

A Legacy of **SERVICE**

2026 Annual Report

Southeastern Electric Cooperative **ANNUAL MEETING**

Thursday, June 4

Lennox High School
1201 S. Main
Lennox, SD 57039

5:00 p.m. Registration, Inflatables, Meal, &
Educational Displays

7:00 p.m. Business Meeting & Prize Drawings



Southeastern
Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 



A Legacy of **SERVICE**

Report of the President & CEO

Although Southeastern Electric Cooperative (SEC) was formed in 2000, our legacy of service reaches back to 1938 through the shared history of Turner-Hutchinson Electric, Lincoln-Union Electric, and McCook Electric Cooperatives. United as one stronger cooperative, we are proud to carry forward the work begun by those who came before us—powering homes, schools, farms, and businesses, and helping our communities grow today and for generations to come.

We're excited to invite you to our 88th Annual Membership Meeting on Thursday, June 4, at Lennox High School. Please note the City of Lennox is undergoing road construction, and detours will be in place for access to the school parking lot; we'll share updated routes on our website and on the Facebook event page. Join us for an evening of community, cooperative updates, and family fun. Registration begins at 5:00 p.m., and dinner will be served from 5:00 p.m. to 6:45 p.m. Please bring your registration card (mailed with your May statement) to help speed up check-in. After dinner, visit our informational booths, visit with board members and employees, and enjoy activities for all ages, including inflatables for kids. Plus, every member will receive an attendance gift (one per registration). The business meeting begins at 7:00 p.m., followed by a drawing for door prizes, including \$500 bill credits and many other prizes.

Reliability & Growth

Reliable power starts with a diverse mix of energy

resources to generate the electricity that keeps the lights on—but it also depends on the poles, wires, and equipment that deliver that power to your home or business. Each year, we invest to maintain and strengthen the distribution system legacy built by generations before us, so it continues to serve our members well into the future. East River transmits our wholesale power from Basin's diversified generation sources and the Missouri River hydroelectric dams (managed by WAPA) to 33 strategically located East River distribution substations across our five-county service area. From there, SEC's team delivers electricity to more than 24,000 members across 4,640 miles of distribution lines and equipment.

East River Electric invested \$152 million in transmission upgrades in 2025 and has budgeted an additional \$162 million for 2026. A portion of these investments will benefit Hutchinson, Turner, and McCook counties. Key projects include rebuilding portions of a vintage 69 kV transmission system, some segments dating to the 1950s, into a modern 115 kV system designed to strengthen reliability, increase capacity, and support regional growth for years to come.

Basin Electric continues to invest in generation and transmission infrastructure to support reliable service and the growth of its expanding membership. These are long-term, significant investments—made so cooperatives like ours can continue the legacy of dependable power for our communities and the next generation. Over the next decade, Basin plans to invest nearly \$12 billion.

In 2025, Basin completed a seven-year, \$800 million project to add 580 megawatts of natural gas-powered generation at the Pioneer Generating Station near Williston, N.D. Additionally, Basin is planning to build a \$4 billion, 1,470-megawatt natural gas facility in Williams County, N.D., expected to be completed by 2030.

Basin Electric also recently launched its Large Load Program, built on the principles of fairness and member protection. The program provides a consistent framework so that when new, large-load members—such as data centers—request service, the costs to serve them are assigned appropriately. This approach supports thoughtful growth while helping keep existing members from bearing the costs of new, large-scale infrastructure.

SEC does not currently serve any large data centers. However, like most utilities, we are periodically contacted by developers exploring large-load projects, including data centers, within our service territory. If a proposal moves forward, we will work closely with Basin and local community partners to ensure the project is responsibly sited and evaluated with member interests in mind. Basin's Large Load Program helps ensure the requesting project covers its share of the costs to serve it, reduces stranded-asset risk, and supports Basin's credit rating. As we review each opportunity, our goal is to consider projects that strengthen your cooperative and support the reliable, affordable service our members count on.

2025 by the Numbers

In 2025, Southeastern Electric continued its rapid membership growth. We welcomed more than 930 new members, marking the fifth consecutive year of adding around 1,000 new members annually. To carry forward our legacy of service, we continued investing in the grid's future—spending \$15 million on distribution system improvements in 2025 and budgeting another \$15 million for 2026. Our operations team also worked diligently to strengthen and maintain our infrastructure, ensuring reliable service. They completed 17 major capital projects, including installing 8 miles of new underground line, converting 10.6 miles of overhead line to underground, and reconstructing 37 miles of overhead line. The map on page 6 illustrates how these investments were distributed across our system. The team also continued work with SDDOT on the Veterans Parkway and I-29/85th Street interchange projects. When the July 28 windstorm caused significant damage and outages, help from Sioux Valley Energy and BY Electric allowed our crews to restore power quickly and repair the system—another example of the cooperative spirit that has defined our legacy for decades.

Mitigating Increased Power Costs

Our legacy of service is rooted in responsible stewardship and a commitment to providing the best possible value to our members. Looking ahead to 2027, forecasts from our wholesale power providers indicate a 10% increase in wholesale power costs. Since purchasing wholesale power accounts for nearly 70% of Southeastern's total expenses, we will likely need to consider a rate adjustment in January 2027. We understand the impact this can have on your budget, and we are committed to working hard to keep any increase as low as possible. To help offset these external pressures, we are making disciplined choices: the Board has deferred a needed warehouse addition at the Lennox facility despite continued growth, and we have entered a strategic alliance with Border States to help reduce material and inventory costs. These decisions reflect our commitment to being "Member Focused, Member Driven." Our goal remains to provide safe, reliable service at the best possible value—today and for the next generation of members.



Managing Load

As energy prices rise, it's increasingly important to use electricity efficiently and manage peak demand. Since 1985, cooperatives like ours have worked 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 demand occurs when many members use electricity at the same time, which can significantly impact the costs we pay for power.

In 2025, our technology team launched the Next Generation Load Management Project. This multi-year effort will replace nearly 10,000 load control receivers in member homes by 2029. These receivers help us manage peak demand and, in turn, our wholesale power costs. In the years ahead, our teams will be reaching out to schedule receiver replacements.

To help members better understand energy use, we added a line to show demand on residential bills last year. This line item is informational only; residential members do not currently incur a demand charge. Commercial, irrigation, and industrial members have had demand charges for years. About half of SEC's purchased power costs are based on demand. Demand is the rate at which electricity is used—in other words, the amount of electricity required when appliances, lighting, heating, and air conditioning are operating at the same time. Shifting controllable electric use to off-peak hours helps reduce peak

demand charges, and those savings are passed on to members. When we work together to reduce peak use, SEC saves on purchased power costs and our members benefit.

Putting Members' Feedback into Action

In spring 2025, we conducted a member satisfaction survey, reaching out to approximately 400 randomly selected members across every district. Thank you to everyone who took the time to share your thoughts and perspectives. At SEC, our mission is "Member Focused; Member Driven," and your feedback helps us honor our legacy of service by continually improving how we serve you.

We are honored to have earned a 2025 Customer Satisfaction Award from the American Customer Satisfaction Index (ACSI®) based on our member survey results. Members rated their overall satisfaction, how well we met expectations, and how we compared with their ideal co-op experience. Our score of 86 out of 100 substantially outperformed the industry average—recognition that reflects our team's commitment to delivering the member experience you deserve.

The survey asked about outages, member service, rates, operations, and communications. We were encouraged to see high ratings for minimizing outages, restoring power quickly, and providing friendly customer service. Members also told us they would like more information about



electric rates and energy efficiency. In response, we're focusing member communications on what impacts rates and practical ways to use energy more efficiently.

Another important takeaway was communication preferences—especially related to outage notifications. We currently offer outage text alerts through SmartHub and are sharing information on how to enroll and set up notifications. We will also continue improving our outage communications, including providing estimated restoration times when possible.

We appreciate your input and remain committed to putting your feedback into action.

A Legacy of Service

At SEC, we are defined by a legacy of service that extends far beyond the power lines. As your local, not-for-profit energy partner, we do more than keep the lights on, we work alongside you to keep our communities moving forward. We are dedicated to meeting changing energy needs while continuing a long tradition of local support. From helping drive economic growth to investing in youth programs and charitable giving, we take pride in a legacy that invests in people, not just power.

Through the Rural Electric Economic Development (REED) Fund, Southeastern was able to help facilitate a low-interest one-million-dollar loan for the Parkston Development Corporation to expand their industrial park. Each year, Southeastern proudly donates approximately \$50,000 to local nonprofit organizations across our service area. These contributions help fund projects that strengthen our communities and build a foundation for generations to come. Organizations that have received donations include community ambulance and fire departments, local economic development and chamber groups, and other nonprofits. We also support meaningful causes like breast cancer research through our annual Pink Hard Hat Fundraiser, which has raised more than \$37,000 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 eight hours per year during work

time, empowering them to make a direct, positive impact in their local communities. This program helps our employees carry forward the tradition of care that makes our communities great places to live.

Another important part of our cooperative's legacy of service is investing in the next generation of community leaders. In 2025, we awarded \$9,000 in scholarships to 11 students pursuing higher education. Our Touchstone Energy Scholar of the Week program also recognized outstanding students throughout the year. SEC sponsors educational opportunities such as the Youth Tour to Washington, D.C., the Youth Excursion to Basin Electric, the SEC Energy Bus Tour, and the Co-ops in the Classroom program for fifth-grade students. We're also proud to celebrate the inspiring work of our members through the Who Powers You Contest, which honors individuals who make a difference in their communities. Our commitment to you is rooted in a legacy of service—a promise to be more than a utility provider. By working together to build a brighter future, we honor that history and help ensure our communities remain great places to live, work, and grow.

In closing, the milestones reached this past year are more than numbers, they are the latest chapter in our legacy of service. We remain committed to providing you, our member-owners, with safe, reliable, and affordable energy that supports everyday life across our communities. We are grateful for the leadership of our Board of Directors and the dedication of our employees. Most importantly, thank you for your trust and support. As we look ahead, we are honored to carry this legacy forward and remain your electric cooperative for generations to come.





A Legacy of **SERVICE**

Treasurer's Report **Daryl Terveen**

The 2025 and 2024 Statement of Operations, Comparative Statistics and Balance Sheets as of December 31, 2025 and 2024 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 839,968 megawatt hours (MWh) in 2025 which is a year over year increase of 28,272 MWh or 3.5%. 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 3.3% in 2025. This is the first year we have been below 4.0% since 2019. Just for context, the median net new services to total services in the nation is under 1.0%.

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. Total capitalization grew by 3.0% in 2025. Since 2020, total capitalization has grown by an annual average of 7.7%. 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 in 2025 was 36.8%.

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 3.2% in 2025. 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 2025 were \$4.0 million. Operating margins are needed to maintain a prudent equity position, comply with debt covenants, return capital to members and cover unexpected expenses. In 2025, the cooperative retired \$2.4 million in capital credits back to our members. In addition, the board of directors approved deferring \$1.5 million of revenue to lower the 2026 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 2025 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 2025 financial statements presented with this report, please contact the Cooperative.

Overall, we were able to control expenses and generate operating margins adequately 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!

2025 Financials | Balance Sheet (in thousands)

Assets



December 31

2025

2024

Electric Plant

| | | |
|-----------------------------|----------------|----------------|
| In Service | \$243,245 | \$229,484 |
| Under Construction | 1,224 | 1,748 |
| Total Electric Plant | 244,469 | 231,232 |
| Accumulated Depreciation | (59,486) | (53,563) |
| Electric Plant - Net | 184,984 | 177,669 |

Other Property And Investments

| | | |
|---|---------------|---------------|
| Investments in Associated Organizations | 57,121 | 53,770 |
| Other Investments | 3,775 | 3,438 |
| Total Other Property and Investments | 60,895 | 57,208 |

Current Assets

| | | |
|--------------------------------|------------------|------------------|
| Cash and Cash Equivalents | 4,758 | 3,410 |
| Accounts Receivable - Electric | 9,095 | 8,053 |
| Materials and Supplies | 12,206 | 15,172 |
| Other Current Assets | 29 | 713 |
| Total Current Assets | 26,087 | 27,348 |
| Deferred Charges | 2,348 | 2,882 |
| Total Assets | \$274,315 | \$265,107 |

Equities & Liabilities



Equities

| | | |
|-----------------------|-------------------|-----------------|
| Total Equities | \$ 100,973 | \$93,314 |
|-----------------------|-------------------|-----------------|

Non-Current Liabilities

| | | |
|--------------------------------|----------------|----------------|
| Long Term Debt | 155,021 | 155,349 |
| Non-Current Liabilities | 506 | 456 |

Current Liabilities

| | | |
|---|------------------|------------------|
| Notes and Accounts Payable | 6,727 | 5,309 |
| Customer Deposits | 548 | 504 |
| Current Maturities of Long Term Debt | 5,289 | 5,243 |
| Other Current Liabilities | 2,779 | 2,488 |
| Total Current Liabilities | 15,344 | 13,544 |
| Regulatory Liabilities & Deferred Credits | 2,470 | 2,444 |
| Total Equities & Liabilities | \$274,315 | \$265,107 |

2025 Financials | Statement of Operations (in thousands)

| December 31 | 2025 | 2024 |
|-------------------------------------|----------------|----------------|
| Operating Revenues | | |
| Residential - Rural | \$16,996 | \$15,516 |
| Residential - Urban | 21,075 | 18,348 |
| Irrigation | 670 | 724 |
| Small Commercial | 18,831 | 16,550 |
| Large Commercial | 31,464 | 30,021 |
| Street Lighting | 273 | 253 |
| Public Authorities | 449 | 463 |
| Other Electric Revenue | 656 | 587 |
| Total Operating Revenues | 90,414 | 82,462 |
| Operating Expenses | | |
| Cost of Power | 60,572 | 55,935 |
| Distribution - Operations | 3,736 | 3,416 |
| Distribution - Maintenance | 2,696 | 2,224 |
| Customer Accounts | 1,734 | 1,468 |
| Customer Service and Informational | 864 | 812 |
| Sales Expense | 32 | 39 |
| Administrative and General | 2,900 | 2,750 |
| Depreciation | 7,273 | 7,047 |
| Taxes | 1,344 | 1,299 |
| Interest on Long Term Debt | 5,193 | 4,736 |
| Other Deductions | 61 | 73 |
| Total Operating Expenses | 86,404 | 79,797 |
| Margins | | |
| Operating Margins | 4,010 | 2,665 |
| G&T and Other Co-op Capital Credits | 5,164 | 4,780 |
| Non-Operating Margins | 429 | 378 |
| Total Margins | \$9,603 | \$7,823 |

Comparable Statistics

| | | |
|--|-------------|-------------|
| Electricity Purchased (MWH) | 852,670 | 828,700 |
| Electricity Sold (MWH) | 839,968 | 811,697 |
| Average Number of Consumers | 24,430 | 23,437 |
| Cost of Purchased Power Per KWH Sold | \$0.0721 | \$0.0689 |
| Equity Ratio | 36.8% | 35.2% |
| Long Term Debt to Total Electric Plant | 63.4% | 67.2% |
| Total Miles of Line | 4,640 | 4,593 |
| Average Consumers Per Mile of Line | 5.26 | 5.10 |
| Total Capital Credits Refunded | \$2,440,635 | \$2,023,396 |
| Continuity of Electric Service | 99.995% | 99.986% |