery occurs.
- Fertilizer products - For the sale of fertilizer and DEF products, control transfers at the exit gate of the plant, therefore, the shipping of the product is not included in the performance obligation. The performance obligation is satisfied at a point in time. The marketing agreement with N-7 specifies the price, and revenue is recognized as products exit the plant.
- Other nonutility revenue - Other nonutility revenue largely consists of sales of lime from Dakota Coal's lime plant and sales of limestone from MLC's limestone quarry and fine-grind plant. The sale and delivery of lime and limestone is considered one single performance obligation as providing the lime and limestone and the delivery of it is fulfilling a single promise to the customer as control transfers to the customer upon delivery. The performance obligation is satisfied at a point in time. The sales contracts specify the price, and revenue is recognized as delivery occurs.

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. When an 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. 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. For more information, see Note 5.

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

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

A net impairment loss of $3.8 million in 2020 consists of coal gasification additions that were impaired upon purchase. A net impairment loss of $1.7 million in 2019 consists of $6.8 million of coal gasification additions that were impaired upon purchase, partially offset by an adjustment to reduce the 2018 impairment charge by $5.1 million. 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.

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 refinancing.

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 is related to derivative liabilities and agreements that contain credit-related contingent features and is included in the Consolidated Balance Sheets as follows:

| | 2020 | 2019 |
|---|---|---|
| Other investments | $ 104,446 | $ 88,206 |
| Prepayments and other current assets | 30,212 | 19,308 |
| Cash and cash equivalents | 2,024 | 3,559 |
| | $ 136,682 | $ 111,073 |

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

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

SUBSEQUENT EVENTS — Basin Electric considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to December 31, 2020 through March 10, 2021, the date the consolidated financial statements were available for issuance. As of February 1, 2021 Wyoming Municipal Power Agency (WMPA) sold their 7.1 percent share of DFS to Basin Electric making Basin Electric the sole owner of DFS. As of the same date WMPA became a class A member of Basin Electric. Management is not aware of any other material subsequent events that would require recognition or disclosure in the 2020 consolidated financial statements.

## 3. NEW ACCOUNTING PRONOUNCEMENTS

### ACCOUNTING STANDARD UPDATES ADOPTED

*ASU 2020-04 Reference Rate Reform* - In March 2020, the FASB issued new accounting guidance to assist in the transition to other reference rates with the phase-out of the London Inter-bank Offered Rate (LIBOR) expected by the end of 2021. The guidance provides optional short-term relief through December 31, 2022 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. The new guidance is optional for Basin Electric as of the date of issuance through December 31, 2022. Management has applied the optional relief for certain debt agreement modifications where the LIBOR rate was replaced by an alternate reference rate. This did not result in a material impact on the consolidated financial statements and disclosures. Management is currently evaluating other contracts that will be affected by the LIBOR phase out, however it does not believe there will be a material impact on the consolidated financial statements and disclosures.

### RECENTLY ISSUED ACCOUNTING STANDARD UPDATES

*ASU 2016-02 Leases* - In February 2016, the FASB issued new accounting guidance for leases. The new guidance increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In January 2018, and July 2018, the FASB issued additional guidance on leases, to simplify the transition and make certain corrections and clarifications to the guidance issued in 2016. In December 2018, the FASB issued additional guidance addressing lessor issues regarding sales taxes and similar taxes collected from lessees, certain lessor costs paid for or reimbursed by the lessee, and recognition of variable payments for contracts with lease and nonlease components. In June 2020, the FASB issued additional guidance that deferred the effective date for non-public business entities to fiscal years beginning after December 15, 2021, with early adoption still permitted. Basin Electric plans to adopt the new lease accounting guidance effective January 1, 2021 utilizing the modified retrospective approach. The adoption is expected to result in recording a lease right of use asset and a corresponding lease obligation on the Consolidated Balance Sheets of $148.6 million as of January 1, 2021. Adoption of the guidance as it relates to lease contracts where Basin Electric is the lessor is not expected to have a significant impact on the financial statements.

*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 current GAAP. The new guidance will be effective for Basin Electric in 2023. Management is currently evaluating the impact of adoption of this new guidance on the consolidated financial statements and disclosures.

*ASU 2017-12 Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities* - In August 2017, the FASB issued new accounting guidance with the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and to make improvements to simplify the application of the hedge accounting guidance. The amendments provided in the new guidance will better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments also expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. In 2019, the FASB issued additional guidance that deferred the effective date for non-public business entities to fiscal years beginning after December 15, 2020 with early adoption permitted. The new guidance will be effective for Basin Electric in 2021 and management does not expect a material impact on the consolidated financial statements and disclosures.

*ASU 2018-15 Intangibles - Goodwill and Other - Internal Use Software: Customer's accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* - In August 2018, the FASB issued new accounting guidance to align the requirements for capitalizing implementation costs incurred in a software-hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new guidance also requires the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The new guidance will be effective for Basin Electric in 2021 and management does not expect a material impact on the consolidated financial statements and disclosures.

## 4. LEASES

CAPITAL LEASES — Basin Electric, Dakota Gas, and Dakota Coal are the lessees of certain substation, office equipment, mining equipment, and railcars under capital leases expiring from 2021 to 2050. The assets and liabilities under capital leases are recorded at the lesser of the present value of the minimum lease payments or the fair value of the asset. Property under capital leases as of December 31, 2020 included various substation, office equipment, mining equipment, and railcars with an original cost of $15,597. The assets are amortized over the lesser of their related lease terms or their estimated productive lives. Other equipment is purchased by Dakota Coal and leased to Coteau. These are recorded as direct financing leases and eliminated in consolidation.

Minimum future lease payments under capital leases as of December 31, 2020 for each of the next five years and in the aggregate are:

| Year | Amount |
|---|---|
| 2021 | $ 2,021 |
| 2022 | 691 |
| 2023 | 425 |
| 2024 | 315 |
| 2025 | 272 |
| Thereafter | 6,263 |
| Total minimum lease payments | 9,987 |
| Less: Amount representing interest | (3,538) |
| Present value of net minimum lease payments | $ 6,449 |

Interest rates on capitalized leases vary from 2.29% to 5.14% and are imputed based on the lessor's implicit rate of return.

LEASING ARRANGEMENTS AS LESSEE — Basin Electric leases certain electric plant facilities, mining and related equipment and other operational assets under noncancelable operating leases with initial terms up to 90 years.

Minimum future lease payments under non-cancelable operating leases for each of the next five years and in aggregate are:

| Year | Amount |
|---|---|
| 2021 | $ 23,424 |
| 2022 | 21,100 |
| 2023 | 12,188 |
| 2024 | 11,184 |
| 2025 | 11,133 |
| Thereafter | 106,006 |
| Total | $ 185,035 |

Rental payments charged to expense were $41,608 and $43,964 in 2020 and 2019.

## 5. PROPERTY, PLANT AND EQUIPMENT AND JOINTLY OWNED FACILITIES

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

| | Depreciable Lives | 2020 | 2019 |
|---|---|---|---|
| **Utility property:** | | | |
| **Electric plant in service:** | | | |
| Generation | 20-60 years | $ 5,633,602 | $ 5,656,644 |
| Transmission | 20-60 years | 1,300,773 | 1,261,677 |
| General plant | 3-20 years | 291,491 | 282,753 |
| Construction work in progress | | 78,709 | 18,551 |
| Contribution in aid of construction | | (12,002) | (36,704) |
| Total utility property | | 7,292,573 | 7,182,921 |
| Less: accumulated provision for depreciation and amortization | | (2,808,434) | (2,667,398) |
| | | $ 4,484,139 | $ 4,515,523 |
| **Nonutility property:** | | | |
| **Dakota Gasification Company:** | | | |
| Fertilizer plant | 40 years | $ 906,613 | $ 904,250 |
| Pipelines | 35 years | 27,686 | 30,172 |
| Other property | 3-20 years | 59,991 | 60,443 |
| **Dakota Coal Company:** | | | |
| Mining | 10-20 years | 456,724 | 475,225 |
| Lime and limestone | 10-20 years | 48,852 | 48,158 |
| Other property | 3-20 years | 11,048 | 10,744 |
| Other | | 5,037 | 5,036 |
| Construction work in progress | | 6,663 | 1,174 |
| Total utility property | | 1,522,614 | 1,535,202 |
| Less: accumulated provision for depreciation and depletion | | (533,273) | (502,405) |
| | | $ 989,341 | $ 1,032,797 |

Construction work in progress includes $2,110 and $3,858 as of December 31, 2020 and 2019, respectively, of interest charged and capitalized to construction. Annual electric plant depreciation and amortization expense totaled $160,049 and $155,639 for 2020 and 2019. Annual nonutility depreciation, depletion and amortization expense totaled $55,054 and $57,551 for 2020 and 2019.

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

| | 2020 | 2019 |
|---|---|---|
| Electric plant | $ 920,957 | $ 916,343 |
| Less accumulated provision for depreciation and amortization | (557,540) | (539,296) |
| | $ 363,417 | $ 377,047 |

## 6. RESTRICTED AND DESIGNATED CASH AND INVESTMENTS

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

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 228,222 | $ 154,636 |
| Restricted and designated cash and equivalents: | | |
| MBPP operating funds | 32,094 | 30,696 |
| Deferred revenue | 263,700 | 155,000 |
| | 295,794 | 185,696 |
| Total cash, cash equivalents and restricted and designated cash and equivalents included in the Consolidated Statements of Cash Flows | $ 524,016 | $ 340,332 |

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

| | 2020 | 2019 |
|---|---|---|
| Funds held in trust for an asset retirement obligation by Bank of Montreal as trustee for SVPL | $ 3,070 | $ 2,840 |
| Asset retirement obligations | 37,332 | 32,614 |
| | $ 40,402 | $ 35,454 |

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

## 7. INVESTMENTS

Investments in equity securities and available-for-sale debt securities are included in Mine related assets, Restricted and designated investments and Other investments on the Consolidated Balance Sheets. The cost, unrealized holding gains and losses, and fair value of equity and debt securities were as follows at December 31, 2020:

| | | Gross Unrealized Holding | | |
|---|---|---|---|---|
| | Cost | Gains | Losses | Fair Value |
| Available-for-sale debt securities: | | | | |
| Corporate and government bonds | $ 91,400 | $ 1,525 | $ - | $ 92,925 |
| Equity securities: | | | | |
| Equities and equity funds | 36,307 | 48,446 | - | 84,753 |
| Bond market funds | 51,641 | 4,052 | - | 55,693 |
| | 87,948 | 52,498 | - | 140,446 |
| Other | 46 | - | - | 46 |
| | $ 179,394 | $ 54,023 | $ - | $ 233,417 |

During 2020, sales proceeds on debt securities classified as available-for-sale were $39,834. The cost of securities sold is based on the specific identification method.

The cost, unrealized holding gains and losses, and fair value of equity and debt securities were as follows at December 31, 2019:

| | | Gross Unrealized Holding | | |
|---|---|---|---|---|
| | Cost | Gains | Losses | Fair Value |
| Available-for-sale debt securities: | | | | |
| Corporate and government bonds | $ 42,061 | $ 786 | $ - | $ 42,847 |
| Agency bonds | 10,000 | - | - | 10,000 |
| | 52,061 | 786 | - | 52,847 |
| Equity securities: | | | | |
| Equities and equity funds | 37,178 | 41,625 | - | 78,803 |
| Bond market funds | 43,426 | 1,748 | - | 45,174 |
| | 80,604 | 43,373 | - | 123,977 |
| Other | 61 | - | - | 61 |
| | $ 132,726 | $ 44,159 | $ - | $ 176,885 |

During 2019, sales proceeds on debt securities classified as available-for-sale were $16,543. 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, 2020 was as follows:

| | 2020 |
|---|---|
| Due through one year | $ 17,461 |
| Due after one year through five years | 74,970 |
| Due after five years | 494 |
| | $ 92,925 |

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:

| | 2020 | 2019 |
|---|---|---|
| Money market | $ 301,212 | $ 198,135 |
| Corporate commercial paper | 213,419 | 208,224 |
| | $ 514,631 | $ 406,359 |

Included in Other investments on the Consolidated Balance Sheets is the cash surrender value of life insurance policies of $3,092 and $2,254, as of December 31, 2020 and 2019.

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 $24,765 and $27,819 as of December 31, 2020 and 2019 are included in Other investments, Investments in associated companies and Other receivables on the Consolidated Balance Sheets. Maturities range from May 2021 through May 2043, and the weighted average interest rate is 5.14 percent. The estimated fair value of these notes receivable at December 31, 2020 and 2019 was $32,833 and $34,526, 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:

| | 2020 | 2019 |
|---|---|---|
| Mine closing fund investments | $ 101,356 | $ 89,736 |
| Prepaid coal royalties | 23,926 | 26,023 |
| Notes receivable and mine financing costs | 4,353 | 1,968 |
| | $ 129,635 | $ 117,727 |

## 9. DERIVATIVE FINANCIAL INSTRUMENTS

Normal operations expose Basin Electric to risks associated with changes in the market price of certain commodities. Basin Electric entered into derivative financial instruments for the purpose of mitigating the risks associated with market price volatility of natural gas, tar oil, electricity and diesel. Any changes in cash flows from the underlying purchases and sales that are indexed to certain prices are offset by corresponding changes in the cash flows from the derivatives. As directed by a Basin Electric Board of Director's policy 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 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, 2020:

| Hedged Transaction | Term | Contracted Monthly Volumes of Forecasted Transactions | Price |
|---|---|---|---|
| Natural gas sales | Through October 2021 | 6% to 27% | $2.31 - $3.09 per dekatherm |
| Natural gas purchases | Through March 2023 | 6% to 100% | $1.97 - $4.46 per dekatherm |
| Tar oil sales | Through March 2021 | 29% to 44% | $44.35 - $45.60 per barrel |
| Electricity purchases | Through December 2022 | 16% to 37% | $17.30 - $31.25 per MWh |
| Diesel purchases | Through November 2023 | 14% to 90% | $1.44 - $3.04 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, 2020:

| 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:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Balance Sheet Location | Fair Value of Asset Derivatives | Fair Value of Liability Derivatives | Fair Value of Asset Derivatives | Fair Value of Liability Derivatives |
| Derivatives designated as cash flow hedges: | | | | |
| Commodity derivatives: | | | | |
| Prepayments and other current assets | $ 905 | $ - | $ 5,058 | $ - |
| Other investments | 19 | - | - | - |
| Taxes and other current liabilities | - | (1,525) | - | (484) |
| Other deferred credits, taxes and other liabilities | - | (213) | - | (157) |
| Total derivatives designated as cash flow hedges | $ 924 | $ (1,738) | $ 5,058 | $ (641) |
| Derivatives not designated as cash flow hedges: | | | | |
| Commodity derivatives: | | | | |
| Prepayments and other current assets | $ 6,069 | $ - | $ 3,215 | $ - |
| Other investments | 894 | - | - | - |
| Taxes and other current liabilities | - | (10,815) | - | (11,036) |
| Other deferred credits, taxes and other liabilities | - | (21,823) | - | (29,120) |
| Interest rate derivatives: | | | | |
| Other deferred credits, taxes and other liabilities | - | (101,673) | - | (83,425) |
| Total derivatives not designated as cash flow hedges | $ 6,963 | $ (134,311) | $ 3,215 | $ (123,581) |
| | $ 7,887 | $ (136,049) | $ 8,273 | $ (124,222) |

For derivative instruments that are designated and qualify as a cash flow hedge under ASC 815, the effective portion of 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. Gains and losses from changes in market value on the derivative instrument representing hedge ineffectiveness are recognized in current net margin and earnings and are presented in the same line on the Consolidated Statements of Operations expected for the hedged item. Basin Electric evaluates and quantifies any hedge ineffectiveness on a quarterly basis. There was no ineffectiveness on cash flow hedges in 2020 and 2019.

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

| | 2020 | 2019 |
|---|---|---|
| Location of Reclassifications from Accumulated Other Comprehensive Loss into Net Margins and Earnings | Reclassified Gain (Loss) | Reclassified Gain (Loss) |
| Derivatives designated as cash flow hedges: | | |
| Commodity derivatives: | | |
| Synthetic natural gas | $ 8,371 | $ 6,581 |
| Byproducts, coproduct and other | 911 | (2,018) |
| Other operating expenses | (3,581) | 584 |
| Total | $ 5,701 | $ 5,147 |

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 to the Consolidated Statements of Operations for the years ended December 31, 2020 and 2019 of $24,635 and $11,694, which are reclassified from regulatory assets and liabilities.

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, 2020 and 2019.

| | 2020 | 2019 |
|---|---|---|
| Increase in fair value of commodity derivatives | $ 691 | $ 4,353 |
| Recognition of gains on commodity derivatives in earnings due to settlements | (5,701) | (5,147) |
| Total other comprehensive loss from hedging | $ (5,010) | $ (794) |

Based on December 31, 2020 prices, a $620 loss would be realized, reported in pre-tax earnings and reclassified from Accumulated other comprehensive loss during the next 12 months. As market prices fluctuate, estimated and actual realized gains or losses will change during future periods.

For commodity derivatives that do not meet the criteria for hedge accounting under ASC 815, 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 | 2020 Recognized Gain (Loss) | 2019 Recognized Gain (Loss) |
|---|---|---|
| Derivatives not designated as cash flow hedges: | | |
| Commodity derivatives: | | |
| Synthetic natural gas | $ 535 | $ 4,980 |
| Byproducts, coproduct and other | 851 | (2,923) |
| Other operating expenses | (1,190) | 930 |
| Total | $ 196 | $ 2,987 |

The change in fair value of derivatives deferred as a regulatory item for the years ended December 31, 2020 and 2019 resulted in deferred losses of $(32,793) and $(31,397).

## 10. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities were as follows at December 31:

| | Remaining Recovery Period | 2020 | 2019 |
|---|---|---|---|
| **Regulatory assets:** | | | |
| Deferred income taxes | Over Plant lives | $ 178,116 | $ 146,726 |
| Refinancing fees | Up to 29 years | 110,994 | 117,168 |
| Deferral of loss on investment in Dakota Gas | Up to 18 years | 82,871 | 96,540 |
| Unrealized loss on interest rate swaps | Up to 12 years | 99,742 | 82,460 |
| Unrealized loss on purchase power contracts | Up to 5 years | 26,362 | 25,097 |
| Interest on coal royalties and other costs | Up to 20 years | 16,368 | 17,875 |
| Unrealized loss on commodity derivatives | Up to 3 years | 2,699 | 13,088 |
| Other | Up to 19 years | 21,144 | 23,663 |
| | | $ 538,296 | $ 522,617 |
| **Regulatory liabilities:** | | | |
| Deferred revenue | | (263,700) | (155,000) |
| Unrealized gain on equity investments | | (9,873) | (7,015) |
| Post-retirement medical gain | | (9,276) | (1,257) |
| | | (282,849) | (163,272) |
| Net regulatory assets | | $ 255,447 | $ 359,345 |

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 related regulatory assets would be required, unless some form of transition recovery (refund) continues through rates established and collected for Basin Electric's remaining regulated operations. In addition, Basin Electric would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets.

## 11. EQUITY

ACCUMULATED OTHER COMPREHENSIVE LOSS — The following table includes the changes in the balances of the components of Accumulated other comprehensive loss on the Consolidated Balance Sheets:

| | Post Employment Benefit Plans | Unrealized Gain on Securities | Unrealized Gain (Loss) on Cash Flow Hedges | Total |
|---|---|---|---|---|
| Balance, December 31, 2018 | $ (10,203) | $ 16,947 | $ 3,944 | $ 10,688 |
| Comprehensive income (loss) | (3,950) | 2,949 | (627) | (1,628) |
| Reclassification due to adoption of accounting standard (Note 2) | - | (19,277) | - | (19,277) |
| Balance, December 31, 2019 | (14,153) | 619 | 3,317 | (10,217) |
| Comprehensive income (loss) | 2,573 | 580 | (3,958) | (805) |
| Balance, December 31, 2020 | $ (11,580) | $ 1,199 | $ (641) | $ (11,022) |

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 2020 and 2019, $1,369 of net income tax benefit and $(152) of net income tax expense was closed into Other equity. As of December 31, 2020, $71,159 of cumulative net income tax benefit was closed into Other equity.

## 12. LONG-TERM DEBT AND OTHER FINANCING

Outstanding debt was as follows at December 31:

| | Due Date | Weighted Average Interest Rate at December 31, 2020 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|
| **Basin Electric Power Cooperative** | | | | |
| First Mortgage Bonds | | | | |
| 2006 Series | June 2041 | 6.13% | $ 200,000 | $ 200,000 |
| 2017 Series | April 2047 | 4.75% | 500,000 | 500,000 |
| | | | 700,000 | 700,000 |
| First Mortgage Obligations | | | | |
| 2005 Series | Dec. 2028-May 2030 | 5.85% | 90,000 | 90,000 |
| 2007 Series | Sept. 2042 | 5.69% | 255,662 | 262,620 |
| 2008 Series | Dec. 2028-Dec. 2038 | 5.43% | 493,111 | 509,056 |
| 2009 Series | Oct. 2027-April 2040 | 5.30% | 187,778 | 198,889 |
| 2011 Series | Oct. 2031-Oct. 2049 | 4.39% | 280,620 | 293,495 |
| 2012 Series | Nov. 2044 | 4.07% | 85,685 | 87,762 |
| 2015 Series | June 2027-June 2044 | 4.43% | 1,500,000 | 1,500,000 |
| 2016 CoBank Note | April 2046 | 4.48% | 85,000 | 88,333 |
| 2016 CFC Note | April 2046 | 3.74% | 63,655 | 66,176 |
| Wells Fargo Notes | June 2027-Dec. 2028 | 5.13% | 14,750 | 16,750 |
| | | | 3,056,261 | 3,113,081 |
| Wyoming Infrastructure Authority Note | Sept. 2025 | 4.84% | - | 16,810 |
| 2019 Solid Waste Facilities Revenue Bonds | July 2039 | 3.63% | 150,000 | 150,000 |
| Notes payable to affiliates | Dec. 2022 | 1.47% | 760 | 1,016 |
| | | | 150,760 | 167,826 |
| **Dakota Coal** | | | | |
| Equipment notes | March 2021-April 2032 | 3.81% | 71,679 | 74,325 |
| **Dakota Gasification Company** | | | | |
| Senior Secured Notes 2015 Series | May 2030-May 2045 | 4.11% | 405,975 | 433,585 |
| **Other** | | Various | 17,649 | 16,655 |
| | | | 495,303 | 524,565 |
| | | | 4,402,324 | 4,505,472 |
| Less: | | | | |
| Current Portion | | | (97,304) | (99,466) |
| Unamortized debt issue costs | | | (26,714) | (29,095) |
| | | | $ 4,278,306 | $ 4,376,911 |

The estimated fair value of debt at December 31, 2020 and 2019 was $5,249,852 and $5,059,517, 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, 2020 are as follows:

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Long-term debt | $ 97,304 | $ 95,292 | $ 72,449 | $ 166,070 | $ 171,500 |

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, 2020 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.

LINES OF CREDIT — Basin Electric and Dakota Gas have entered into lines of credit which are included in Notes payable on the Consolidated Balance Sheets as follows:

| Lender | Maturity | Total Availability | Outstanding Advances as of December 31, 2020 |
|---|---|---|---|
| CFC | 03-16-23 | $ 130,000 | $ 100,000 |
| Syndicate of Thirteen Banks | 08-28-23 | $ 500,000 | 144,963 |
| Syndicate of Twelve Banks | 12-12-22 | $ 500,000 | - |
| Royal Bank of Canada | 06-30-21 | $ 100,000 | 99,300 |
| | | | $ 344,263 |

As of December 31, 2020, the effective interest rate of the outstanding advances is 0.66%.

## 13. REVENUE

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Utility Operations | Nonutility Operations | Utility Operations | Nonutility Operations |
| Member wholesale electricity sales | $ 1,618,174 | $ - | $ 1,686,356 | $ - |
| Nonmember wholesale electricity sales | 127,889 | - | 130,758 | - |
| Synthetic natural gas | - | 78,883 | - | 117,535 |
| Fertilizer products | - | 140,128 | - | 153,001 |
| Other byproducts | - | 48,136 | - | 66,584 |
| Lignite coal | - | 201,592 | - | 215,934 |
| Other | 22,800 | 23,935 | 21,706 | 26,085 |
| Intercompany revenue | - | (90,740) | - | (88,745) |
| Revenue from contracts with customers | 1,768,863 | 401,934 | 1,838,820 | 490,394 |
| Regulatory deferred revenue | (108,700) | - | (80,000) | - |
| Other revenue (expense) | (1,658) | 10,668 | (2,302) | 6,620 |
| Total operating revenue | $ 1,658,505 | $ 412,602 | $ 1,756,518 | $ 497,014 |

DEFERRED REVENUE AND OTHER REVENUE (EXPENSE) — Revenue from nonmember wholesale electricity sales of $108,700 and $80,000 was deferred in 2020 and 2019 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 from hedging activities for synthetic natural gas, tar oil, and electricity sales which is accounted for under ASC 815.

CONTRACT BALANCES — At times, Basin Electric and its subsidiaries will receive payment in advance of performing an obligation under a contract. Unearned revenue, a contract liability, is recognized when this occurs. At December 31, 2020 and 2019, the unearned revenue balance (included in Taxes and other current liabilities on the Consolidated Balance Sheets) was $4,002 and $2,107. There were no contract assets at December 31, 2020 and 2019. 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 Benefit from income taxes were as follows for the years ended December 31:

| | 2020 | 2019 |
|---|---|---|
| Current tax expense (benefit) | $ 150 | $ (1,269) |
| Deferred tax benefit | (53,977) | (18,775) |
| Benefit from income taxes | $ (53,827) | $ (20,044) |

Basin Electric accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that were included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The tax effect of significant temporary differences representing deferred tax assets and liabilities were as follows at December 31:

| | 2020 | 2019 |
|---|---|---|
| Deferred tax liabilities: | | |
| Depreciation and property | $ 232,748 | $ 205,336 |
| Deferred expenses | 17,403 | 20,273 |
| Debt refinancing expense | 18,611 | 19,684 |
| Direct financing leases | 18,295 | 20,833 |
| Other deferred tax liabilities | 4,342 | 8,124 |
| Unrealized gains | 4,015 | 4,816 |
| Total deferred tax liability | 295,414 | 279,066 |
| Deferred tax assets: | | |
| Tax benefit transfer leases | (16,726) | (23,344) |
| Deferred revenue | (55,377) | (32,550) |
| Deferred credits | (13,554) | (12,978) |
| Tax credits available | (20,739) | (21,539) |
| Interest expense carryover | (26,037) | (17,894) |
| Mine related | (10,166) | (8,899) |
| Patronage loss carryforward | - | (23,247) |
| Net operating loss carryforward | (134,732) | (108,179) |
| Other deferred tax assets | (11,219) | (9,598) |
| Valuation allowance | 57,246 | 65,978 |
| Total deferred tax assets | (231,304) | (192,250) |
| Net deferred tax liability | $ 64,110 | $ 86,816 |

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 Benefit from income taxes computed using the statutory rate for the years ended December 31 as follows:

| | 2020 | 2019 |
|---|---|---|
| Computed income tax at statutory rate | $ 4,480 | $ 11,870 |
| Permanent differences: | | |
| Patronage capital allocated | (15,412) | (12,489) |
| Other, net | (509) | (311) |
| Change in regulatory asset associated with deferred taxes net of patron net operating loss | (19,729) | (15,908) |
| Decrease in valuation allowance for subsidiaries | (23,089) | (3,373) |
| Other | 667 | 213 |
| State income taxes | (235) | (46) |
| Benefit from income taxes | $ (53,827) | $ (20,044) |

Basin Electric had available federal and state research tax credit carryforwards of approximately $20,739 and charitable contribution carryforwards of approximately $4,225 at December 31, 2020. The research tax credits expire in varying amounts from 2021 through 2039 and the charitable contribution carryforwards expire in varying amounts from 2021 through 2025. Basin Electric has a consolidated net operating loss carryforward as of December 31, 2020 of $641,582. Pre-2018 net operating losses of $268,562 expire in varying amounts from 2035 through 2037. The post 2017 losses 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 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 $123,993 as of December 31, 2020. The interest expense is carried forward indefinitely. It is more likely than not the benefit from the interest expense carryforward will be 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:

| | 2020 | 2019 |
|---|---|---|
| Balance at January 1 | $ 5,476 | $ 6,459 |
| Addition for tax positions of current period | 451 | 455 |
| Reduction for tax positions of prior periods | (125) | (1,438) |
| Balance at December 31 | $ 5,802 | $ 5,476 |

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 Benefit from income taxes 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.

## 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, 2020 and 2019, 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, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Investments: | | | | |
| Equities and equity funds | $ 84,753 | $ 84,753 | $ - | $ - |
| Government securities | 33,937 | 33,937 | - | - |
| Bond market funds | 55,693 | 55,693 | - | - |
| U.S. corporate bonds | 47,342 | 47,342 | - | - |
| Foreign corporate bonds | 11,646 | 11,646 | - | - |
| | 233,371 | 233,371 | - | - |
| Commodity derivatives | 7,887 | - | 7,887 | - |
| Less amounts classified as current | (6,974) | - | (6,974) | - |
| | $ 234,284 | $ 233,371 | $ 913 | $ - |
| Liabilities: | | | | |
| Interest rate swaps | $ 101,673 | $ - | $ 101,673 | $ - |
| Commodity derivatives | 34,376 | - | 34,376 | - |
| Less amounts classified as current | (12,340) | - | (12,340) | - |
| | $ 123,709 | $ - | $ 123,709 | $ - |

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2019, aggregated by the level in the fair value hierarchy within which those measurements fall:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Investments: | | | | |
| Equities and equity funds | $ 78,803 | $ 78,803 | $ - | $ - |
| Government securities | 24,441 | 24,441 | - | - |
| Bond market funds | 45,174 | 45,174 | - | - |
| U.S. corporate bonds | 25,951 | 25,951 | - | - |
| Foreign corporate bonds | 2,455 | 2,455 | - | - |
| | 176,824 | 176,824 | - | - |
| Commodity derivatives | 8,273 | - | 8,273 | - |
| Less amounts classified as current | (8,273) | - | (8,273) | - |
| | $ 176,824 | $ 176,824 | $ - | $ - |
| Liabilities: | | | | |
| Interest rate swaps | $ 83,425 | $ - | $ 83,425 | $ - |
| Commodity derivatives | 40,797 | - | 40,797 | - |
| Less amounts classified as current | (11,520) | - | (11,520) | - |
| | $ 112,702 | $ - | $ 112,702 | $ - |

## 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. In 2018, employees over age 60 who chose to participate in an enhanced voluntary separation plan 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 2020 and 2019 funding was $1,448 and $4,821.

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

Net periodic postretirement benefit expense (income) for the years ended December 31, 2020 and 2019 for Basin Electric and subsidiaries was $2,749 and $3,940, and for Coteau was $(722) and $(771).

| | Basin Electric and Subsidiaries | | Coteau | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Other changes recognized in Other comprehensive loss and Regulatory liabilities: | | | | |
| Net loss (gain) arising during the period | $ (12,267) | $ 8,538 | $ (782) | $ 82 |
| Amortization of prior service credit | 16 | 100 | 227 | 227 |
| Amortization of actuarial gain | 617 | 190 | 673 | 796 |
| Total recognized in Other comprehensive loss and Regulatory liabilities | $ (11,634) | $ 8,828 | $ 118 | $ 1,105 |

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

| | Basin Electric and Subsidiaries | | Coteau | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Weighted-average discount rates | 3.19% | 4.27% | 2.65% | 3.80% |
| Initial health care cost trend rate | 7.50% | 6.16% | 6.25% | 6.50% |
| Ultimate health care cost trend rate | 4.50% | 4.50% | 4.50% | 5.00% |
| Year that the rate reaches the ultimate trend rate | 2038 | 2038 | 2027 | 2025 |

The following sets forth the changes in accumulated postretirement benefit liability and plan assets during the year, and reconciles the funded status of the plans to the accrued liability which is included in Other deferred credits, taxes and other liabilities and Taxes and other current liabilities on the Consolidated Balance Sheets, as of December 31:

| | Basin Electric and Subsidiaries | | Coteau | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Change in accumulated postretirement benefit liability: | | | | |
| Balance at January 1 | $ 47,407 | $ 39,460 | $ 5,071 | $ 5,416 |
| Service cost | 2,226 | 2,439 | 51 | 55 |
| Interest cost | 1,157 | 1,791 | 127 | 196 |
| Actuarial loss (gain) | (11,060) | 5,346 | (782) | 82 |
| Assumption changes | (1,207) | 3,192 | - | - |
| Benefit payments | (6,848) | (8,811) | (497) | (678) |
| Plan participant contributions | 5,400 | 3,990 | - | - |
| Balance at December 31 | $ 37,075 | $ 47,407 | $ 3,970 | $ 5,071 |
| Change in plan assets: | | | | |
| Fair value of plan assets at beginning of year | $ - | $ - | $ - | $ - |
| Employer contributions | 1,448 | 4,821 | 497 | 678 |
| Plan participant contributions | 5,400 | 3,990 | - | - |
| Benefit payments | (6,848) | (8,811) | (497) | (678) |
| Fair value of plan assets at end of year | $ - | $ - | $ - | $ - |
| As of December 31, the funded status of the plan was: | | | | |
| Accumulated postretirement benefit liability | $ 37,075 | $ 47,407 | $ 3,970 | $ 5,071 |
| Amounts recognized in the balance sheets are: | | | | |
| Current liabilities | $ 2,738 | $ 3,679 | $ 531 | $ 668 |
| Noncurrent liabilities | 34,337 | 43,728 | 3,439 | 4,403 |
| Net amount recognized | $ 37,075 | $ 47,407 | $ 3,970 | $ 5,071 |
| Amounts not yet reflected in periodic postretirement benefit expense and included in accumulated other comprehensive income (loss) and regulatory liabilities: | | | | |
| Prior service credit (cost) | $ (1,257) | $ (1,241) | $ 593 | $ 820 |
| Actuarial gain | 14,480 | 2,830 | 4,067 | 3,958 |
| Accumulated other comprehensive income and Regulatory liabilities | $ 13,223 | $ 1,589 | $ 4,660 | $ 4,778 |

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

| | Basin Electric and Subsidiaries | | Coteau | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Weighted-average discount rates | 2.34% | 3.19% | 1.37% | 2.65% |
| Initial health care cost trend rate | 7.14% | 7.50% | 6.50% | 6.25% |
| Ultimate health care cost trend rate | 4.50% | 4.50% | 4.50% | 4.50% |
| Year that the rate reaches the ultimate trend rate | 2038 | 2038 | 2029 | 2027 |

Basin Electric and its subsidiaries and Coteau expect to make contributions of $2,738 and $531 in 2021 to their postretirement medical plans.

The following are the expected future benefits to be paid:

| | Basin Electric and Subsidiaries | Coteau |
|---|---|---|
| 2021 | $ 2,738 | $ 531 |
| 2022 | $ 2,950 | $ 543 |
| 2023 | $ 2,903 | $ 509 |
| 2024 | $ 2,579 | $ 494 |
| 2025 | $ 2,422 | $ 415 |
| 2026-2030 | $ 10,596 | $ 1,277 |

DEFINED BENEFIT PLANS

NRECA RS PLAN – Pension benefits for substantially all Basin Electric and Dakota Gas employees 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 2020 and in 2019 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. Pension costs charged to expense during 2020 and 2019 were $39,465 and $37,301.

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, 2020 and 2019.

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.

EBR PLAN – Certain of Basin Electric's employees participate in an Executive Benefit Restoration (EBR) Plan. The EBR Plan is a noncontributory defined benefit plan sponsored by Basin Electric. Benefits under the EBR plan are based on the difference between amounts without IRS qualified pension plan limits on compensation and benefits and those with such limits as determined under the provisions of the NRECA RS Plan.

Net periodic pension expense of Basin Electric associated with the EBR for the years ended December 31, 2020 and 2019 was $1,511 and $495.

| | 2020 | 2019 |
|---|---|---|
| Other changes recognized in Regulatory assets: | | |
| Net loss arising during the period | $ 1,787 | $ 1,801 |
| Prior service cost arising during the period | 110 | - |
| Amortization of prior service cost | (163) | (312) |
| Amortization of actuarial loss | (254) | - |
| Settlement loss recognized | (745) | - |
| Total recognized in Regulatory assets | $ 735 | $ 1,489 |

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

| | 2020 | 2019 |
|---|---|---|
| Weighted average discount rate | 3.13% | 4.34% |
| Rate of increase in compensation levels | 3.00% | 3.00% |

The following sets forth the changes in the pension benefit obligation based on the actuary's analysis as of December 31:

| | 2020 | 2019 |
|---|---|---|
| Change in accumulated postretirement benefit liability: | | |
| Balance at January 1 | $ 4,279 | $ 2,295 |
| Interest cost | 202 | 83 |
| Service cost | 146 | 100 |
| Actuarial loss (gain) | 1,787 | 1,801 |
| Plan amendments | 110 | - |
| Benefit payments | (2,200) | - |
| Balance at December 31 | $ 4,324 | $ 4,279 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | $ - | $ - |
| Employer contributions | 2,200 | - |
| Benefit payments | (2,200) | - |
| Fair value of plan assets at end of year | $ - | $ - |
| As of December 31, the funded status of the plan was: | | |
| Accumulated postretirement benefit liability | $ 4,324 | $ 4,279 |
| Amounts recognized in the balance sheet are: | | |
| Noncurrent liabilities | $ 4,324 | $ 4,279 |
| Net amount recognized | $ 4,324 | $ 4,279 |
| Amounts not yet reflected in periodic postretirement pension expense and included in Regulatory assets: | | |
| Prior service cost | $ (955) | $ (1,008) |
| Actuarial loss | (2,382) | (1,594) |
| Regulatory assets | $ (3,337) | $ (2,602) |

The projected pension benefit obligation included in the table above represents the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases.

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

| | 2020 | 2019 |
|---|---|---|
| Weighted average discount rate | 2.61% | 3.13% |
| Rate of increase in compensation levels | 5.00% | 3.00% |

Basin Electric expects to make contributions of $450 to the EBR Plan in 2021.

At December 31, 2020, Basin Electric expects to pay benefits for the next five years and thereafter as follows:

| 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter |
|---|---|---|---|---|---|
| $ 450 | $ - | $ 1,889 | $ - | $ - | $ 5,015 |

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.

Net periodic pension expense (income) for the years ended December 31, 2020 and 2019 for BCS was $37 and $93 and for Coteau was $(2,409) and $(2,494).

| | BCS | | Coteau | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Other changes recognized in Other comprehensive loss: | | | | |
| Net loss (gain) arising during the period | $ 35 | $ (39) | $ 789 | $ 529 |
| Amortization of actuarial loss | (106) | (113) | (568) | (169) |
| Total recognized in Other comprehensive loss | $ (71) | $ (152) | $ 221 | $ 360 |

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

| | BCS | | Coteau | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Weighted average discount rate | 2.82% | 3.93% | 3.25% | 4.25% |
| Expected long-term return on plan assets | 5.50% | 5.50% | 7.00% | 7.50% |

The following sets forth the changes in the pension benefit obligation and plan assets allocated based on the actuary's analysis as of December 31:

| | BCS | | Coteau | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Change in accumulated postretirement benefit liability: | | | | |
| Balance at January 1 | $ 4,130 | $ 4,021 | $ 96,074 | $ 86,616 |
| Interest cost | 112 | 151 | 3,044 | 3,589 |
| Actuarial loss | 282 | 297 | 8,889 | 10,422 |
| Benefits payments | (322) | (339) | (4,904) | (4,553) |
| Balance at December 31 | $ 4,202 | $ 4,130 | $ 103,103 | $ 96,074 |
| Change in plan assets: | | | | |
| Fair value of plan assets at beginning of year | $ 3,451 | $ 3,282 | $ 92,434 | $ 80,842 |
| Actual return on plan assets | 428 | 508 | 14,121 | 16,145 |
| Employer contributions | 64 | - | - | - |
| Benefits payments | (322) | (339) | (4,904) | (4,553) |
| Fair value of plan assets at end of year | $ 3,621 | $ 3,451 | $ 101,651 | $ 92,434 |
| As of December 31, the funded status of the plan was: | | | | |
| Accumulated postretirement benefit liability | $ 4,202 | $ 4,130 | $ 103,103 | $ 96,074 |
| Fair value of plan assets | 3,621 | 3,451 | 101,651 | 92,434 |
| Funded status at end of year | $ 581 | $ 679 | $ 1,452 | $ 3,640 |
| Amounts recognized in the balance sheets are: | | | | |
| Noncurrent liabilities | $ 581 | $ 679 | $ 1,452 | $ 3,640 |
| Net amount recognized | $ 581 | $ 679 | $ 1,452 | $ 3,640 |
| Amounts not yet reflected in periodic postretirement benefit expense and included in accumulated other comprehensive income (loss): | | | | |
| Actuarial loss | $ (1,811) | $ (1,882) | $ (17,578) | $ (17,357) |
| Accumulated other comprehensive loss | $ (1,811) | $ (1,882) | $ (17,578) | $ (17,357) |

The projected pension benefit obligation included in the table above represents the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases.

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

| | BCS | | Coteau | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Weighted average discount rate | 1.90% | 2.82% | 2.44% | 3.25% |

BCS and Coteau do not expect to make any contributions in 2021 to their defined benefit plans. The following are the expected future benefit payments for the BCS Plan and the Coteau Pension Plan:

| | BCS | Coteau |
|---|---|---|
| 2021 | $ 309 | $ 4,971 |
| 2022 | $ 301 | $ 5,053 |
| 2023 | $ 292 | $ 5,160 |
| 2024 | $ 283 | $ 5,277 |
| 2025 | $ 275 | $ 5,368 |
| 2026-2030 | $ 1,243 | $ 27,354 |

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, 2020:

| | BCS | | Coteau | |
|---|---|---|---|---|
| | Actual Allocation | Target Allocation | Actual Allocation | Target Allocation |
| Equity securities | 45.1% | 37.0% | 65.7% | 60.0% – 70.0% |
| Fixed income securities | 50.4% | 60.0% | 33.9% | 30.0% – 40.0% |
| Other | 4.5% | 3.0% | 0.4% | 0.0% – 10.0% |
| | 100.0% | | 100.0% | |

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

DEFINED CONTRIBUTION PLANS — Basin Electric, Dakota Gas and MLC have qualified tax deferred savings plans for eligible employees. Eligible participants of the tax deferred savings plans may make pre-tax and post-tax contributions, as defined, with Basin Electric, Dakota Gas and MLC matching various percentages of the participants' annual compensation. Contributions to these plans by Basin Electric, Dakota Gas, and MLC were $12,170 and $11,746 for 2020 and 2019.

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 $3,019 and $2,981 related to this plan in 2020 and 2019.

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 $2,452 and $2,391 in 2020 and 2019.

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:

| | 2020 | 2019 |
|---|---|---|
| Asset retirement obligations | $ 137,025 | $ 131,393 |
| Long-term derivative liability | 123,709 | 112,702 |
| Non-current deferred income tax liability, net | 64,110 | 86,816 |
| Pension and benefit obligations | 74,017 | 79,701 |
| MBPP operating advances | 40,207 | 40,207 |
| Other | 30,207 | 25,860 |
| | $ 469,275 | $ 476,679 |

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:

| | 2020 | 2019 |
|---|---|---|
| Balance, January 1 | $ 131,393 | $ 121,264 |
| Liabilities settled during the period | (7,695) | (1,175) |
| Accretion expense | 6,547 | 5,893 |
| Additions for utility obligations | 6,780 | 5,411 |
| Balance, December 31 | $ 137,025 | $ 131,393 |

## 18. COMMITMENTS AND CONTINGENCIES

POWER PURCHASE COMMITMENTS — Basin Electric entered into various power purchase contracts with terms ranging from one to 55 years. The estimated commitments under these contracts as of December 31, 2020 were $319,453 in 2021, $306,187 in 2022, $323,795 in 2023, $341,747 in 2024, $346,737 in 2025, and $5,469,986 thereafter. Amounts purchased under the contracts totaled $323,479 in 2020 and $360,450 in 2019.

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, which approximates market, 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, 2020 and 2019, the assets and liabilities of Corn Belt included in the Consolidated Balance Sheets totaled $15,469 and $14,898. 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 $26,328 as of December 31, 2020. Basin Electric also has various other outstanding contractual commitments totaling $49,667 as of December 31, 2020, for various equipment purchases, supplies, and for miscellaneous services to be provided.

Coteau has outstanding commitments of $15,818 to purchase equipment and $2,323 committed under various diesel fuel contracts through December 2021.

MINE CLOSING COSTS AND COAL PURCHASE COMMITMENTS — Under the terms of the Coteau Lignite Sales Agreement (Agreement) between Dakota Coal and Coteau, Dakota Coal is obligated to purchase all of its lignite requirements for AVS, the Synfuels Plant and LOS from Coteau, and Coteau is obligated to sell and deliver the required coal to Dakota Coal from contractually defined dedicated coal reserves. The coal purchase price includes all costs incurred by Coteau for development and operation of the dedicated coal reserves and may include costs to be incurred in connection with the Freedom Mine closing. During 2020 and 2019, Dakota Coal paid $201,924 and $206,356 to Coteau for coal purchased under the lignite sales agreement. As a result of applying ASC 810, Coteau is consolidated with Dakota Coal and coal purchases from Coteau are eliminated within the consolidated financial statements.

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

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

Coteau's annual costs related to amortization of the asset and accretion of the liability totaled $5,541 and $5,333 in 2020 and 2019.

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 requiring 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 2020 and 2019 was approximately $19.53 and $18.21 per ton.

Basin Electric executed an agreement with Western Fuels requiring 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 2020 and 2019 was approximately $13.60 and $11.42 per ton.

COAL SALES & PURCHASE COMMITMENT — In 2013, Basin Electric entered into agreements with three unrelated companies to supply "refined coal" to AVS, LOS and LRS. The refined coal is produced by chemically treating lignite or sub-bituminous coal to produce a fuel stock which reduces air emissions during combustion of the treated coal. Basin Electric sells untreated coal to the refined coal supplier and then purchases refined coal from the supplier after it has been refined. The supplier pays Basin Electric for rent and services provided by Basin Electric in connection with the supplier's production of refined coal. The net benefit to Basin Electric for the refined coal projects in 2020 was $15,974. The refined coal suppliers own the coal treatment facilities, which were installed on the AVS, LOS and LRS plant sites and pay all associated operating costs. The refined coal suppliers qualify for certain federal tax credits for each ton of refined coal sold to Basin Electric with the reasonable expectation that it will be used for the purpose of producing steam and results in required emission reductions. Basin Electric has an option to purchase the coal treatment facilities (or similar assets) at each plant site after the eligible federal tax credit period ends in 2021. The agreements between the refined coal suppliers and Basin Electric allow for either party to terminate the agreement at any time, which would require the removal of the equipment at the refined coal supplier's cost.

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, 2020, the aggregated value of these guarantees is $146,000.

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, 2020, the aggregated value of these guarantees is $30,400.

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 presently intends to continue operation at the plant site indefinitely, in accordance with ASC 410, Dakota Gas accrues an obligation for the eventual dismantlement and discontinuation of use of the Synfuels Plant.

LEASE INDEMNIFICATIONS — In general, under the terms of Basin Electric's sale and leaseback agreements discussed in Note 11, the lessors are indemnified should certain disqualifying events occur resulting in the recapture of tax credits, accelerated cost recovery deductions and interest deductions. Management believes that if indemnification occurs, there will not be a material adverse effect on Basin Electric's financial position, results of operations or cash flows.

$CO_2$ SALES COMMITMENTS — Dakota Gas has two contracts involving commitments for the sale of $CO_2$. One of these contracts is to sell and deliver $CO_2$ from the Synfuels Plant to oil fields located near Weyburn, Saskatchewan. The Weyburn agreement was for a 15-year term ended April 2016, which may be extended by the buyer with at least 120 days prior written notice for up to ten one-year renewals. The buyer has elected to extend the agreement for a sixth one-year renewal to April 2022. If the buyer, over the course of a contract year, fails to take an average stated volume, Dakota Gas has the right to terminate this agreement 30 days following such contract year unless the buyer provides written notice to extend the agreement and pays Dakota Gas a penalty fee for each month the average stated volume was not taken.

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

CARBON POLLUTION EMISSION GUIDELINES FOR EXISTING STATIONARY SOURCES — In October 2015, the Environmental Protection Agency (EPA) published the Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units; Final Rule (the Clean Power Plan). The Clean Power Plan established guidelines for states to develop plans to reduce $CO_2$ emissions from fossil fuel-fired electric generating units. In those states where Basin Electric owns and operates a substantial amount of fossil fuel-fired generation (North Dakota and Wyoming), the required reductions to be achieved by 2030 were substantial (45% and 44%, respectively).

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

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

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 to close two and retrofit three surface impoundments in accordance with deadlines promulgated by EPA. The cost to close and retrofit the five impoundments at LRS is estimated at $41.9 million.

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

On December 11, 2019, Basin Electric and Upper Missouri both filed motions to dismiss all of the McKenzie claims. On September 11, 2020, the Court denied the motions to dismiss. On September 22, 2020, Basin Electric filed a motion to reconsider with respect to the Court's lack of jurisdiction with respect to McKenzie's claim to have a right to buy out of its wholesale power contract as such a buy-out would be subject to the exclusive jurisdiction of FERC. The Court denied the motion for rehearing on December 11, 2020. Based upon a recent FERC decision, Basin Electric filed its second motion for rehearing on December 22, 2020.

On February 24, 2021 McKenzie filed a motion to amend its complaint. While the Court has not ruled on the McKenzie motion, such requests are typically granted. The amended complaint would drop the claims based upon the breach of the covenant of good faith and fair dealing and instead claim both Basin Electric and Upper Missouri anticipatorily breached their contractual obligation to McKenzie under their respective bylaws by refusing to provide equitable terms pursuant to which McKenzie could withdraw its membership in Basin Electric and Upper Missouri. McKenzie also would ask the Court for declaratory relief that would allow McKenzie to both terminate its membership and terminate its wholesale power contract.

FERC REGULATION — Effective November 1, 2019, Basin Electric met certain criteria making the cooperative subject to the jurisdiction of the FERC. On September 30, 2019, Basin Electric made all filings required for compliance with FERC regulations; however, on November 26, 2019, the FERC issued an order rejecting without prejudice the majority of our filings, including the cooperative's rate schedules. Basin Electric has since refiled with FERC, its wholesale power contract and rate schedule A filings have been set for hearing and settlement, and the balance of the filings have been approved by FERC. Management believes the FERC's future orders related to our 2020 rate filings will not have a material impact on the consolidated financial statements.

## 19. RELATED PARTY TRANSACTIONS

Other receivables include $683 and $907 at December 31, 2020 and 2019, 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, 2020 and 2019.

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:

| | 2020 | 2019 |
|---|---|---|
| **Sales of goods and services to:** | | |
| Dakota Gas | | |
| Power supply | $ 34,340 | $ 39,392 |
| Administrative services | $ 19,889 | $ 20,850 |
| Water supply | $ 2,369 | $ 2,146 |
| Project Services | $ 212 | $ 214 |
| Dakota Coal | | |
| Administrative services | $ 1,952 | $ 1,978 |
| **Goods and services provided by:** | | |
| Dakota Gas | | |
| Screened coal | $ 57,573 | $ 55,320 |
| Natural gas | $ 13,064 | $ 19,248 |
| Transmission service | $ 1,074 | $ 1,039 |
| Dakota Coal | | |
| Coal supply | $ 53,264 | $ 71,890 |
| Lime sales | $ 11,683 | $ 13,163 |
| Limestone | $ 2,641 | $ 3,244 |

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

## 20. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | 2020 | 2019 |
|---|---|---|
| Cash paid (refunded) for interest and income taxes: | | |
| Cash paid for interest | $ 222,414 | $ 237,915 |
| Cash paid (refunded) for income taxes | $ (1,209) | $ 101 |
| Non-cash investing and financing activity: | | |
| Acquisition of electric plant and nonutility property through short term financing | $ 16,798 | $ 7,758 |

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 financial statements for the three-month periods ended March 31, 2021 and 2020. The consolidated net margin and earnings for the periods were $42.9 million and $41.8 million, respectively.

Total electric sales for the first three months of 2021 were 8.5 million megawatt hours (MWh), generating revenue of $610.1 million. Total MWh sales were unchanged and total revenue from sales increased by $156.2 million from the same period last year. The significant increase in sales revenue is due to the extreme cold weather event in February driving non-member sales prices much higher. Electricity sales to Basin Electric's Class A and D members were 7.1 million MWhs generating $411.9 million of revenue, which represents a 3.2 percent decrease in MWh sales and a 3.3 percent decrease in revenue from the same period last year. Member sales revenue decreased primarily due to a decrease in megawatt hours. Non-member sales volumes increased by 14.4 percent and revenue increased by $170.3 million. This increase does include $33.7 million of deferred revenue being amortized into non-member sales in 2021. Operations and maintenance expense increased $174.1 million during the first three months of 2021 compared to the same period in 2020 due to higher purchased power expense and higher natural gas fuel costs.

The net loss for DGC for the first three months of 2021 and 2020 was $15.4 million and $24.3 million, respectively. The Great Plains Synfuels Plant (Synfuels Plant), owned and operated by DGC, sold 10.2 million dekatherms of synthetic natural gas (SNG) during the first three months of 2021, which is 0.9 million dekatherms less than the volume sold during the same period in 2020. SNG revenue during the first three months of 2021 was $64.0 million compared to the revenue for the first three months of 2020 of $26.7 million. The average sales price for SNG, excluding market price adjustments on hedges, was $6.33 per dekatherm for the first three months of 2021 compared to an average sales price of $2.54 during the same period in 2020.

Byproducts, coproducts and other operating revenue decreased by $4.2 million or 9.0 percent for the first three months of 2021 compared to the same period in 2020. Revenue from fertilizer and DEF products was $3.0 million lower for the first three months of 2021 compared to the same period in 2020 primarily due to lower volumes sold as prices increased during the period compared to the same period in 2020. Operating expenses at DGC were $23.4 million higher for the first three months of 2021 compared to the same period in 2020 largely due to higher electricity costs in the first three months of 2021 compared to the same period in 2020.

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. Net income for Dakota Coal for the first three months of 2021 was $10.7 million compared to net loss of $1.6 million for the first three months of 2020. The results for the first three months of 2021 include a $769 thousand unrealized gain on investments (after-tax) compared to a $6.4 million unrealized loss on investments (after-tax) in 2020. Dakota Coal sold 78 thousand fewer tons of coal during the first three months of 2021 than the same period in 2020.

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 three-month periods ended March 31, 2021 and 2020. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Basin Electric Power Cooperative's 2020 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**

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BASIN ELECTRIC POWER COOPERATIVE

# 1ST QUARTER

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

*as of March 31 (dollars in thousands, except per share data)*

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Utility plant: | | |
| Electric plant in service | $ 7,308,626 | $ 7,204,351 |
| Construction work in progress, net of contribution in aid of construction | 80,564 | (8,741) |
| Total electric plant | 7,389,190 | 7,195,610 |
| Less: accumulated provision for depreciation and amortization | (2,843,502) | (2,706,533) |
| | 4,545,688 | 4,489,077 |
| Nonutility property: | | |
| Property, plant and equipment | 1,472,880 | 1,531,980 |
| Construction work in progress | 8,082 | 2,790 |
| Total nonutility property | 1,480,962 | 1,534,770 |
| Less: accumulated provision for depreciation and depletion | (501,612) | (512,556) |
| | 979,350 | 1,022,214 |
| Other property, investments and deferred charges: | | |
| Mine related assets | 131,718 | 108,566 |
| Investments in associated companies | 34,868 | 37,372 |
| Restricted and designated cash and investments | 41,250 | 31,742 |
| Other investments | 235,616 | 262,515 |
| Special funds | 65,977 | 62,148 |
| Regulatory assets | 505,518 | 558,160 |
| Other deferred charges | 149,791 | 5,921 |
| | 1,164,738 | 1,066,424 |
| Current assets: | | |
| Cash and cash equivalents | 307,800 | 290,467 |
| Restricted and designated cash and equivalents | 265,577 | 188,214 |
| Short-term investments | 767 | 29,571 |
| Customer accounts receivable | 165,588 | 166,192 |
| Other receivables | 84,003 | 88,495 |
| Coal stock, materials and supplies | 241,408 | 228,657 |
| Prepayments and other current assets | 66,200 | 69,185 |
| | 1,131,343 | 1,060,781 |
| | $ 7,821,119 | $ 7,638,496 |
| **Capitalization and Liabilities** | | |
| Capitalization: | | |
| Equity: | | |
| Memberships | $ 22 | $ 21 |
| Patronage capital | 1,134,918 | 1,105,134 |
| Retained earnings of subsidiaries | 106,523 | 92,835 |
| Other equity | 344,581 | 344,449 |
| Accumulated other comprehensive loss | (10,605) | (13,999) |
| | 1,575,439 | 1,528,440 |
| Noncontrolling interest | 2,598 | 2,459 |
| | 1,578,037 | 1,530,899 |
| Long-term debt, net of current portion | 4,273,000 | 4,380,856 |
| Capital lease obligations, net of current portion | 4,157 | 3,585 |
| | 5,855,194 | 5,915,340 |
| Regulatory liabilities | 256,206 | 159,335 |
| Other deferred credits, taxes and other liabilities | 573,861 | 509,892 |
| | 830,067 | 669,227 |
| Current liabilities: | | |
| Current portion of long-term debt | 96,348 | 99,310 |
| Current portion of capital lease obligations | 1,813 | 1,087 |
| Accounts payable | 171,673 | 158,487 |
| Notes payable – affiliates | 318,652 | 329,456 |
| Notes payable | 354,269 | 280,140 |
| Taxes and other current liabilities | 193,103 | 185,449 |
| | 1,135,858 | 1,053,929 |
| | $ 7,821,119 | $ 7,638,496 |

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

*for the three months ended March 31 (dollars in thousands)*

| | 2021 | 2020 |
|---|---|---|
| Utility operations: | | |
| Operating revenue: | | |
| Sales of electricity for resale: | | |
| Members | $ 411,871 | $ 426,021 |
| Others | 198,217 | 27,870 |
| | 610,088 | 453,891 |
| Other electric revenue | 5,585 | 7,669 |
| | 615,673 | 461,560 |
| Operating expenses: | | |
| Operation | 459,632 | 284,999 |
| Maintenance | 24,038 | 24,566 |
| Depreciation and amortization | 42,486 | 39,854 |
| Taxes other than income | 980 | 976 |
| | 527,136 | 350,395 |
| Interest and other charges: | | |
| Interest on long-term debt | 47,067 | 49,135 |
| Interest on short-term debt | 599 | 2,357 |
| Other | 3,520 | 4,283 |
| | 51,186 | 55,775 |
| Operating margin | 37,351 | 55,390 |
| Nonoperating margin: | | |
| Interest and other income | 6,819 | 9,134 |
| Patronage allocations from other cooperatives | 3,275 | 3,138 |
| | 10,094 | 12,272 |
| Utility margin before income taxes | 47,445 | 67,662 |
| Nonutility operations: | | |
| Operating revenue: | | |
| Synthetic gas | 64,047 | 26,701 |
| Byproducts, coproduct and other | 47,272 | 51,893 |
| Lignite coal | 31,448 | 30,835 |
| | 142,767 | 109,429 |
| Operating expenses: | | |
| Impairment of assets | 416 | 1,201 |
| Operating expenses (includes $4,921 and $4,757 of net income attributed to noncontrolling interest) | 153,627 | 145,181 |
| | 154,043 | 146,382 |
| Operating loss | (11,276) | (36,953) |
| Interest and other income | 4,187 | 4,699 |
| Nonutility loss before income taxes | (7,089) | (32,254) |
| Margin before income taxes | 40,356 | 35,408 |
| Benefit from income taxes | (2,538) | (6,441) |
| Net margin and earnings | $ 42,894 | $ 41,849 |

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

*for the three months ended March 31 (dollars in thousands)*

| | 2021 | 2020 |
|---|---|---|
| Operating activities: | | |
| Net margin and earnings | $ 42,894 | $ 41,849 |
| Adjustments to reconcile net margin and earnings to net cash from operating activities: | | |
| Depreciation and amortization of property, plant and equipment | 56,300 | 53,893 |
| Deferred income taxes | (2,569) | (6,477) |
| Changes in regulatory assets and liabilities | (29,913) | 4,163 |
| Unrealized loss (gain) on investments | (958) | 8,107 |
| Patronage capital | (4,756) | (4,646) |
| Other amortization and accretion | 6,201 | 3,080 |
| Impairment of assets, net | 416 | 1,201 |
| Income attributable to noncontrolling interest | 4,921 | 4,757 |
| Changes in other operating elements: | | |
| Customer accounts receivable | (9,181) | 8,587 |
| Other receivables | (949) | (1,388) |
| Coal stock, materials and supplies | (13,396) | (3,564) |
| Prepayments and other current assets | (5,187) | (5,373) |
| Accounts payable | 15,022 | (671) |
| Taxes and other current liabilities | 79,372 | 79,253 |
| Change in collateral | 30,365 | (43,851) |
| Other operating activities, net | (3,767) | 900 |
| Net cash provided by operating activities | 164,815 | 139,820 |
| Investing activities: | | |
| Acquisition of electric plant | (105,724) | (12,868) |
| Acquisition of nonutility property | (6,334) | (4,806) |
| Proceeds from sales of property | 1,100 | 1,860 |
| Purchase of investments | (16,673) | (86,295) |
| Sale of investments | 18,611 | 105,052 |
| Sale of other assets and payments received on notes receivable | 1,053 | 787 |
| Purchase of other assets and issuance of notes receivable | (1,846) | (2,544) |
| Net cash provided by (used in) investing activities | (109,813) | 1,186 |
| Financing activities: | | |
| Principal payments of long-term debt | (5,717) | (7,704) |
| Proceeds of notes payable — affiliates | 559,824 | 715,593 |
| Payments of notes payable — affiliates | (564,927) | (657,780) |
| Proceeds of notes payable | 314,934 | 240,857 |
| Payments of notes payable | (304,928) | (289,491) |
| Payments under capital lease obligations | (210) | (299) |
| Dividends paid to noncontrolling interest | (4,617) | (3,833) |
| Net cash used in financing activities | (5,641) | (2,657) |
| Net increase in cash and cash equivalents and designated cash and equivalents | 49,361 | 138,349 |
| Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period | 524,016 | 340,332 |
| Cash and cash equivalents and restricted and designated cash and equivalents, end of period | $ 573,377 | $ 478,681 |

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 financial statements for the six-month periods ended June 30, 2021 and 2020. The consolidated net margin and earnings for the periods were $55.8 million and $63.3 million, respectively.

Total electric sales for the first six months of 2021 were 16.2 million megawatt hours (MWh), generating revenue of $1.0 billion. Total MWh sales were 0.7 million MWh's higher and total revenue from sales increased by $218.9 million from the same period last year. The significant increase in sales revenue is largely due to the extreme cold weather event in February driving non-member sales prices much higher. Electricity sales to Basin Electric's Class A and D members were 13.4 million MWhs generating $810.3 million of revenue, which represents a 4.3 percent increase in MWh sales and a 4.2 percent increase in revenue from the same period last year. Member sales revenue increased primarily due to an increase in megawatt hours. Non-member sales volumes increased by 4.1 percent. Non-member revenue increased by $186.2 million due to higher prices and recognition of $33.7 million of previously deferred revenue in 2021. Operations and maintenance expense increased $258.7 million during the first six months of 2021 compared to the same period in 2020 due to higher purchased power expense and higher natural gas fuel costs.

The net loss for DGC for the first six months of 2021 and 2020 was $20.0 million and $47.9 million, respectively. The Great Plains Synfuels Plant (Synfuels Plant), owned and operated by DGC, sold 20.6 million dekatherms of synthetic natural gas (SNG) during the first six months of 2021, which is 1.7 million dekatherms less than the volume sold during the same period in 2020. SNG revenue during the first six months of 2021 was $89.3 million compared to the revenue for the first six months of 2020 of $44.4 million. The average sales price for SNG, excluding market price adjustments on hedges, was $4.35 per dekatherm for the first six months of 2021 compared to an average sales price of $2.07 during the same period in 2020.

Byproducts, coproducts and other operating revenue increased by $33.7 million or 30.4 percent for the first six months of 2021 compared to the same period in 2020. Revenue from fertilizer and DEF products was $22.8 million higher for the first six months of 2021 compared to the same period in 2020 primarily due to higher prices. Operating expenses at DGC were $50.0 million higher for the first six months of 2021 compared to the same period in 2020 largely due to higher electricity costs during the extreme cold weather event in February in the first six months of 2021 compared to the same period in 2020.

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. Net income for Dakota Coal for the first six months of 2021 was $10.5 million compared to a net income of$2.5 million for the first six months of 2020. The results for the first six months of 2021 include a $4.5 million unrealized gain on investments (after-tax) compared to a $376 thousand unrealized loss on investments (after-tax) in 2020. Dakota Coal sold 231 thousand fewer tons of coal during the first six months of 2021 than the same period in 2020.

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, 2021 and 2020. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Basin Electric Power Cooperative's 2020 Annual Report.

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

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

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**Financial information requests**

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

BASIN ELECTRIC POWER COOPERATIVE

# 2ND QUARTER

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

*as of June 30 (dollars in thousands, except per share data)*

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Utility plant: | | |
| Electric plant in service | $ 7,320,667 | $ 7,209,982 |
| Construction work in progress, net of contribution in aid of construction | 89,537 | 15,040 |
| Total electric plant | 7,410,204 | 7,225,022 |
| Less: accumulated provision for depreciation and amortization | (2,882,128) | (2,746,101) |
| | 4,528,076 | 4,478,921 |
| Nonutility property: | | |
| Property, plant and equipment | 1,470,274 | 1,529,790 |
| Construction work in progress | 19,130 | 2,945 |
| Total nonutility property | 1,489,404 | 1,532,735 |
| Less: accumulated provision for depreciation and depletion | (510,715) | (523,664) |
| | 978,689 | 1,009,071 |
| Other property, investments and deferred charges: | | |
| Mine related assets | 135,174 | 117,931 |
| Investments in associated companies | 34,744 | 36,565 |
| Restricted and designated cash and investments | 43,845 | 35,400 |
| Other investments | 247,263 | 256,830 |
| Special funds | 73,057 | 62,011 |
| Regulatory assets | 493,592 | 552,864 |
| Other deferred charges | 144,463 | 2,886 |
| | 1,172,138 | 1,064,487 |
| Current assets: | | |
| Cash and cash equivalents | 235,339 | 354,297 |
| Restricted and designated cash and equivalents | 262,166 | 190,099 |
| Short-term investments | 10,515 | - |
| Customer accounts receivable | 191,505 | 154,135 |
| Other receivables | 88,899 | 77,614 |
| Coal stock, materials and supplies | 227,256 | 232,557 |
| Prepayments and other current assets | 87,266 | 61,414 |
| | 1,102,946 | 1,070,116 |
| | $ 7,781,849 | $ 7,622,595 |
| **Capitalization and Liabilities** | | |
| Capitalization: | | |
| Equity: | | |
| Memberships | $ 21 | $ 21 |
| Patronage capital | 1,148,106 | 1,103,894 |
| Retained earnings of subsidiaries | 106,266 | 96,982 |
| Other equity | 344,581 | 344,449 |
| Accumulated other comprehensive loss | (13,358) | (15,946) |
| | 1,585,616 | 1,529,400 |
| Noncontrolling interest | 1,994 | 2,146 |
| | 1,587,610 | 1,531,546 |
| Long-term debt, net of current portion | 4,247,763 | 4,357,098 |
| Capital lease obligations, net of current portion | 3,968 | 3,360 |
| | 5,839,341 | 5,892,004 |
| Regulatory liabilities | 288,474 | 162,950 |
| Other deferred credits, taxes and other liabilities | 563,016 | 504,332 |
| | 851,490 | 667,282 |
| Current liabilities: | | |
| Current portion of long-term debt | 96,712 | 99,278 |
| Current portion of capital lease obligations | 1,663 | 1,007 |
| Accounts payable | 213,080 | 149,994 |
| Notes payable – affiliates | 346,818 | 399,867 |
| Notes payable | 319,287 | 309,238 |
| Taxes and other current liabilities | 113,458 | 103,925 |
| | 1,091,018 | 1,063,309 |
| | $ 7,781,849 | $ 7,622,595 |

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

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

| | 2021 | 2020 |
|---|---|---|
| Utility operations: | | |
| Operating revenue: | | |
| Sales of electricity for resale: | | |
| Members | $ 810,310 | $ 777,617 |
| Others | 237,233 | 51,072 |
| | 1,047,543 | 828,689 |
| Other electric revenue | 10,021 | 12,667 |
| | 1,057,564 | 841,356 |
| Operating expenses: | | |
| Operation | 734,326 | 513,045 |
| Maintenance | 86,094 | 48,652 |
| Depreciation and amortization | 85,271 | 79,607 |
| Taxes other than income | 1,814 | 1,778 |
| | 907,505 | 643,082 |
| Interest and other charges: | | |
| Interest on long-term debt | 94,052 | 97,837 |
| Interest on short-term debt | 1,207 | 3,941 |
| Other | 7,759 | 8,490 |
| | 103,018 | 110,268 |
| Operating margin | 47,041 | 88,006 |
| Nonoperating margin: | | |
| Interest and other income | 13,779 | 17,056 |
| Patronage allocations from other cooperatives | 3,593 | 3,518 |
| | 17,372 | 20,574 |
| Utility margin before income taxes | 64,413 | 108,580 |
| Nonutility operations: | | |
| Operating revenue: | | |
| Synthetic gas | 89,329 | 44,437 |
| Byproducts, coproduct and other | 154,234 | 121,507 |
| Lignite coal | 56,857 | 55,722 |
| | 300,420 | 221,666 |
| Operating expenses: | | |
| Impairment of assets | 1,106 | 1,257 |
| Operating expenses (includes $9,220 and $9,134 of net income attributed to noncontrolling interest) | 322,992 | 281,893 |
| | 324,098 | 283,150 |
| Operating loss | (23,678) | (61,484) |
| Interest and other income | 10,361 | 6,755 |
| Nonutility loss before income taxes | (13,317) | (54,729) |
| Margin before income taxes | 51,096 | 53,851 |
| Benefit from income taxes | (4,729) | (9,470) |
| Net margin and earnings | $ 55,825 | $ 63,321 |

BASIN ELECTRIC POWER COOPERATIVE AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

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

| | 2021 | 2020 |
|---|---|---|
| Operating activities: | | |
| Net margin and earnings | $ 55,825 | $ 63,321 |
| Adjustments to reconcile net margin and earnings to net cash from operating activities: | | |
| Depreciation and amortization of property, plant and equipment | 112,601 | 107,400 |
| Deferred income taxes | (4,797) | (9,548) |
| Changes in regulatory assets and liabilities | (26,189) | 8,288 |
| Unrealized loss (gain) on investments | (5,829) | 476 |
| Patronage capital | (5,281) | (5,366) |
| Other amortization and accretion | 16,690 | 5,697 |
| Impairment of assets, net | 1,106 | 1,257 |
| Income attributable to noncontrolling interest | 9,220 | 9,134 |
| Changes in other operating elements: | | |
| Customer accounts receivable | (35,098) | 20,644 |
| Other receivables | (6,131) | 9,455 |
| Coal stock, materials and supplies | 662 | (7,465) |
| Prepayments and other current assets | 5,434 | (555) |
| Accounts payable | 46,838 | (21,677) |
| Taxes and other current liabilities | (13,153) | 4,498 |
| Change in collateral | 30,148 | (43,381) |
| Other operating activities, net | (5,094) | (4,218) |
| Net cash provided by operating activities | 176,952 | 137,960 |
| Investing activities: | | |
| Acquisition of electric plant | (130,365) | (33,296) |
| Acquisition of nonutility property | (19,850) | (5,987) |
| Proceeds from sales of property | 1,327 | 2,558 |
| Purchase of investments | (38,172) | (99,702) |
| Sale of investments | 25,097 | 153,243 |
| Sale of other assets and payments received on notes receivable | 4,888 | 3,026 |
| Purchase of other assets and issuance of notes receivable | (3,408) | (1,059) |
| Net cash provided by (used in) investing activities | (160,483) | 18,783 |
| Financing activities: | | |
| Proceeds of long-term debt | - | 10,241 |
| Principal payments of long-term debt | (31,108) | (33,127) |
| Proceeds of notes payable — affiliates | 1,206,716 | 1,407,128 |
| Payments of notes payable — affiliates | (1,183,483) | (1,279,412) |
| Proceeds of notes payable | 574,896 | 505,464 |
| Payments of notes payable | (599,872) | (535,241) |
| Payments under capital lease obligations | (609) | (643) |
| Retirement of patronage capital | - | (18,566) |
| Dividends paid to noncontrolling interest | (9,520) | (8,523) |
| Net cash provided by (used in) financing activities | (42,980) | 47,321 |
| Net increase (decrease) in cash and cash equivalents and designated cash and equivalents | (26,511) | 204,064 |
| Cash and cash equivalents and restricted and designated cash and equivalents, beginning of period | 524,016 | 340,332 |
| Cash and cash equivalents and restricted and designated cash and equivalents, end of period | $ 497,505 | $ 544,396 |