

# Members-Only Meeting Summary

## Nov. 11, 2021

Basin Electric held its 60<sup>th</sup> Annual Meeting on Nov. 10 in Bismarck, North Dakota, followed by a separate members-only information and listening session on Nov. 11. The meetings are held each year to bring members up to date on the business of Basin Electric, Dakota Gasification Company, and Basin Electric’s other subsidiaries. The fifth annual members-only meeting was held to facilitate an open dialogue with the membership.

The main topics of discussion included Basin Electric’s strategic objectives review for 2021, options for Dakota Gas, and the cooperative’s power supply strategy.

The following is a summary for each section covered.

### 2021 Strategic Objectives and Goals



The three pillars for the 2021 strategic goals include:

- Member and employee focus
- Continuous improvement
- Strategic direction/the forward look

#### Member and employee focus objectives and examples shared:

- Maintaining a safe and compliant work environment
  - COVID response since March 2020
  - Dakota Gas reaching one million hours without a lost-time incident

- Continue communication and transparency with member-owners and employees
  - Fifth annual members-only meeting
  - New Basin Electric and Dakota Gas public websites
  - February energy event materials
- Apply results learned from the Cooperative Awareness campaign (Paulsen study)
  - Top three Member key issues include affordable rates, reliable power, and resolving the issues with Dakota Gas

**Continuous improvement objectives and examples shared:**

- Review and evaluate Dakota Gas revenue opportunities
  - 45Q tax credit revenue, liquid carbon dioxide sales, and DEF sales
- Ensure reliability and enhance Basin Electric’s electric plant competitiveness
  - Physical natural gas purchases
  - Western Energy Imbalance Service participation
- Continued emphasis on cost containment
  - Cost reductions of nearly \$600 million since 2016
- Mitigate risk and maintain appropriate market exposure
  - February energy event risk mitigation efforts with no rate impact to members
  - Nemadji Trail Energy Center - Basin Electric will have a 30% ownership, an additional 180 megawatts of generation
  - Lonesome Creek 6 commissioning (60 MW gas unit to help serve Bakken area)

**Strategic direction/the forward look objectives and examples shared:**

- Build and maintain revenue deferral
  - \$230 million balance; used to mitigate membership risk
- Refine the business plan and execute Dakota Gas plant options
  - Primary reformer assessment
  - Sell Synfuels Plant assets
- Evaluate margin levels and usage
  - Accelerated Leland Olds Station unit 1 depreciation (This does not mean the unit will be shut down earlier than planned)
  - Accelerated Dakota Gas coal assets depreciation
- Maintain an A credit rating
  - Affirmed by S&P and Moody’s in 2021

**Dakota Gas/Bakken Energy sale update**

In 2020, Basin Electric began exploring the addition of a primary reformer at the Great Plains Synfuels Plant, which would allow the facility to continue fertilizer production with or without the production of synthetic natural gas from coal. Another option was presented this past spring when Bakken Energy partnered with Mitsubishi Power and signed a non-binding letter of intent with Basin Electric on Aug. 4 to evaluate the

purchase of a large percentage of the Synfuels Plant assets and convert it into a hydrogen production facility.



Bakken Energy is looking to the Biden administration’s recently approved infrastructure bill that could provide \$2 billion of the \$9.5 billion designated for four hydrogen hubs in the United State to redevelop the Synfuels Plant into a hydrogen hub that would produce, store, and transport hydrogen, as a clean energy source.

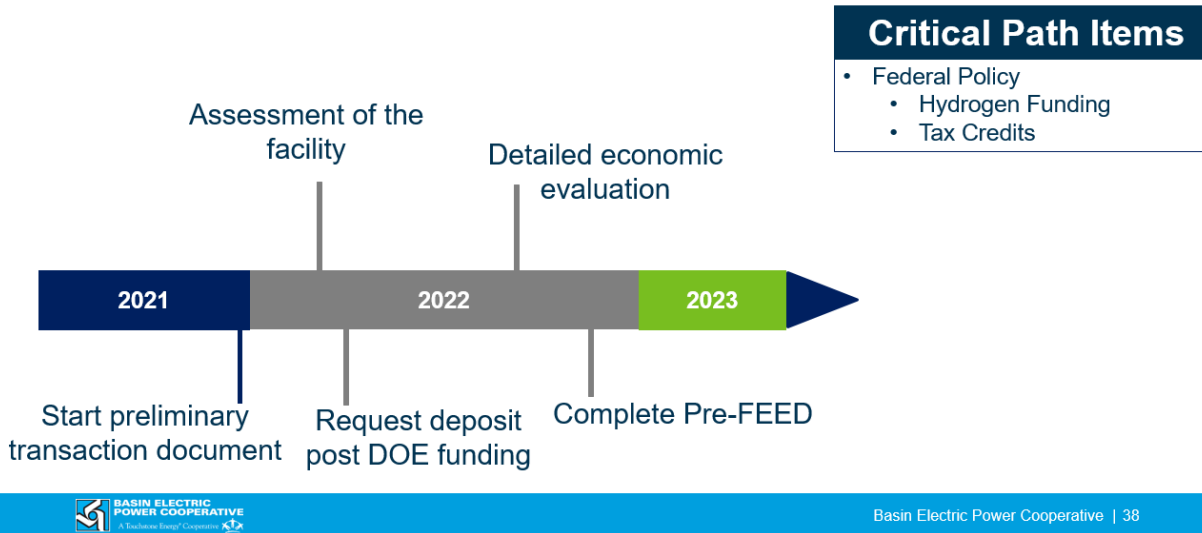
Bakken Energy is working with Mitsubishi Power, as well as ATCO Energy Solutions, which is leading the engineering services.

Basin Electric and Dakota Gas have established a negotiations team comprised of senior management. The team is tasked with evaluating the economics, terms, and conditions of an agreement. An additional team, the Synfuels Plant evaluation team, is a cross-functional team that is reviewing a detailed economic analysis from Dakota Gas and Basin Electric’s perspectives.

Another component of the sale is the potential to add electrical generation at or near the Synfuels Plant. And, Basin Electric could also sequester the carbon dioxide the plant would produce, as a benefit of the 45Q tax credit, which would be a revenue stream for years to come.

Basin Electric shared with the membership in 2019 that to shut down the Synfuels Plant, the immediate cash needed would be approximately \$1.2 billion. With the potential of a Bakken Energy purchase, the immediate cash requirement could be reduced to less than \$200 million.

## More due diligence needs to be completed to quantify full impact to Basin Electric



Many of the details for a sale remain to be worked out and more due diligence needs to be completed to quantify the full impact to Basin Electric. The timeline for the sale, if it moves forward, would likely be in 2023. An update will be provided at the November 2022 members-only meeting following Annual Meeting.

### Power Supply Strategy

In regard to Basin Electric's power supply strategy, the potential impact to the power supply planning assumptions without the Dakota Gas load and use of coal could result in coal cost impacts to the Leland Olds Station and Antelope Valley Station. The current forward forecast assumes the resource retirements of Leland Olds Unit 1 in 2025 and Unit 2 in 2030. While these are assumptions, and nothing is certain, these retirements will be based on reliability impacts and economic analysis.

Resource development includes looking at new generation in several northwest North Dakota areas. Dispatchable resources that could be added to meet member load growth may include gas resources such as combined cycle, combustion turbines, or reciprocating engines.

# Nemadji Trail Energy Center

- 600 MW Combined cycle gas turbine
  - Minnesota Power/South Shore Energy = 20%
  - Dairyland Power Cooperative = 50%
  - Basin Electric/Nemadji River = 30%
- Commercial Operation planned for 2025-2027
- Superior, Wisconsin in MISO Planning Zone 1



Basin Electric recently purchased an ownership stake in a new generation facility to be built in Wisconsin. The Nemadji Trail Energy Center will help serve power to members that is economical and dispatchable. It is a 600 megawatt combined-cycle gas turbine facility and Basin Electric will own 30% of the project. Commercial operations is planned for 2025-2027 and will be in the MISO (Midcontinent ISO) Planning Zone 1.

Basin Electric’s load forecast shows members will need more generation capacity in that area by 2026 and the addition fits well into the all-of-the-above energy strategy.

Basin Electric’s diverse portfolio provides value as well as ensures reliable, affordable, responsible power for the membership today and into the future.

## Basin Electric’s Diversified Winter Capability Portfolio

This reflects our ability to serve our consumer-owners even on the coldest days.

