

Basin Electric Power Cooperative (Basin Electric), on a consolidated basis with its wholly owned subsidiaries, Basin Cooperative Services, Dakota Coal Company (Dakota Coal), and Dakota Gasification Company (DGC), and with its variable interest entity, The Coteau Properties Company (Coteau), presents its consolidated financial statements for the three-month periods ended March 31, 2018 and 2017. The consolidated net margin and earnings for the periods were \$45.4 million and \$65.1 million, respectively.

Total electric sales for the first three months of 2018 were 8.4 million megawatt hours (MWh), generating revenue of \$439.2 million. Total MWh sales increased by 0.6 million MWhs and total revenue from sales increased by \$16.2 million from the same period last year. Electricity sales to Basin Electric's Class A and D members were 6.9 million MWhs generating \$405 million of revenue, which represents a 9.7 percent increase in MWh sales and a 4.8 percent increase in revenue from the same period last year. Member sales revenue increased primarily due to an increase in MWhs sold. Non-member sales increased by 0.1 million MWhs or 5.5 percent and revenue decreased by \$2.3 million or 6.4 percent. Non-member revenue is lower during the first three months of 2018 compared to the same period in 2017 primarily due to pricing.

The Great Plains Synfuels Plant (Synfuels Plant), owned and operated by DGC, sold 13.7 million dekatherms of synthetic natural gas (SNG) during the first three months of 2018, which is 0.8 million dekatherms more than the volume sold during the same period in 2017. SNG revenue during the first three months of 2018 was \$40.1 million compared to the revenue for the first three months of 2017 of \$45.6 million. The average sales price for SNG was \$2.93 per dekatherm for the first three months of 2018 compared to an average sales price of \$3.53 during the same period in 2017. Byproducts, coproducts and other operating revenue decreased by \$7.3 million or 19.0 percent for the first three months of 2018 compared to the same period in 2017. Revenue from tar oil was higher for the first three months of 2018 compared to the same period in 2017 by \$2.9 million. The urea facility which had previously been under construction began producing product in January 2018. Urea revenue for the three month period was \$3.2 million. Revenue from ammonia, ammonium sulfate, cresylic, and naphtha was lower for the first three months of 2018 compared to

the same period in 2017 by \$5.9 million, \$2.6 million, \$1.2 million, and \$2.9 million respectively. The net loss for DGC for the first three months of 2018 and 2017 was \$26.2 million and \$15.6 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 59.5 thousand fewer tons of coal during the first three months of 2018 than the same period in 2017. Net income for Dakota Coal for the first three months of 2018 was \$8.3 million compared to \$7.1 million for the first three months of 2017.

The accompanying consolidated balance sheets, statements of operations, and statements of cash flows are unaudited. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) have been made and this report constitutes a fair and accurate representation of the consolidated financial position and operations of Basin Electric and its wholly owned subsidiaries and Coteau as of and for the three-month periods ended March 31, 2018 and 2017. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in Basin Electric Power Cooperative's 2017 Annual Report.



Paul Sukut
Chief Executive Officer
and General Manager



Steve Johnson
Senior Vice President and
Chief Financial Officer



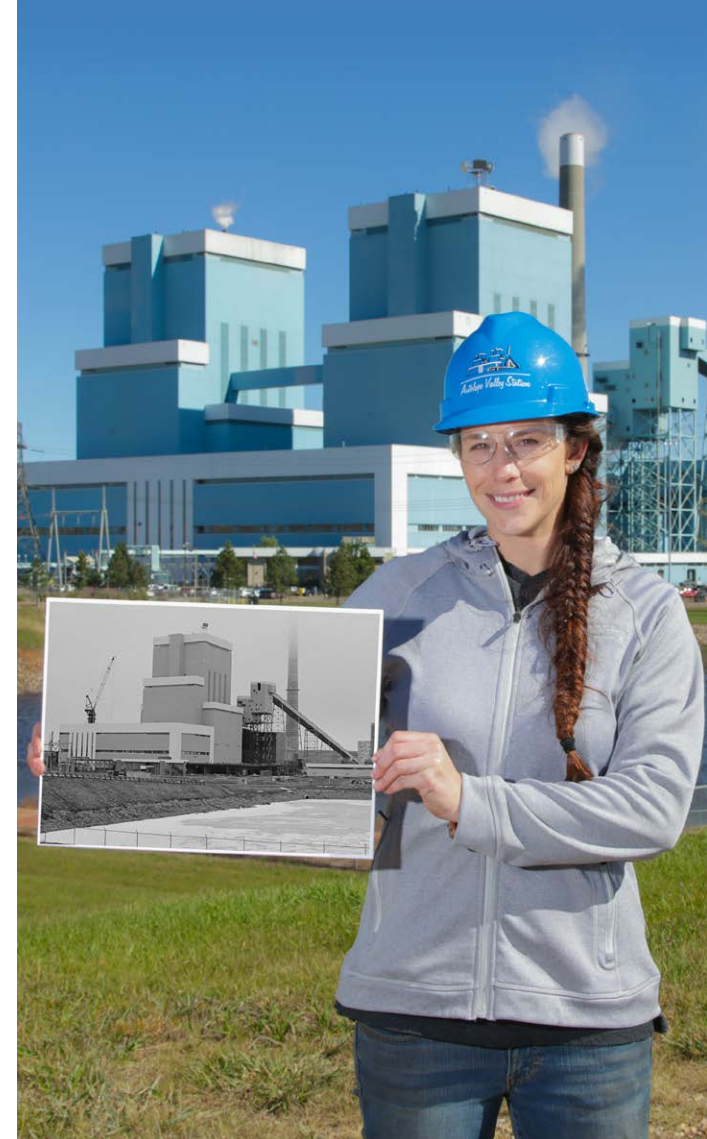
**BASIN ELECTRIC
POWER COOPERATIVE**

A Touchstone Energy® Cooperative 

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

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2018 1ST QUARTER REPORT



**BASIN ELECTRIC
POWER COOPERATIVE**

A Touchstone Energy® Cooperative 

Basin Electric Power Cooperative and Subsidiaries
CONSOLIDATED BALANCE SHEETS

as of March 31 (dollars in thousands)

	2018	2017
Assets		
Electric plant:		
In service	\$ 6,913,463	\$ 6,252,637
Property held under capital leases	2,372	117,387
Held for future use	6,992	-
Construction work in progress	118,167	246,067
Total electric plant	7,040,994	6,616,091
Less: accumulated provision for depreciation and amortization	2,446,476	2,195,694
	4,594,518	4,420,397
Nonutility property:		
Property, plant and equipment	2,064,217	1,765,162
Construction work in progress	61,401	559,273
Total nonutility property	2,125,618	2,324,435
Less: accumulated provision for depreciation and depletion	724,835	832,623
	1,400,783	1,491,812
Other property, investments and deferred charges:		
Mine related assets	153,505	150,766
Investments in associated companies	40,264	41,794
Other investments	125,871	138,361
Special funds	51,494	51,340
Deferred charges	323,037	302,125
	694,171	684,386
Current assets:		
Cash and cash equivalents	133,652	157,187
Restricted and designated cash and investments	223,262	19,444
Short-term investments	100	100
Customer accounts receivable	154,311	154,854
Other receivables	93,802	105,044
Coal stock, materials and supplies	216,961	205,218
Prepayments and other current assets	90,382	75,963
	912,470	717,810
	<u>\$ 7,601,942</u>	<u>\$ 7,314,405</u>
Liabilities		
Equity:		
Memberships	\$ 21	\$ 21
Patronage capital	896,215	859,621
Retained earnings of subsidiaries	213,395	269,298
Other equity	343,303	299,251
Accumulated other comprehensive income (loss)	3,015	(9,595)
	1,455,949	1,418,596
Noncontrolling interest	2,475	2,270
	1,458,424	1,420,866
Long-term debt, net of current portion	4,573,559	4,130,854
Capital lease obligations, net of current portion	3,981	114,234
	6,035,964	5,665,954
Deferred credits, taxes and other liabilities	599,592	510,084
Current liabilities:		
Current portion of long-term debt	65,638	46,580
Current portion of capital lease obligations	1,100	3,221
Accounts payable	175,908	197,368
Notes payable – affiliates	200,809	198,563
Notes payable	344,084	534,542
Taxes and other current liabilities	178,847	158,093
	966,386	1,138,367
	<u>\$ 7,601,942</u>	<u>\$ 7,314,405</u>

Basin Electric Power Cooperative and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	2018	2017
Utility operations:		
Operating revenue:		
Sales of electricity for resale:		
Members	\$ 405,023	\$ 386,461
Others	34,183	36,504
	439,206	422,965
Other electric revenue	5,934	5,640
	445,140	428,605
Operating expenses:		
Operation	274,877	256,030
Maintenance	27,083	29,119
Depreciation and amortization	37,430	33,765
Taxes other than income	995	917
	340,385	319,831
Interest and other charges:		
Interest on long-term debt	49,842	43,197
Other	4,730	4,442
	54,572	47,639
Operating margin	50,183	61,135
Nonoperating margin:		
Interest and other income	9,372	8,960
Patronage allocations from other cooperatives	3,726	3,557
	13,098	12,517
Utility margin before income taxes	63,281	73,652
Nonutility operations:		
Operating revenue:		
Synthetic gas	40,073	45,612
Byproducts, coproduct and other	32,568	54,945
Lignite coal	37,233	34,740
	109,874	135,297
Operating expenses (includes \$4,889 and \$4,350 of net income attributed to noncontrolling interest)	135,314	152,111
Operating loss	(25,440)	(16,814)
Interest and other income	2,374	2,625
Nonutility loss before income taxes	(23,066)	(14,189)
Margin and loss before income taxes	40,215	59,463
Benefit from income taxes	(5,222)	(5,667)
Net margin and earnings	<u>\$ 45,437</u>	<u>\$ 65,130</u>

Basin Electric Power Cooperative and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOW

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

	2018	2017
Operating activities:		
Net margin and earnings	\$ 45,437	\$ 65,130
Adjustments to reconcile net margin and earnings to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment	54,421	49,164
Increase in reserves	1,571	2,098
Other amortization	3,814	(1,545)
Patronage capital and other	(5,476)	(5,327)
Deferred income taxes	(5,269)	(5,719)
Other, including regulatory revenue deferral	(220)	11,000
Income attributable to noncontrolling interest	4,889	4,350
Changes in other operating elements:		
Customer accounts receivable	13,095	8,482
Other receivables	13,319	(5,508)
Coal stock, materials and supplies	(11,852)	(7,895)
Prepayments and other current assets	(13,217)	(12,368)
Accounts payable	(9,016)	2,060
Taxes and other current liabilities	79,461	51,839
Net cash provided by operating activities	170,957	155,761
Investing activities:		
Acquisition of electric plant	(33,549)	(27,438)
Acquisition of nonutility property	(22,995)	(53,767)
Purchase of investments	(1,366)	(6,810)
Sale of investments	17,261	11,522
Purchase of other assets	(1,020)	(1,354)
Net cash used in investing activities	(41,669)	(77,847)
Financing activities:		
Loan advances	1,546	3,696
Principal payments of long-term debt	(6,563)	(9,705)
Payment of debt issue costs	(325)	(196)
Proceeds of notes payable – affiliates	477,540	412,078
Payments of notes payable – affiliates	(469,406)	(392,203)
Proceeds of notes payable	539,369	804,179
Payments of notes payable	(673,931)	(949,152)
Payments under capital lease obligations	(1,489)	(1,025)
Dividends paid to noncontrolling interest	(4,739)	(3,107)
Net cash used in financing activities	(137,998)	(135,435)
Net decrease in cash and cash equivalents	(8,710)	(57,521)
Cash and cash equivalents, beginning of period	142,362	214,708
Cash and cash equivalents, end of period	<u>\$ 133,652</u>	<u>\$ 157,187</u>