



**BASIN ELECTRIC
POWER COOPERATIVE**

A Touchstone Energy® Cooperative 

Member Assessment/Outreach Campaign

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Cooperative Awareness Campaign

Objectives

- Identify and prioritize key challenges
- Measure alignment
 - Basin Electric's Board
 - Senior Staff
 - Class A GMs
 - Class A Board Members
 - Class A MACs
- Identify gaps in understanding and communication
- *Strengthen Member Relationships*

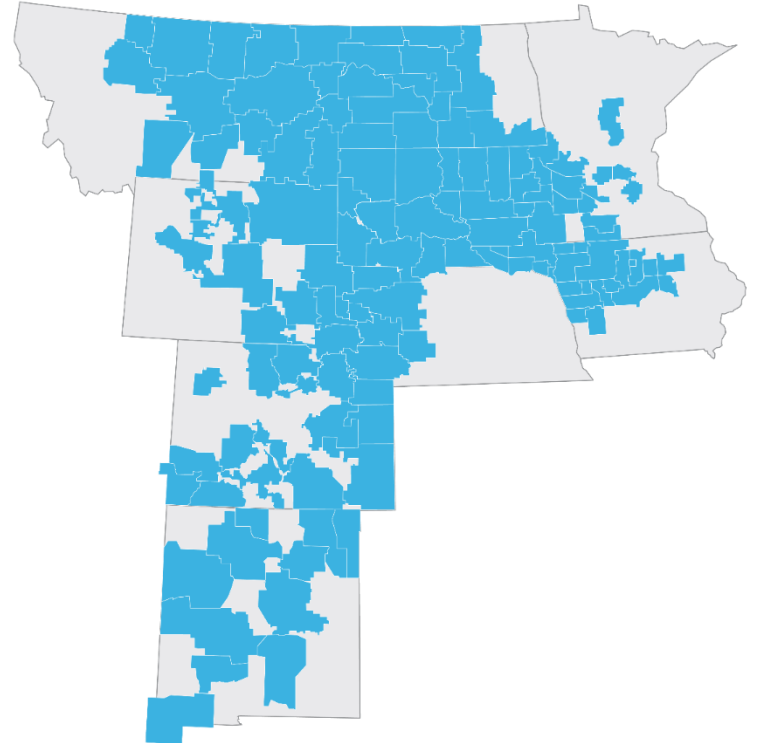


Campaign Demographics

- 26 Interactive Member feedback sessions
- 135 Class A Board Members
- 18 Class A Member Managers
- 78 Class C Managers

***All voices were heard**

***All responses were anonymous**



Addressing Key Issues

(Paulsen Survey Results)

1. Affordable rates ✓
2. Reliable power ✓
3. Resolving DGC ✓
4. Strategic Plan ✓
5. Expected load growth ✓
6. Improving communication ✓
7. Transition from coal ✓
8. Increasing renewables ✓
9. Future workforce ✓
10. Long-term contracts ✓

Addressing Key Issues

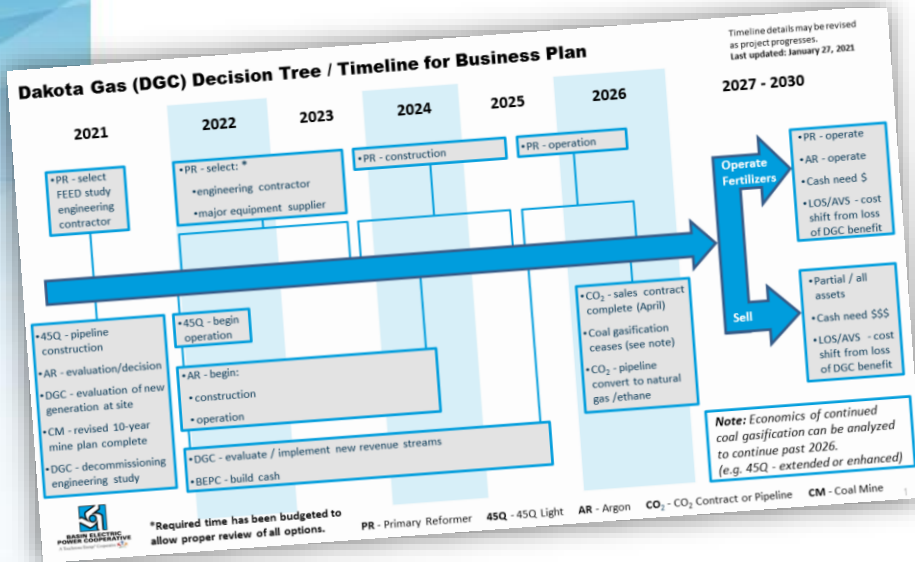
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Improving Communication

- Enhance Messaging
 - Consistency
 - Context
- Examples
 - Members Only Meetings since 2017
 - Dakota Gas Timeline and Key Issues Doc
 - Importance of Base Load and Reliability
 - Increased Media Presence
 - “Listen and Learn” Member Short Videos

DGC Timeline and Key Issues



Basin Electric / Dakota Gas Key Points

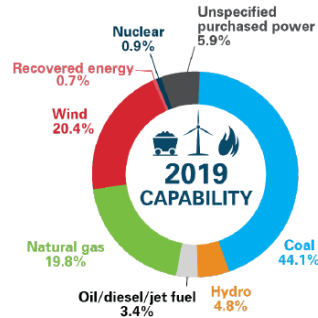
- **Basin Electric's rating and long-term debt** - Basin Electric is an 'A' rated utility with a stable outlook. Ratings agencies provide ratings that lenders use as a reference when considering the credit risk of lending to Basin Electric. The higher the rating, the lower the risk and the lower the cost of debt. At the end of 2008, Basin Electric's long-term debt totaled just under \$1.5 billion, while at the end of 2020 total long-term debt outstanding totaled more than \$4.3 billion.
- **Equity** - At 2020 year-end, Basin Electric had a total equity of \$1.5 billion. Equity represented 26% of Basin Electric's total capitalization, with an equity-to-asset ratio of 20%. G&Ts (generation and transmission cooperatives) work at a lower equity-to-asset ratio than distribution cooperatives because of a larger asset base due to generation assets.
- **Value of assets** - Basin Electric's consolidated total assets at 2020 year-end were \$7.6 billion. Of this total, \$5.5 billion consists of property, plant, and equipment. Basin Electric's utility plant is \$4.5 billion and nonutility property is \$1.0 billion, with \$746 million at Dakota Gas. The remaining \$2.1 billion of total asset value is made up of longer term investments, reserves, and regulatory assets (\$1 billion) and short-term assets such as cash, inventory, and receivables (\$1.1 billion). The bulk of the property value at Dakota Gas is in the fertilizer assets.
- **Unaudited 2020 operating revenue / earnings / margin** - Basin Electric's consolidated operating revenue for 2020 was \$2.1 billion with an unaudited net margin and earnings of \$75 million. Basin Electric plans for a \$75-90 million/year margin which supports its current capitalization structure and the financial metrics needed to assist in maintaining an 'A' rating.
 - **Revenue deferral** - Developed from surplus sales. The balance is capped at \$300 million through 2023 and drops to \$200 million in 2024. The deferred revenues are to be utilized to ensure margin stabilization (\$75-90 million) and remaining dollars are used for strategic positioning. The balance as of 2020 year-end was \$230 million.
 - **Member returns** - Since 2000, Basin Electric has returned nearly \$752.7 million to its membership through patronage capital retirements, bill credits, and power cost adjustments. Basin Electric retired \$32.6 million of member patronage in 2020.
 - **Member's mill rate** - Basin Electric's most recent rate increase occurred in August 2016. Basin Electric's most recent rate reduction occurred on Jan. 1, 2020, to an average rate of 61.5 mills (\$0.0615 kWh). This rate is projected to be held steady for the remainder of the 2021-2030 financial forecast. A 1 mill change to Basin Electric's member rate was equivalent to \$26 million in 2020 and grows to over \$40 million by the end of the 10-year financial forecast, which was approved by the Board in the fall of 2020.
- **Fuel sources and cost** - Basin Electric's coal-fueled generating assets in North Dakota use lignite coal from The Coteau Properties Company's Freedom Mine. Basin Electric purchases all of the coal requirements of Antelope Valley Station, Leland Olds Station, and Dakota Gas from this mine. In 2020, the mine sold 12.6 million tons to Basin Electric's lignite facilities. Dakota Gas took 5.5 million (44%) of the total. Antelope Valley burned 4.7 million tons (37%), and Leland Olds 2.4 million tons (19%).
 - The mine sharing arrangement provided a \$34 million benefit in coal costs to Basin Electric in 2019 (50% of the total Dakota Gas benefits of \$68 million). Looking forward, the financial forecast calculates these shared benefits will increase over time. Eliminating coal usage at Dakota Gas will shift costs directly to Antelope Valley and Leland Olds, and likewise, any decrease in usage at Antelope Valley and Leland Olds will shift cost to Dakota Gas.

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January 27, 2021

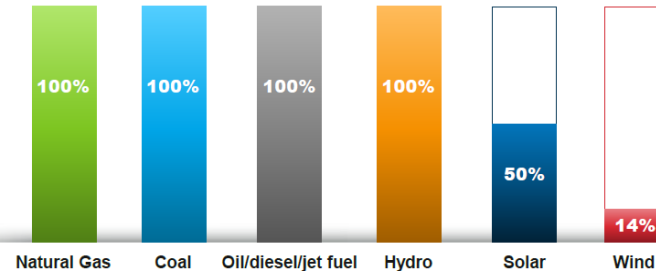
Importance of Base Load & Reliability

Basin Electric's Capability



*capability represents name-plate generation
 * hydro is winter name-plate generation

Current Summer Accreditation Value (Capacity)



*solar winter value approximately 10%
 *wind winter value approximately 25%

Currently, power markets require accredited capacity equal to 100% of summer peak load, losses, and 12% reserves.

*As renewable penetration levels increase, renewable accreditations values will decline

Increased Media Presence

“Approximately 500 megawatts of new renewable energy and progress on environmental initiatives highlight 2020 for Basin Electric”



Member Short Videos

- “Listen & Learn”
- 3-5 minute short segments
- Important topics
- Available on the Member website

<https://spaces.hightail.com/receive/ZoBShqvAaN>

Communication in Context

“The average 1500 KWh household paid about \$.15 per month to support the DGC loss in 2019”



Questions