

President and Manager's Joint Report

President Deon Vilhauer and General Manager Paul Fitterer



Vilhauer



Fitterer

It is our pleasure to present the 2025 Annual Report to the membership of Capital Electric Cooperative, Inc. (CEC). This year we are celebrating the 79th annual meeting of your cooperative.

A review of 2024 shows CEC sold 386,075,335 kilowatt hours (kWh) of electricity which is slightly below sales in 2023. CEC experienced a net increase of 357 accounts served and returned \$1,791,634 in capital credits to member-owners. Over the past 10 years, the cooperative has paid out \$16,454,375 in capital credits. CEC carries an equity position of 38.02 percent. This annual report includes the cooperative's statement of condition.

In 2024, CEC had net plant additions of \$3.5 million. We added 15.07 miles of distribution underground line and retired .28 miles of distribution overhead line for a net addition of 14.79 miles of line. Infrastructure was installed for 4 urban subdivisions (two commercial, two residential) and 1.93 miles of line were converted from overhead to underground. We re-built another 15.8 miles of rural overhead line and replaced 9.1 miles of aging underground as part of the cooperative's aging infrastructure initiative.

From a reliability standpoint, CEC consistently ranks in the top tenth percentile nationally of electric utilities for reliability as measured by annual outage time per consumer. This is by design through the co-op's long term strategic commitment to reliability. In 2024, average

annual outage numbers reflect 37 minutes per service for a total average system uptime of 99.99%. After committing to rebuilding aging infrastructure more than ten years ago, the enhanced reliability on the system is progressively noticeable through improved reliability metrics.

In 2025, CEC will continue focusing on system reliability improvements including replacement of existing overhead lines with underground lines on crossing of highways 14, 36, 83, and I-94. Aged infrastructure will also be replaced, including underground conductor in specific subdivisions, and rebuilding another 25 miles of rural overhead line. Additionally, CEC will begin the two-year process of burying an important 3-phase line between Wilton and Regan.

Average kWh sales per service have been flat over the last ten years. The cooperative's load is heavily concentrated on residential accounts, along with retail and hospitality-focused commercial services that have similar usage patterns. As a result, CEC's monthly peaks continue to garner the focus of your cooperative leadership team. In 2024, as in prior years, we paid the wholesaler more for the six total hours of monthly peaks during the year than we did for all the energy during the rest of the year combined. This reinforces the reality that, when looking to reduce costs, the "when electricity is used" has become more important than the "how much electricity is used."

Due to the changing dynamics of how CEC's highest monthly 30-minute peak increasingly drives the cooperative's overall power bill, a multi-year process has been put in place, gradually shifting the member rate structure to properly reflect the way costs are incurred at the cooperative. Today, all members see four rate components on their monthly bills as we gradually move to match the four rate components the cooperative sees on its own power bill from our generation and transmission cooperatives.

CEC's Energy Services team is available to explain how the rate change affects your specific bill and solutions that may help you save money. There are many tools for members to save money by shifting usage away from peaks, such as load controllers, peak alerts to pre-cool your home before peaks, and scheduling your appliances to run at non-peak times.

On the transmission and substation front, Central Power Electric Cooperative (Central) continues to make a strong commitment to the reliability and redundancy of CEC's system. Central has been focusing on enhancing reliability by adding new transmission tie lines and substations and rebuilding aging infrastructure. Central has nearly completed a new transmission maintenance facility in North Bismarck and with it, is shifting transmission line workers and substation electricians to Bismarck, which will provide faster response times on transmission and substation outages. In 2025, Central will be adding a second substation transformer to serve the growing load in Lincoln.

At the power generation level, Basin Electric Power Cooperative (Basin) provides, through power generation and purchases, approximately 87% of CEC's wholesale power. The remaining 13% is purchased from Western Area Power Administration (WAPA). Both perform vital functions in generating and procuring power and providing transmission services, which play a key role in our system reliability.

After years of stagnant growth across the U.S., there is a tremendous resurgent demand for power, hitting record highs including residential, commercial, oil and gas, pipelines, data centers, crypto, and ethanol. Basin is investing in significant new generation and transmission projects in North Dakota to meet the demand for this escalation. Basin is also taking necessary steps to ensure that bitcoin mining and other "mobile loads" pay their full share of plant costs up front.

Like last year for WAPA, the water levels in the mainstem dams on the Missouri River remain lower than optimal, resulting in an overall rate increase as well as a drought adder put in place until conditions improve.

Unfortunately, based on the estimates from our transmission and wholesale power providers, as well as our own costs, we expect continued pressure on CEC's electric rates for several years to come. Considering this multi-year process of rate shifts and increases, we have strategized and implemented cost reductions at the cooperative itself.

I'm very proud of the effort and results put forth by our employees to reduce overall costs.

CEC continues to push for long-term solutions and efficiencies to better serve you. We will be rolling out a new outage texting system that allows members to text the Cooperative from their phone when an outage occurs and be notified back by text when the outage is resolved.

Unfortunately, to ensure CEC is adhering to the latest security requirements for electronic payments, cooperative employees can no longer take payments over the phone. Instead, we've implemented a new secure pay-by-phone system for that purpose. Members can set up and securely store their card numbers in the phone system if desired. Once a card is stored, the new system provides a streamlined payment process going forward. Likewise, CEC will no longer be providing payment drop boxes around town due to the much smaller quantity of payments occurring at the drop boxes and increasing costs of pickup. Check, cash, and other payments can still be made at our office, either at our headquarters drop box or the front desk.

This past year has been another successful one for CEC. We are pleased to recognize our employees for their hard work and dedicated commitment to the Cooperative.

We hope you will have an opportunity to join us at the Bismarck Event Center on June 10th prior to the beginning of the business portion of our 79th Annual Meeting. The grand prize for this year's meeting will be \$1,000, but you must be present to win. Please attend your annual meeting, participate in the business and elections of your cooperative, enjoy a nice meal, music, and more. We hope to see you and your family on Tuesday, June 10th at the Bismarck Event Center. **CEC**