BASIN ELECTRIC POWER COOPERATIVE
A Touchstone Energy® Cooperative

Members' Questions Answered Dakota Energy Cooperative Radio Ads

Basin Electric is in strong financial condition receiving an affirmation of its A rating recently by three Wall Street rating agencies (Fitch, Moody's & S&P).

Dakota Gas, owned by Basin Electric since 1988, has provided tremendous value to the membership but now faces price challenges that reduce that benefit.

The Basin Electric Board of Directors and membership are well aware of the situation and have a plan in place to eliminate losses while minimizing the impact to the membership.

Q: Are the recent operating losses a new problem at Dakota Gas?

A: No, this is not new information to the Basin Electric membership. The Board of Directors have been working through means to minimize the impact of low commodity prices on Dakota Gas. Basin Electric has been sharing information with the membership over the last several years and has executed drastic cost cutting measures and increased revenue avenues, to minimize the loss impact to the membership.

Q: How is Basin Electric addressing these losses?

A: Basin Electric has taken serious actions to minimize these losses including a 23% reduction in employees, slashing capital expenditures at Dakota Gas to bare bones levels, and trimming operating costs by over $170 million at Dakota Gas from 2016 to 2020.

Q: Has owning Dakota Gas cost members over $700 million and will members rates go up with continued operation of Dakota Gas?

A: Basin Electric's wholesale power rate has not increased since 2016. In fact in 2020, Basin Electric decreased its average member rate to 61.5 mills ($.0615 kWh) and has forecasted to hold that rate steady through the next 10 years. Basin Electric's average wholesale rate ranks among the lowest of all generation and transmission cooperatives in the country.

Q: What has owning and operating Dakota Gas cost the average Basin Electric member?

A: Since 2015, Dakota Gas has posted an operating loss; however, this loss has been offset by the operating synergies that Dakota Gas brings to the electric generation fleet. Recently those losses have surpassed the benefits. In 2020, Dakota Gas impacted the average residential member with a 1500 kWh/month usage, by $1.40 per month. Those impacts resulted in $0.15 cents per month in 2019.

Q: Does Dakota Gas bring overall benefit to the Basin Electric members?

A: Since 1988, the Basin Electric membership has received over $800 million of benefit from Dakota Gas. These benefits have served the membership through lower rates and bill credits.

Q: What significant strategic steps have been taken to pursue an avenue for Dakota Gas that would minimize impacts to the membership?

A: An immediate shutdown of the plant is not feasible. It would lead to a large immediate and negative financial impact to the membership. This concern has focused efforts to repurpose a portion of the plant to generate electricity, position parts of the plant for independent operation, or market it for sale. Recent discussions have led to the option of adding a primary reformer to the fertilizer plant, with the potential to shut down the coal gasification side of the plant and eliminate losses.

The ultimate goal is to wall off the membership from rate impacts and to preserve rate stability.

Q: Why is Basin Electric Power Cooperative and its membership involved in the coal gasification business?

A: In 1988, the purchase of the facility for $85 million from the Department of Energy was made after a unanimous vote by the membership. Many would consider this purchase a defensive move to help maintain synergies with the electric generation fleet and lower costs of coal.

Q: What synergies does owning Dakota Gas bring to Basin Electric?

A: The synergies between Dakota Gas, Antelope Valley Station, Leland Olds Station and the Freedom Mine provide significant cost savings to the membership. The joint operations equate to a benefit to Basin Electric of about **$71 million every year**. The synergies include coal, shared facilities (water treatment, storm ponds, ditches, rail, and coal handling), allocations, interest, procurement, and power supply.

Q: What additional investments were made since assuming ownership of Dakota Gas?

A: From 1988-2014, Dakota Gas invested $845 million in capital improvements. All of these investments were funded with self-generated cash. When purchased, over 95% of the revenue from Dakota Gas was from the sale of natural gas produced by the plant from a coal gasification process. With diversification, natural gas currently makes up less than 30% of the revenue at Dakota Gas.

The capital investment of the urea plant, commissioned in 2018, has provided significant revenue to offset losses and may afford an opportunity to market the facility (or parts of the facility) for sale in the future. Additionally, it furnishes a source of fertilizer production in the heart of the membership's territory.

Q: Have membership rates increased since operating Dakota Gas?

A: Dakota Gas has helped keep rates low for the membership and has paid $213 million in dividends back to Basin Electric. Over $85 million of the cash from these dividends was used to fund the construction of the Dry Fork Station, Basin Electric's newest coal generation plant.

As recently as 2008 and 2011, Basin Electric also relied on Dakota Gas to avoid a mid-year rate increase that would have otherwise been required to avoid default on debt covenants at the Basin Electric level. Because of Dakota Gas' ability to dividend to Basin Electric, the membership was not called on to provide additional revenue to Basin Electric through increased member rates.

Q: What added benefits does Basin Electric experience by Dakota Gas owning firm natural gas capacity on the Northern Border Pipeline?

A: Dakota Gas' firm natural gas capacity on the Northern Border pipeline provides a unique natural hedge as it produces natural gas and also transports natural gas to market. It feeds some of Basin Electric's natural gas electrical generation facilities and was instrumental during the recent February 2021 energy emergency in keeping those generation facilities producing electricity for the membership during a critical time of high natural gas prices.