COOPERATIVES
PARTNERS IN PROGRESS

2025 ANNUAL REPORT

Southeastern
Electric Cooperative, Inc.
A Touchstone Energy® Cooperative

Southeastern Electric Cooperative Annual Meeting | June 5, 2025

5:00 p.m.	**Registration, Inflatables, Meal & Educational Displays**
7:00 p.m.	**Business Meeting & Prize Drawings**

Location:
Freeman High School
1001 S. Wipf St., Freeman, SD

Report of the President & CEO

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As a valued member of Southeastern Electric Cooperative (SEC), you are more than just an energy consumer – you are a partner in progress. Together, we're powering homes, schools, farms and businesses, and enabling the growth of our communities. We're excited to invite you to our 87th Annual Membership meeting on Thursday, June 5, 2025, at Freeman High School. Join us for an evening of community, updates and fun. Registration starts at 5:00 p.m. and we'll be serving a roast beef and pork loin dinner from 5:00 p.m. to 6:45 p.m. Please bring your registration card (mailed with your May statement) for a quicker registration process. After dinner, explore our informative booths, chat with board members and employees, and enjoy family-friendly activities including inflatables and other activities for kids. Plus, every member will receive an attendance gift – one per registration. The business meeting will begin at 7:00 p.m., followed by a drawing for door prizes, including grand prizes such as $500 bill credits and many other cool prizes.

Progress on Strategic Initiatives

At SEC, we are committed to continuous improvement. Here are a few updates on the strategic initiatives we are progressing on to better serve you, our members.

Workplace Culture: Our team is our most valuable asset. We're focused on enhancing the workplace culture through team-building events and additional internal communications. We also adjusted our organizational structure and staffing levels to keep pace with our growing membership.

Member Engagement and Satisfaction: This team's initial focus has been on improving our member phone call handling. We recently added an additional member services coordinator to help handle the increasing number of member calls along with providing this team additional training.

Brand Management: We also want to hear from you! In partnership with NRECA Market Research, we're conducting a broad member survey in which your feedback will help shape the future of your cooperative. Look for the survey results soon!

Technology Roadmap: Our technology team developed a 5-10 year roadmap to help prioritize technological investments focused on managing costs and improving member service.

Facilities: Another strategic initiative is ensuring our six operation centers continue to support our cooperative's future needs. The next project likely will be a Lennox warehouse and shop addition along with a 50-year master plan for the Lennox facility.

Rate Strategy: As with all businesses, SEC faces challenges from rising costs. Our wholesale power suppliers – Basin Electric Power Cooperative (Basin), the Western Area Power Administration (WAPA) and East River Electric Power Cooperative (East River) – are dealing with inflation and the need to invest in generation and transmission to keep providing reliable service. To continue providing you with reliable service and to maintain the cooperative's financial health, a rate increase was necessary this past January. Rest assured, we are committed to transparency in our rates, and we're exploring options to help manage energy costs. This may include new rural and urban residential rate structures like a residential demand rate or a time-of-use rate, which will help better control our wholesale purchased power costs for you.

The People Driving Our Progress

At Southeastern Electric Cooperative, our employees are at the heart of everything we do. Their commitment to safety, service and community drives our continued progress. We're proud to share their achievements and the positive impact they've made in the past year.

Safety remains our top priority. This past year, our team's dedication to safety was reflected in successfully completing the Rural Electric Safety Achievement Program (RESAP) onsite audit. This RESAP recognition highlights our commitment to continuous safety improvements and strong safety leadership. We thank our engaged employees for their daily focus on maintaining a safe work environment.

As we continue to grow, our team adapts. In the past year, we've seen retirements, new hires and internal promotions that bring fresh talent and new energy to our cooperative team. With 65 dedicated employees, we're constantly working to attract and retain the best talent to ensure our cooperative remains strong and responsive to your needs. We also remain committed to maintaining six operation centers with local crews, ensuring fast, reliable and local service to all our member-owners.

Our crews are always ready to step up when it matters most, whether it's responding to local challenges or supporting neighboring cooperatives. Last June, flash flooding damaged portions of our electric distribution system, but thanks to our dedicated team, we were able to quickly isolate and repair the affected circuits. We also worked with FEMA to recover costs from these repairs. In March 2025, when Burt County Public Power District in Tekamah, Nebraska, was hit by a devastating storm, SEC responded to their mutual aid request. Our linemen traveled to Nebraska and worked 16-hour days to assist in restoring power to their members that lost power for nearly 7 days in some cases. This cooperative spirit is one of our founding principles.

Your Co-op - A Community Partner

At Southeastern Electric Cooperative, we're more than just your electricity provider — we're a proud partner in building a stronger community. As a not-for-profit, locally operated cooperative, our mission is to enhance your quality of life by meeting your evolving energy needs and supporting the communities we live in and serve. That's why we work hard to support local economic development projects, youth programs and scholarships and charitable giving that makes our communities a better place to call home.

Each year, Southeastern proudly donates approximately $50,000 to local non-profit organizations across our service area. These contributions help fund projects that improve our communities, like a new fire truck for the Parkston Fire Department, funded through a no interest loan by the USDA Rural Economic Development Loan and Grant program and a modest donation from Southeastern. We also support meaningful causes like breast cancer research through our annual Pink Hard Hat Fundraiser, which has raised over $33,000 in employee and matching contributions since 2017 for the Avera McKennan Foundation. In addition to financial support, SEC encourages employees to give back through our community volunteering program. Each employee can volunteer up to 8 hours per year during work time, empowering them to make a direct, positive impact in their local communities. This program fosters deeper engagement and strengthens the connection between our cooperative and the places we call home.

SEC is also proud to invest in the future of our communities through education. In 2024, we awarded $7,500 in scholarships to 10 students pursuing higher education. Additionally, our Touchstone Energy Scholar of the Week program recognized outstanding students throughout the year. SEC also sponsors impactful education such as the Youth Tour to Washington D.C., the Youth Excursion to Basin Electric, the SEC Bus Tour and the Co-ops in the Classroom program for 5th grade students. Through these programs, we're helping build the next generation of community leaders. We're also proud to celebrate the inspiring work of our members through the Who Powers You Contest. This regional contest honors individuals who make a difference in their communities, and three people positively impacting our service territory were highlighted in 2025: Daniel Knutson of rural Centerville, Tami Berens of Parker and Antonio Casiello of Sioux Falls. Their contributions to their communities embody the spirit of cooperation and the difference we can make when we work together. At SEC, we're more than just a provider of electricity - we're a dedicated partner in building a brighter future for all. Together, we're helping make our communities a great place to live, work and grow.

2024 By the Numbers

In 2024, Southeastern Electric continued its rapid membership growth. We welcomed over 1,100 new members, marking our fourth consecutive year of adding more than 1,000 members annually. Our dedicated operations team worked diligently to enhance and maintain our infrastructure, ensuring reliable service. They successfully completed 19 major capital projects, including the installation of 9 miles of new underground lines, the conversion of 17.3 miles of overhead lines to underground and the reconstruction of 18.5 miles of overhead lines. Additionally, the team executed two major road relocation projects, commissioned the new LaValley substation southwest of Harrisburg and added six new circuits from existing substations. The detailed map on page 6 of Co-op Connections illustrates how these investments were distributed across our entire system.

The Technology and Operations teams also made significant strides on two key projects. The successful completion of the AMI meter conversion, which began in 2018, saw the replacement of over 28,000 meters. These advanced meters will yield long-term benefits, such as real-time outage notifications, voltage monitoring and other data that will drive continued service improvements. Furthermore, the Technology team launched the Next Generation Load Management Project. By 2029, nearly 10,000 load control receivers need to be replaced which will continue to help us manage the peak demand for electricity and our wholesale power costs.

Power Partners

A key aspect of providing reliable power is the diverse mix of energy resources used to generate the electricity that keeps the lights on. East River transmits our wholesale power from Basin's diversified generation sources and the Missouri River hydroelectric dams (managed by WAPA) to one of the 33 strategically located East River distribution substations across our five-county service area. From there, SEC's team delivers electricity to over 24,000 members across 4,593 miles of line and equipment.

Basin Electric continues to invest heavily in its generation and transmission infrastructure to ensure reliable service and support the growth of its expanding membership. Over the next decade, Basin plans to invest nearly $12 billion in these critical systems. For instance, this year, Basin will complete a 7-year, $800 million project to add 580 megawatts of natural gas-powered generation at the Pioneer Generating Station near Williston, N.D. Additionally, Basin recently announced plans for a $4 billion, 1,470-megawatt natural gas facility in Williams County, N.D. This project, one of the largest in Basin's history, is expected to be completed by 2030. As previously mentioned, these significant investments, along with inflation, are contributing to the forecasted rate increases from both Basin and WAPA in 2025 and 2026. With purchased power costs accounting for nearly 70% of Southeastern's total expenses, we may need to consider a modest rate increase in 2026 as well.

As energy prices rise, it's increasingly important to manage energy efficiency and usage. Since 1985, cooperatives like ours have been working to control wholesale power costs through load (demand) management. Load management helps reduce electric demand during times of peak energy use in our service area. Peak electric demand occurs when a large number of members use electricity at the same time, significantly impacting power costs. To help all members better understand their energy usage, we will begin displaying demand on residential bills later this year. Please note that this line item is informational only; residential members will not incur a demand charge for now. Commercial, irrigation and industrial members have had demand charges on their bills for years. We will share more information about this initiative in upcoming Cooperative Connections magazines and on our website.

In conclusion, we are immensely proud of what our team accomplished this past year and remain dedicated to serving you - our member-owners - with safe, reliable and affordable energy. We are thankful for the support of our Board of Directors and our hardworking employee team. Also, thank you to our members for your continued engagement, participation and cooperation in your electric cooperative. As members, you are at the heart of our mission to be "Member Focused, Member Driven." We look forward to continuing to serve you and be your **partner in progress** into the future!

Treasurer's Report

Daryl Terveen

The 2024 and 2023 Statement of Operations, Comparative Statistics and Balance Sheets as of December 31, 2024 and 2023 are presented on the following pages for your review. I am pleased to report that the financial condition of your electric cooperative remains very strong.

We sold a record 811,697 megawatt hours (MWh) in 2024 which is a year over year increase of 21,403 MWh or 2.7%. The median cooperative in the United States sells around 344,000 MWh annually. Fortunately, our load growth remains diversified. We had growth in membership across residential, agriculture and commercial members. The growth of net new services to total services was 4.0% in 2024. This has averaged over 4.0% annually since 2020. In 2023, we ranked 8th out of 799 cooperatives nationally in net new services to total services.

Supporting this growth requires substantial financial investment to ensure infrastructure is in place to meet the needs of new members. In partnership with Basin and East River Electric, we have not only accommodated this growth but also maintained reliable electric service. Since 2019, total assets have grown by an annual average of 8.4%. To maintain optimal capital, we strategically fund investments through a balanced mix of equity and debt. Board policy mandates maintaining an equity ratio between 30% to 40%. Our equity ratio gradually declined from 38.6% in 2019 to 35.1% in 2023. In 2024, we successfully stabilized it at 35.2%.

Our blended interest rate reached a low of 2.62% in 2022. However, with current interest rates ranging from 4.5% to 5.0%, our blended interest rate increased to 3.1% in 2024. This puts upward pressure on our interest rate expense for the $160 million of long-term debt financed by the cooperative as of year-end.

Our operating margins in 2024 were $2.7 million. Operating margins are needed to maintain a prudent equity position, comply with debt covenants, return capital to members and cover unexpected expenses. In 2024, the cooperative retired $2.0 million in capital credits back to our members. In addition, the board of directors approved deferring $1.5 million of revenue to lower the 2025 rate increase necessary to meet our revenue requirement.

Our public accounting firm, Eide Bailly LLP, conducted an audit of the cooperative's financial statements for 2024 and once again issued a "clean" opinion. If you wish to see the entire audit report including all the financial statements and related footnotes or if you have any questions on the 2024 financial statements presented with this report, please contact the Cooperative.

Overall, we were able to control expenses and generate operating margins adequate to satisfy our financial requirements while retiring capital credits to our members. We are proud to say that your electric cooperative is in sound financial condition and working hard to plan for and meet your electrical needs for years to come!

2024 Financials | Balance Sheet

Assets

December 31	2024	2023
Electric Plant		
In Service	$230,289,904	$209,222,471
Under Construction	$1,748,143	$9,869,034
Total Electric Plant	**$232,038,047**	**$219,091,505**
Accumulated Depreciation	($54,118,767)	($51,175,917)
Electric Plant - Net	**$177,919,280**	**$167,915,588**
Other Property and Investments		
Investments in Associated Organizations	$52,667,148	$49,528,313
Other Investments	$4,290,830	$3,850,480
Total Other Property and Investments	**$56,957,978**	**$53,378,793**
Current Assets		
Cash and Cash Equivalents	$3,409,849	$3,649,569
Accounts Receivable - Electric	$7,849,569	$6,590,157
Other Receivables	$207,483	$1,356,737
Materials and Supplies	$15,171,642	$12,138,184
Prepayments	$10,405	$9,472
Other Current Assets	$698,691	$592,669
Total Current Assets	**$27,347,639**	**$24,336,788**
Deferred Charges	**$2,881,926**	**$2,604,064**
Total Assets	**$265,106,823**	**$248,235,233**

Equities & Liabilities

December 31	2024	2023
EQUITIES		
Patronage Capital	$89,062,625	$83,263,056
Other Equities	$4,251,088	$3,834,746
Total Equities	**$93,313,713**	**$87,097,802**
Long Term Debt	**$155,348,749**	**$144,668,943**
Non-Current Liabilities	**$456,031**	**$405,034**
CURRENT LIABILITIES		
Notes and Accounts Payable	$5,308,981	$6,189,237
Customer Deposits	$504,101	$453,001
Current Maturities of Long Term Debt	$5,243,000	$4,746,000
Other Current Liabilities	$2,487,807	$2,256,911
Total Current Liabilities	**$13,543,889**	**$13,645,149**
Regulatory Liabilites & Deferred Credits	**$2,444,441**	**$2,418,305**
Total Equities & Liabilities	**$265,106,823**	**$248,235,233**

2024 Financials | Statement of Operations

December 31	2024	2023
Operating Revenues		
Residential - Rural	$15,516,211	$14,826,489
Residential - Urban	$18,348,293	$16,559,191
Irrigation	$723,783	$978,379
Small Commercial	$16,549,979	$15,117,034
Large Commercial	$30,020,921	$26,969,999
Street Lighting	$252,530	$232,378
Public Authorities	$463,328	$566,031
Other Electric Revenue	$587,087	$589,509
Total Operating Revenues	**$82,462,132**	**$75,839,010**
Operating Expenses		
Cost of Power	$55,934,651	$52,453,564
Distribution - Operations	$3,416,136	$3,384,017
Distribution - Maintenance	$2,223,736	$2,205,110
Customer Accounts	$1,467,712	$1,359,495
Customer Service and Informational	$811,559	$703,821
Sales Expense	$38,863	$40,384
Administrative and General	$2,749,966	$2,596,215
Depreciation	$7,046,762	$6,427,775
Taxes	$1,298,715	$1,264,474
Interest on Long Term Debt	$4,736,056	$3,783,293
Interest Expense - Other	$0	$121,851
Other Deductions	$72,868	$52,255
Total Operating Expenses	**$79,797,024**	**$74,392,254**
Margins		
Operating Margins	$2,665,108	$1,446,756
G&T and Other Co-op Capital Credits	$4,780,214	$5,389,262
Non-Operating Margins	$377,643	$374,105
Total Margins	**$7,822,965**	**$7,210,123**

Comparable Statistics

	2024	2023
Electricity Purchased (KWH)	828,700,489	807,112,340
Electricity Sold (KWH)	811,696,643	790,294,100
Average Number of Consumers	23,437	22,284
Cost of Purchased Power Per KWH Sold	$0.06891	$0.06637
Equity Ratio	35.2%	35.1%
Long Term Debt to Total Electric Plant	66.9%	66.0%
Total Miles of Line	4,593	4,533
Average Consumers Per Mile of Line	5.10	4.92
Total Capital Credits Refunded	$2,023,396	$3,052,671
Continuity of Electric Service	99.986%	99.990%