



POWERING THE JOURNEY AHEAD

MINNKOTA POWER COOPERATIVE
2022 ANNUAL REPORT



ON THE WAY

The path forward through the energy transition is a sprawling web of challenges, opportunities, obstacles and momentum swings. Each step must be taken carefully, but we also recognize the need to move quickly.

Minnkota continued to make progress in 2022 on its journey toward energy that is safer, more reliable and secure, increasingly clean, yet still affordable for member-consumers across the region. As each utility charts its own course forward, we realize that no two routes look the same. At Minnkota, the direction we take is guided through the support and trust of our members.

We know this transition will not be easy, but we are confident in our team. Our board is adept at navigating through complex issues. Our power delivery crews show no fear when faced with storms, snow and wind. Our power plant personnel show precision and drive when completing projects to ensure reliable operation. And our security teams intricately weave together the walls that protect our infrastructure and digital systems.

We're united as we continue toward our destination. While rapid change is on the horizon, we're not deterred. In fact, we're optimistic. We're focused on making progress in this transition, and doing so responsibly.

We're committed to powering the journey ahead.

Minnkota power delivery crews install equipment to reduce blink outage issues on a 69-kV transmission line.

On the cover:
(Main image) Minnkota electrician Tom Beckstead helps install a vacuum interruption device for a switch at the Page substation in North Dakota.
(Left inset) Apprentice lineworker Patrick Busby drills a hole into a new power pole before its installation.
(Right inset) Minnkota engineer Sam Schwanberg completes an inspection during the Unit 2 major outage at the Young Station.

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REPORT TO THE MEMBERSHIP

Every journey has a starting point and destination, but success is often defined by what happens along the way. Minnkota and its members are currently navigating through the most significant transition in our industry's history. Our end goal is within sight, but there are still barriers that must be cleared, obstacles that must be avoided and challenges that must be overcome. We readily accept this responsibility and believe we're on the right path to realize our vision of greater reliability, stronger resiliency and enhanced environmental stewardship.

As the energy landscape continues to shift around us, we're fortunate to start from a solid foundation. Our members have provided outstanding support, collaboration and guidance every step of the way. We continue to operate with the shared belief that we're stronger when we work together. In 2022, we furthered that commitment by extending our wholesale power contracts with the Class A members by three years through 2058. That extension also launched an extensive system-wide review of the contract as we work toward signing another extension in 2023 under a new, long-term structure.

The cohesiveness of our membership is especially important as utilities are taking numerous routes through the energy transition. In Minnkota's case, our road is certainly less traveled, but we believe it may be the right way to go. As many utilities across the U.S. are retiring their coal-based generating assets, we are working to develop one of the largest carbon capture projects in the world at the coal-based Milton R. Young Station – an effort known as Project Tundra. This proposed facility is designed to capture and store up to 4 million metric tons of CO₂ annually, which would be equivalent to taking 800,000 gasoline-fueled vehicles off the road. In 2022, we made great strides in the development of Project Tundra – we secured the largest fully permitted CO₂ storage facility in the United States, completed advanced engineering studies and successfully advocated for equitable federal tax credits for CO₂ storage. We remain grateful for the continued support from the membership, local communities near the Young Station, the state of North Dakota and its congressional delegation. None of this would be possible without their commitment.

Minnkota's electric generation portfolio already includes 42% carbon-free power through its wind and hydroelectric resources. If we are successful in making Project Tundra a reality, Minnkota would be one of the fastest decarbonizing utilities in the U.S. without sacrificing reliability. As more coal and nuclear plants are retiring across the United States without adequate replacement, our nation's electric grid is beginning to show signs of fragility. In 2022,

Minnkota joined grid operators and regulators in sounding the alarm on the vulnerabilities that are affecting power reliability. As the pace of change in the energy industry continues to accelerate, so does the risk of rotating power outages and other energy emergencies. We continue to push for a cautious and commonsense approach to these major grid changes. After all, there's a lot on the line. Dependable electric service is the cornerstone of our modern society and is an absolute necessity for homes, farms, schools and businesses.

While power supply decisions garner most of the headlines, the upgrade and expansion of transmission assets are just as important. Minnkota staff were busy in 2022 building, upgrading and replacing the power delivery resources that connect our communities. New technologies have also been added to provide enhanced data and communication capabilities – all in an effort to respond more quickly to issues and improve overall reliability. These efforts are ongoing as we move through the system and replace aging infrastructure with new tools to make our grid smarter, stronger and more efficient.

From an operational standpoint, 2022 was an extraordinary year filled with major milestones. First and foremost, our safety record has been excellent. We had no lost-time incidents in 2022 and other comparable statistics indicate that we're meeting or exceeding industry standards. Perhaps most impressively, this stellar safety record was improved upon in a year with a major scheduled maintenance outage at the Milton R. Young Station and a full slate of projects across our power delivery system.

From a financial standpoint, member and market energy sales revenues were much higher than budgeted, which boosted our margins beyond expectations. The additional revenue has helped us maintain stable rates for five consecutive years, while also providing an opportunity to carry funds forward to limit future rate pressures, better manage power supply decisions and mitigate the impacts of an extreme market event.

As we look toward the journey ahead of us, we know there will be challenges, adversity and obstacles, but there will also be successes and growth. Using more than 80 years of experience as our guide, we remain confident that we're taking the right steps to deliver electricity that's always on, always affordable and always sustainable. And we won't stop until we get there.

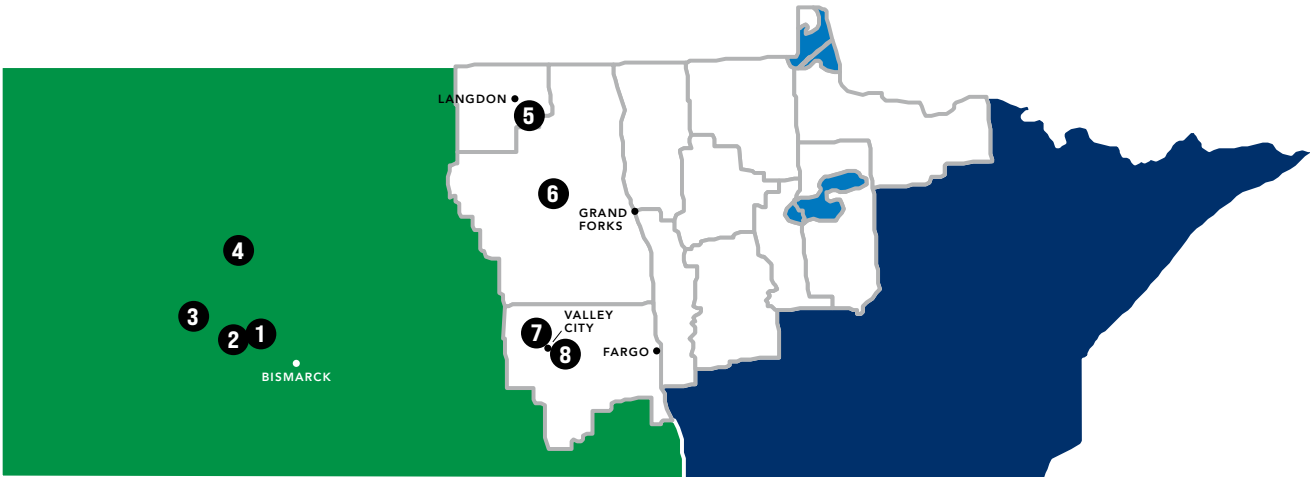
 
Les Windjue Mac McLennan



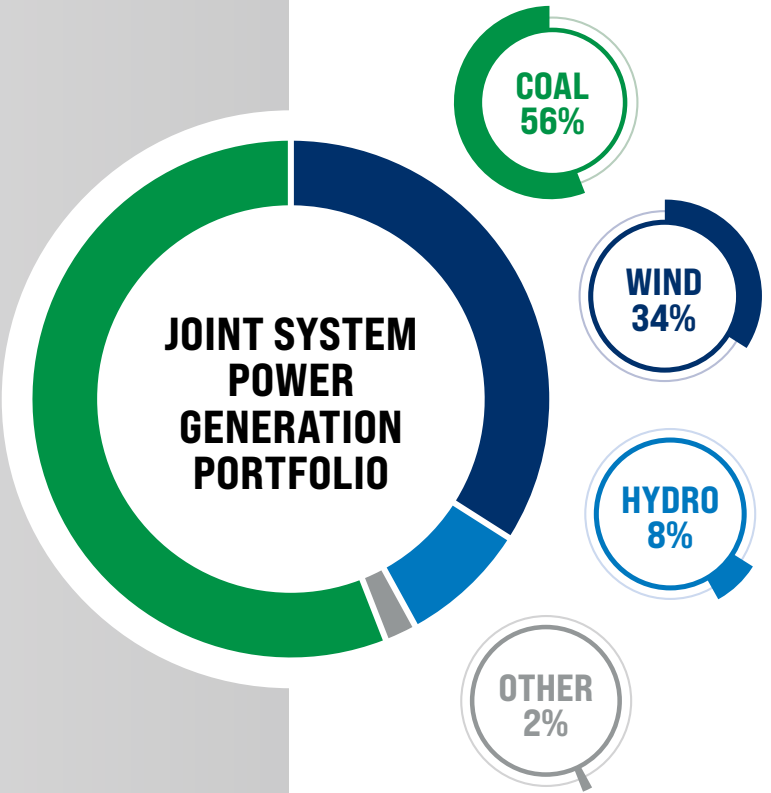
Mac McLennan
President & CEO

Les Windjue
Board Chair

GENERATION RESOURCES

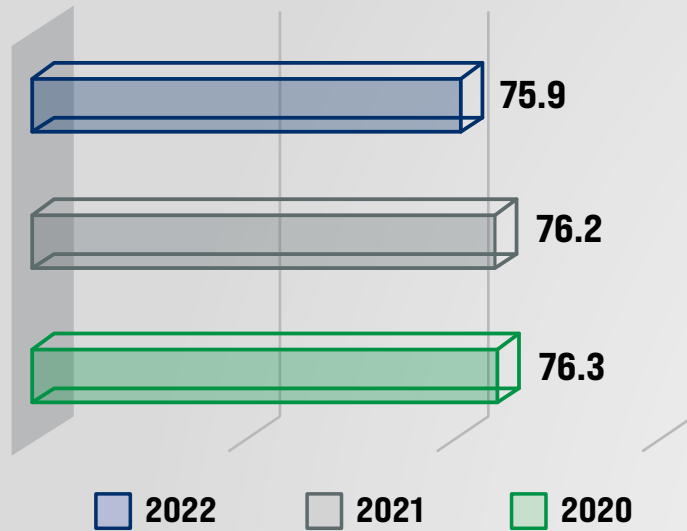


- 1 Milton R. Young Station**
Center, N.D.
- 2 Oliver III Wind Energy Center**
Center, N.D.
- 3 Coyote Station**
Beulah, N.D.
- 4 Garrison Dam**
Missouri River
- 5 Langdon Wind Energy Center**
Langdon, N.D.
- 6 Infinity**
Petersburg, N.D.
- 7 Ashtabula Wind Energy Center**
Valley City, N.D.
- 8 Infinity**
Valley City, N.D.



2022 YEAR IN REVIEW

Average Wholesale Power Rate (mills/kWh)



**\$1.1
BILLION**
Total Assets

75.9
Average Wholesale
Power Rate



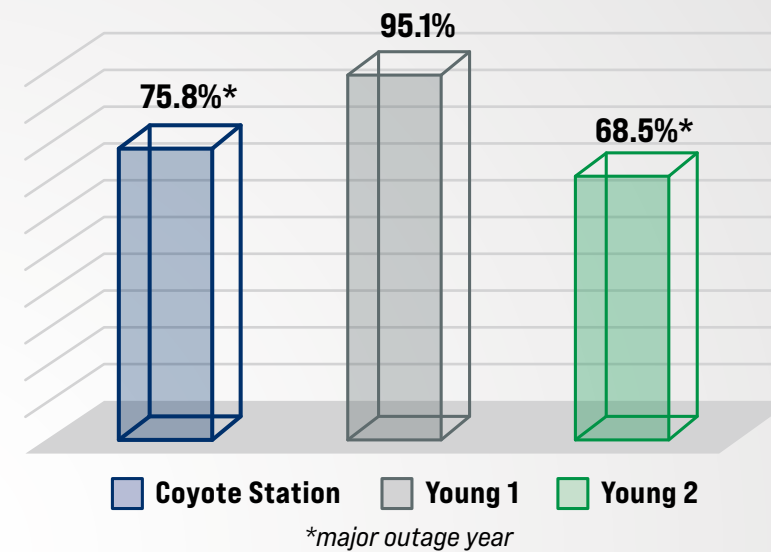
Wholesale power
contracts extended to:

2058



383
Employees

2022 Power Plant Availability

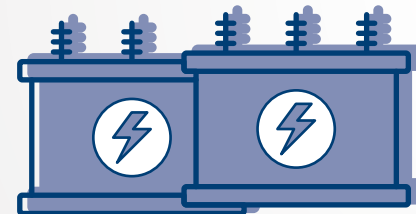


\$

2022 revenues:
\$451.6 million

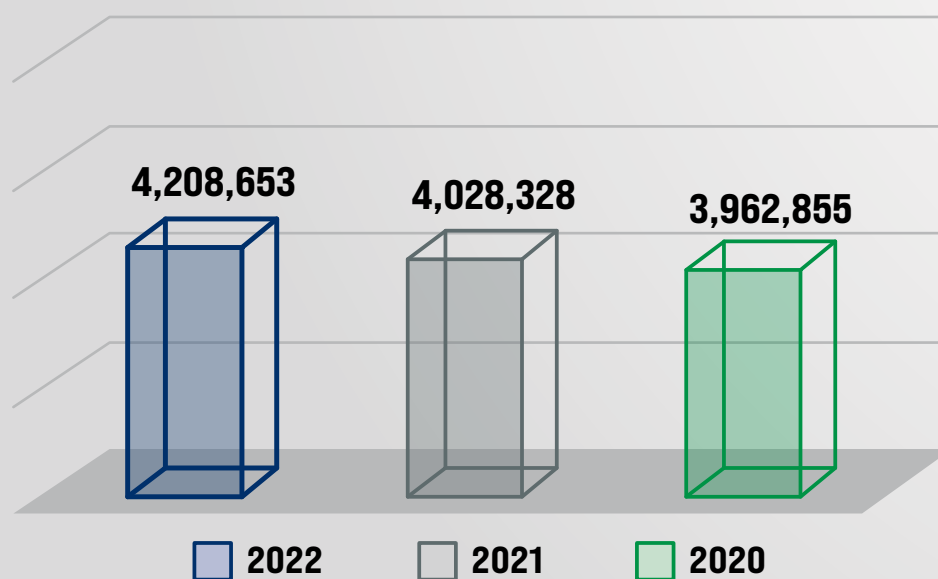
ZERO

2022 lost-time injuries



257
Substations

Class A Energy Sales (MWh)

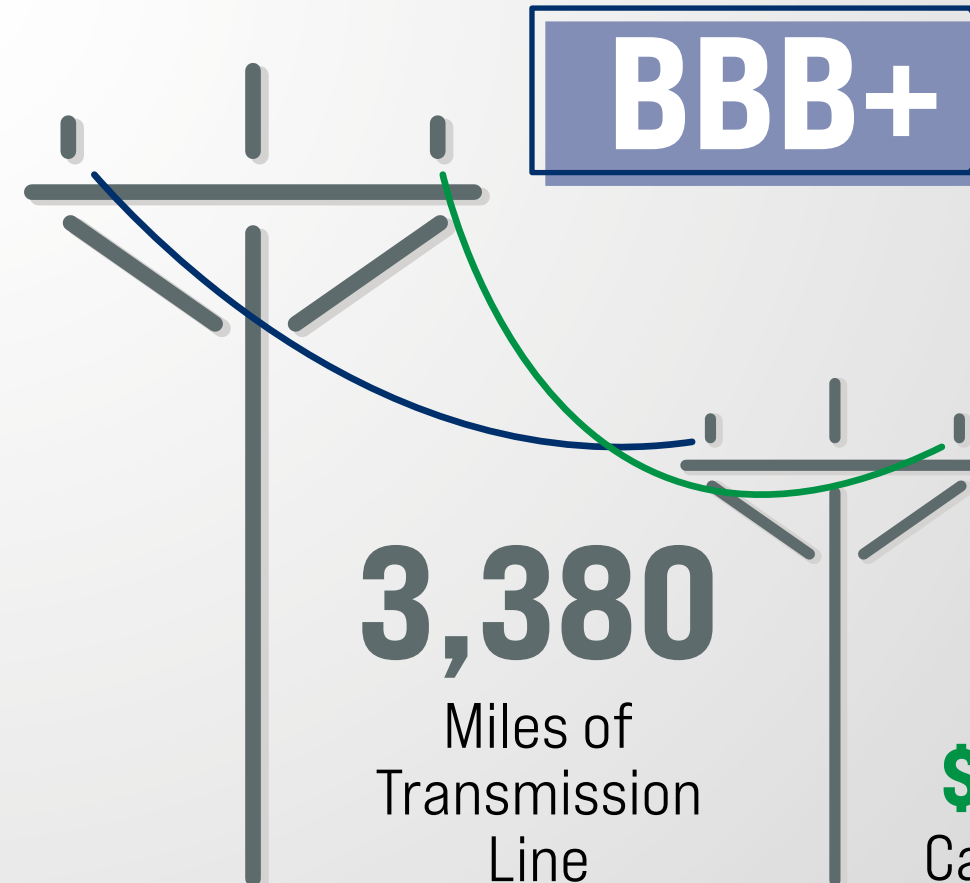


A-

Standard & Poor's Rating
Stable outlook

BBB+

Fitch Rating
Stable outlook



3,380
Miles of
Transmission
Line



\$38.7 MILLION
Capital Expenditures

RELIABILITY

When it matters most, the people of eastern North Dakota and northwestern Minnesota are counting on us. Reliable power needs to be there, and it doesn't happen by luck or chance. It requires a second-by-second focus, while at the same time having a vision many decades into the future. In 2022, work was completed to ensure our power plants continue operating dependably, our transmission system remains strong, and our people are positioned for long-term success.

Minnkota crews install a new tubular steel transmission structure along a 230-kV line near International Falls, Minn.

» Milton R. Young Station

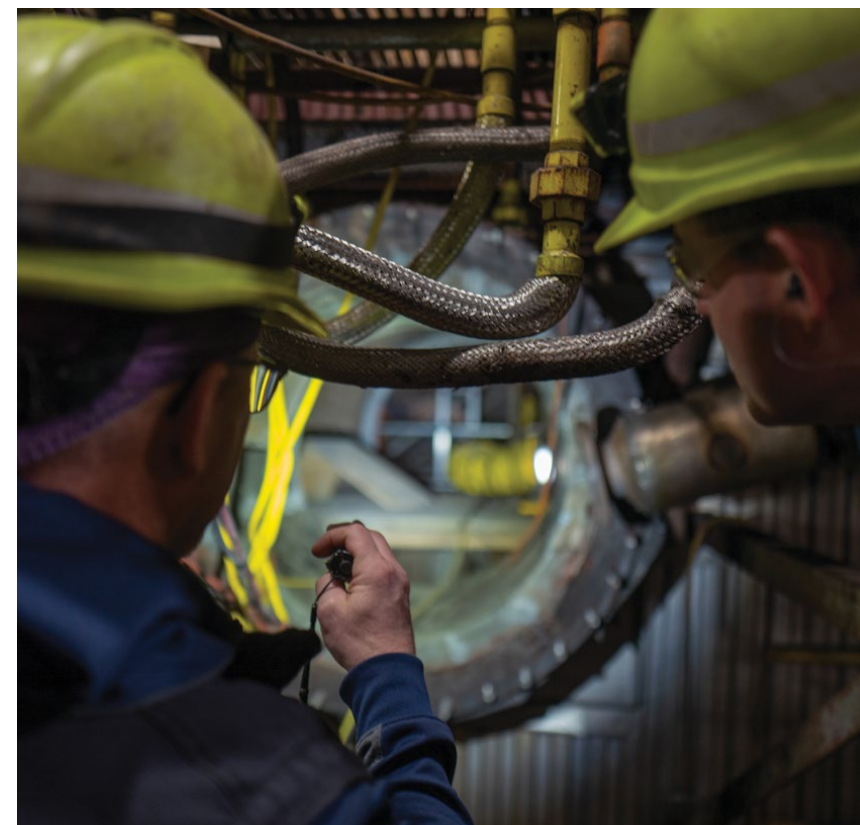
The Milton R. Young Station remains the most reliable and resilient generation resource in Minnkota's power supply portfolio. Although the coal-based power plant has been in operation for more than 50 years, it has reached performance milestones in recent years due to a strong commitment to consistent maintenance and prudent investment. In addition to reliable energy production, the Young Station maintained its stellar safety record and met all air, water and land quality standards.

There was a buzz of activity at the facility in the fall of 2022 as a major maintenance outage was scheduled on Unit 2. The 455-megawatt (MW) unit came offline on Sept. 6 and returned to service on Dec. 7, 2022. Minnkota employees were joined by hundreds of specialty contractors who successfully navigated 13 weeks of extensive cleaning, inspecting, refurbishing and rebuilding many of the plant's significant components. Project work throughout the outage remained on time and on budget despite significant supply chain challenges and material shortages. Staff

continually found creative solutions to issues that kept outage activities on track. With the extended downtime, Unit 2's availability rating was 68.5% (and 92% excluding major scheduled outage time).

Unit 1 at the Young Station delivered an exceptional year of operation after its own major outage in 2021. The 250-MW plant had an availability rating of 95.2%, which far exceeds industry standards.

Minnkota schedules major outages on each generating unit in a three-year rotation. In addition to the Young Station units, Minnkota manages Northern Municipal Power Agency's (NMPA) 30% ownership interest in the Coyote Station located near Beulah, N.D. The 427-MW coal-based power plant completed its own major maintenance outage in 2022. The unit came offline on March 29 and was returned to service on May 30. The facility continues to meet its environmental requirements and has an industry-leading safety record with no lost-time injuries since 2000.



Minnkota plant specialist Roger Bauman (left) and engineer Sam Schwanberg perform some project checks during the Unit 2 major outage at the Young Station.



The turbine deck is filled with activity during the Unit 2 major outage.



The Young Station is well-maintained and continues to be a reliable and resilient resource for Minnkota.

» Power delivery

Minnkota continues to pursue projects to address aging power delivery infrastructure and enhance reliability for the membership. The cooperative is upgrading, rebuilding, replacing and modernizing a series of systems that will help ensure dependable service now and into the future. The result of these ongoing efforts is improvements in Minnkota's power delivery reliability metrics. The frequency of sustained outages and blink outages has all been trending downward in recent years.

In 2022, Minnkota continued forward with programs to rebuild several line sections along its 2,130-mile network of 69-kV transmission lines. The majority of this system has aged beyond 50 years of service and was not designed to meet the heightened expectations of today's consumers in terms of reliability. In 2022, a 20-mile stretch of 69-kV line near the Canadian border was rebuilt between the Williams and Lund substations. Next year, crews will continue from Williams substation and complete another 20 miles of rebuild work toward the Moranville substation near Warroad, Minn. In addition to these major projects, another 2.2 miles was rebuilt during the year near Thief River Falls, Minn., and a reroute of 1.5 miles was completed near Harwood, N.D.

Over the last five years, Minnkota has rebuilt about 93 miles of 69-kV transmission line across its service area. In addition, more than 1,300 miles of line have been equipped with technologies to reduce blink outages – those momentary losses of power often caused by a disturbance on a transmission line.

From a substation standpoint, Minnkota crews completely rebuilt four distribution substations in an effort to replace aging equipment with new, modern infrastructure. The Tabor (Minn.), Finley (N.D.) and Rogers (N.D.) substations were completed during the year, while phase 2 of the Grager substation rebuild near Fargo was also finished and converted from 69-kV to 115-kV.

Crews have also been busy implementing advanced communication technology at many of the cooperative's existing substation sites – a multiyear project referred to as distribution automation. During the year, 19 sites were equipped with distribution auto-

mation and 77 of Minnkota's substations currently have the technology implemented. Minnkota expects to reach 50% completion in 2023 and is targeting all 212 distribution substations having the technology before the end of the decade.

Minnkota line crews also had an opportunity to help a cooperative in need following a historic April blizzard in western North Dakota. The storm left many members of Burke-Divide Electric Cooperative without power, taking out several miles of transmission line including around 1,900 poles. Six Minnkota lineworkers, three crew trucks and several other pieces of heavy equipment were sent west from April 29 to May 5 to restore a 14-mile stretch of downed 60-kV transmission line. Working 13- to 14-hour days, lineworkers removed broken poles, set new poles, strung transmission wire, repaired crossarms, and more.

Jerry King, general manager of Burke-Divide, said that without Minnkota's help the cooperative would have had a very difficult time restoring power to its membership in a timely manner. "Their work ethic and positive attitude were a godsend for us," said King. "The conditions these gentlemen had to work in were as bad as I've seen in my career. We are so thankful for Minnkota and the mutual aid they were able to help us with."



Minnkota electrician Mike Howard connects a station service transformer as part of the Rogers Substation rebuild.



Kevin Kennelly (left) and Tanner Stegman monitor Minnkota's system from the energy control center in Grand Forks.

» Managing market volatility

Minnkota's interaction with the Midcontinent Independent System Operator (MISO) market is key both to reliability of its operations and to its financial stability. MISO issued warnings in 2022 that it anticipates capacity shortfalls in the coming years as more baseload generating facilities are retired without adequate replacement.

This increasing set of volatility comes with the risk of controlled power outages and a rising number of energy emergency warnings. Minnkota staff dedicated significant time in 2022 to working with the membership on plans and procedures in the event that Minnkota is required by MISO to implement controlled outages. Additionally, Minnkota continues to work with policymakers, regulators and other stakeholders to ensure that reliability and resiliency remain in the forefront of decisions regarding the electric grid.

In 2022, Minnkota performed well in this challenging environment by leveraging its assets in a way that protects the membership from extreme pricing events, while also seizing opportunities to generate additional revenues. Minnkota is most often a net seller in the market, which was a strong position due to rising prices. Average market prices were about

46.8 mills/kWh for Minnkota in 2022, which is the highest total in many years and is up significantly from a historic low of 14.3 mills/kWh in 2020.

In addition to higher energy market prices, Minnkota's resource mix also benefited from significant capacity pricing increases. Over the last five years, MISO's compensation model for capacity has averaged \$2.89 per MW-day. In 2022-2023, prices jumped in an unprecedented manner to \$236.66 per MW-day.

In an effort to address system instability issues, MISO is in the process of moving from an annual capacity structure to a four-season structure, which will require utilities to meet separate capacity requirements in spring, summer, fall and winter. Minnkota staff continue to evaluate these dramatic changes, which are scheduled to be implemented in 2023.

Minnkota expanded its existing relationship with ACES and became a full member. ACES is owned by 21 other G&Ts and one distribution cooperative. Full membership status will provide more services to Minnkota and additional resources to help manage market assessment, resource planning and a variety of other utility needs.

AFFORDABILITY

Electricity is a necessity in our everyday lives, and it is crucial that people in our region can afford it. Families need the security of stable energy pricing, area businesses require economical energy to remain competitive and disadvantaged communities can ill afford dramatic price increases. Minnkota's board and staff carefully watch budgets, markets and other key performance indicators in an effort to maintain stable electricity prices, but also take a long-term view to ensure future needs can be managed in a responsible manner.

Minnkota completed the rebuild of the Tabor substation in northwest Minnesota in 2022.

» Treasurer's report

Despite global economic challenges and inflationary pressures, Minnkota maintained stable wholesale electric rates for the fifth straight year in 2022. The cooperative's board of directors also approved the 2023 capital and operating budgets, which anticipate no rate adjustment for the Class A member systems.

With our cooperative in solid financial shape, the board took action to extend its deferred revenue plan through 2025. There is approximately \$44.8 million in available funds. The board also approved adding \$7.2 million into the Resource Transition Fund in 2022. This fund now has approximately \$17.3 million, which will be used at the board's discretion to manage future power supply costs or extraordinary market volatility.

As we look ahead, our long-range financial forecast is also showing improvement. Our rates over the next decade are anticipated to be approximately the same, although major power plant outage expenses will need to be managed during upcoming years.

Revenues

Revenues in 2022 totaled \$451.6 million, up from \$406.3 million in 2021. Minnkota's largest revenue source is energy sales to the 11 Class A member-owner distribution cooperatives, which were \$313.5 million in 2022, or \$8.4 million over budget.

A total of 4.2 billion kWh were sold to Class A members in 2022, which was over budget by 3.1%. There were two record sales months during the year – January and September. The Class A member average rate was 75.9 mills per kWh in 2022, down slightly from 76.2 mills per kWh in 2021. Energy sales reve-

nue from Class B, C and D members totaled \$115.1 million, or \$36.8 million above budget. This is mainly due to significantly higher market and capacity sales prices.

Other electric revenue totaled \$18.4 million in 2022, which was \$1.0 million under budget. The major items included in this category are administrative fees collected from Square Butte Electric Cooperative, sales of renewable energy credits related to Minnkota's purchased power wind contracts, wheeling revenue and transmission services income. Non-operating margins in 2022 totaled \$4.6 million, or \$3.3 million over budget. Non-operating margins include interest income, capital credit allocations and coal royalties received from Square Butte.

Member Co-op
Energy Sales
313.5M > 69%

Other Energy Sales
115.1M > 26%

Other Revenue
23M > 5%

2022 Total Revenue
\$451.6 million



Expenses

Total expenses were \$432.7 million in 2022, up from \$384.8 million in 2021. The largest expense category is power supply, which includes generation expenses of Young 1 and purchased power from Young 2, Western Area Power Administration, wind farms and other area utilities. Power supply expenses totaled \$320.1 million, or \$12.6 million over budget. They were over budget primarily due to additional cost of purchased power from the market and an increase in wind energy purchases.

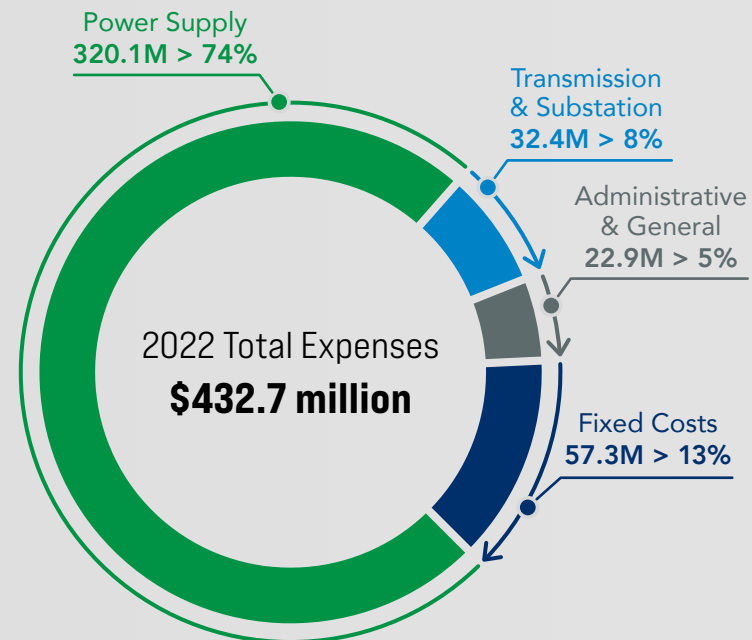
Transmission and substation expenses totaled \$32.4 million in 2022, or \$4.7 million over budget due to increased transmission wheeling costs. Administrative and general expenses were \$22.9 million in 2022, or \$0.2 million under budget. Fixed costs, which include interest and depreciation, totaled \$57.3 million in 2022, which is \$0.7 million under budget.

Net margins

Margins for 2022 were \$18.9 million, down from \$21.5 million in 2021. The total margin consisted of an operating margin of \$14.3 million and a non-operating margin of \$4.6 million.

Patronage capital

Total patronage capital was \$55.1 million at Dec. 31, 2022, and reflects the 2022 operating margin of \$14.3 million less \$7.2 million in unallocated reserves. The non-operating margin of \$4.6 million will be retained as appropriated margins to be used for future contingencies. Total equity at Dec. 31, 2022, was \$213.6 million, 18.4% of total assets.



Electric plant

Net electric plant was \$975.1 million at Dec. 31, 2022, down \$6.9 million from last year. This decrease is mainly due to depreciation.

Long-term debt

Minnkota's long-term debt, including current maturities, was \$831.2 million as of Dec. 31, 2022, up \$0.2 million from last year. In 2022, Minnkota had loan advances of \$62.4 million from RUS. Minnkota made \$57.3 million in debt principal payments during the year.

This has been a brief review of the 2022 financial statements. For further information, I urge you to review the financial statements, the notes to the financial statements and the Independent Auditor's Report contained in this annual report.



Respectfully submitted,

Colette Kujava
Colette Kujava
Secretary/Treasurer

RESPONSIBILITY

Minnkota is responsible for more than just keeping the lights on in our region. It's our duty to keep our employees safe, protect our natural resources for future generations, maintain compliance and help support the communities we serve so they can continue to thrive. In short, we are committed to doing the right thing – always.

A devastating late-season ice storm hit western North Dakota in April, snapping hundreds of co-op power poles. Minnkota answered a call for help from Burke-Divide Electric Cooperative by sending a crew of six lineworkers to Crosby, N.D. This photo was captured as the team helped set a replacement pole in knee-deep, chilly water.





The Young Station is the target site for Project Tundra, which aims to build one of the world's largest carbon capture projects.



Representatives from Minnkota, the North Dakota Industrial Commission and the Energy and Environmental Research Center (EERC) stand together following approval of Project Tundra's CO₂ storage permit.

» Project Tundra

Over the last 15 years, Minnkota has helped lead a responsible clean energy transition through the addition of significant wind energy resources and the completion of major air quality control projects at its coal-based power plants. In recent years, the focus has turned to strategies and technology development to drive down carbon dioxide (CO₂) emissions without impacting reliability or affordability.

In 2022, Minnkota made great progress on the development of Project Tundra – an initiative to build one of the world's largest carbon capture projects at the Young Station. The facility would capture and store up to 4 million metric tons of CO₂ annually in deep geologic formations approximately one mile underground near the plant site.

Minnkota was successful in receiving state and federal approvals in 2022 for the largest CO₂ storage facility in the United States. Nearly 90% of the landowner group signed voluntary leases to allow for the storage facility – a significant accomplishment.

From a technology standpoint, Minnkota completed advanced engineering work on the installation of the carbon capture system at the Young Station through studies sponsored by the U.S. Department of Energy (DOE) and North Dakota Industrial Commission. Work will continue in this area through 2023 to develop a final construction-ready plan.

Project Tundra wouldn't be where it is today without the vision, leadership and support of the state of North Dakota. The state has ideal geology for CO₂ storage and has developed the necessary regulatory framework and other programs to advance technology development to reach the governor's goal of net carbon neutrality by 2030. Project Tundra has also received direct support through a \$100 million loan from North Dakota's Clean Sustainable Energy Authority.

A decision on whether to move forward with construction on Project Tundra is expected in early 2024.

» Inflation Reduction Act

Minnkota and its cooperative partners across the country will have access to important new tools to navigate the energy transition following passage of the Inflation Reduction Act (IRA). The federal bill, signed into law on Aug. 16, includes provisions to accelerate the development of technologies needed to meet ambitious environmental goals.

The economics for Project Tundra received a significant boost in 2022 through the IRA. Minnkota and its partners worked to successfully advocate for the increase of the 45Q tax credit from \$50 per ton of CO₂ permanently stored to \$85. Additionally, billions of dollars have been made available through DOE for the development of CO₂ capture technologies and other clean energy systems.

One of the most substantial provisions is the creation of a "direct payment" option for electric coopera-

tives to utilize energy tax credits. Historically, co-ops have not had direct access to those credits because of their not-for-profit status. With passage of this legislation, co-ops will have a level playing field with for-profit utilities, which have long enjoyed tax credits to develop wind, solar and other renewable energy projects. The bill contains investment tax credits and production tax credits for solar, wind, carbon capture, nuclear, manufacturing of clean energy components and other energy technologies.

Electric cooperatives will also benefit from a \$9.7 billion grant and loan program through the USDA to develop clean energy systems. The program is specifically designed for co-ops to advance projects that will lower greenhouse gas emissions and otherwise aid disadvantaged rural communities.



Minnkota's Andy Fuhrman (left) and Theresa Allard have worked over several audit cycles to develop the cooperative's strong, proactive reliability standards compliance program.

» Culture of compliance

Since North American Electric Reliability Corporation (NERC) standards became enforceable 15 years ago, Minnkota has seen an unprecedented increase in compliance obligations. Minnkota is subject to nearly 1,100 requirements falling under the umbrella of approximately 70 NERC standards. Those standards cover several aspects of electricity reliability, including cybersecurity, physical security, information security, operations and planning. Every three years, the cooperative undergoes an extensive audit of NERC standards, which could result in fines in excess of \$1 million per day, per violation for noncompliance. In 2022, Minnkota completed perhaps the most successful NERC audit in its history with no findings of potential noncompliance. In addition, the auditors documented positive observations of Minnkota's culture of compliance and supply chain risk management procedures.

»» Safety success

Minnkota is committed to providing a safe and healthy working environment for its employees, members and partners. In 2022, the cooperative's employees performed exceptionally well in all areas of safety and continue to meet or exceed industry standards. Across the organization, there were no

lost-time injuries and only eight OSHA recordable (but ultimately nonserious) injuries during the year. Minnkota will continue to pursue active awareness and training programs to ensure the cooperative's employees are positioned to work toward their goal of continuous safety improvement.

»» Community support

As a cooperative, Minnkota is committed to its local communities and works to provide support to a wide array of nonprofits, educational institutions, charitable causes and other worthwhile efforts. This includes operating a robust economic development program that aims to work directly with the member systems to attract new businesses, improve resource offerings and help keep our service area vibrant.

Organizations Minnkota supported in 2022 include:

- North Dakota's universities
- Altru Health Foundation
- Community Violence and Intervention Center (CVIC) Grand Forks
- Farm Rescue
- Oliver County Rural Fire Protection
- Feed My Starving Children
- Veterans Honor Flight
- Grand Forks Veterans Memorial Park
- NDAREC Lineworker Training Center
- Northwest Minnesota Foundation's IDEA Competition
- Theodore Roosevelt Library
- And many more



Minnkota donated a pickup to the North Dakota Safety Council for its new mobile safety training initiative.



Minnkota's Stacey Dahl (right) presents representatives from the Community Violence Intervention Center (CVIC) in Grand Forks with a donation.



A group of kids help pack food for people in need around the world during a Feed My Starving Children event hosted by Minnkota in Grand Forks.

»» Beneficial electrification programs

Minnkota provides its member systems with a robust set of programs that provide incentives to electrify everything. Rebates are offered for qualifying heating and cooling systems, water heating and vehicle

charging. By switching from fossil fuel sources to electricity, members have the potential to experience both cost savings and environmental benefits.

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BALANCE SHEET

December 31, 2022 and 2021

ASSETS	2022	2021
ELECTRIC PLANT		
In service	\$ 1,339,650,162	\$ 1,327,189,549
Construction work in progress	24,097,875	17,589,914
Total electric plant.....	1,363,748,037	1,344,779,463
Less accumulated depreciation.....	(388,622,676)	(362,708,709)
Electric plant – net	975,125,361	982,070,754
OTHER PROPERTY AND INVESTMENTS		
Investments in associated companies.....	140,102	98,681
Segregated savings.....	13,200,000	25,500,000
Other investments.....	58,517,063	37,284,032
Total investments	71,857,165	62,882,713
CURRENT ASSETS		
Cash and cash equivalents	4,523,637	177,724
Accounts receivable – Northern Municipal Power Agency.....	2,425,546	5,306,170
Accounts receivable – Square Butte Electric Cooperative	9,344,399	2,809,724
Accounts receivable – Other.....	45,653,544	40,376,714
Inventories.....	37,269,255	34,755,120
Prepaid expenses	7,732,390	8,067,547
Total current assets.....	106,948,771	91,492,999
DEFERRED DEBITS	4,126,230	4,021,602
TOTAL ASSETS	\$ 1,158,057,527	\$ 1,140,468,068

EQUITIES AND LIABILITIES	2022	2021
EQUITIES		
Memberships issued	\$ 1,136	\$ 1,136
Patronage capital	55,132,366	47,994,458
Appropriated margins.....	150,847,204	146,270,202
Unallocated reserve	7,200,000	-
Accumulated other comprehensive income (loss)	416,332	(3,671,504)
Total equities	213,597,038	190,594,292
LONG-TERM DEBT		
Mortgage notes payable, net of current maturities.....	802,951,969	798,745,998
Accrued pension costs	899,267	5,714,470
Total long-term debt	803,851,236	804,460,468
NONCURRENT LIABILITIES		
Postretirement obligations.....	3,078,049	4,208,603
Closure cost obligation	3,091,562	2,782,746
Total noncurrent liabilities	6,169,611	6,991,349
CURRENT LIABILITIES		
Accounts payable – Square Butte Electric Cooperative	10,738,026	11,295,043
Accounts payable – Other.....	33,199,688	28,460,405
Accrued taxes.....	3,916,681	4,016,115
Accrued interest.....	777,165	229,215
Accrued payroll	700,371	786,631
Vested accrued vacation	4,379,672	4,323,351
Current maturities of long-term debt	27,391,634	26,521,943
Line of credit - bank	-	15,635,000
Total current liabilities	81,103,237	91,267,703
DEFERRED CREDITS	53,336,405	47,154,256
TOTAL EQUITIES AND LIABILITIES	\$ 1,158,057,527	\$ 1,140,468,068

See Notes to Financial Statements

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES AND COMPREHENSIVE INCOME

Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Energy sales to Class A members	\$ 313,518,123	\$ 296,479,868
Energy sales to Class B, C & D members & other	115,150,580	90,334,973
Other electric revenue	18,377,352	15,217,555
Total operating revenues	<u>447,046,055</u>	<u>402,032,396</u>
OPERATING EXPENSES		
Generation	58,846,539	64,797,274
Power supply – Northern Municipal Power Agency	4,873,887	-
Purchased power – Square Butte Electric Cooperative	82,952,533	82,873,823
Purchased power – other	173,473,228	131,098,466
Transmission and substation	32,435,473	29,133,692
Depreciation and amortization	30,705,861	30,178,580
Administrative and general	22,866,915	20,237,985
Interest on long-term debt	26,110,564	26,084,841
Other interest	443,147	424,768
Total operating expenses	<u>432,708,147</u>	<u>384,829,429</u>
OPERATING MARGIN	<u>14,337,908</u>	<u>17,202,967</u>
NON-OPERATING MARGIN		
Interest income	637,699	140,123
Coal royalties	1,350,000	1,350,000
Capital credit allocations received	856,804	1,423,416
Non-operating revenue	327,616	1,735,047
Pension and postretirement cost (benefit)	<u>1,404,883</u>	<u>(344,027)</u>
NON-OPERATING MARGIN	<u>4,577,002</u>	<u>4,304,559</u>
NET MARGIN	<u>18,914,910</u>	<u>21,507,526</u>
OTHER COMPREHENSIVE INCOME		
Defined benefit pension plans:		
Net income (loss) arising during the period	<u>4,087,836</u>	<u>1,494,699</u>
COMPREHENSIVE INCOME	<u>\$ 23,002,746</u>	<u>\$ 23,002,225</u>

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margin	\$ 18,914,910	\$ 21,507,526
Adjustments to reconcile net margin to net cash provided (used) by operating activities		
Depreciation and amortization	30,705,861	30,178,580
Capital credit allocations	(856,804)	(1,423,416)
Effects on operating cash flows due to changes in:		
Accounts receivable	(8,930,881)	12,564,906
Prepaid expenses	335,157	(1,213,480)
Inventories	(2,514,135)	(2,829,078)
Deferred debits	(771,784)	(499,164)
Accounts payable	4,182,266	1,448,287
Accrued expenses	(3,654,564)	(49,154)
Deferred credits	<u>9,373,341</u>	<u>13,760,616</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>46,783,367</u>	<u>73,445,623</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Electric plant additions – net	(23,760,468)	(26,435,785)
Investment (additions) reductions	(21,130,105)	1,743,594
Capital credits received	<u>712,457</u>	<u>699,676</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(44,178,116)</u>	<u>(23,992,515)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	62,406,000	7,848,000
Net proceeds (payments) on line of credit	(15,635,000)	168,000
Net proceeds (payments) on bridge loan	(31,000,000)	(17,600,000)
Repayment of long-term debt	<u>(26,330,338)</u>	<u>(24,371,736)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(10,559,338)</u>	<u>(33,955,736)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND SEGREGATED SAVINGS	<u>(7,954,087)</u>	<u>15,497,372</u>
CASH AND CASH EQUIVALENTS AND SEGREGATED SAVINGS, BEGINNING OF YEAR	<u>25,677,724</u>	<u>10,180,352</u>
CASH AND CASH EQUIVALENTS AND SEGREGATED SAVINGS, END OF YEAR	<u>\$ 17,723,637</u>	<u>\$ 25,677,724</u>
Cash and Cash Equivalents	4,523,637	177,724
Segregated Savings	<u>13,200,000</u>	<u>25,500,000</u>
Cash and Cash Equivalents and Segregated Savings	<u>\$ 17,723,637</u>	<u>\$ 25,677,724</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 26,005,761	\$ 27,158,986

See Notes to Financial Statements

STATEMENT OF CHANGES IN EQUITIES

Years Ended December 31, 2022 and 2021

	Memberships Issued	Patronage Capital	Appropriated Margins	Unallocated Reserve	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE – JANUARY 1, 2021	\$ 1,136	\$ 30,791,491	\$ 141,965,643	-	\$ (5,166,203)	\$ 167,592,067
Operating margin	-	17,202,967	-	-	-	17,202,967
Non-operating margin	-	-	4,304,559	-	-	4,304,559
Other comprehensive income (loss)	-	-	-	-	1,494,699	1,494,699
BALANCE – DECEMBER 31, 2021	1,136	47,994,458	146,270,202	-	(3,671,504)	190,594,292
Operating margin	-	7,137,908	-	7,200,000	-	14,337,908
Non-operating margin	-	-	4,577,002	-	-	4,577,002
Other comprehensive income (loss)	-	-	-	-	4,087,836	4,087,836
BALANCE – DECEMBER 31, 2022	\$ 1,136	\$ 55,132,366	\$ 150,847,204	\$ 7,200,000	\$ 416,332	\$ 213,597,038

See Notes to Financial Statements

Independent Auditor’s Report

To the Board of Directors
Minnkota Power Cooperative, Inc.
Grand Forks, North Dakota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Minnkota Power Cooperative, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of revenues, expenses and comprehensive income, changes in equities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Minnkota Power Cooperative, Inc. as of December 31, 2022 and 2021, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minnkota Power Cooperative, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnkota Power Cooperative, Inc.’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Minnkota Power Cooperative, Inc.’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnkota Power Cooperative, Inc.’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023, on our consideration of Minnkota Power Cooperative, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of Minnkota Power Cooperative, Inc.’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnkota Power Cooperative, Inc.’s internal control over financial reporting and compliance.

Other Information Included in the Company’s Annual Report

Management is responsible for the other information included in the Company’s Annual Report. The other information comprises reports by management to the members, summarized statistical data, and the Officers and Director listing, but it does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA
February 23, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Minnkota Power Cooperative, Inc. (Minnkota or the Cooperative) is a generation and transmission cooperative that was formed on March 28, 1940, under the laws of the State of Minnesota with headquarters in Grand Forks, North Dakota. It operates on a non-profit cooperative basis and is engaged primarily in the business of providing wholesale electric service to its retail distribution cooperative member-owners (Members). The eleven members purchase power and energy from Minnkota pursuant to all-requirements wholesale power contracts, which terminate on December 31, 2058.

Minnkota’s service area, aggregating approximately 35,000 square miles, is located in northwestern Minnesota and eastern North Dakota, and contains an aggregate population of approximately 300,000 people.

Minnkota is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Cooperative follows the Federal Energy Regulatory Commission’s Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS.

Rates charged to members are established by the board of directors and are subject to approval by RUS.

As a result of the ratemaking process, the Cooperative applies Accounting Standards Codification (ASC) 980 Regulated Operations. The application of generally accepted accounting principles by the Cooperative differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally related to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Electric Plant and Retirements. Electric plant is stated at cost. The cost of additions to electric plant includes contracted work, direct labor and materials and allocable overheads. The cost of units of depreciable property retired is removed from electric plant and charged to accumulated depreciation along with removal costs less salvage. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Depreciation. Depreciation is computed using the straight-line method based upon the estimated useful lives of the various classes of property through use of annual composite rates.

Allowance for Funds Used During Construction (AFUDC). The allowance for funds used during construction is interest that is capitalized on all construction projects with a budgeted cost of greater than \$50,000. AFUDC is classified as a reduction of interest expense.

Investments. Investments are U.S. treasury bills, savings and patronage allocations from cooperatives and other affiliates stated at cost plus unretired allocations.

Fair Value Measurements. The Cooperative has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs

consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The Cooperative does not have any assets or liabilities subject to level 1, 2, or 3 valuation as of December 31, 2022 and 2021 and does not anticipate participating in transactions of this type in the future.

The fair value of the Cooperative’s long-term debt was estimated based upon borrowing rates currently available to the Cooperative for bank loans with similar terms and average maturities. The estimated fair value of the Cooperative’s long-term debt was \$684,000,000 and \$818,000,000 as of December 31, 2022 and 2021, respectively.

Cash and Cash Equivalents. For the purpose of reporting cash flows, the Cooperative considers all highly liquid investments purchased with a maturity of three months or less and segregated savings to be cash equivalents.

Receivables and Credit Policies. Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the billing date. Management has deemed that no late fees or interest charges are assessed to the receivables. Management has determined that an allowance for doubtful accounts is not necessary, as all balances are considered fully collectible.

Inventories. Uncovered and undelivered coal inventory is stated at cost using a FIFO (first-in, first-out) basis. All other inventories are stated at the lower of average cost or net realizable value.

Deferred Debits. Deferred debits consist of deferred pension costs. See also Note 6 and Note 11.

Deferred Credits. Deferred credits consist primarily of transmission service advance, customer construction prepayments and a revenue deferral as approved by RUS. See also Note 13.

Patronage Capital. The Cooperative operates on a non-profit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Cooperative from its operations in excess of costs and expenses are also allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior losses unless reserved by the board of directors.

Revenue Recognition. Revenues are primarily from electric sales to members. Electric revenues are recognized over time as electricity is delivered to members. Electric revenues are based on the reading of members’ meters, which occurs on a systematic basis throughout each reporting period and represents the fair value of the electricity delivered.

Revenues are recognized equivalent to the value of the electricity supplied during each period, including amounts billed during each period and changes in amounts estimated to be billed at the end of each period. The Cooperative has elected to apply invoice method to measure progress towards completing performance obligations to transfer electricity to their members.

Business and Credit Risk. The Cooperative maintains its cash balances in a locally owned bank. Such balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The cash balances exceeded insurance coverage at various times during the fiscal years.

Accounting Estimates. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes. The Cooperative is exempt from income taxes under Section 501(c)(12). The Cooperative is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

The Cooperative evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2022 and 2021, the unrecognized tax benefit accrual was zero. The Cooperative will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is no longer subject to Federal and State tax examinations by tax authorities for years before 2019.

Advertising Costs. Advertising and promotional costs are expensed as incurred.

Sales Taxes. The Cooperative pays sales tax on material it purchases to operate and maintain its generation and transmission facilities.

NOTE 2: SQUARE BUTTE ELECTRIC COOPERATIVE

Square Butte owns a 488-megawatt (MW) steam electric generating plant (Young 2) adjacent to Minnkota’s 256 MW generating plant (Young 1) near Center, North Dakota.

Minnkota, as agent for Square Butte, operates and maintains Young 2.

The long-term power purchase agreement with Square Butte has been evaluated under the accounting guidance for variable interest entities. The Cooperative has determined that it has no variable interest in the agreement. This conclusion is based on the Cooperative not having control over activities that are most significant to the entity nor an obligation to absorb losses or receive benefits from the entity’s performance. Minnkota Power Cooperative, Inc.’s financial exposure related to the agreement is limited to its capacity and energy payments.

On December 30, 2009, Minnkota, Square Butte and Minnesota Power (MP) completed an agreement in which Minnkota receives additional energy and capacity from Young 2. Between 2014 and 2026, Minnkota has the option to acquire MP’s 50% allocation from Young 2. In 2014 Minnkota exercised this option and starting June 1, 2014, purchased an additional 22.5275% allocation of Young 2 from MP. This allocation increased to 28.022% on January 1, 2015. This allocation will increase by approximately 4.4% per year from 2022-2026. From 2027 to 2042, Minnkota will purchase 100% of the output of Young 2 directly from Square Butte. The payment obligation of MP and Minnkota are several and not joint, and are not guarantees of any Square Butte obligations.

Minnkota is obligated to pay a proportionate share of Square Butte’s annual debt retirement and operating costs based on its entitlement to net capability. Minnkota also receives a minimum annual coal royalty of \$1,350,000 from Square Butte.

Minnkota has also issued a \$10,000,000 line of credit to Square Butte with a variable interest rate that is 1% below the prime rate. As of December 31, 2022 and 2021, no amounts were outstanding on this line of credit.

Related party transactions include:

	2022	2021
Purchase of wholesale power	\$ 82,952,533	\$ 82,873,823
Accounts payable to Square Butte	\$ 10,738,026	\$ 11,295,043
Accounts receivable from Square Butte	\$ 9,344,399	\$ 2,809,724

NOTE 3: NORTHERN MUNICIPAL POWER AGENCY

Northern Municipal Power Agency (Northern) is a municipal corporation and a political subdivision of the State of Minnesota. Its membership consists of ten Minnesota and two North Dakota municipalities each of which owns and operates a municipal electric utility distribution system.

On March 1, 1981, Minnkota entered into a Power Supply Coordination Agreement with Northern. This agreement is effective until the later of December 31, 2041, or the date on which the Coyote Plant is retired from service. All annual debt payments and plant operating cost requirements not provided by Northern’s member revenue and the sale of all capacity and energy in excess of Northern’s member requirements are an obligation of Minnkota. To the extent that member revenue exceeds power supply cost, that revenue is accounted for under the terms of the Power Supply Coordination Agreement.

Related party transactions include:

	2022	2021
Power supply net cost (revenue)	\$ 4,873,887	\$ (1,245,244)
Accounts receivable	\$ 2,425,546	\$ 5,306,170

NOTE 4: ELECTRIC PLANT

	2022		2021	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Production plant	\$ 416,932,073	3.13%	\$ 414,847,106	3.13%
Transmission lines	533,058,141	1.78%-2.39%	530,715,059	1.78%-2.39%
Transmission substations	141,928,380	1.69%-4.96%	140,252,047	1.69%-4.96%
Distribution substations	130,488,159	2.48%	121,456,313	2.48%
General plant	117,243,409	2.00%-16.70%	119,919,024	2.00%-16.70%
Electric plant in service	1,339,650,162		1,327,189,549	
Construction work in progress	24,097,875		17,589,914	
Total electric plant	\$1,363,748,037		\$1,344,779,463	

The Cooperative capitalized interest of \$418,191 and \$199,696 as of the years ended December 31, 2022 and 2021, respectively.

NOTE 5: INVESTMENTS

	2022	2021
CoBank patronage capital credits	\$ 8,202,991	\$ 8,206,015
US Bank - treasury bills	48,886,434	27,756,330
Associated company capital credits	140,102	98,681
Segregated savings	13,200,000	25,500,000
Capital credits and other investments	1,427,638	1,321,688
Total investments	\$ 71,857,165	\$ 62,882,714

NOTE 6: DEFERRED DEBITS

The Cooperative’s deferred debit balances are summarized below:

	2022	2021
Deferred pension costs (see Note 11)	\$ 4,126,230	\$ 4,021,602
Total deferred debits	\$ 4,126,230	\$ 4,021,602

NOTE 7: PATRONAGE CAPITAL AND APPROPRIATED MARGINS

Under provisions of the long-term debt agreements, until the total of equities and margins equals or exceeds 20% of the total assets of the Cooperative, retirement of capital is not permitted.

As provided for in the bylaws, operating margins of the current year not needed to offset operating losses incurred during prior years, shall be capital furnished by the patrons and credited to patronage capital unless reserved by the board of directors. Non-operating margins are not assignable to patrons and are credited to appropriated margins and reserved for future contingencies.

NOTE 8: LONG-TERM DEBT

Long-term debt as of December 31, 2022 and 2021 is shown below. Substantially all of Minnkota’s assets are pledged as collateral in accordance with its indenture.

	2022	2021
Federal Financing Bank (FFB) Fixed rate mortgage notes (1.074%-5.24%) due in quarterly installments through 2056	\$ 755,255,402	\$ 714,553,291
CoBank Fixed and variable rate mortgage notes (1.27%-6.89%) due in quarterly installments maturing at various times through 2039	22,913,201	27,247,577
Variable interest rate bridge loan (see Note 9)	30,000,000	61,000,000
	52,913,201	88,247,577
The Lincoln National Life Insurance Company Fixed rate first mortgage note (4.73%) due in semi-annual installments through 2049	22,175,000	22,385,000

	2022	2021
Digital press and copier leases	-	82,073
Accrued pension costs (see Note 11)	899,267	5,714,470
Total long-term debt	831,242,870	830,982,411
Less current portion	(27,391,634)	(26,521,943)
Long-term debt	\$ 803,851,236	\$ 804,460,468

It is estimated that the minimum principal requirements for the next five years and thereafter will be as follows:

Years Ending December 31,	Amount
2023	\$ 27,391,634
2024	57,959,436
2025	26,768,355
2026	27,358,663
2027	28,113,968
Thereafter	663,650,814
Total	\$ 831,242,870

At December 31, 2022, Minnkota had unadvanced loan funds available to the Cooperative in the amount of \$21,385,000. Minnkota has a maximum debt limit of \$1,100,000,000.

NOTE 9: LINES OF CREDIT

At December 31, 2022, Minnkota had a line of credit agreement with U.S. Bank-Grand Forks with available borrowings totaling \$25,000,000 maturing June 30, 2023. The line of credit had a variable interest rate of 6.02396% and 1.625% at December 31, 2022 and 2021, respectively. Amounts outstanding on the line totaled \$0 and \$15,635,000 at December 31, 2022 and 2021, respectively.

The Cooperative has available a multi-year bridge loan with CoBank totaling \$250,000,000 as of the years ended December 31, 2022 and 2021. The purpose of the bridge loan is to temporarily finance projects included in RUS loans. The blended interest rate was 5.59% and 1.31% as of December 31, 2022 and 2021, respectively, and will expire on September 27, 2024. The CoBank bridge loan had an outstanding balance of \$30,000,000 and \$61,000,000 at December 31, 2022 and 2021, respectively, and is included in long-term debt.

NOTE 10: REVENUES FROM CONTRACTS WITH CUSTOMERS

The revenues of the Cooperative are primarily derived from providing wholesale electric service to its members. Revenues from contracts with customers represent over 99 percent of all cooperative revenues. Below is a disaggregated view of the Cooperative’s revenues from contracts with customers as well as other revenues, including their location on the statement of revenues, expenses and comprehensive income for December 31, 2022 and 2021:

	2022			
Revenue Streams	Electric Revenue	Other Operating Revenue	Non-Operating Revenue	
Energy sales to Class A members	\$ 313,518,123	\$ -	\$ -	

	2022			
Revenue Streams	Electric Revenue	Other Operating Revenue	Non-Operating Revenue	
Energy sales to Class B, C and D members and others	115,150,580	-	-	
Other electric revenue	-	18,377,352	-	
Other non-operating revenue	-	-	6,339	
Total revenue from contracts with customers	\$ 428,668,703	\$ 18,377,352	\$ 6,339	
Timing of revenue recognition				
Services transferred over time	\$ 428,668,703	\$ 14,924,852	\$ -	
Goods transferred at a point in time	-	3,452,500	6,339	
Total revenue from contracts with customers	\$ 428,668,703	\$ 18,377,352	\$ 6,339	

	2021			
Revenue Streams	Electric Revenue	Other Operating Revenue	Non-Operating Revenue	
Energy sales to Class A members	\$ 296,479,868	\$ -	\$ -	
Energy sales to Class B, C and D members and others	90,334,973	-	-	
Other electric revenue	-	15,217,555	-	
Other non-operating revenue	-	-	1,470,187	
Total revenue from contracts with customers	\$ 386,814,841	\$ 15,217,555	\$ 1,470,187	
Timing of revenue recognition				
Services transferred over time	\$ 386,814,841	\$ 12,473,055	\$ 1,470,187	
Goods transferred at a point in time	-	2,744,500	-	
Total revenue from contracts with customers	\$ 386,814,841	\$ 15,217,555	\$ 1,470,187	

Electric Revenue. Electric revenues consist of wholesale electric power sales to members through the member power purchase and service contracts and from participation in the Midcontinent Independent System Operator (MISO) market. All of the electric revenues meet the criteria to be classified as revenue from contracts with customers and are recognized over time as energy is delivered. Revenue is recognized based on the metered quantity of electricity delivered or transmitted at the applicable contractual or market rates.

In 2022 and 2021, the Cooperative deferred the recognition of \$6,000,000 and \$11,059,403, respectively, of member electric revenue under regulatory accounting (see Note 13). In 2022 and 2021, the Cooperative did not recognize any amounts of deferred member electric revenue.

Other Operating Revenue. Other operating revenue primarily includes: revenue received from wheeling and wind delivery services; revenue received for operating agent fees; revenue for lime preparation facility user fees; and sale of renewable energy credits. All of these revenue streams meet the criteria to be classified as revenue from contracts with customers. Wheeling and wind delivery services revenues is recognized over time as energy in transmitted and delivered based on measured quantities at the contractual rates. Operating agent fees are recognized over time based on actual costs incurred during each month of performance. Lime facility user fees revenue is recognized over time based on an annual fee. Excess renewable energy credits are sold to third parties. Renewable energy credit revenue is recognized at a point in time when the sale is completed with the third party.

Other Non-operating Revenue. Other non-operating revenue during 2022 included \$6,339 for house moves. Other non-operating revenue during 2021 included \$1,470,187 of revenue from coal yard services and license agreements. Revenue from the coal yard services and license agreements was recognized over time, based on an annual contracted fee.

Contract liabilities consist of deferred revenue from transmission services and construction prepayments. Balances from accounts receivable and contracts with customers are as follows:

	Accounts Receivable	Contract Liabilities
January 1, 2021	\$ 42,592,663	\$ 7,537,156
December 31, 2021	45,433,718	8,244,665
December 31, 2022	47,932,341	6,781,027

NOTE 11: EMPLOYEE BENEFIT PLANS

Minnkota has two pension plans covering substantially all of its employees. Pension Plan A is a defined benefit plan and Pension Plan B is a defined contribution plan. Minnkota’s contribution to Plan B was \$6,005,075 and \$5,403,014 for 2022 and 2021, respectively.

The Plan A benefit is the greater of 1) 1.5 times the average high 60 consecutive months compensation during the 120 months prior to retirement times years of service less the month-end value of Plan B or 2) 1.1% of the first \$417 of monthly salary times years of service to December 31, 1989.

The following table sets forth Plan A’s funded status and amounts recognized in Minnkota’s balance sheets at December 31:

	2022	2021
Change in benefit obligation:		
Benefit obligation, beginning	\$ 5,714,470	\$ 6,195,270
Service cost	867,374	812,946
Interest cost	104,288	72,634
Assumption changes	(3,914,249)	-
Actuarial (gain) loss	(1,205,460)	175,605
Benefits paid	(667,156)	(1,541,985)
Benefit obligation, ending	\$ 899,267	\$ 5,714,470
Change in plan assets:		
Fair value of plan assets, beginning	\$ 4,021,602	\$ 5,064,423
Actual return on plan assets	(728,216)	499,164
Employer contributions	1,500,000	-
Benefits paid	(667,156)	(1,541,985)
Fair value of plan assets, ending	\$ 4,126,230	\$ 4,021,602
Funded status at end of year	\$ 3,226,963	\$ (1,692,868)



	2022	2021
Amounts recognized in the balance sheet:		
Noncurrent assets	\$ 4,126,230	\$ 4,021,602
Noncurrent liabilities	<u>(899,267)</u>	<u>(5,714,470)</u>
	<u>\$ 3,226,963</u>	<u>\$ (1,692,868)</u>
Amounts recognized in accumulated other comprehensive income:		
Net loss (gain)	<u>\$ (416,332)</u>	<u>\$ 3,671,504</u>
Net periodic benefit cost:		
Service cost	\$ 867,374	\$ 812,946
Interest cost	104,288	72,634
Expected return on plan assets	(184,641)	(217,192)
Amortization of net (gain) loss	183,327	406,679
Settlement expense	<u>302,343</u>	<u>981,653</u>
Net periodic benefit cost	<u>\$ 1,272,691</u>	<u>\$ 2,056,720</u>
Assumptions used:		
Discount rate	4.73%	2.04%
Rate of compensation increase	4.00%	4.00%
Expected return on plan assets	5.40%	5.40%
Contributions and benefits		
Employer contributions	\$ 1,500,000	\$ -
Benefits paid	667,156	1,541,985
Expected benefit payments		
2022	N/A	1,204,633
2023	52,498	356,744
2024	79,594	511,375
2025	55,304	489,907
2026	87,146	928,886
2027-2031	N/A	7,022,388
2027	141,815	N/A
2028-2032	1,752,660	N/A
Expected contributions	-	-

The investment strategy for Pension Plan A is to 1) have the ability to pay all benefits and expense obligations when due, 2) maintain a “funding cushion” for unexpected developments and for possible future increases in benefit structure and expense levels and 3) meet a 6.0% return target for the aggregate portfolio, over a full market and economic cycle, while minimizing risk and volatility. The expected return is based on historical returns. The asset classes are 1) US Equity Large Cap Growth: Target – 25.0%, 2) US Equity Large Cap Value: Target – 25.0%, 3) International Equity Growth and Value: Target – 20.0% and 4) Fixed Income: Target – 30.0%. Allowable investments include individual domestic equities, mutual funds, private placements and pooled asset portfolios (e.g. money market funds). Stock options, short sales, letter stocks, Real Estate Investment Trust securities and commodities are not allowable investments.

Plan assets at December 31 were:

	2022	2021
Equity securities:		
Large cap growth	24.06%	27.87%
Large cap value	25.03%	27.32%
International growth	9.98%	9.67%
International core	10.07%	9.12%
Fixed income	<u>30.86%</u>	<u>26.02%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

NOTE 12 POST-RETIREMENT OBLIGATIONS

Minnkota sponsors a performance incentive 457(f) plan for an employee. A sum of \$125,000 is to be funded on the first day of the year from January 1, 2021 through January 1, 2026 with the participants continued employment on that date when a benefit of \$625,000 will be paid to the employee if still employed on that date. A sum of \$125,000 is to be funded on the first day of the year from January 1, 2027 through January 1, 2028 with the participants continued employment on that date when a benefit of \$250,000 will be paid to the employee if still employed on that date. The recorded liability as of December 31, 2022 was \$234,623.

Minnkota sponsors a defined benefit postretirement health care plan that covers certain full-time employees. The plan pays varying percentages of health care premiums for retirees from age 60 to age 65. Upon reaching 60, all Center Union participants hired before February 1, 2014 are immediately eligible to receive a 50% premium payment. Upon reaching age 60, only Grand Forks Union participants hired before April 1, 2010 and 50 years of age before April 1, 2013 are immediately eligible to receive a 100% premium payment. Grand Forks Union participants hired before April 1, 2010 and less than 50 years of age at April 1, 2013 will receive a 50% premium payment upon reaching age 60. Upon reaching age 60 and completing 10 years of service, Non-Union participants hired before January 1, 2012 are eligible to receive a 50% premium payment.

Minnkota does not fund this plan. There are no plan assets. The following table reconciles the plan’s funded status to the accrued postretirement health care cost liability as reflected on the balance sheet as of December 31:

	2022	2021
Change in benefit obligation:		
Benefit obligation, beginning	\$ 4,208,603	\$ 4,864,780
Service cost	125,611	226,371
Interest cost	140,435	70,539
Actuarial (gain) loss	<u>(1,631,223)</u>	<u>(953,087)</u>
Benefit obligation, ending	<u>\$ 2,843,426</u>	<u>\$ 4,208,603</u>
Accrued postretirement health care cost liability	<u>\$ 2,843,426</u>	<u>\$ 4,208,603</u>

Amounts recognized in the balance sheet:		
Noncurrent liabilities	<u>\$ 2,843,426</u>	<u>\$ 4,208,603</u>
Net periodic benefit cost		
Service cost	\$ 125,611	\$ 226,371
Interest cost	140,435	70,539
Amortization of net (gain) loss	<u>(1,631,223)</u>	<u>(953,087)</u>
Net periodic benefit cost	<u>\$ (1,365,177)</u>	<u>\$ (656,177)</u>

For measurement purposes, a 10% annual rate increase in health care premiums was assumed for 2022 and 2021, declining to 5% in five years. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 4.73% for 2022 and 2.04% for 2021, respectively.

Benefits paid in 2022 totaled \$316,211 and in 2021 totaled \$430,022. Benefits expected to be paid in each of the next five years and the aggregate for the next five years thereafter are as follows:

Years Ending December 31,	Amount
2023	\$ 321,741
2024	222,821
2025	161,734

Years Ending December 31,	Amount
2026	97,953
2027	91,060
2028-2032	723,585

Changing the rate of assumed health care costs by a 1% increase or decrease would change the benefit obligation as of December 31, 2022 and 2021 by approximately \$269,749 and \$453,405, respectively.

Minnkota has elected to recognize any gains or losses immediately.

NOTE 13: DEFERRED CREDITS

During the year ended December 31, 2020, the Cooperative implemented a new revenue deferral plan to recognize revenues through 2022. The plan was amended in 2021 to defer additional revenue of \$11,059,403 and extend the plan through 2024. The plan was further amended in 2022 to defer additional revenue of \$6,000,000 and extend the plan through 2025. This plan complies with GAAP and has been approved by RUS. The amount of revenue deferred was \$44,819,273 and \$38,819,273 as of December 31, 2022 and 2021, respectively. RUS requires the Cooperative to segregate cash in an amount equal to the amount of revenue being deferred. The Cooperative had deposits in US Bank investments and savings at December 31, 2022 and 2021, to satisfy this requirement.

Customer construction prepayments are the funds received for construction of transmission related projects in excess of completed construction costs as of December 31, 2022 and 2021. Deferred credit balances are summarized below:

	2022	2021
Deferred revenues	\$ 44,819,273	\$ 38,819,273
Customer construction prepayments	1,659,398	1,392,637
Transmission service advance payments	6,771,027	6,852,028
Other deferred credits	<u>86,707</u>	<u>90,318</u>
Total deferred credits	<u>\$ 53,336,405</u>	<u>\$ 47,154,256</u>

NOTE 14: ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

The FASB has issued guidance which provides accounting requirements for retirement obligations associated with tangible long-lived assets. Retirement obligations associated with long-lived assets are those for which there is a legal obligation to settle under existing or enacted law, statute, ordinance, written or oral contract or by legal constructions under the doctrine of promissory estoppels.

Assets considered for potential asset retirement obligations include generating plants and transmission assets on property under easement agreement or license. Asset retirement obligations for generating plant are not recorded as a liability, due to the fact that governmental authorization for construction did not impose post-closure obligations.

In general, retirement actions for transmission assets are required only upon abandonment or cessation of use of the property for the specified purpose. The liability for transmission assets that fall into this category is not estimable because Minnkota intends to utilize these properties indefinitely. For those transmission assets for which there are post-closure obligations (e.g., licenses, permits, and easements of limited duration issued by governmental authorities), the costs do not appear to be material

and no liability has been recognized.

Under the current power supply agreement with Square Butte, Minnkota will be obligated for its proportionate share of any of Square Butte’s closure obligations. According to the power supply agreement, payment of these obligations is not due until the actual costs of closure are incurred.

During the years ended December 31, 2022 and 2021, Minnkota recognized expenses of \$304,126 and \$333,862, respectively, which were related to the closure cost obligations of Square Butte. A long-term liability of \$3,091,562 and \$2,782,746 has been recorded as of December 31, 2022 and 2021, respectively.

NOTE 15: GUARANTEES

Minnkota has provided to the North Dakota Department of Environmental Quality a corporate guarantee on behalf of Northern up to a maximum of \$1,118,361. The guarantee is for closure and post-closure costs relating to solid waste facilities of Northern. Minnkota is bound by the guarantee for as long as Northern must comply with the applicable financial assurance requirements for the solid waste facilities. The guarantee may be terminated upon 120 days notice. Minnkota entered into the guarantee because it was more economical than other financial assurance mechanisms such as reserve accounts, trust funds, surety bonds, letters of credit or insurance. If Northern fails to perform closure and/or post-closure of the solid waste facilities in accordance with plans, permits or other interim status requirements, Minnkota would be required to do so or to establish a trust fund in the amount of the current closure or post-closure cost estimates.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Minnkota’s power plant utilizes North Dakota lignite coal, which is being supplied from the Center Mine by BNI Coal Ltd. Minnkota and BNI Coal Ltd. have a cost-plus contract, which expires in 2037, with an additional 5-year extension at Minnkota’s option.

Minnkota has various long-term contracts for the purchase of wind energy. These contracts require Minnkota to purchase all of the output generated by these wind farms for the term of the contracts which expire between 2039 and 2051.

Minnkota participates in federal grant programs, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Cooperative has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

As of December 31, 2022 Minnkota has approximately 48% of its employees covered by collective bargaining agreements. The collective bargaining agreements for Locals 1593 and 1426 are in force through March 31, 2025 and December 31, 2024, respectively.

NOTE 17: RECLASSIFICATIONS

Certain 2021 amounts have been reclassified to conform to the 2022 presentation. These reclassifications did not affect margins or equities.

NOTE 18: SUBSEQUENT EVENTS

No significant events occurred subsequent to Minnkota’s year end. Subsequent events have been evaluated through February 23, 2023, which is the date these financial statements were available to be issued.



Mac McLennan
President & CEO



Lowell Stave
Vice President & Chief
Operating Officer



Gerad Paul
General Counsel
Vice President – Legal,
Compliance & Risk



Kay Schraeder
Vice President & Chief
Financial Officer



Dan Inman
Vice President & Chief
Information Security
Officer



Jami Hovet
Vice President
of Administration



Craig Bleth
Vice President of
Project Development



Stacey Dahl
Senior Manager
External Affairs



Kathy Dietz
Executive Coordinator



Todd Sailer
Vice President
of Power Supply



Brendan Kennelly
Vice President of
Power Delivery



Andrew Sorbo
Vice President of
Strategic Initiatives

OPERATING STATISTICS

	2022	2021	2020	2019	2018
Electric plant investment	\$ 1,363,748,037	\$ 1,344,779,463	\$ 1,326,860,475	\$ 1,291,330,709	\$ 1,252,290,053
Accumulated depreciation	(388,622,676)	(362,708,709)	(341,046,926)	(312,356,834)	(287,587,483)
Net electric plant	\$ 975,125,361	\$ 982,070,754	\$ 985,813,549	\$ 978,973,875	\$ 964,702,570
Total assets	\$ 1,158,057,527	\$ 1,140,468,068	\$ 1,139,298,514	\$ 1,124,833,308	\$ 1,060,797,950
Long-term debt	803,851,236	804,460,468	841,453,348	832,046,269	777,323,355
Members' equity	\$ 213,597,038	\$ 190,594,292	\$ 167,592,067	\$ 156,767,393	\$ 150,196,807
Equity – percent of assets	18.4	16.7	14.7	13.9	14.2
Total revenues	\$ 451,623,057	\$ 406,336,955	\$ 391,183,488	\$ 402,196,354	\$ 414,061,515
Total expenses	432,708,147	384,829,429	383,513,196	390,482,354	403,962,515
Net margin	\$ 18,914,910	\$ 21,507,526	\$ 7,670,292	\$ 11,714,000	\$ 10,099,000
ENERGY SALES – MWH					
Class A member co-ops	4,208,653	4,028,328	3,962,855	4,107,770	4,114,194
Other utilities	2,766,795	2,540,680	2,851,123	2,563,245	2,925,749
Total	6,975,448	6,569,008	6,813,978	6,671,015	7,039,943
ENERGY SOURCES – MWH					
Net generation	4,432,193	4,539,550	4,739,829	4,692,432	5,064,942
Coyote retained by NMPA	(454,532)	(448,258)	(440,546)	(446,011)	(452,702)
Purchases	2,997,787	2,477,716	2,514,695	2,424,594	2,427,703
Total	6,975,448	6,569,008	6,813,978	6,671,015	7,039,943
Connected consumers – December	148,600	146,492	143,570	141,493	138,188
Class A member sales Increase (decrease) – percent	4.5	1.7	(3.5)	(0.2)	4.8
Average power rate to Class A members – Mills/kWh	75.9	76.2	76.3	76.4	75.8
Miles of transmission line	3,380	3,372	3,372	3,350	3,350
Full-time employees	383	390	400	397	386



Les Windjue
Chair
Nodak Electric
Cooperative



Mark Habedank
Vice Chair
Wild Rice Electric
Cooperative



Colette Kujava
Secretary/Treasurer
Red Lake Electric
Cooperative



Steve Arnesen
North Star Electric
Cooperative



Rick Coe
Beltrami Electric
Cooperative



Roger Krostue
Red River Valley
Cooperative Power
Association



Anthony Ottem
Cavalier Rural
Electric Cooperative



Greg Spaulding
Clearwater-Polk
Electric Cooperative



Kalvin Hoff
Cass County
Electric Cooperative



Mike Wahl
Roseau Electric
Cooperative



Tom Woinarowicz
PKM Electric
Cooperative



Lucas Spaeth
Northern Municipal
Power Agency

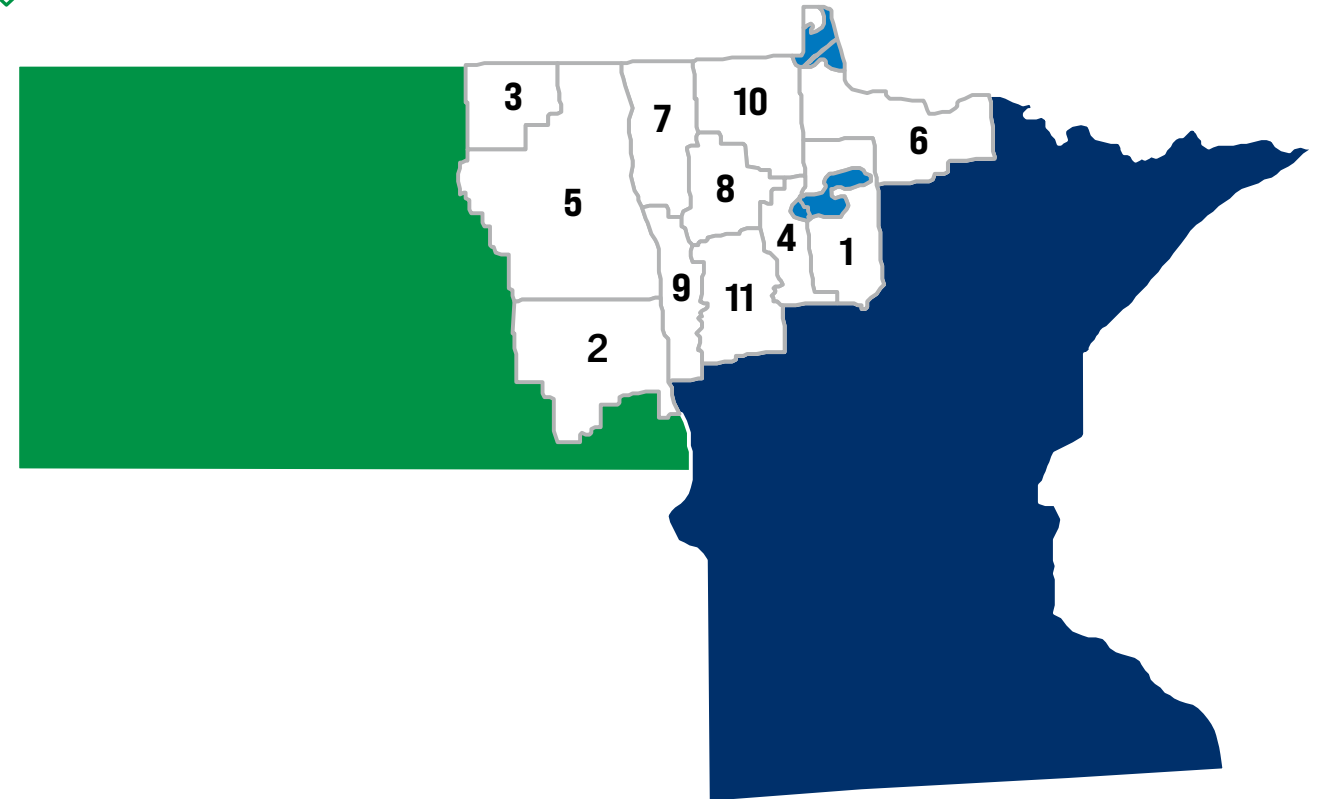


Mac McLennan
President & CEO



Gerad Paul
General Counsel
and Assistant
Secretary

CLASS A, B, C AND D MEMBERS



Class A Members

1. **Beltrami Electric Cooperative, Inc.**
Bemidji, Minnesota
2. **Cass County Electric Cooperative Inc.**
Fargo, North Dakota
3. **Cavalier Rural Electric Cooperative, Inc.**
Langdon, North Dakota
4. **Clearwater-Polk Electric Cooperative, Inc.**
Bagley, Minnesota
5. **Nodak Electric Cooperative, Inc.**
Grand Forks, North Dakota
6. **North Star Electric Cooperative, Inc.**
Baudette, Minnesota
7. **PKM Electric Cooperative, Inc.**
Warren, Minnesota
8. **Red Lake Electric Cooperative, Inc.**
Red Lake Falls, Minnesota
9. **Red River Valley Cooperative
Power Association**
Halstad, Minnesota
10. **Roseau Electric Cooperative, Inc.**
Roseau, Minnesota
11. **Wild Rice Electric Cooperative, Inc.**
Mahnomen, Minnesota

Class B, C and D Members

- | | |
|--|--|
| Basin Electric Power Cooperative
Bismarck, North Dakota | Nebraska Public Power District
Columbus, Nebraska |
| Central Iowa Power Cooperative
Cedar Rapids, Iowa | Northern Municipal Power Agency
Thief River Falls, Minnesota |
| Dairyland Power Cooperative
LaCrosse, Wisconsin | NorthWestern Corporation
Sioux Falls, South Dakota |
| Interstate Power Company
Dubuque, Iowa | Omaha Public Power District
Omaha, Nebraska |
| Lincoln Electric System
Lincoln, Nebraska | Otter Tail Power Company
Fergus Falls, Minnesota |
| Manitoba Hydro
Winnipeg, Manitoba, Canada | U.S. Department of the Air Force
Grand Forks Air Force Base,
North Dakota |
| MidAmerican Energy
Davenport, Iowa | Western Area Power Administration
Billings, Montana |
| Midcontinent Independent
Transmission System Operator (MISO)
Carmel, Indiana | Wisconsin Power and Light
Madison, Wisconsin |
| Minnesota Power
Duluth, Minnesota | Xcel Energy
Minneapolis, Minnesota |
| Montana-Dakota Utilities Company
Bismarck, North Dakota | |

ASSOCIATED COOPERATIVE STATISTICS

	Beltrami	Cass	Cavalier	Clearwater-Polk	Nodak
BALANCE SHEET					
Total electric plant	\$ 164,158,644	\$ 329,312,067	\$ 23,173,180	\$ 30,437,766	\$ 180,758,691
Accumulated depreciation	55,670,016	83,614,089	9,072,253	12,109,108	71,167,686
Net electric plant	\$ 108,488,628	\$ 245,697,978	\$ 14,100,927	\$ 18,328,658	\$ 109,591,005
Current and accrued assets	16,565,022	53,395,936	2,831,574	1,679,349	39,682,580
Other assets	13,116,198	27,840,753	1,677,660	2,059,019	17,023,733
Total assets	<u>\$ 138,169,848</u>	<u>\$ 326,934,667</u>	<u>\$ 18,610,161</u>	<u>\$ 22,067,026</u>	<u>\$ 166,297,318</u>
Total equity	\$ 51,636,305	\$ 148,853,778	\$ 7,700,757	\$ 12,261,578	\$ 67,149,180
Long-term debt	77,871,871	143,648,368	10,448,380	8,265,791	76,381,369
Other liabilities and credits	8,661,672	34,432,521	461,024	1,539,657	22,766,769
Total liabilities and equity	<u>\$ 138,169,848</u>	<u>\$ 326,934,667</u>	<u>\$ 18,610,161</u>	<u>\$ 22,067,026</u>	<u>\$ 166,297,318</u>
OPERATIONS					
Operating revenue	\$ 58,068,424	\$ 151,452,992	\$ 5,345,597	\$ 10,296,770	\$ 142,542,212
Purchased power	39,575,955	110,920,089	2,792,202	6,366,971	121,085,783
Other operating expenses	9,818,061	17,738,280	1,545,545	2,564,543	10,006,993
Depreciation	4,378,206	8,881,255	527,303	814,197	4,766,057
Interest	2,748,352	4,502,278	243,038	300,102	2,130,810
Total cost of electric service	\$ 56,520,574	\$ 142,041,902	\$ 5,108,088	\$ 10,045,813	\$ 137,989,643
Operating margin	\$ 1,547,850	\$ 9,411,090	\$ 237,509	\$ 250,957	\$ 4,552,569
Non-operating margin	923,988	3,752,178	112,853	55,080	2,409,751
Total margin	<u>\$ 2,471,838</u>	<u>\$ 13,163,268</u>	<u>\$ 350,362</u>	<u>\$ 306,037</u>	<u>\$ 6,962,320</u>
CONSUMERS – END OF YEAR					
Residential	20,491	49,713	1,180	4,275	20,395
Residential – seasonal	0	0	0	0	0
Commercial and other	1,632	6,918	432	265	531
Total	<u>22,123</u>	<u>56,631</u>	<u>1,612</u>	<u>4,540</u>	<u>20,926</u>
Increase (decrease) – percent	0.8%	2.6%	1.8%	0.9%	0.9%
ENERGY SALES – KWH					
Residential	301,297,901	658,877,394	14,237,697	63,667,865	391,507,706
Residential – seasonal	0	0	0	0	0
Commercial and other	207,301,520	709,482,620	19,168,907	11,611,373	1,681,170,231
Total	<u>508,599,421</u>	<u>1,368,360,014</u>	<u>33,406,604</u>	<u>75,279,238</u>	<u>2,072,677,937</u>
Increase (decrease) – percent	8.8%	4.8%	10.1%	6.4%	62.1%
MISCELLANEOUS					
kWh consumption/resident/month	1,225	1,104	1,005	1,241	1,600
Miles of line	3,576	5,825	1,379	1,518	7,913
Consumers/miles of line	6.19	9.72	1.17	2.99	2.64
Number of employees	60	93	11	14	60
Average rate – residential – (¢/kWh)	13.57	11.84	17.64	13.63	11.74

North Star	PKM	Red Lake	Red River	Roseau	Wild Rice	Total
\$ 51,232,254	\$ 42,375,874	\$ 46,800,308	\$ 60,004,127	\$ 60,554,798	\$ 88,433,977	\$ 1,077,241,686
18,592,329	14,940,484	21,625,546	17,786,747	30,718,682	29,916,304	365,213,244
\$ 32,639,925	\$ 27,435,390	\$ 25,174,762	\$ 42,217,380	\$ 29,836,116	\$ 58,517,673	\$ 712,028,442
7,391,557	3,941,516	(3,549,216)	4,733,866	6,104,760	7,637,102	140,414,046
2,136,934	3,793,872	10,280,871	3,031,964	3,283,451	6,704,454	90,948,909
<u>\$ 42,168,416</u>	<u>\$ 35,170,778</u>	<u>\$ 31,906,417</u>	<u>\$ 49,983,210</u>	<u>\$ 39,224,327</u>	<u>\$ 72,859,229</u>	<u>\$ 943,391,397</u>
\$ 16,207,749	\$ 20,448,425	\$ 12,549,105	\$ 19,442,188	\$ 19,688,014	\$ 31,468,200	\$ 407,405,279
22,963,437	12,568,491	15,901,311	26,964,612	16,791,623	34,204,291	446,009,544
2,997,230	2,153,862	3,456,001	3,576,410	2,744,690	7,186,738	89,976,574
<u>\$ 42,168,416</u>	<u>\$ 35,170,778</u>	<u>\$ 31,906,417</u>	<u>\$ 49,983,210</u>	<u>\$ 39,224,327</u>	<u>\$ 72,859,229</u>	<u>\$ 943,391,397</u>
\$ 15,942,721	\$ 14,766,764	\$ 15,117,111	\$ 16,466,560	\$ 19,550,713	\$ 35,306,634	\$ 484,856,498
9,172,406	9,507,193	9,988,611	10,892,734	11,763,898	23,164,534	355,230,376
4,182,420	2,683,187	2,882,829	3,088,526	3,907,432	7,771,025	66,188,841
1,327,078	1,085,337	1,291,965	1,420,933	2,009,188	2,411,950	28,913,469
667,908	584,943	400,305	735,270	778,988	1,162,487	14,254,481
<u>\$ 15,349,812</u>	<u>\$ 13,860,660</u>	<u>\$ 14,563,710</u>	<u>\$ 16,137,463</u>	<u>\$ 18,459,506</u>	<u>\$ 34,509,996</u>	<u>\$ 464,587,167</u>
\$ 592,909	\$ 906,104	\$ 553,401	\$ 329,097	\$ 1,091,207	\$ 796,638	\$ 20,269,331
658,396	239,339	296,713	642,179	489,286	870,203	10,449,966
<u>\$ 1,251,305</u>	<u>\$ 1,145,443</u>	<u>\$ 850,114</u>	<u>\$ 971,276</u>	<u>\$ 1,580,493</u>	<u>\$ 1,666,841</u>	<u>\$ 30,719,297</u>
5,539	3,742	5,251	4,125	5,922	13,792	134,425
549	0	0	0	431	0	980
784	289	511	666	310	857	13,195
<u>6,872</u>	<u>4,031</u>	<u>5,762</u>	<u>4,791</u>	<u>6,663</u>	<u>14,649</u>	<u>148,600</u>
1.2%	0.8%	0.5%	0.8%	0.2%	0.2%	1.4%
73,246,918	68,150,458	92,551,156	83,250,270	94,401,981	218,407,626	2,059,596,972
922,592	0	0	0	8,823,259	0	9,745,851
38,748,635	51,029,023	25,944,616	54,545,127	49,455,502	59,709,979	2,908,167,533
<u>112,918,145</u>	<u>119,179,481</u>	<u>118,495,772</u>	<u>137,795,397</u>	<u>152,680,742</u>	<u>278,117,605</u>	<u>4,977,510,356</u>
9.7%	10.7%	4.9%	22.7%	8.0%	11.0%	25.0%
1,102	1,518	1,469	1,682	1,328	1,320	1,277
1,468	2,311	2,653	1,826	2,175	3,644	34,288
4.68	1.74	2.17	2.62	3.06	4.02	4.33
20	17	18	22	29	41	385
14.43	13.44	12.66	12.84	14.26	12.96	12.62




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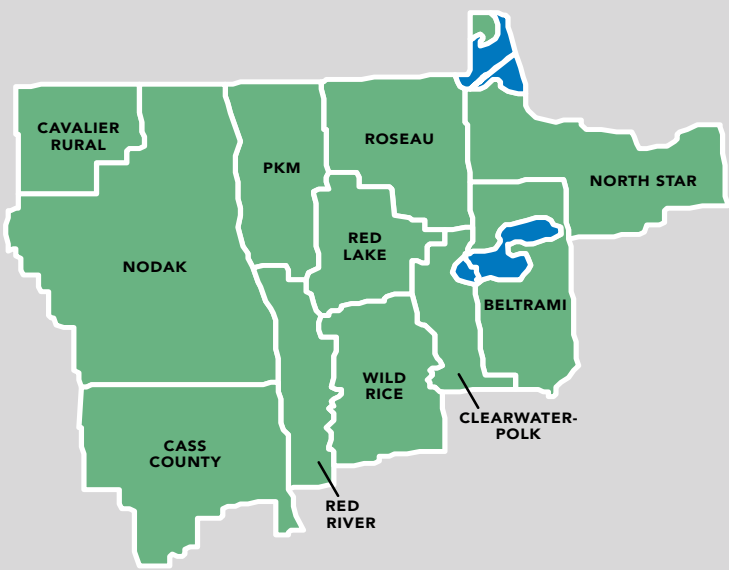


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