



AN ORIX COMPANY

ENGAGEMENT HIGHLIGHT

Accounting Clarity in a High-Stakes Rate Dispute

McKenzie Electric Cooperative v. Basin Electric Power Cooperative

MATTER AT A GLANCE

After nearly seven years of complex litigation and regulatory proceedings, a long-running dispute involving McKenzie Electric Cooperative and Basin Electric Power Cooperative has reached a comprehensive settlement.

Industry

Energy and Utilities
Electric Cooperatives

Forum

Federal Energy Regulatory Commission
& North Dakota State Court

Client

Stoel Rives LLP, on behalf of
McKenzie Electric Cooperative

Engagement

Technical Accounting and
Expert Consulting Support

Outcome

Favorable FERC Initial Decision followed by a
comprehensive settlement with prospective rate protections

Key Financial Impact

Approximately \$471.5 Million
in Potential Customer Refunds

Capabilities Demonstrated

Technical Accounting | Cost Allocation Analysis | Financial
Analysis | Regulatory Litigation Support | Expert Consulting

The ISSUE

McKenzie challenged, among other matters, Basin Electric's inclusion of costs and losses associated with its for-profit subsidiary, Dakota Gasification Company (DGC), in wholesale electric rates. The dispute raised significant accounting, cost allocation, rate-setting, contractual, and financial issues and ultimately spanned proceedings in North Dakota state court and before the Federal Energy Regulatory Commission.

Our APPROACH

Our team provided technical accounting assistance to Stoel Rives LLP on behalf of McKenzie, evaluating financial records, accounting treatments, cost classifications and allocations, and the resulting financial consequences of the disputed rate treatment. Our technical accounting analyses were incorporated into expert testimony provided by an affiliated economist, addressing financial and economic issues central to McKenzie's challenge before FERC.

The IMPACT

In June 2024, a FERC Administrative Law Judge issued a significant Initial Decision in McKenzie's favor, finding that Basin Electric had unlawfully included the financial performance of DGC in regulated electric rates. The decision concluded that customers could not be required to bear costs and financial risks associated with an affiliated nonutility business and resulted in approximately \$471.5 million of potential customer refunds associated with the challenged treatment.

In July 2026, the parties reached a comprehensive settlement resolving the long-running dispute and establishing important prospective protections regarding the inclusion of DGC-related amounts in McKenzie's future wholesale power rates.

This engagement illustrates the role technical accounting analysis can play in complex regulatory and commercial disputes—connecting underlying accounting records, cost allocations, and financial consequences to expert testimony and the broader evidentiary record.

Executive Takeaway

In complex rate and regulatory disputes, technical accounting analysis can translate underlying records and cost allocations into clear financial evidence, strengthening expert testimony, clarifying customer impacts, and supporting consequential outcomes.

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