DAKOTA ELECTRIC ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

DAKOTA ELECTRIC ASSOCIATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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 11, 2024

DAKOTA ELECTRIC ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 143	$ 173
Accounts Receivable, Less Allowance for Credit Losses (2023 - $1,100; 2022 - $1,200)	33,526	30,785
Conservation Cost Under-Recovery	220	200
Inventories, Materials and Supplies	15,890	12,625
Prepayments and Interest Receivable	693	2,213
Total Current Assets	50,472	45,996
INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS	138,449	133,932
UTILITY PLANT		
Distribution System	329,784	319,254
General Plant	35,920	36,671
Construction Work in Process	9,021	3,925
Less Accumulated Depreciation and Amortization	(156,799)	(147,088)
Net Utility Plant and Work in Progress	217,926	212,762
REGULATORY ASSETS	377	739
DEFERRED CHARGES AND OTHER ASSETS	67	71
Total Assets	$ 407,291	$ 393,500

See accompanying Notes to Financial Statements

DAKOTA ELECTRIC ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
	(in thousands)	
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 24,657	$ 26,837
Notes Payable	9,100	13,500
Current Portion of Long-Term Debt	7,908	8,777
Current Portion of Finance Lease Obligation	542	527
Advanced Meter, Power Cost, and Property Tax Over-Recovery	13,731	3,539
Customer Security Deposits	728	563
Accrued Property and Other Taxes	5,322	4,925
Other Current Liabilities	9,427	9,291
Total Current Liabilities	71,415	67,959
LONG-TERM DEBT	132,627	130,535
LONG-TERM FINANCE LEASE OBLIGATION	203	734
POST-RETIREMENT BENEFIT OBLIGATION	4,003	5,281
DEFERRED CREDITS AND OTHER LIABILITIES	48	73
Total Liabilities	208,296	204,582
MEMBERS' EQUITY	198,995	188,918
Total Liabilities and Members' Equity	$ 407,291	$ 393,500

See accompanying Notes to Financial Statements

DAKOTA ELECTRIC ASSOCIATION
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
	(in thousands)	
NET SALES	$ 219,868	$ 214,531
COST OF SALES	155,661	151,983
GROSS MARGIN	64,207	62,548
OPERATING EXPENSES		
Labor and Related Benefits	26,371	26,273
Professional Fees and Services	6,753	6,031
Rebates and Marketing	1,184	1,418
Office Expense	3,103	2,686
Operations and Maintenance	731	932
Depreciation and Amortization	13,879	13,242
Property and Real Estate Taxes	3,262	3,191
Net Interest Expense	5,536	4,957
Other Expenses	850	393
Total Operating Expenses	61,669	59,123
NET OPERATING MARGIN	2,538	3,425
OTHER INCOME		
Interest Income	132	125
Capital Credits from GRE, CFC, CoBank, & Others	10,222	3,724
Other Income	59	139
Total Other Income	10,413	3,988
NET INCOME	$ 12,951	$ 7,413

See accompanying Notes to Financial Statements

DAKOTA ELECTRIC ASSOCIATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Patronage Capital	Other Equity	Total
		(in thousands)	
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
Net Income 2023	12,951	-	12,951
Transfer to Other Equity	(723)	723	-
Capital Credits Retired	(3,354)	480	(2,874)
BALANCE, DECEMBER 31, 2023	$ 168,988	$ 30,007	$ 198,995

See accompanying Notes to Financial Statements

DAKOTA ELECTRIC ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
	(in thousands)	
OPERATING ACTIVITIES		
Net Income	$ 12,951	$ 7,413
Adjustments:		
Depreciation and Amortization	13,879	13,242
GRE, CFC, CoBank, and Other Capital Credit Allocations	(10,222)	(3,724)
Increase in Current Assets	(4,506)	(263)
Decrease in Other Assets	366	226
Increase in Current Liabilities	8,710	853
(Decrease) Increase in Other Liabilities	(1,303)	386
Net Cash from Operating Activities	19,875	18,133
INVESTING ACTIVITIES		
Plant Additions, Net	(19,043)	(19,058)
GRE, CFC, CoBank, and Other Capital Credits Refunded	5,724	3,276
Net funds (contributed to) received from investments	(19)	37
Net Cash used for Investing Activities	(13,338)	(15,745)
FINANCING ACTIVITIES		
Loan Advances Received	10,000	15,000
Principal Payments on Long-Term Debt	(8,777)	(8,886)
Principal Payments Finance Lease Obligations	(516)	(532)
Advances on Notes Payable	171,200	144,900
Principal Payments on Notes Payable	(175,600)	(146,700)
Patronage Capital Retirements Paid	(2,874)	(6,194)
Net Cash used for Financing Activities	(6,567)	(2,412)
Net Change in Cash and Cash Equivalents	(30)	(24)
Cash and Cash Equivalents, Beginning of Year	173	197
Cash and Cash Equivalents, End of Year	$ 143	$ 173
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 5,600	$ 4,881
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Equipment Acquired Through Finance Leases	$ -	$ 324

See accompanying Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Dakota Electric Association (Dakota Electric) is a 116,000-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.

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 2023 and 2022, provisions for depreciation approximated 3.72% and 3.76%, 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.

Adoption of New Accounting Standard

As of January 1, 2023, Dakota Electric adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

Dakota Electric adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not have a material impact on Dakota Electric's balance sheets, statements of operations, or statements of cash flows.

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 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, 2023 and 2022. Capital term certificates are a condition of loans from the National Rural Utilities Cooperative Finance Corporation, which is believed by management to have strong credit quality. Capital term certificates are debt securities and are accounted for at amortized cost, net of any impairment or allowances for credit losses. The allowance for credit losses is influenced by a variety of factors, including credit quality and general economic conditions. At December 31, 2023 and 2022, no allowance for credit losses was necessary.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022.

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 $26,000 and $31,000 in 2023 and 2022, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dakota Electric maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and 2022 Dakota Electric had approximately $755,000 and $506,000, respectively, in excess of FDIC-insured limits.

Concentration of Sources of Labor

At December 31, 2023, Dakota Electric had collective bargaining agreements covering 99 employees which represented 52% 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 11, 2024, the date which the financial statements were available to be issued.

NOTE 2 INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS

	2023	2022
	(in thousands)	
Great River Energy		
Patronage Capital	$ 128,207	$ 123,843
Cooperative Finance Corporation		
Capital Term Certificates -		
Maturities 2070 - 2080, Interest Rate 5.0%	1,419	1,419
Loan Term Certificates -		
Maturities 2024 - 2030, Interest Rate 3.0%	440	440
Loan Term Certificates -		
Maturities 2024 - 2044, Interest Rate 0.0%	630	645
Member Capital Securities -		
Maturity 2044, Interest Rate 5.0%	1,000	1,000
Patronage Capital	3,897	4,032
	7,386	7,536
Other Investments	2,856	2,553
Total Investments in Associated Companies and Other Investments	$ 138,449	$ 133,932

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 90% of its electric power requirements from GRE until December 31, 2055. 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 $466,000 and $205,000 recognized in 2023 and 2022 respectively, and the balance of the regulatory asset at December 31, 2023 was $377,000. The remaining regulatory asset is expected to be fully amortized in 2024 at approximately $377,000.

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, 2023, capital credits through 2005 have substantially been retired.

NOTE 5 LONG-TERM DEBT

	2023	2022
	(in thousands)	
Cooperative Finance Corporation (CFC) mortgage notes 1.87% to 4.50%, due in quarterly installments through 2048	$ 75,343	$ 80,037
CoBank mortgage notes 2.30% to 5.74%, due in monthly installments through 2053	65,192	59,275
	140,535	139,312
Less Current Portion	(7,908)	(8,777)
Long-Term Debt	$ 132,627	$ 130,535

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, 2023 and 2022.

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)
2024	$ 7,908
2025	8,106
2026	7,229
2027	7,077
2028	7,213
Thereafter	103,002
	$ 140,535

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% at December 31, 2023 and 2022. The weighted-average remaining lease term was 2.6 years and 3.2 years at December 31, 2023 and 2022, respectively.

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, 2023 and 2022 were as follows:

Lease Assets	Classification	2023	2022
		(in thousands)	
Finance right-of-use assets	Net Utility Plant and Work in Progress	$ 1,084	$ 1,671
Lease Liabilities	Classification		
Current finance lease liabilities	Current Portion of Finance Lease Obligation	$ 542	$ 527
Noncurrent finance lease liabilities	Long-term Finance Lease Obligation	$ 203	$ 734
Total financing lease costs for the year ended December 31, 2023 were as follows:			
Interest		$ 46	$ 57
Amortization of right-of-use assets		$ 114	$ 324
Cash paid for amounts included in measurement of lease liabilities were as follows:			
Operating cash flows from finance leases		$ 46	$ 57
Financing cash flows from finance leases		$ 516	$ 532

NOTE 6 LEASES (CONTINUED)

Future minimum lease payments as of December 31, 2023 were as follows:

Years Ending December 31,	Finance Leases (in thousands)
2024	$ 228
2025	211
2026	243
2027	117
Total minimum lease payments	799
Less portion representing interest	(54)
Present value of minimum lease payments	$ 745

NOTE 7 NOTES PAYABLE (LINES OF CREDIT)

Dakota Electric has a $30 million line of credit agreement with CoBank, which expires September 30, 2024 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 (6.66% at December 31, 2023). 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 $9,100,000 and $13,500,000 on this line of credit at December 31, 2023 and 2022, 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 7.05% at December 31, 2023. There was no outstanding balance on this line of credit at December 31, 2023 and 2022.

NOTE 8 OTHER CURRENT LIABILITIES

	2023	2022
	(in thousands)	
Accrued Interest	$ 705	$ 747
Accrued Payroll	476	520
Accrued Sick Leave	1,125	1,144
Accrued Vacation	1,743	1,607
Unclaimed Capital Credits	5,017	5,188
Other	361	85
	$ 9,427	$ 9,291

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 2023 and in 2022 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, 2023 and 2022, were approximately $1,945,000 and $2,221,000, respectively. There have been no significant changes that affect the comparability of 2023 and 2022 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, 2023 and January 1, 2022, 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.

NOTE 9 PENSION PLANS (CONTINUED)

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 2023 and 2022 of eligible employees' compensation. Savings plan company contributions for the years ended December 31, 2023 and 2022, were approximately $1,466,000 and $1,347,000, 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:

	2023	2022
	(in thousands)	
Change in Post-retirement Benefit Obligation		
Accumulated Post-retirement		
Benefit Obligation at Beginning of Year	$ 5,281	$ 4,864
Net Periodic Benefit Costs	(731)	896
Benefits Paid-Net of Retiree Contributions	(547)	(479)
Accumulated Post-retirement Benefit Obligation at End of Year	4,003	5,281
Change in Plan Assets		
Plan Assets at Beginning of Year	-	-
Employer Contributions	547	479
Benefits Paid-Net of Retiree Contributions	(547)	(479)
Plan Assets at End of Year	-	-
Funded Status	(4,003)	(5,281)
Net Post-retirement Benefit Obligation Recognized	$ (4,003)	$ (5,281)
Weighted Average Assumptions at December 31:		
Discount Rate	5.03%	3.77%

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

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

	2023	2022
Service cost	202	191
Interest cost	-	188
Gain (loss) recognized	(933)	517
Net periodic benefit costs	$ (731)	$ 896

For measurement purposes, a 5.19% annual rate of increase in per capita cost of health care benefits was assumed for 2023 and 2022.

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

Years Ending December 31,	Estimated Payments (in thousands)
2024	$ 523
2025	468
2026	381
2027	291
2028	232
2029 - 2033	1,696

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, 2023 and 2022, respectively:

	2023	2022
	(in thousands)	
Electric revenues (transferred over time)	$ 219,047	$ 213,416
Other revenues (specific point in time)	649	879
Total Revenue from Contracts with Customers	219,696	214,295
Other revenues (outside the scope of ASC 606)	172	236
Net Sales	$ 219,868	$ 214,531

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. Dakota Electric sells its products to a broad range of customers throughout Dakota, Goodhue, Scott, and Rice counties. Dakota Electric has tracked historical loss information for its trade receivables and compiled historical credit loss percentages for different aging categories (current, 1–30 days past due, 31–60 days past due, 61–90 days past due, and more than 90 days past due).

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at December 31, 2023 and December 31, 2022 because the composition of the trade receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers). Additionally, management has determined that the current, reasonable, and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at December 31, 2023 and December 31, 2022 totaled $1,100,000 and $1,200,000, respectively.

NOTE 12 RECEIVABLES AND CREDIT POLICY (CONTINUED)

Changes in the allowance for credit losses for receivables are as follows for the years ended December 31:

	2023	2022
	(in thousands)	
Opening Allowance for Credit Losses	$ 1,200	$ 1,644
Provision for Credit Losses	744	449
Charge-offs	(1,015)	(1,168)
Recoveries	171	275
Ending Allowance for Credit Losses	$ 1,100	$ 1,200

The beginning and ending balances for accounts receivable including unbilled revenues, net of allowances for credit losses, and contract liabilities were as follows for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022	January 1, 2022
		(in thousands)	
Billed	$ 23,065	$ 26,787	$ 29,661
Unbilled	10,461	3,998	4,631
Total Accounts Receivable	$ 33,526	$ 30,785	$ 34,292
Customer Deposits	$ 728	$ 563	$ 418

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, 2023 and 2022:

	2023	2022
	(in thousands)	
Purchase of Wholesale Power	$ 155,365	$ 151,341
Accounts Receivable	$ 36	$ 4,440
Accounts Payable for Purchased Power	$ 21,790	$ 21,509
Capital Credit Allocation	$ 9,690	$ 3,253
Capital Credits Refunded	$ 5,326	$ 2,842
Accumulated Investment in Patronage Capital	$ 128,207	$ 123,843