

## **President and Manager's Joint Report**

*By*

*President Deon Vilhauer and  
General Manager Paul Fitterer*

It is our pleasure to present the 2026 Annual Report to the membership of Capital Electric Cooperative, Inc. (CEC). This year we are celebrating the 80<sup>th</sup> annual meeting of your cooperative.

A review of 2025 shows CEC sold 401,126,272 kilowatt hours (kWh) of electricity which is 3.9% ahead of 2024 sales. CEC experienced a net increase of 294 accounts served, and returned \$1,861,654 in capital credits to member-owners. Over the past 10 years, the cooperative has paid out \$17,010,289 in capital credits. CEC carries an equity position of 36.86 percent. This annual report includes the cooperative's statement of condition.

In 2025, CEC had net plant additions of \$3.73 million. We added 23.2 miles of distribution underground line and retired 9.8 miles of distribution overhead line for a net addition of 13.4 miles of line. Infrastructure was installed for 6 subdivisions, and 9.3 miles of line were converted from overhead to underground. We re-built another 9.7 miles of rural overhead line and replaced 2.6 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 for reliability of electric utilities as measured by annual outage time per consumer. This is by design through the co-op's long term strategic commitment to reliability. In 2025, average annual outage numbers reflect 56 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 2026, CEC will continue focusing on system reliability improvements including replacement of existing three-phase overhead lines with underground cable along Hwy 36 between Wilton and Regan, south of Menoken, and southeast of Bismarck along Hwy 1804. Aged infrastructure will also be replaced, including aged underground conductor in specific subdivisions, and targeting to rebuild another 25 miles of rural overhead line.

Average kWh sales per service have been fairly 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 2025, as in prior recent years, we paid the wholesale provider more for the six total hours of collective 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.

We are YOUR cooperative and encourage you to talk to our experts. CEC continues to push for long-term solutions and efficiencies to better serve you. Currently, our Energy Services team remains busy

providing free consultation and advice to help CEC members reduce their electric bills. Members have made significant cost reductions with our help, including staging down electric furnaces, adding load controllers, and pre-cooling, staggering larger loads and more. This is free service that is part of your membership of Capital Electric. Those that have utilized our energy service team for advice have generally found notable solutions to reduce their bills.

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 completed a new transmission maintenance facility in North Bismarck and with it has shifted transmission line workers and substation electricians to Bismarck, which will provide faster response times on transmission and substation outages. In 2026, Central will replace aged infrastructure in two urban substations in Bismarck as well as completely rebuilding a rural substation near Menoken. Later in 2026, Central will begin construction on a transmission tie line between the Wing and Tuttle substations; this tie line will provide backup supply options for both Capital Electric and neighboring Northern Plains Electric Cooperative.

At the power generation level, Basin Electric Power Cooperative (Basin) generates and/or 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 has also taken necessary steps to ensure that large data centers, crypto 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 ideas and efforts that employees have made to reduce overall costs.

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 16<sup>th</sup> prior to the beginning of the business portion of our 80<sup>th</sup> 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 16<sup>th</sup> at a NEW LOCATION at the Bismarck State College Advanced Technology Center, 1500 Edwards Ave, Bismarck.