DAKOTA ELECTRIC ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

EideBailly®

DAKOTA ELECTRIC ASSOCIATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Independent Auditor's Report

The Board of Directors
Dakota Electric Association
Farmington, Minnesota

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Dakota Electric Association which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dakota Electric Association as of December 31, 2018 and 2017, and the consolidated results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Sioux Falls, South Dakota
March 22, 2019

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DAKOTA ELECTRIC ASSOCIATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(DOLLARS IN THOUSANDS)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 544	$ 3,081
Accounts Receivable, Less Allowance for Uncollectible Accounts (2018 - $711; 2017 - $676)	29,892	25,541
Conservation Cost and Property Tax Recovery	247	1,009
Inventories, Materials and Supplies	4,184	4,473
Prepayments and Interest Receivable	1,349	1,012
Deferred Charges	-	2
Total Current Assets	36,216	35,118
INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS	121,056	117,009
UTILITY PLANT		
Distribution System	267,355	261,606
General Plant	32,987	30,581
Construction Work in Process	4,222	5,114
Less Accumulated Depreciation	(126,122)	(122,693)
Net Utility Plant and Work in Progress	178,442	174,608
DEFERRED CHARGES AND OTHER ASSETS	88	92
Total Assets	$ 335,802	$ 326,827

See accompanying Notes to Consolidated Financial Statements

		2018		2017
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Accounts Payable	$	26,204	$	29,492
Notes Payable		16,334		12,000
Current Portion of Long-Term Debt		6,900		7,695
Property Tax Over-Recovery		24		-
Customer Security Deposits		505		529
Accrued Property and Other Taxes		4,830		4,925
Other Current Liabilities		8,175		7,785
Total Current Liabilities		62,972		62,426
LONG-TERM DEBT		94,840		90,658
POST-RETIREMENT BENEFIT OBLIGATION		4,609		4,207
DEFERRED CREDITS AND OTHER LIABILITIES		230		337
Total Liabilities		162,651		157,628
MEMBERS' EQUITY		173,151		169,199
Total Liabilities and Members' Equity	$	335,802	$	326,827

DAKOTA ELECTRIC ASSOCIATION
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(DOLLARS IN THOUSANDS)

	2018	2017
NET SALES	$ 204,037	$ 202,277
COST OF SALES	149,909	148,448
GROSS MARGIN	54,128	53,829
OPERATING EXPENSES		
Labor and Related Benefits	25,362	23,960
Professional Fees and Services	4,584	3,803
Rebates and Marketing	1,275	1,806
Office Expense	2,402	2,234
Operations and Maintenance	767	907
Depreciation and Amortization	10,336	9,775
Property and Real Estate Taxes	3,372	3,609
Net Interest Expense	4,182	4,068
Other Expenses (Reimbursements)	209	(88)
Total Operating Expenses	52,489	50,074
NET OPERATING MARGIN	1,639	3,755
OTHER INCOME (EXPENSE)		
Interest Income	221	215
Capital Credits from GRE, CFC, CoBank, & Others	5,111	7,166
Other Income (Expense)	39	(72)
Total Other Income	5,371	7,309
NET OPERATING MARGIN AND OTHER INCOME	7,010	11,064
Income Tax Credit on Nonregulated Operations	(17)	(80)
NET INCOME	$ 7,027	$ 11,144

See accompanying Notes to Consolidated Financial Statements

DAKOTA ELECTRIC ASSOCIATION
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(DOLLARS IN THOUSANDS)

	Patronage Capital and Other Equity
BALANCE, DECEMBER 31, 2016	$ 161,294
Net Income 2017	11,144
Capital Credits Retired - Net	(3,239)
BALANCE, DECEMBER 31, 2017	169,199
Net Income 2018	7,027
Capital Credits Retired - Net	(3,075)
BALANCE, DECEMBER 31, 2018	$ 173,151

See accompanying Notes to Consolidated Financial Statements

DAKOTA ELECTRIC ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(DOLLARS IN THOUSANDS)

	2018	2017
OPERATING ACTIVITIES		
Net Income	$ 7,027	$ 11,144
Adjustments:		
Depreciation and Amortization	10,336	9,775
GRE, CFC, CoBank, and Other Capital Credit Allocations	(5,111)	(7,166)
CFC, CoBank and Other Capital Credits Refunded	555	492
Increase in Current Assets	(3,635)	(3,298)
Decrease in Other Assets	4	4
(Decrease) Increase in Current Liabilities	(2,993)	1,766
Increase in Other Liabilities	295	66
Net Cash from Operating Activities	6,478	12,783
INVESTING ACTIVITIES		
Plant Additions, Net	(13,097)	(14,219)
Funds Received from Maturity of CFC Investment Certificates	509	58
Net Cash Used for Investing Activities	(12,588)	(14,161)
FINANCING ACTIVITIES		
Loan Advances Received	10,000	10,000
Principal Payments on Long-Term Debt	(7,686)	(7,250)
Increase in Notes Payable	4,334	1,100
Patronage Capital Retirements Paid	(3,075)	(3,239)
Net Cash from Financing Activities	3,573	611
Net Change in Cash and Cash Equivalents	(2,537)	(767)
Cash and Cash Equivalents, Beginning of Year	3,081	3,848
Cash and Cash Equivalents, End of Year	$ 544	$ 3,081
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for		
Interest	$ 4,297	$ 4,142
Income Taxes	1	2
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Equipment Acquired Through Capital Leases	$ 1,073	$ 777

See accompanying Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Dakota Electric Association (Dakota Electric) is a 108,000 member not-for-profit, member-owned electric distribution cooperative serving homes and businesses primarily in Dakota County, Minnesota. Dakota Electric also has a for-profit wholly-owned subsidiary, Midwest Energy Services (MES), which wholly-owns Energy Alternatives Parent (EA). EA wholly-owns Energy Alternatives Solar L.L.C. (EAS). EAS leased non-member customer-sited solar photovoltaic generation and divested or exited the leases in 2018.

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.

Consolidation Policy and Preparation of Financial Statements

The accompanying consolidated financial statements include the accounts of Dakota Electric and its wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated.

Regulation

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

Revenue Recognition

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.

Receivables and Credit Policies

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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018 and 2017, provisions for depreciation approximated 3.5% and 3.4%, 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.

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). These investments are recorded at cost.

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 equities 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. MES provides for deferred taxes on temporary differences arising from assets and liabilities whose basis is different for financial reporting and income tax purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Dakota Electric will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such penalties and interest are incurred. Under normal circumstances, Dakota Electric, MES and its subsidiaries are no longer subject to federal or state tax examinations by tax authorities for years before 2016.

Dakota Electric and subsidiaries undergo 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, 2018 and December 31, 2017.

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 $76,000 and $110,000 in 2018 and 2017, 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 insurance.

Concentration of Sources of Labor

At December 31, 2018, Dakota Electric had collective bargaining agreements covering 107 employees which represented 57% of total full-time employees. The collective bargaining agreements expire on December 31, 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

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

Subsequent Events

Dakota Electric has evaluated subsequent events through March 22, 2019 the date which the financial statements were available to be issued.

NOTE 2 SUBSIDIARY OPERATING RESULTS

MES operating results for the years ended December 31, 2018 and 2017 are summarized below.

	2018	2017
	(in thousands)	
Revenues	$ 12	$ 63
Operating Expenses, Other Income and Expense	21	302
Loss Before Taxes	(9)	(239)
Income Tax Credit	(17)	(80)
Net Income (Loss)	$ 8	$ (159)

At December 31, 2017, MES deferred tax liability totaled $30,000. MES significant temporary differences resulted from differences in depreciation for financial reporting and income tax reporting. At December 31, 2018, MES had no depreciable assets and therefore, no deferred tax liability. Net current deferred tax assets relate to the difference in timing of deferred lease revenue and state net operating loss carryforwards. An offsetting valuation allowance is recorded as the certainty of realizing the future tax benefits of the state operating loss carryforward is uncertain at this time. The deferred tax asset balance was $2,000 at December 31, 2017. At December 31, 2018, MES had no deferred lease revenue and therefore, no deferred tax asset.

NOTE 3 INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS

	2018	2017
	(in thousands)	
Great River Energy		
Patronage Capital	$ 110,753	$ 106,442
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%	532	532
Loan Term Certificates -		
Maturities 2019 - 2044, Interest Rate 0.0%	1,017	1,564
Member Capital Securities -		
Maturity 2044, Interest Rate 5.0%	1,000	1,000
Patronage Capital	4,260	4,155
	8,228	8,670
Other Investments	2,075	1,897
Total Investments in Associated Companies and Other Investments	$ 121,056	$ 117,009

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 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, 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, 2018, capital credits through 1990 and 65% of 1991 have substantially been retired.

NOTE 5 LONG-TERM DEBT

	2018	2017
	(in thousands)	
Cooperative Finance Corporation (CFC) mortgage notes 2.50% to 4.50%, due in quarterly installments through 2048.	$ 67,415	$ 61,776
CoBank mortgage notes 1.91% to 4.56%, due in monthly installments through 2043.	32,433	35,292
Capital Lease Provision (Note 6)	1,892	1,285
	101,740	98,353
Less Current Portion	(6,900)	(7,695)
Long-Term Debt	$ 94,840	$ 90,658

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, 2018 and 2017.

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)
2019	$ 6,900
2020	6,677
2021	6,299
2022	6,550
2023	6,242
Thereafter	69,072
	$ 101,740

NOTE 6 CAPITAL LEASE PROVISION

Dakota Electric leases computer equipment and heavy vehicles under various long-term lease agreements. The leases expire at various dates through 2023.

Future minimum lease payments are as follows:

Years Ending December 31,	Capital Leases (in thousands)
2019	$ 595
2020	422
2021	295
2022	426
2023	382
Total minimum lease payments	2,120
Less portion representing interest	(228)
Present value of minimum lease payments - Note 5	$ 1,892

Leased property under capital leases at December 31, 2018 and 2017 includes:

	2018	2017
	(in thousands)	
Computer Equipment	$ 406	$ 349
Heavy Equipment	2,133	3,279
Total	2,539	3,628
Less accumulated amortization	(701)	(1,019)
Net Book Value	$ 1,838	$ 2,609

NOTE 7 NOTES PAYABLE (LINES OF CREDIT)

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 3.35% at December 31, 2018. There were outstanding balances of $16,334,000 and $1,100,000 on this line of credit at December 31, 2018 and 2017, respectively.

NOTE 7 NOTES PAYABLE (LINES OF CREDIT) (CONTINUED)

Dakota Electric has a $30 million line of credit agreement with CoBank, which expires September 30, 2019 and will subsequently be renewed. This agreement imposes a maximum of $30 million outstanding unsecured debt at any one time to all lenders. Interest on unpaid principal is payable monthly at rates established by CoBank on a weekly basis (4.46% at December 31, 2018). There were outstanding balances of $0 and $10,900,000 on this line of credit at December 31, 2018 and 2017, respectively.

NOTE 8 OTHER CURRENT LIABILITIES

	2018	2017
	(in thousands)	
Accrued Interest	$ 584	$ 626
Accrued Payroll	611	463
Accrued Sick Leave	1,261	1,284
Accrued Vacation	1,468	1,473
Unclaimed Capital Credits	4,053	3,835
Other	198	104
	$ 8,175	$ 7,785

NOTE 9 PENSION PLANS

The majority of 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.

NOTE 9 PENSION PLANS (CONTINUED)

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 2018 and in 2017 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, 2018 and 2017, were approximately $3,092,000 and $3,085,000, respectively. There have been no significant changes that affect the comparability of 2018 and 2017 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, 2018 and over 80% funded on January 1, 2017, 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 2018 and 2017 of eligible employees' compensation. Savings plan company contributions for the years ended December 31, 2018 and 2017, were approximately $1,061,000 and $992,000, 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.

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

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

	2018	2017
	(in thousands)	
Change in Post-retirement Benefit Obligation		
Accumulated Post-retirement		
Benefit Obligation at Beginning of Year	$ 4,207	$ 3,925
Interest and Service Cost	540	414
Benefits Paid-Net of Retiree Contributions	(138)	(132)
Accumulated Post-retirement		
Benefit Obligation at End of Year	4,609	4,207
Change in Plan Assets		
Plan Assets at Beginning of Year	-	-
Employer Contributions	138	132
Benefits Paid-Net of Retiree Contributions	(138)	(132)
Plan Assets at End of Year	-	-
Funded Status	(4,609)	(4,207)
Net Post-retirement Benefit Obligation Recognized	$ (4,609)	$ (4,207)
Weighted Average Assumptions at December 31:		
Discount Rate	4.87%	4.87%

For measurement purposes, a 4.88% and 4.96% annual rate of increase in per capita cost of health care benefits was assumed for 2018 and 2017, respectively. Accelerating the rate of assumed health care costs by 1% each year would increase the benefit obligation as of December 31, 2018 and 2017 by $385,000 and $360,000, respectively.

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

Years ending December 31,	Estimated Payments (in thousands)
2019	$ 138
2020	144
2021	151
2022	159
2023	167
2024 - 2028	963

NOTE 11 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, 2018 and 2017:

	2018		2017	
	(in thousands)			
Purchase of Wholesale Power	$	149,330	$	147,875
Account Receivable	$	13	$	-
Accounts Payable for Purchased Power	$	19,325	$	21,957
Capital Credit Allocation	$	4,311	$	6,404
Accumulated Investment in Patronage Capital	$	110,753	$	106,442

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Association. The following disclosures represent financial instruments in which the ending balances at December 31, 2018 and 2017 are not carried at fair value in their entirety on the Consolidated Balance Sheets.

The following methods and assumptions were used to estimate the fair value of a class of financial instruments at December 31, 2018 and 2017 for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short-term maturity of these instruments.

Investment in Associated Companies

The investments are not actively traded and fair value is not readily estimable.

Notes Payable and Long-Term Debt

The carrying amount approximates fair value based on current rates available to Dakota Electric for debt of similar maturities.