

Basin Electric Power Cooperative (Basin Electric), on a consolidated basis with its wholly owned subsidiaries, Basin Cooperative Services, Dakota Coal Company (Dakota Coal), Dakota Gasification Company (DGC), PrairieWinds ND1, Inc., PrairieWinds SD1, Inc. and with its variable interest entity, The Coteau Properties Company (Coteau), presents its financial statements for the nine-month periods ended September 30, 2017 and 2016. The consolidated net margin and earnings for the periods were \$129.6 million and \$11.9 million, respectively.

Total electric sales for the first nine months of 2017 were 23.2 million megawatt hours (MWh), generating revenue of \$1.3 billion. Total MWh sales increased by 1.9 million MWhs and total revenue from sales increased by \$158.3 million from the same period last year. Electricity sales to Basin Electric's Class A and D members were 17.8 million MWhs generating \$1.1 billion of revenue, which represents a 5.8 percent increase in MWh sales and a 13.7 percent increase in revenue from the same period last year. Member sales revenue increased primarily due to the average member wholesale rate increase of seven mills effective August 1, 2016. Non-member sales increased by 894.5 thousand MWhs or 20.1 percent and revenue increased by \$23.6 million or 21.6 percent. Non-member revenue is higher during the first nine months of 2017 compared to the same period in 2016 primarily due to MWhs sold.

The Great Plains Synfuels Plant (Synfuels Plant), owned and operated by DGC, sold 37.1 million dekatherms of synthetic natural gas (SNG) during the first nine months of 2017, which is 3.8 million dekatherms less than the volume sold during the same period in 2016. SNG revenue during the first nine months of 2017 was \$113.9 million compared to the revenue for the first nine months of 2016 of \$87.8 million. The average sales price for SNG was \$3.07 per dekatherm for the first nine months of 2017 compared to an average sales price of \$2.15 during the same period in 2016. Byproducts, coproducts and other operating revenue decreased by \$12.5 million or 6.5 percent for the first nine months of 2017 compared to the same period in 2016. Revenue from ammonia, carbon dioxide, and ammonium sulfate was lower for the first nine months of 2017 compared to the same period in 2016 by \$13.5 million, \$6.1 million, and \$4.3 million, respectively. Revenue from tar oil and naphtha was higher for the first nine months of 2017 compared to the same period in 2016 by \$10.4 million and \$2.2

million, respectively. The net loss for DGC for the first nine months of 2017 and 2016 was \$56.8 million and \$69.7 million, respectively.

Dakota Coal is the supplier of lignite to Basin Electric's Antelope Valley Station and Leland Olds Station and the Synfuels Plant, and the supplier of lime to certain Basin Electric facilities and other regional power plants. Dakota Coal sold 731 thousand more tons of coal during the first nine months of 2017 than the same period in 2016. Net income for Dakota Coal for the first nine months of 2017 was \$14.2 million compared to \$5.4 million for the first nine months of 2016.

The accompanying consolidated balance sheets, statements of operations and statements of cash flows are unaudited. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) have been made and this report constitutes a fair and accurate representation of the consolidated financial position and operations of Basin Electric and its wholly owned subsidiaries and Coteau as of and for the nine-month periods ended September 30, 2017 and 2016. These financial statements should be read in conjunction with the financial statements and related notes included in Basin Electric Power Cooperative's 2016 Annual Report.



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2017 3RD QUARTER REPORT

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Basin Electric Power Cooperative and Subsidiaries CONSOLIDATED BALANCE SHEETS

as of September 30 (dollars in thousands)

	2017	2016
Assets		
Electric plant:		
In service	\$ 6,376,330	\$ 5,952,937
Property held under capital leases	11,236	233,076
Construction work in progress	195,631	468,087
Total electric plant	6,583,197	6,654,100
Less: accumulated provision for depreciation and amortization	2,247,644	2,139,003
	4,335,553	4,515,097
Nonutility property:		
Property, plant and equipment	1,813,691	1,758,389
Construction work in progress	667,816	442,948
Total nonutility property	2,481,507	2,201,337
Less: accumulated provision for depreciation and depletion	847,362	806,841
	1,634,145	1,394,496
Other property, investments and deferred charges:		
Mine related assets	151,798	147,208
Investments in associated companies	41,847	41,345
Other investments	143,095	54,268
Special funds	51,386	45,840
Deferred charges	305,553	355,583
	693,679	644,244
Current assets:		
Cash and cash equivalents	306,398	161,178
Restricted cash and investments	42,571	94,696
Short-term investments	30,029	100
Customer accounts receivable	162,865	151,240
Other receivables	86,688	103,632
Coal stock, materials and supplies	211,057	204,555
Prepayments and other current assets	84,528	170,801
	924,136	886,202
	<u>\$ 7,587,513</u>	<u>\$ 7,440,039</u>
Liabilities		
Equity:		
Memberships	\$ 21	\$ 21
Patronage capital	958,646	725,481
Retained earnings of subsidiaries	234,738	305,405
Other equity	299,251	289,494
Accumulated other comprehensive loss	(5,891)	(15,168)
	1,486,765	1,305,233
Noncontrolling interest	3,361	2,120
	1,490,126	1,307,353
Long-term debt, net of current portion	4,602,458	4,158,433
Capital lease obligations, net of current portion	12,795	229,191
	6,105,379	5,694,977
Deferred credits, taxes and other liabilities	499,620	553,170
Current liabilities:		
Current portion of long-term debt	49,747	46,313
Current portion of capital lease obligations	1,499	4,789
Accounts payable	223,890	231,765
Notes payable – affiliates	204,223	187,578
Notes payable	364,042	584,652
Taxes and other current liabilities	139,113	136,795
	982,514	1,191,892
	<u>\$ 7,587,513</u>	<u>\$ 7,440,039</u>

Basin Electric Power Cooperative and Subsidiaries CONSOLIDATED STATEMENTS OF OPERATIONS

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

	2017	2016
Utility operations:		
Operating revenue:		
Sales of electricity for resale:		
Members	\$ 1,138,945	\$ 1,001,948
Others	132,416	108,863
	1,271,361	1,110,811
Other electric revenue	16,830	19,036
	1,288,191	1,129,847
Operating expenses:		
Operation	780,957	729,740
Maintenance	121,481	124,133
Depreciation and amortization	99,890	94,664
Taxes other than income	2,553	2,460
	1,004,881	950,997
Interest and other charges:		
Interest on long-term debt	141,018	129,196
Other	12,373	9,518
	153,391	138,714
Operating margin	129,919	40,136
Nonoperating margin:		
Interest and other income	35,115	26,502
Patronage allocations from other cooperatives	7,332	3,926
	42,447	30,428
Utility margin before income taxes	172,366	70,564
Nonutility operations:		
Operating revenue:		
Synthetic gas	113,894	87,829
Byproducts, coproduct and other	179,594	192,066
Lignite coal	99,891	91,183
	393,379	371,078
Operating expenses (includes \$13,583 and \$12,069 of net income attributed to noncontrolling interest)	472,065	480,775
Operating loss	(78,686)	(109,697)
Interest and other income	10,694	2,977
Nonutility loss before income taxes	(67,992)	(106,720)
Margin and earnings (loss) before income taxes	104,374	(36,156)
Benefit from income taxes	(25,221)	(48,064)
Net margin and earnings	<u>\$ 129,595</u>	<u>\$ 11,908</u>

Basin Electric Power Cooperative and Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOW

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

	2017	2016
Operating activities:		
Net margin and earnings	\$ 129,595	\$ 11,908
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	145,406	139,502
Increase in reserves	6,315	18,577
Other amortization	5,219	23,933
Patronage capital and other	(11,087)	(5,656)
Deferred income taxes	(25,359)	(38,411)
Other, including regulatory revenue deferral	11,000	(11,400)
Income attributable to noncontrolling interest	13,583	12,068
Changes in other operating elements:		
Customer accounts receivable	471	(31,142)
Other receivables	12,902	(18,047)
Coal stock, materials and supplies	(13,729)	(3,543)
Prepayments and other current assets	(24,099)	(71,166)
Accounts payable	3,151	(9,942)
Taxes and other current liabilities	40,281	43,905
Net cash provided by operating activities	293,649	60,586
Investing activities:		
Acquisition of electric plant	(94,324)	(227,647)
Acquisition of nonutility property	(209,627)	(267,002)
Purchase of investments	(58,845)	(21,031)
Sale of investments	10,640	247,028
Purchase of other assets	(8,316)	(2,876)
Net cash used in investing activities	(360,472)	(271,528)
Financing activities:		
Loan advances	504,119	187,039
Principal payments of long-term debt	(24,925)	(23,395)
Payment of debt issue costs	(7,823)	(194)
Proceeds of notes payable to affiliates	1,197,862	1,023,679
Payments of notes payable to affiliates	(1,175,921)	(1,008,349)
Proceeds of notes payable	1,632,704	2,338,641
Payments of notes payable	(1,948,177)	(2,298,746)
Payments under capital lease obligations	(8,077)	(5,619)
Dividends paid to noncontrolling interest	(11,249)	(12,140)
Net cash provided by financing activities	158,513	200,916
Net increase (decrease) in cash and cash equivalents	91,690	(10,026)
Cash and cash equivalents, beginning of period	214,708	171,204
Cash and cash equivalents, end of period	<u>\$ 306,398</u>	<u>\$ 161,178</u>