DAKOTA ELECTRIC ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

DAKOTA ELECTRIC ASSOCIATION
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YEARS ENDED DECEMBER 31, 2022 AND 2021

Independent Auditor's Report

The Board of Directors
Dakota Electric Association
Farmington, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dakota Electric Association, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Dakota Electric Association as of December 31, 2022 and 2021, and the results of its operations and its 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Dakota Electric Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Dakota Electric Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 GAAS 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 GAAS, 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 Dakota Electric Association'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 Dakota Electric Association'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.

Eide Bailly LLP

Sioux Falls, South Dakota
March 13, 2023

DAKOTA ELECTRIC ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

		2022		2021
		(in thousands)		
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$	173	$	197
Accounts Receivable, Less Allowance for Uncollectible Accounts (2022 - $1,200; 2021 - $1,644)		30,785		34,292
Conservation Cost Under-Recovery		200		1,241
Inventories, Materials and Supplies		12,625		8,103
Prepayments and Interest Receivable		2,213		1,924
Total Current Assets		45,996		45,757
INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS		133,932		133,521
UTILITY PLANT				
Distribution System		319,254		302,234
General Plant		36,671		36,029
Construction Work in Process		3,925		7,858
Less Accumulated Depreciation and Amortization		(147,088)		(139,499)
Net Utility Plant and Work in Progress		212,762		206,622
REGULATORY ASSETS		739		960
DEFERRED CHARGES AND OTHER ASSETS		71		76
Total Assets	$	393,500	$	386,936

See accompanying Notes to Financial Statements

DAKOTA ELECTRIC ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022	2021
	(in thousands)	
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 26,837	$ 28,860
Notes Payable	13,500	15,300
Current Portion of Long-Term Debt	8,777	8,559
Current Portion of Finance Lease Obligation	527	508
Advanced Meter,Conservation Cost, Power Cost, and Property Tax Over-Recovery	3,539	930
Customer Security Deposits	563	418
Accrued Property and Other Taxes	4,925	4,940
Other Current Liabilities	9,291	9,154
Total Current Liabilities	67,959	68,669
LONG-TERM DEBT	130,535	124,639
LONG-TERM FINANCE LEASE OBLIGATION	734	961
POST-RETIREMENT BENEFIT OBLIGATION	5,281	4,864
DEFERRED CREDITS AND OTHER LIABILITIES	73	104
Total Liabilities	204,582	199,237
Members' Equity	188,918	187,699
Total Liabilities and Members' Equity	$ 393,500	$ 386,936

See accompanying Notes to Financial Statements

DAKOTA ELECTRIC ASSOCIATION
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
	(in thousands)	
NET SALES	$ 214,531	$ 217,534
COST OF SALES	151,983	155,629
GROSS MARGIN	62,548	61,905
OPERATING EXPENSES		
Labor and Related Benefits	26,273	25,750
Professional Fees and Services	6,031	5,855
Rebates and Marketing	1,418	942
Office Expense	2,686	2,697
Operations and Maintenance	932	895
Depreciation and Amortization	13,242	12,300
Property and Real Estate Taxes	3,191	3,247
Net Interest Expense	4,957	4,506
Other Expenses	393	869
Total Operating Expenses	59,123	57,061
NET OPERATING MARGIN	3,425	4,844
OTHER INCOME		
Interest Income	125	143
Capital Credits from GRE, CFC, CoBank, & Others	3,724	9,621
Other Income	139	27
Total Other Income	3,988	9,791
NET INCOME	$ 7,413	$ 14,635

See accompanying Notes to Financial Statements

DAKOTA ELECTRIC ASSOCIATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Patronage Capital	Other Equity	Total
		(in thousands)	
BALANCE, DECEMBER 31, 2020	$ 152,505	$ 26,458	$ 178,963
Net Income 2021	14,635	-	14,635
Transfer to Other Equity	(616)	616	-
Capital Credits Retired	(6,439)	540	(5,899)
BALANCE, DECEMBER 31, 2021	160,085	27,614	187,699
Net Income 2022	7,413	-	7,413
Transfer to Other Equity	(735)	735	-
Capital Credits Retired	(6,649)	455	(6,194)
BALANCE, DECEMBER 31, 2022	$ 160,114	$ 28,804	$ 188,918

See accompanying Notes to Financial Statements

DAKOTA ELECTRIC ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
	(in thousands)	
OPERATING ACTIVITIES		
Net Income	$ 7,413	$ 14,635
Adjustments:		
Depreciation and Amortization	13,242	12,300
GRE, CFC, CoBank, and Other Capital Credit Allocations	(3,724)	(9,621)
(Increase) in Current Assets	(263)	(3,118)
Decrease (increase) in Other Assets	226	(956)
Increase in Current Liabilities	853	1,529
Increase (decrease) in Other Liabilities	386	(64)
Net Cash from Operating Activities	18,133	14,705
INVESTING ACTIVITIES		
Plant Additions, Net	(19,058)	(26,457)
GRE, CFC, CoBank, and Other Capital Credits Refunded	3,276	3,093
Funds Received from Maturity of CFC Investment Certificates	37	39
Net Cash used for Investing Activities	(15,745)	(23,325)
FINANCING ACTIVITIES		
Loan Advances Received	15,000	23,000
Principal Payments on Long-Term Debt	(8,886)	(8,093)
Principal Payments Finance Lease Obligations	(532)	(332)
Decrease in Notes Payable	(1,800)	-
Patronage Capital Retirements Paid	(6,194)	(5,899)
Net Cash (used for) from Financing Activities	(2,412)	8,676
Net Change in Cash and Cash Equivalents	(24)	56
Cash and Cash Equivalents, Beginning of Year	197	141
Cash and Cash Equivalents, End of Year	$ 173	$ 197
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for		
Interest	$ 4,881	$ 4,528
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Equipment Acquired Through Finance Leases	$ 324	$ 502

See accompanying Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Dakota Electric Association (Dakota Electric) is a 115,000-meter not-for-profit, member-owned electric distribution cooperative serving homes and businesses primarily in Dakota County, Minnesota.

As a rate-regulated cooperative, Dakota Electric applies Accounting Standards Codification (ASC) 980 Regulated Operations. The application of generally accepted accounting principles by Dakota Electric differs in certain respects from the application by nonregulated businesses as a result of applying ASC 980. Such differences generally relate 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.

All disclosures and related footnotes are in dollars except were noted as in thousands.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or equity.

Regulation

Dakota Electric is subject to regulation by the Minnesota Public Utilities Commission (MPUC). Dakota Electric's accounting policies and the accompanying financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

Property and Depreciation

Plant is recorded at original cost. The cost of additions to utility plant and replacement of retirement units of property are capitalized. Maintenance costs and replacements of minor items of property are charged to expense as incurred. Costs of depreciable units of utility plant retired are eliminated from the plant accounts. Such costs plus removal expenses less salvage are charged to accumulated depreciation.

Depreciation of Dakota Electric utility plant is computed using rates approved by the MPUC based on estimated useful lives of the various classes of property. In 2022 and 2021, provisions for depreciation approximated 3.76% and 3.73%, respectively, of the average original cost of depreciable property.

Cash and Cash Equivalents

Dakota Electric considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Materials and Supplies

Materials and supplies are stated at average cost.

Investments in Associated Companies

Investments principally represent undistributed allocated margins of other cooperatives and investment certificates in the Cooperative Finance Corporation (CFC). Investments in associated companies, other than subordinate certificates, and other investments are accounted for as equity securities. Dakota Electric has determined that these investments do not have a readily determinable fair value. Investments in associated companies are recorded at the Dakota Electric's share of allocated patronage capital and the other investments are recorded at cost. These investments are assessed for impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Dakota Electric has not identified any impairments and there has not been observable price changes during the years ended December 31, 2022 and 2021. Subordinate certificates are debt securities and are accounted for at amortized cost, net of any impairment.

Patronage Capital

Dakota Electric operates on a nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to members on a patronage basis. Other amounts received by Dakota Electric from its operations in excess of costs and expenses are either allocated to members on a patronage basis or included in other equity in accordance with the bylaws.

Sales Taxes

Dakota Electric has members in municipalities in which those governmental units impose a sales tax on certain sales. Dakota Electric collects those sales taxes from its members and remits the entire amount to the various governmental units. Dakota Electric's accounting policy is to exclude the tax collected and remitted from revenue and cost of sales.

Income Taxes

Dakota Electric is exempt from income taxes under Section 501 (c) (12) of the Internal Revenue Code and the State of Minnesota.

Dakota Electric undergoes an annual analysis of various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10. The unrecognized tax benefit accrual was zero as of December 31, 2022 and 2021.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Gain on RUS Buyout

In 1994 and 1995, Dakota Electric refinanced long-term debt payable to the Rural Utilities Service (RUS) with CFC. The early extinguishments resulted in gains of $11.3 million, which are being amortized over the lives of the related CFC debt (24 and 32 years, respectively) using the sum of the year's digits method. Interest expense is net of amortization of $31,000 and $37,000 in 2022 and 2021, respectively.

Accounting Estimates

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

Concentrations of Credit Risk

Financial instruments, which potentially subject Dakota Electric to concentrations of credit risk, consist primarily of temporary cash investments and trade receivables. Dakota Electric invests excess cash with various high-quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to Dakota Electric's large number of members and their dispersion across many industries. Dakota Electric does not obtain collateral to support trade receivables. Dakota Electric has not incurred and does not expect to incur significant credit losses.

Dakota Electric maintains its cash accounts in area financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At various times during the year, Dakota Electric's cash balances exceed the insurance limits.

Adoption of Accounting Standard

Effective January 1, 2022, Dakota Electric adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). Dakota Electric elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. Dakota Electric has elected certain practical expedients permitted in ASC Topic 842. Accordingly, Dakota Electric accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result of the adoption of the new lease accounting guidance, Dakota Electric recognized on January 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to retained earnings, no operating lease liability, and no operating right-of-use asset. The finance lease right of use asset and liabilities were recorded as of January 1, 2022 at the carrying value under prior guidance. The adoption of the new standard did not materially impact the Dakota Electric's Statements of Operations or Statements of Cash Flows. See Note 6 for further disclosure of Dakota Electric's lease contracts.

Concentration of Sources of Labor

At December 31, 2022, Dakota Electric had collective bargaining agreements covering 95 employees which represented 53% of total full-time employees. The collective bargaining agreements will expire on December 31, 2024.

Subsequent Events

Dakota Electric has evaluated subsequent events through March 8, 2023, the date which the financial statements were available to be issued.

NOTE 2 INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS

	2022	2021
	(in thousands)	
Great River Energy		
Patronage Capital	$ 123,843	$ 123,432
Cooperative Finance Corporation		
Capital Term Certificates -		
Maturities 2070 - 2080, Interest Rate 5.0%	1,419	1,419
Loan Term Certificates -		
Maturities 2020 - 2030, Interest Rate 3.0%	440	440
Loan Term Certificates -		
Maturities 2020 - 2044, Interest Rate 0.0%	645	705
Member Capital Securities -		
Maturity 2044, Interest Rate 5.0%	1,000	1,000
Patronage Capital	4,032	4,151
	7,536	7,715
Other Investments	2,553	2,374
Total Investments in Associated Companies and Other Investments	$ 133,932	$ 133,521

NOTE 2 INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS (CONTINUED)

Investment in Great River Energy (GRE) represents undistributed allocated margins. Dakota Electric's share of annual GRE margins is generally based on the percentage of GRE's total power generation purchased by Dakota Electric. Under its wholesale power purchase agreement, Dakota Electric is committed to purchase at least 95% of its electric power requirements from GRE until December 31, 2045. The rates paid are subject to change annually.

Investments in CFC represent undistributed patronage capital allocated to Dakota Electric as well as loan and capital term certificates, and member capital securities. The certificates represent investments made pursuant to CFC borrowing requirements.

NOTE 3 REGULATORY ASSETS

The accounting standards for regulated operations (ASC 980) allow rate-regulated enterprises to recognize regulatory assets for costs incurred or accrued that have a probability of being collected in the future from customers, as required under regulation. During 2021, Dakota Electric recognized a regulatory asset of $960,000 resulting from unrecovered and deferred costs related to meter replacements which were part of the Advanced Grid Infrastructure (AGI) project. There was amortization expense of $205,000 recognized in 2022 and the balance of the regulatory asset at December 31, 2022 was $739,000. The remaining regulatory asset is expected to be amortized between 2023 and 2024 at approximately $370,000 per year.

NOTE 4 PATRONAGE CAPITAL AND OTHER EQUITY

Dakota Electric has covenants with its lenders that restrict the retirement of patronage capital. After retirement, the capital of Dakota Electric must equal at least 30% of its total assets. No distributions can be made if there is unpaid, when due, any installments of principal or interest on the notes.

Capital credit retirements for estates, members reaching age 65, dissolved businesses, arrearage forgiveness, and members moving off-line after July 1, 1998 are made upon request. Patronage capital credits arising from prior years' margins are retired as determined annually by the board of directors. As of December 31, 2022, capital credits through 2002 have substantially been retired.

NOTE 5 LONG-TERM DEBT

	2022	2021
	(in thousands)	
Cooperative Finance Corporation (CFC) mortgage notes 1.87% to 4.50%, due in quarterly installments through 2048	$ 80,037	$ 85,065
CoBank mortgage notes 2.30% to 4.56%, due in monthly installments through 2052	59,275	48,133
	139,312	133,198
Less Current Portion	(8,777)	(8,559)
Long-Term Debt	$ 130,535	$ 124,639

Substantially all assets are pledged as security on the mortgage notes. There are certain notes that contain provisions for changing interest rates at specified future dates.

Dakota Electric's debt agreements contain various restrictive covenants. Management believes Dakota Electric was in compliance with all restrictive covenants as of December 31, 2022 and 2021.

It is estimated that principal repayments on the above debt for the next five years, and thereafter, will be as follows:

Years Ending December 31,	Total
	(in thousands)
2023	$ 8,777
2024	7,782
2025	7,971
2026	7,086
2027	6,925
Thereafter	100,771
	$ 139,312

NOTE 6 LEASES

Dakota Electric leases certain equipment for various terms under long-term, non-cancelable finance lease agreements. The leases expire at various dates through 2027. The agreements generally require Dakota Electric to pay for all related insurance and repairs.

The weighted-average discount rate is the cost of debt approved in Dakota Electric's most recent rate case which was 3.77%. The weighted-average remaining lease term is 3.2 years.

Dakota Electric has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Dakota Electric has elected the practical expedient to not separate lease and non-lease components for equipment leases.

Total right-of-use assets and lease liabilities at December 31, 2022 were as follows:

Lease Assets	Classification	Amount (in thousands)
Finance right-of-use assets	Net Utility Plant and Work in Progress	$ 1,671
Lease Liabilities	Classification	
Current finance lease liabilities	Current Portion of Finance Lease Obligation	$ 527
Noncurrent finance lease liabilities	Long-term Finance Lease Obligation	$ 734

Total financing lease costs for the year ended December 31, 2022 were as follows:

Interest	$ 57
Amortization of right-of-use assets	$ 324

Cash paid for amounts included in measurement of lease liabilities were as follows:

Operating cash flows from finance leases	$ 57
Financing cash flows from finance leases	$ 532

NOTE 6 LEASES (CONTINUED)

Future minimum lease payments determined under the guidance in Topic 842 as of December 31, 2022 were as follows:

Years Ending December 31,	Finance Leases (in thousands)
2023	$ 572
2024	218
2025	211
2026	243
2027	117
Total minimum lease payments	1,361
Less portion representing interest	(100)
Present value of minimum lease payments	$ 1,261

Total lease expense under noncancelable leases was approximately $385,000 for the year ended December 31, 2021. Future minimum lease payments determined under the guidance in Topic 840 as of December 31, 2021 were as follows:

Years Ending December 31,	Capital Leases (in thousands)
2022	$ 562
2023	518
2024	163
2025	157
2026	188
Total minimum lease payments	1,588
Less portion representing interest	(119)
Present value of minimum lease payments	$ 1,469

NOTE 6 LEASES (CONTINUED)

Leased property under finance (capital) leases at December 31, 2021 included:

	2021
Heavy Equipment	$ 2,613
Less Accumulated Amortization	(618)
Net Book Value	$ 1,995

NOTE 7 NOTES PAYABLE (LINES OF CREDIT)

Dakota Electric has a $30 million line of credit agreement with CoBank, which expires September 30, 2023 and is reviewed annually for subsequent renewal. This agreement imposes a maximum of $30 million outstanding unsecured debt at any one time to all lenders. Interest on the unpaid principal is payable monthly at rates established by CoBank on a weekly basis (5.55% at December 31, 2022). This is a committed line of credit with fees charged based on the unused balance. The committed line guarantees Dakota Electric access to funds under any economic condition. There were outstanding balances of $13,500,000 and $15,300,000 on this line of credit at December 31, 2022 and 2021, respectively.

Dakota Electric has executed an as-offered uncommitted perpetual line of credit agreement providing Dakota Electric with short term loans of up to $30 million on a revolving basis with CFC. Interest on unpaid principal is payable quarterly at rates established by CFC; this rate was 5.55% at December 31, 2022. There was no outstanding balance on this line of credit at December 31, 2022 or December 31, 2021.

NOTE 8 OTHER CURRENT LIABILITIES

	2022	2021
	(in thousands)	
Accrued Interest	$ 747	$ 643
Accrued Payroll	520	518
Accrued Sick Leave	1,144	1,195
Accrued Vacation	1,607	1,687
Unclaimed Capital Credits	5,188	4,979
Other	85	132
	$ 9,291	$ 9,154

NOTE 9 PENSION PLANS

A portion of the employees of Dakota Electric participate in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Plan (RS Plan), a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Dakota Electric makes contributions to the RS Plan equal to the amounts accrued for pension expense except for the periods when a moratorium on contributions has been in effect due to the plan reaching full funding limitations. Dakota Electric's contributions to the RS Plan in 2022 and in 2021 represented less than 5 percent of the total contributions made to the plan by all participating employers. Contributions to the plan for the years ended December 31, 2022 and 2021, were approximately $2,221,000 and $2,637,000, respectively. There have been no significant changes that affect the comparability of 2022 and 2021 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2022 and January 1, 2021, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Dakota Electric has defined contribution savings plans for employees who meet certain age and service requirements. Dakota Electric contributed between 4.0% and 10.0% in 2022 and 2021 of eligible employees' compensation. Savings plan company contributions for the years ended December 31, 2022 and 2021, were approximately $1,347,000 and $1,255,000, respectively.

NOTE 10 POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Dakota Electric provides certain health care benefits for salaried and hourly retired employees. Employees may become eligible for these health care benefits after attaining specified age and service requirements prior to retiring from Dakota Electric.

Dakota Electric is required to disclose the following information according to Accounting Standards Codification (ASC) 715 Compensation-Retirement Benefits in the notes to the financial statements.

The following table sets forth the plan's funded status reconciled with the obligation recognized in the accompanying balance sheet at December 31:

	2022	2021
	(in thousands)	
Change in Post-retirement Benefit Obligation		
Accumulated Post-retirement		
Benefit Obligation at Beginning of Year	$ 4,864	$ 4,891
Net Periodic Benefit Costs	896	229
Benefits Paid-Net of Retiree Contributions	(479)	(256)
Accumulated Post-retirement		
Benefit Obligation at End of Year	5,281	4,864
Change in Plan Assets		
Plan Assets at Beginning of Year	-	-
Employer Contributions	479	256
Benefits Paid-Net of Retiree Contributions	(479)	(256)
Plan Assets at End of Year	-	-
Funded Status	(5,281)	(4,864)
Net Post-retirement Benefit Obligation Recognized	$ (5,281)	$ (4,864)
Weighted Average Assumptions at December 31:		
Discount Rate	3.77%	3.77%

Dakota Electric recognizes actuarial gains and losses in net periodic benefit costs annually. Components of net periodic benefit costs are as follows:

	2022	2021
Service cost	191	186
Interest cost	188	183
Gain (loss) recognized	517	(140)
Net periodic pension costs	$ 896	$ 229

NOTE 10 POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

For measurement purposes, a 5.19% and 4.49% annual rate of increase in per capita cost of health care benefits was assumed for 2022 and 2021, respectively. Increasing the rate of assumed health care costs by 1% each year would increase the benefit obligation as of December 31, 2022 and 2021 by $509,000 and $439,000, respectively.

Post-retirement benefit payments over the next 10 years are estimated to be as follows:

Years Ending December 31,	Estimated Payments (in thousands)
2023	$ 542
2024	570
2025	600
2026	631
2027	663
2028 - 2032	3,870

NOTE 11 REVENUE RECOGNITION

Dakota Electric accounts for customer revenues under Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers.

Dakota Electric's performance obligation related to the sale of energy is satisfied as energy is delivered to customers; therefore, revenue from the delivery of energy is recognized over time as energy is delivered to the customers. Rates charged to members are established by the board of directors and are subject to approval by the MPUC before becoming effective. Billings are rendered on a cycle basis and revenue is accrued for service provided but not yet billed. Electric rates include adjustment clauses, which bill or credit members for purchased power, conservation, and property tax costs above or below the base levels in rate schedules.

Dakota Electric's performance obligation related to electrical services are satisfied at the point in time when projects have been completed; therefore, revenue is recorded upon the completion of the service.

Dakota Electric does not have any significant financing components related to contracts with customers as payment is received shortly after being billed to customers.

NOTE 11 REVENUE RECOGNITION (CONTINUED)

The following table depicts revenues by timing of revenue recognition and type of revenue for the years ended December 31, 2022 and 2021, respectively:

	2022	2021
	(in thousands)	
Electric revenues (transferred over time)	$ 213,416	$ 216,598
Other revenues (specific point in time)	879	614
Total Revenue from Contracts with Customers	214,295	217,212
Other revenues (outside the scope of ASC 606)	236	322
Net Sales	$ 214,531	$ 217,534

NOTE 12 RECEIVABLES AND CREDIT POLICY

Dakota Electric's revenue contracts provide it with the unconditional right to consideration upon delivery of electricity to its customers; therefore, a receivable is recognized in the period Dakota Electric provides energy to its customers. The unconditional right to consideration is represented by contract receivables which are presented on the balance sheet as accounts receivable which includes unbilled revenues.

Trade receivables are uncollateralized member obligations due under normal trade terms requiring payment within 25 days from the billing date. Unpaid trade receivables with dates over 30 days old are assessed a $1 late fee or interest at 1.5% of the unpaid balance, whichever is greater. Payments on trade and notes receivable are allocated to the earliest unpaid billings. The carrying amounts of trade and notes receivable are reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management reviews all trade and notes receivable balances periodically and adjusts the allowance accounts based on current economic conditions and past experience.

NOTE 12 RECEIVABLES AND CREDIT POLICY (CONTINUED)

The beginning and ending balances for accounts receivable including unbilled revenues, net of allowances for doubtful accounts, and contract liabilities were as follows for the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021	January 1, 2021
		(in thousands)	
Billed	$ 26,787	$ 29,661	$ 26,361
Unbilled	3,998	4,631	4,917
Total Accounts Receivable	$ 30,785	$ 34,292	$ 31,278
Customer Deposits	$ 563	$ 418	$ 479

NOTE 13 RELATED PARTY TRANSACTIONS

Dakota Electric is a member of and purchases its wholesale power from Great River Energy. The following is a summary of material transactions with Great River Energy for the years ended December 31, 2022 and 2021:

	2022	2021
	(in thousands)	
Purchase of Wholesale Power	$ 151,341	$ 155,206
Accounts Receivable	$ 4,440	$ 6,062
Accounts Payable for Purchased Power	$ 21,509	$ 23,716
Capital Credit Allocation	$ 3,253	$ 9,175
Capital Credits Refunded	$ 2,842	$ 2,639
Accumulated Investment in Patronage Capital	$ 123,843	$ 123,432