



2024



ANNUAL REPORT

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The demand for electricity is constantly evolving, presenting both exciting opportunities and unique challenges. What remains unchanged is our dedication to providing reliable wholesale power services that empower our members. By adapting to industry shifts and investing in our workforce, we ensure our members have the support they need to serve homes, businesses, and communities in central and western Kansas.

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Empowered by Principles, Driven by Purpose

Sunflower operates on a foundation of integrity, accountability, and providing world-class service to our members. As a member-owned wholesale electric generation and transmission utility, our governance is guided by the seven cooperative principles. These principles define our decision-making, strengthen our cooperative culture, and encourage both employees and members to contribute to our long-term success. By adhering to these seven principles, Sunflower continues to operate with transparency, accountability, and a steadfast commitment to empowering employees and powering members.

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Voluntary and Open Membership

We believe in the power of voluntary and open membership, welcoming new members into our cooperative family, and extending benefits of cooperative ownership to all eligible entities.



Democratic Member Control

Central to our identity is democratic member control, which distinguishes cooperatives from other business models. Through our democratically elected board of directors, representing each member distribution utility, we ensure accountability, transparency, and strong leadership.



Member Economic Participation

At Sunflower, our members actively participate in economic decisions and democratically manage Sunflower's capital. Excess revenues are used to strengthen the organization, build reserves, and proportionately benefit our members.



Autonomy and Independence

As a self-regulating cooperative, we operate autonomously and independently, free from external oversight. Our democratically elected board of directors provides local oversight, allowing us the flexibility to adjust rates and policies as needed to serve our members effectively.



Education, Training, and Information

We prioritize education, training, and information-sharing. Through partnerships with industry organizations and ongoing communication efforts, we ensure our employees and members are informed and engaged in cooperative governance and decision-making.



Cooperation Among Cooperatives

Collaboration is fundamental to our cooperative ethos. We support each other during outages and work closely with national and state cooperatives to advocate for policies and regulations that support our members and promote the cooperative philosophy.



Concern for Community

Sunflower remains committed to our communities, actively supporting local initiatives, educational programs, and charitable organizations to help enhance the quality of life throughout our service territory.

Board of Directors



Wes Campbell
Chairman
Wheatland



Kenny Wehkamp
Vice Chairman
Victory



Sandra Benoit
Director
Prairie Land



Mike Brewer
Director
Pioneer/S. Pioneer



Lindsay Campbell
Director
Pioneer/S. Pioneer



Kirk Girard
Director
Prairie Land



Dick Jennison
Director
Lane-Scott



Frank Joy
Director
Western



Shane Laws
Director
Victory



Richard McLeon
Director
Lane-Scott



Bruce Mueller
Director
Wheatland



Tom Ruth
Director
Western



Purpose

To make lives better
in rural Kansas



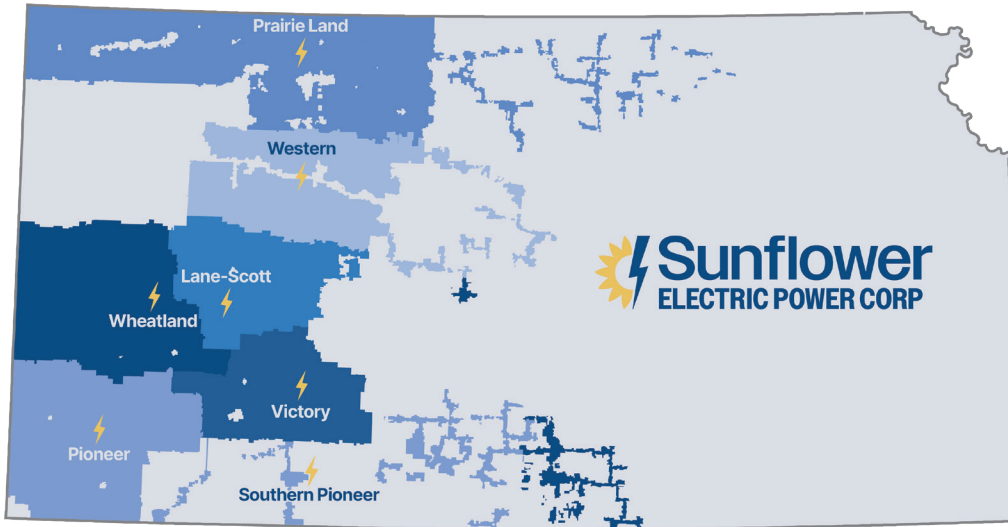
Mission

To build a stronger, brighter future
by providing member-driven,
world-class service



Vision

Empowering Employees,
Powering Members



Steve Epperson
President and Chief Executive Officer



Wes Campbell
Board Chairman

Executive Report

At Sunflower Electric Power Corporation, we believe our greatest strength lies in our people. The commitment and innovation of our employees fuels our ability to provide reliable, cost-effective wholesale power to our member-cooperatives. As we reflect on 2024, we celebrate the milestones positioning Sunflower for a bright and resilient future.

Strengthening Our Identity

One of the most significant initiatives in 2024 was the launch of Sunflower’s new logo and brand strategy. After months of research, planning, and collaboration, we introduced a modernized identity reflecting our evolving role as a trusted generation and transmission partner in central and western Kansas. This rebranding effort ensures we are well-positioned to serve our members for years to come, attracts top talent, and reinforces our reputation as an innovative and reliable wholesale power supplier. Our refreshed brand elements, including an updated logo, colors, fonts, and design, symbolize the future-forward approach we embraced while maintaining the integrity of our cooperative values.

New Statements Rooted in Our People

Coinciding with our brand evolution, Sunflower’s Board of Directors approved new employee-driven purpose, mission, and vision statements. Developed through input from employees across the organization, these statements aligned our collective efforts toward a common goal.

These guiding statements define not only what we do but also why we do it, and reflects our deep commitment to our members and our employees who make it all possible.

Achieving Fairness in Transmission Costs

A major victory for Sunflower and our members came in May when the Federal Energy Regulatory Commission approved a Southwest Power Pool filing that reduced

Sunflower’s transmission costs by 13%, equating to nearly \$9.9 million in annual savings. For years, Sunflower staff worked diligently to address cost allocation disparities that placed an undue burden on local ratepayers. This ruling acknowledged the imbalance and ensured costs are more fairly distributed across the region. While this was a significant win, we continue to advocate for equitable cost-sharing methodologies for future transmission projects.

Balancing Today’s Needs with Tomorrow’s Vision

In 2024, the construction of our 20-MW Sunflower Electric Solar @ Russell project neared completion, and preparations were well underway to break ground on Boot Hill Solar, a 150-MW solar facility near Dodge City.

At Sunflower, we recognize the importance of a diversified generation portfolio. The board of directors continues to support a strategic mix of traditional and renewable energy resources, allowing us to navigate market fluctuations while ensuring long-term stability. Our focus remains on deploying generation resources based on economic viability, reliability, and sustainability, further ensuring we deliver energy solutions that are both cost-effective and forward-thinking.

As we move forward, our mission remains clear—to empower our employees and power our members. The progress in 2024 sets the stage for our continued success, and we remain dedicated to serving our members with integrity, innovation, and unwavering commitment.

Financial Stewardship, Shared Success

Financial strength is more than numbers on a balance sheet, it's the foundation that empowers our employees and powers our members. In 2024, we continued to deliver on our commitment to affordability, operational excellence, and long-term resilience. Guided by cooperative values, our financial stewardship ensures the success we build today benefits our members for generations to come.

34%

Equity to Assets

Strong equity signifies a healthy financial position, enabling easier access to capital for growth and expansion.

\$14.8
million

Net Margins

Robust margins are essential as they ensure sustainable financial health, enabling us to fulfill our social and economic objectives and support our members.

\$12
million

Member Patronage

Returning cash to members reinforces our commitment to shared prosperity and equitable distribution of earnings.

Keeping Power Affordable

Sunflower maintained its low wholesale electric rate in 2024, keeping member costs in the lowest quartile of comparable generation and transmission cooperatives nationally. Affordable, dependable energy remains a cornerstone of economic stability across our service territory and a direct reflection of our long-standing commitment to serving our members.

Through disciplined cost management and operational efficiency, Sunflower achieved strong net margins of \$14.8 million. This performance highlights our ability to supply reliable wholesale electric service while preserving the financial health needed to meet future demands.

Building Equity, Fueling Opportunity

Sunflower closed the year with a solid 34% equity-to-assets ratio, a testament to our financial strength and focus on long-term sustainability. A solid equity position not only helps us weather challenges and pursue strategic opportunities but also fuels our ability to invest in the infrastructure, innovation, and people to power tomorrow.

Backing that strength is robust liquidity, ensuring we have the financial flexibility to meet day-to-day needs while positioning Sunflower for long-term resilience. As we continue to plan for future growth and needs, we have trusted financial partners by our side ready to provide critical access to capital.

Returning Value

At Sunflower, success is meant to be shared. In keeping with the cooperative principles, we distributed \$12 million in patronage capital to our members in 2024. Returning value to our members reinforces the very cooperative spirit that defines us and further emphasizes our commitment to shared success and the equitable distribution of earnings.

Strengthening Reliability, Powering Tomorrow

A resilient transmission system is the foundation for reliable energy, and in 2024, rising electricity demand and evolving weather patterns increased the need to strengthen that foundation. With electricity demand in the Southwest Power Pool (SPP) region expected to climb 25% by 2030, preparing for the future has never been more critical. To meet these needs, significant investments in new transmission and generation are necessary, which are costly and time-intensive but essential for long-term reliability.

Despite these challenges, we remain focused on our members and delivering affordable, dependable transmission services to help them better serve their communities. In 2024, this commitment was reflected in a major win for our members, as Sunflower’s transmission costs were reduced by 13% following Federal Energy Regulatory Commission’s approval of a SPP filing that corrected a cost allocation imbalance unfairly burdening local ratepayers. Sunflower played a leading role in this effort. We dedicated time and expertise to advocate for a fairer, beneficiary-based transmission cost allocation, and successfully brought meaningful transmission rate relief to consumers across central and western Kansas.

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Preparing for a High-Demand Future

SPP’s Integrated Transmission Planning (ITP) process is critical to ensuring the grid remains reliable, cost-effective, and ready for new energy demands. The 2024 SPP ITP portfolio included more than \$7.6 billion in transmission investments, including 2,333 miles of new transmission lines and 495 miles of rebuilds. Notably, \$2.2 billion of this investment is dedicated to improving system resiliency.

In the 2024 ITP portfolio, SPP identified two high-voltage transmission projects within Sunflower’s service area, both aimed at increasing north-to-south transfer capacity and easing congestion during extreme weather events like Winter Storm Uri in 2021. The projects include a 1792 MVA, 345 kV transmission line from Holcomb, Kan., to Sidney, Neb., and an 85.2-mile, 345 kV line from Elm Creek Substation in Cloud Couty, Kan., to the Tobias Substation in Saline County, Neb.

Additionally, SPP implemented a fuel assurance policy to boost grid reliability by incentivizing conventional generators to ensure fuel availability during critical periods. SPP also raised the planning reserve margin to 16% in summer and 36% in winter, effective starting summer 2026, to ensure load responsible entities are appropriately planning for capacity in both the winter and summer seasons.

Storm Response and Strategic System Upgrades

Sunflower’s transmission team tackled significant storm repairs and accelerated critical system upgrades to keep our grid strong and reliable. Sunflower replaced 269 transmission structures across our service territory, including 197 life-cycle replacements to proactively strengthen the system, 71 storm-related replacements, and one structure replacement due to a vehicle accident.

Recognizing the critical role substations play in maintaining grid stability, we also prioritized substation upgrades and life-extension maintenance projects throughout the year. These upgrades not only enhance system resilience but help minimize future disruptions and extend the lifespan of our infrastructure.

While 2024 brought its share of challenges, it also reaffirmed our dedication to building a stronger, more resilient system for the future. By investing in critical infrastructure and innovative solutions, we’re building a transmission grid that empowers our members today and powers the communities of tomorrow.



The May 2024 geomagnetic event topped the geomagnetic storm scale at a G5. The transmission structure is located in Sunflower's service area.

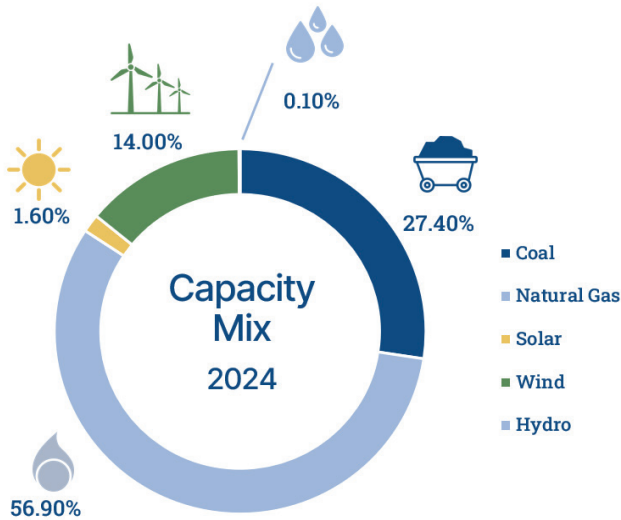
Generating Strength, Empowering the Future

At Sunflower, generation is more than the production of electricity, it's the engine powering member success and community growth. As the electric industry undergoes a rapid transformation, our mission remains clear: maintain reliability, embrace innovation, and ensure our generation portfolio is diverse and continues to serve the evolving needs of our members.

Responding to Reliability Demands

With the bulk electric system becoming increasingly reliant on intermittent renewable generation, the need for flexible, dispatchable resources has never been more critical. This shift is evident in the rising number of Reliability Unit Commitment (RUC) starts required of Sunflower's gas-fired steam units.

In 2021, our system received just eight RUC start orders on our four gas-fired, steam-cycle generation units. That number surged to 21 in 2022, 51 in 2023, and 71 in 2024. This sharp increase reflects broader concerns raised by the North American Electric Reliability Corporation regarding grid stability. These concerns triggered the review of many reliability standards and prompted the Southwest Power Pool (SPP) to tighten resource adequacy requirements through higher reserve margins and stricter accreditation rules for both thermal and renewable generation resources.



Increased market dispatch and the natural aging of electric generation assets underscore the importance of timely maintenance and strategic reinvestment. In spring 2024, our Holcomb coal-fired generation station underwent a major planned outage to replace the secondary superheater and complete critical boiler repairs. Similarly, a fall outage at Great Bend Unit 3 allowed us to perform major turbine repairs to ensure the unit's ongoing reliability and performance.

Expanding Renewable Energy While Maintaining a Balanced, Resilient Energy Strategy

In 2024, construction neared completion at our newest solar facility, Sunflower Electric Solar @ Russell. Designed and constructed by DEPCOM Power, the north central Kansas facility spans 143 acres and features 44,408 solar panels equipped with single axis tracking technology. Upon its completion in early 2025, this \$42 million project will strengthen our energy portfolio by providing nearly 50,000 megawatt-hours (MWh) of renewable energy annually. Interconnecting to the bulk electric grid near Russell, the facility also eliminates the need for expensive infrastructure upgrades in the area and provides a fixed-price hedge against market energy prices.

Our commitment to a diverse generation mix continues with Boot Hill Solar. Project developer Alluvial Power is scheduled to break ground in February 2025 on the 150-MW project located southeast of Dodge City. Sunflower will receive 100% of the energy produced at the facility, which is projected to have 300,000 solar panels and generate 400,000 MWh annually.

As more renewable energy resources connect in our region, changing system topology leads to needs for innovative solutions to protect reliability. The installation of a synchronous condenser at our Fort Dodge generation station is scheduled for completion in early 2025, upon which the facility will have the capability of operating as either a conventional generator or as a synchronous condenser. In synchronous condenser mode the generator can be synchronized to the grid and provide critical reliability support in areas such as voltage control and rotating inertia without burning any fuel in the boiler. Fort Dodge will also share interconnection infrastructure with the Boot Hill Solar project, maximizing efficiency and value, and helping meet SPP's more restrictive resource adequacy requirements.

Whether it's responding to real-time system demands, investing in next-generation energy, or maintaining critical infrastructure, Sunflower's generation strategy is rooted in reliability, strengthened by innovation, and focused on generating progressive energy solutions—today and for decades to come.

Generation and Transmission Assets

Sunflower's assets have changed over time to meet the needs of our members. Asset decisions are based on what is in the best interest of our members and those they serve.



Garden City S2

Nameplate: 98 MW
 Fuel: Natural Gas
 Type: Intermediate,
 Steam Turbine (ST)
 Placed into service: 1973



Rubart Station

Nameplate: 120 MW
 Fuel: Natural Gas
 Type: Peaking, Internal
 Combustion Engines
 Placed into service: 2014



Garden City S4

Nameplate: 71 MW
 Fuel: Natural Gas
 Type: Peaking,
 Combustion Turbine (CT)
 Placed into service: 1976



Fort Dodge 4

Nameplate: 149 MW
 Fuel: Natural Gas
 Type: Intermediate,
 Steam Turbine (ST)
 Placed into service: 1969



Garden City S5

Nameplate: 71 MW
 Fuel: Natural Gas
 Type: Peaking,
 Combustion Turbine (CT)
 Placed into service: 1979



Clifton 1

Nameplate: 85 MW
 Fuel: Natural Gas
 Type: Peaking,
 Combustion Turbine (CT)
 Placed into service: 1974



Cimarron River 1

Nameplate: 50 MW
 Fuel: Natural Gas
 Type: Intermediate,
 Steam Turbine (ST)
 Placed into service: 1963



Great Bend 3

Nameplate: 82 MW
 Fuel: Natural Gas
 Type: Intermediate,
 Steam Turbine (ST)
 Placed into service: 1963



Holcomb 1

Nameplate: 349 MW
 Fuel: PRB Coal
 Type: Baseload,
 Steam Turbine (ST)
 Placed into service: 1983



Shooting Star Wind Project

PPA: 104 MW
 Fuel: Wind
 Type: Intermittent
 Placed into service: 2012



Smoky Hills Wind Farm

PPA: 74 MW
 Fuel: Wind
 Type: Intermittent
 Placed into service: 2008



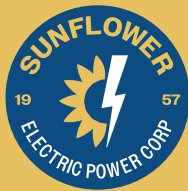
Johnson Corner Solar Project

PPA: 20 MW
 Fuel: Solar
 Type: Intermittent
 Placed into service: 2020



WAPA Hydro

PPA: 2.3 MW
 Fuel: Water
 Effective date: 1989



**Total Megawatts (MW):
 1,275.3 MW**

**Transmission Line:
 2,478 miles**

Empowering Employees

At Sunflower, our greatest asset isn't just our infrastructure—it's our people. Their dedication, knowledge, and passion drive our success, ensuring we meet the evolving needs of our members.

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President and CEO Steve Epperson

In 2024, we strengthened our workforce by welcoming 35 new employees and promoting 43 team members, recognizing growth brings both opportunities and challenges. Through the Sunflower Learning Center and partnerships with regional universities and coaching resources, we provided tailored training, leadership development, and CliftonStrengths training to empower our employees and prepare for the future. Our focus on employee retention and development ensures we remain equipped to navigate an evolving industry.

Leadership transitions also shaped Sunflower's workforce in 2024. After serving as interim CEO since July 2023, the Sunflower Board of Directors appointed Steve Epperson as president and CEO in February. Epperson, formerly CEO of Pioneer Electric Cooperative and Southern Pioneer Electric Company, is the seventh president and CEO to lead Sunflower since its inception in 1957. His leadership will guide Sunflower as we continue to supply reliable, affordable wholesale power to our members.

35
new
employees



Nikki Pfannenstiel pictured with her Rural Economic Development Leadership Award.

Our employees' impact extends beyond the workplace. Sunflower's manager of economic development, Nikki Pfannenstiel, received national recognition for her contributions to rural economic growth. She was honored with the 2024 Rural Economic Development Leadership Award by the National Rural Economic Developers Association, which recognizes individuals who drive initiatives that enhance quality of life, create jobs, and foster economic opportunity in rural America.

43
internal
promotions



Chad Olmstead and Adam Fisher volunteered at the fall ElectroRally race in Hays, Kan.

We believe in supporting our employees both professionally and personally. In addition to competitive compensation and benefits, Sunflower encourages employees to give back to their communities. In 2024, nearly 29% of our workforce utilized Sunflower's paid community service leave, collectively dedicating more than 872 hours to local organizations and causes. Sunflower also provides financial backing for charitable events championed by employees, reinforcing our commitment to making a meaningful impact in the communities we serve.

872
hours
volunteered
with community
service leave

Safety is ingrained in everything we do. Our good catch/near miss program empowers employees to proactively address potential hazards, while ongoing safety meetings, monthly trainings, and specialty trainings reinforce our unwavering commitment to keeping every team member safe.

At Sunflower, we go beyond generating and transmitting wholesale electricity, we empower the people who make it all possible.

Sunflower TRAITS

Culture Statement

At our core, we are all servant leaders focusing on the growth and well-being of one another and the communities to which we belong. We commit to consistently treating one another exceptionally well and providing world-class service to each other, our members, and those they serve by adhering to our TRAITS.

Technical Competency: Being knowledgeable about our industry and roles, well qualified physically and intellectually to undertake tasks, committed to maintaining and improving personal levels of proficiency, and ensuring the understanding of and adherence to compliance.

Respect: Exhibiting genuine dignity, consideration, and thoughtfulness toward one another while maintaining seriousness and professionalism in personal behavior. Being fair and humble in working with others.

Accountability: Fulfilling commitments made to others and gaining the trust and confidence of colleagues by exhibiting the ability to be relied upon, holding ourselves to a high standard of service, and being good stewards of Sunflower's resources (human, financial, and otherwise).

Integrity: Consistently and wholeheartedly adhering to high moral principles and professional standards.

Trustworthiness: Interacting honestly with others, as well as being honest with work time and use of Sunflower resources. Maintaining confidentiality, when necessary.

Safety: Performing work in a manner that prevents injury, loss, or damage to ourselves, others, or property. Providing an environment in which people feel psychologically safe and able to fully participate in collaboration and ideas that support and enhance our working environment and service to others.



Independent Auditor’s Report

Board of Directors
Sunflower Electric Power Corporation and Subsidiaries
Hays, Kansas

Opinion

We have audited the combined financial statements of Sunflower Electric Power Corporation and Subsidiaries (Sunflower), which comprise the combined balance sheets as of December 31, 2024 and 2023 and the related combined statements of operations – comprehensive income, member and patron capital, and cash flows for the years then ended and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Sunflower as of December 31, 2024 and 2023 and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Sunflower and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunflower’s ability to continue as a going concern within one year after the date that these combined financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sunflower's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunflower's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

**Oklahoma City, Oklahoma
March 27, 2025**

Sunflower Electric Power Corporation and Subsidiaries
Combined Balance Sheets
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Utility Plant		
Net utility plant	\$ 722,772,145	\$ 715,945,503
Land held for future use	3,193,843	3,193,843
Construction work in progress	39,923,287	26,886,132
Total Utility Plant	<u>765,889,275</u>	<u>746,025,478</u>
Investments and Other Assets		
Capital term certificates of the National Rural Utilities Finance Corporation	6,694,144	7,025,736
Investments in other associated organizations	10,597,735	10,409,822
Total Investments and Other Assets	<u>17,291,879</u>	<u>17,435,558</u>
Current Assets		
Cash and cash equivalents	21,336,989	29,475,774
Accounts Receivable		
Member	18,651,324	19,125,043
Other	7,703,049	4,821,076
Total Accounts Receivable	<u>26,354,373</u>	<u>23,946,119</u>
Inventories		
Fuel	9,262,817	8,910,321
Materials and supplies	25,682,297	22,243,741
Total Inventories	<u>34,945,114</u>	<u>31,154,062</u>
Prepayments and other current assets	4,198,722	5,768,229
Regulatory assets, current	12,653,492	18,193,295
Total Current Assets	<u>99,488,690</u>	<u>108,537,479</u>
Other Long-Term Assets		
Restricted cash – escrowed funds	390,557	3,077,680
Regulatory assets	26,098,087	14,056,871
Deferred charges	58,086,639	19,168,070
Total Long-Term Assets	<u>84,575,283</u>	<u>36,302,621</u>
Total Assets	<u>\$ 967,245,127</u>	<u>\$ 908,301,136</u>

Sunflower Electric Power Corporation and Subsidiaries
Combined Balance Sheets
December 31, 2024 and 2023

(Continued)

	<u>2024</u>	<u>2023</u>
CAPITALIZATION AND LIABILITIES		
Member and Patron Capital		
Memberships	\$ 890	\$ 890
Donated capital	8,604,989	8,604,989
Accumulated surplus	314,195,005	311,374,632
Accumulated other comprehensive income	9,142,486	6,626,786
Total Member and Patron Capital	<u>331,943,370</u>	<u>326,607,297</u>
Long-Term Debt		
Long-term obligations, less current maturities	424,625,347	375,834,901
Less unamortized debt issuance costs	<u>(1,655,361)</u>	<u>(1,756,015)</u>
Total Long-Term Debt	<u>422,969,986</u>	<u>374,078,886</u>
Total Capitalization	<u>754,913,356</u>	<u>700,686,183</u>
Current Liabilities		
Line of credit	100,000,000	85,000,000
Current maturities of long-term debt	25,272,054	21,132,405
Current portion of finance lease liability	883,080	815,384
Current portion of operating lease liability	256,523	108,911
Accounts payable	13,770,414	15,294,589
Accrued taxes other than income taxes	5,443,640	5,642,310
Accrued interest payable	1,353,348	1,413,273
Other accrued expenses	6,836,431	6,966,460
Regulatory liabilities, current	<u>4,800,131</u>	<u>9,733,875</u>
Total Current Liabilities	<u>158,615,621</u>	<u>146,107,207</u>
Other Long-Term Liabilities		
Deferred credits	13,089,856	20,632,093
Regulatory liabilities	6,893,960	5,462,766
Finance lease liability, less current portion	8,704,662	9,587,741
Operating lease liability, less current portion	909,157	646,848
Other long-term liabilities	<u>24,118,515</u>	<u>25,178,298</u>
Total Other Long-Term Liabilities	<u>53,716,150</u>	<u>61,507,746</u>
Total Capitalization and Liabilities	<u>\$ 967,245,127</u>	<u>\$ 908,301,136</u>

Sunflower Electric Power Corporation and Subsidiaries
Combined Statements of Operations – Comprehensive Income
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Member sales	\$ 256,480,061	\$ 248,612,343
Nonmember power sales	18,123,305	14,692,101
Other operating revenue	<u>35,486,763</u>	<u>36,405,620</u>
Total Operating Revenues	<u>310,090,129</u>	<u>299,710,064</u>
Operating Expenses		
Operations		
Production and other power supply	129,769,321	135,035,273
Transmission	25,237,866	23,703,753
Maintenance		
Production	39,443,321	29,007,440
Transmission	6,298,249	6,388,854
Administrative and general	34,184,201	33,768,362
Depreciation and amortization	<u>40,363,740</u>	<u>39,338,578</u>
Total Operating Expenses	<u>275,296,698</u>	<u>267,242,260</u>
Electric Operating Margin	<u>34,793,431</u>	<u>32,467,804</u>
Interest and Other Deductions		
Interest expense, less amounts capitalized during construction of \$1,210,339 and \$656,510 in 2024 and 2023, respectively	23,401,392	21,308,432
Other deductions	<u>666,371</u>	<u>706,680</u>
Total Interest and Other Deductions	<u>24,067,763</u>	<u>22,015,112</u>
Operating Margin	<u>10,725,668</u>	<u>10,452,692</u>
Other Income		
Interest income	2,370,937	924,284
Other income	<u>1,723,768</u>	<u>1,402,607</u>
Total Other Income	<u>4,094,705</u>	<u>2,326,891</u>
Net Margin	14,820,373	12,779,583
Other Comprehensive Income		
Net gain arising during the year on pension obligation	<u>2,515,700</u>	<u>4,151,935</u>
Comprehensive Income	<u>\$ 17,336,073</u>	<u>\$ 16,931,518</u>

Sunflower Electric Power Corporation and Subsidiaries
Combined Statements of Member and Patron Capital
Years Ended December 31, 2024 and 2023

	<u>Memberships</u>	<u>Donated Capital</u>	<u>Accumulated Surplus</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
Balance, January 1, 2023	\$ 890	\$ 8,604,989	\$ 310,595,049	\$ 2,474,851	\$ 321,675,779
Net margin	-	-	12,779,583	-	12,779,583
Patronage capital retirement	-	-	(12,000,000)	-	(12,000,000)
Other comprehensive income					
Net gain arising during the year on pension obligation	-	-	-	4,151,935	4,151,935
Balance, December 31, 2023	890	8,604,989	311,374,632	6,626,786	326,607,297
Net margin	-	-	14,820,373	-	14,820,373
Patronage capital retirement	-	-	(12,000,000)	-	(12,000,000)
Other comprehensive income					
Net gain arising during the year on pension obligation	-	-	-	2,515,700	2,515,700
Balance, December 31, 2024	<u>\$ 890</u>	<u>\$ 8,604,989</u>	<u>\$ 314,195,005</u>	<u>\$ 9,142,486</u>	<u>\$ 331,943,370</u>

Sunflower Electric Power Corporation and Subsidiaries
Combined Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Net margin	\$ 14,820,373	\$ 12,779,583
Adjustments to reconcile net margin to net cash provided by operating activities		
Depreciation and amortization	38,579,688	37,816,647
Amortization of finance ROU assets	1,065,688	1,521,931
Amortization of unrecovered plant and property losses	718,364	-
Amortization of deferred charges	3,194,838	1,105,443
Amortization of regulatory assets	9,450,002	4,116,111
Amortization of debt issuance costs	100,654	100,654
Patronage capital credits allocated	(550,953)	(947,486)
Asset retirement obligation accretion	165,029	297,793
Changes in		
Accounts receivable	(2,781,396)	205,084
Inventories	(7,070,570)	(9,374,170)
Prepayments and other current assets	1,569,507	183,932
Regulatory assets	(16,679,455)	(14,521,600)
Deferred charges	(41,280,370)	(9,962,081)
Accounts payable	(3,657,676)	1,430,260
Accrued liabilities	(7,930,859)	16,976,583
Regulatory liabilities	(3,502,550)	(3,350,603)
Other long-term liabilities	1,290,888	1,402,922
Net Cash Provided by (Used in) Operating Activities	<u>(12,498,798)</u>	<u>39,781,003</u>
Investing Activities		
Utility plant expenditures	(54,509,595)	(33,144,971)
Proceeds from sale of short-term investments	331,592	314,348
Proceeds from Federal Emergency Management Administration	230,042	-
Investments in associated organizations	363,040	368,171
Proceeds from sale of property	143,100	-
Net Cash Used in Investing Activities	<u>(53,441,821)</u>	<u>(32,462,452)</u>
Financing Activities		
Retirement of capital credits	(12,000,000)	(12,000,000)
Principal payments on finance lease liabilities	(815,384)	(1,209,267)
Proceeds from line of credit	165,000,000	160,000,000
Principal payments on line of credit	(150,000,000)	(125,000,000)
Proceeds from issuance of long-term debt	75,000,000	-
Principal payments on long-term debt	(22,069,905)	(20,762,174)
Net Cash Provided by Financing Activities	<u>55,114,711</u>	<u>1,028,559</u>

Sunflower Electric Power Corporation and Subsidiaries
Combined Statements of Cash Flows
Years Ended December 31, 2024 and 2023

(Continued)

	<u>2024</u>	<u>2023</u>
Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	\$ (10,825,908)	\$ 8,347,110
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>32,553,454</u>	<u>24,206,344</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 21,727,546</u>	<u>\$ 32,553,454</u>

Supplemental information:

Sunflower paid \$23,461,317 and \$21,837,320 in cash for interest during 2024 and 2023, respectively. Sunflower had capital expenditures within accounts payable of \$1,251,136 and \$379,290 at December 31, 2024 and 2023, respectively. Sunflower had development costs within accounts payable of \$554,931 and \$16,563 at December 31, 2024 and 2023, respectively. Sunflower capitalized \$2,895,878 and \$3,094,029 of materials and supplies inventory to total utility plant, net during 2024 and 2023, respectively. During 2024, Sunflower obtained new operating lease right of use assets of \$1,138,130 and terminated right of use assets of \$501,137.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Sunflower Electric Power Corporation and Subsidiaries (Sunflower or Company) is an electric generation and transmission corporation. Sunflower is responsible for the electric power requirements of its six distribution cooperative members and one corporation (collectively, Members) operating within western and central Kansas counties: Lane-Scott Electric Cooperative, Inc. (Lane-Scott); Pioneer Electric Cooperative, Inc. (Pioneer); Prairie Land Electric Cooperative, Inc. (Prairie Land); The Victory Electric Cooperative Association, Inc. (Victory); Western Cooperative Electric Association, Inc. (Western); Wheatland Electric Cooperative, Inc. (Wheatland); and Southern Pioneer Electric Company (Southern Pioneer). Power supply rates to Sunflower's Members are subject to approval by the board of directors. Transmission rates are subject to review and approval by state and federal regulatory agencies. In accordance with this regulation, Sunflower has applied the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*.

Sunflower's primary resource for supplying the electric power needs of its Members is Holcomb Station. Holcomb Station is a coal-fired generating facility with a net rating of 359 megawatts. Sunflower's accredited generation with the Southwest Power Pool (SPP) totals 1,085 megawatts and includes all generation assets available. Sunflower purchases its coal through Western Fuels Association, Inc. (Western Fuels), a nonprofit cooperative that provides coal to consumer-owned utilities. During 2024 and 2023, Sunflower purchased \$24.5 million and \$34.8 million, respectively, for coal and coal transportation. Because Western Fuels is a consumer-owned entity, representatives from Sunflower's board of directors and management are also members of Western Fuels' board of directors.

The Financial Reporting Entity

On November 26, 2002, Sunflower Electric Holdings, Inc. (SEHI) completed negotiations to restructure its debt and signed the Agreement and Consent to Sunflower Restructuring, dated as of September 30, 2002, by and among Sunflower, SEP Corporation, Holcomb Common Facilities, LLC (HCF), the U.S. Government, National Rural Utilities Cooperative Finance Cooperation (NRUCFC), CoBank, and other creditors (Consent Agreement). The Consent Agreement and other subsequent transactions transferred all assets and liabilities, except for the long-term debt, from SEHI to SEP Corporation in exchange for certain debt issued by Sunflower that has all been paid or expired (see Note 4). Sunflower legally changed its name to Sunflower Electric Power Corporation in March 2003. Sunflower is operated on a cooperative basis and is registered with the state of Kansas with a life of 100 years. The ownership of Sunflower is in the same proportion as that of SEHI.

Sunflower has nine wholly owned subsidiaries: SEPC, LLC; Sunflower Rail Company, LLC (Sunflower Rail); Holcomb 2, LLC (H2); Holcomb 3, LLC (H3); Holcomb 4, LLC (H4); Holcomb Common Facilities (HCF); Konza Transmission Company, LLC (Konza); SEPC – Solar Farm 1, LLC; and SEPC – Solar Farm 2, LLC. Sunflower Rail, H2, H3, and H4 were created for future activities and currently do not hold any assets or liabilities. SEPC, LLC was formed to purchase and lease communication towers. HCF holds the common facilities located at Holcomb Station; these facilities would be common to multiple generation units developed on the Holcomb Station site. Konza was formed to bid and build transmission projects designated as competitive upgrades by the SPP. SEPC – Solar Farm 1, LLC and SEPC – Solar Farm 2, LLC were created to pursue solar farm development.

The accompanying combined financial statements include the transactions of Sunflower and its nine wholly owned subsidiaries combined with SEHI, collectively titled, and referred to herein, as Sunflower Electric Power Corporation and Subsidiaries, or Sunflower. Intercompany balances and transactions have been eliminated in combination.

Basis of Presentation

The accompanying combined financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Sunflower Electric Power Corporation and Subsidiaries
Notes to Combined Financial Statements
December 31, 2024 and 2023

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of operating revenue, expenses, and other items during the reporting period. Items subject to such estimates and assumptions include the useful lives of utility plant, recoverability of deferred tax assets, asset retirement obligations, and key inputs to actuarial calculations of postretirement obligations. Actual results could differ significantly from those estimates.

Fair Value Measurements

The Company has adopted standards for fair value measurements of financial assets and liabilities that establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

Utility Plant

Utility plant is stated at cost, and expenditures for replacement of property units are recorded as utility plant. The cost of units retired in the normal course of business, including cost of removal, net of any salvage value, is charged to accumulated depreciation. The cost of maintenance and repairs, including renewals of minor items, is charged to operating expenses as incurred except for as disclosed in Deferred Charges below.

The costs of homogeneous units of property, plant, and equipment are aggregated to form groups of assets that are depreciated on a straight-line basis over the estimated remaining useful life established for each specific asset group. Estimates and assumptions used in establishing the depreciation rates associated with each group are based on management's best estimate of useful lives considering input from external studies performed by specialists. Generally, changes in depreciation rates are affected through changes in the remaining depreciable lives of the applicable group assets and are recorded prospectively as a change in accounting estimate.

The average annual depreciation rates were as follows:

	<u>2024</u>	<u>2023</u>
Steam production plant	2.36%	2.36%
Other production plant	2.58%	2.58%
Transmission plant	2.25%	2.25%
Distribution plant	2.91%	2.91%
General plant	5.27%	5.27%

Sunflower Electric Power Corporation and Subsidiaries
Notes to Combined Financial Statements
December 31, 2024 and 2023

Capitalization of Interest

Interest costs are capitalized as part of the cost of various capital assets under construction. Sunflower's average rate for borrowed funds was 6.4% and 6.2% for December 31, 2024 and 2023, respectively. Interest charged to construction for each of the years ended December 31, 2024 and 2023 totaled \$1.2 million and \$0.7 million, respectively.

Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, Sunflower first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. For the years ended December 31, 2024 and 2023, no impairments were incurred.

Investments

Investments consist of equity investments in associated organizations and capital term certificates. Sunflower's ownership percentage in these associated organizations is less than 20%. The equity investments do not have readily determinable fair values and are accounted for at cost, less impairment, plus or minus changes resulting from observable price changes in transactions for the identical or a similar investment of the same issuer. Equity securities without readily determinable fair values are written down to their fair value if a qualitative assessment indicates that the investment is impaired, and the fair value of the investment is less than its carrying amount. The investments were evaluated for indicators of impairment. No impairment or observable price changes were recorded during 2024 and 2023.

The following is a summary of amounts recorded as investments in associated organizations as of December 31:

	<u>2024</u>	<u>2023</u>
Alliance Cooperative Energy Services Power Marketing, LLC	\$ 1,370,535	\$ 1,370,535
CoBank E-Stock	364,237	317,646
National Rural Utilities Cooperative Finance Corporation	4,460,940	4,329,514
DTE Rail Company	402,341	412,770
Federated Rural Electric Insurance Exchange	1,449,580	1,397,879
Patronage capital-associated organizations	2,543,921	2,575,297
Other	6,181	6,181
	<u>\$ 10,597,735</u>	<u>\$ 10,409,822</u>

Investments in capital term certificates of the NRUCFC were \$6.7 million and \$7.0 million at December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, escrowed funds totaled \$0.4 million and \$3.1 million, respectively, and consisted of underground injection well funds held in trust.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash deposits in banks and short-term investments with original maturities of three months or less.

Restricted cash and cash equivalents include funds held in trust, funds designated specifically for solar farm development, and collateral deposits.

Sunflower Electric Power Corporation and Subsidiaries
Notes to Combined Financial Statements
December 31, 2024 and 2023

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the accompanying combined balance sheets that sum to the total of the same such amounts shown in the accompanying combined statements of cash flows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 21,336,989	\$ 29,475,774
Restricted cash – escrowed funds	390,557	3,077,680
	<u>\$ 21,727,546</u>	<u>\$ 32,553,454</u>

At December 31, 2024, Sunflower's cash accounts exceeded federally insured limits by \$21.5 million. This \$21.5 million in excess of federally insured limits was secured by federal government-backed securities through repo accounts with respective financial institutions.

Inventories

Fuel inventory is recorded and recognized at cost. Materials and supplies inventory are recorded at cost and recognized on an average-cost basis.

Leases

Sunflower determines if an arrangement is a lease or contains a lease at inception by determining if there is an identifiable asset, whether the customer (lessees) has the right to obtain substantially all the economic benefits from the use of the asset, and whether the customer has the right to direct the use of the identified asset. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the accompanying combined balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Sunflower determines lease classification as operating or finance at the lease commencement date. Finance and operating leases are included in property and equipment in the accompanying combined balance sheets. See Note 2 for the breakout between finance and operating ROU assets within property and equipment.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Sunflower uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, Sunflower uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to a market rate corresponding to the lease commencement date.

The lease term may include options to extend or to terminate the lease that Sunflower is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Sunflower has elected not to record leases with an initial term of 12 months or less on the combined balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Derivative Instruments

The Company's coal purchase contracts generally meet the definition of a derivative; however, the Company's coal contracts are designated as normal purchases and, as such, are recorded in the combined financial statements at cost. In 2024 and 2023, all coal purchases qualified as normal purchases.

Sunflower Electric Power Corporation and Subsidiaries
Notes to Combined Financial Statements
December 31, 2024 and 2023

Deferred Charges

Deferred charges consist of the following as of December 31:

	<u>2024</u>		<u>2023</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Major maintenance costs	\$ 23,166,361	\$ 8,703,739	\$ 6,659,228	\$ 3,080,602
Solar farm development	41,666,979	-	15,274,501	-
Other development	1,957,038	-	314,943	-
	<u>\$ 66,790,378</u>	<u>\$ 8,703,739</u>	<u>\$ 22,248,672</u>	<u>\$ 3,080,602</u>

Deferred major maintenance costs are repair and maintenance charges incurred in connection with periodic, planned, major maintenance activities that benefit future periods greater than 12 months. These operations require shutdown of the entire facility to perform planned, major repair, and maintenance activities on the generating unit. The frequency of such repair and maintenance activities is predictable and scheduled. To recognize the repair and maintenance activities in the period benefited, Sunflower capitalizes the actual cost of the major maintenance and amortizes those costs over the designated future benefit period.

Member and Patron Equity

All net margins are required to first offset any losses incurred during the current or any prior fiscal year. Remaining net margins, if any, are allocated to Members based on each member's relative percentage revenue contribution to fixed costs and margins.

Accumulated surplus was allocated as follows at December 31:

	<u>2024</u>	<u>2023</u>
Lane-Scott	\$ 12,511,729	\$ 12,397,756
Pioneer	82,892,084	83,972,100
Prairie Land	46,359,608	45,375,560
Southern Pioneer	34,851,125	33,312,739
Victory	34,331,566	32,414,857
Western	25,507,579	25,196,425
Wheatland	77,741,314	78,705,195
	<u>\$ 314,195,005</u>	<u>\$ 311,374,632</u>

Patronage capital distributions are limited by certain provisions of the Indenture and the CoBank letter of credit. In general, distributions cannot reduce members' equity to total capitalization below 20% and distributions are limited if equity to total capitalization is less than 30%. During 2024 and 2023, Sunflower distributed \$12.0 million and \$12.0 million, respectively.

Income Taxes

Sunflower is a taxable corporation subject to corporate federal and state income taxes. As a taxable electric cooperative, Sunflower is allowed a tax exclusion for margins allocated as patronage capital. Income taxes generally apply to Sunflower to the extent that income or losses are allocated to nonpatron activity. Sunflower accounts for income taxes attributable to nonpatron activity under the liability method of accounting for income taxes. Accordingly, changes in deferred tax assets or liabilities result in the establishment of a regulatory asset or liability. A regulatory asset or liability associated with the deferred income taxes generally represents the future increase or decrease in income taxes payable that will be received or settled through future rate revenue. Under the liability

Sunflower Electric Power Corporation and Subsidiaries
Notes to Combined Financial Statements
December 31, 2024 and 2023

method, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the combined financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income from nonpatron sales in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Deferred Credits

Deferred credits consist of unearned revenue from contracts with customers.

	<u>2024</u>	<u>2023</u>
Capacity agreements	\$ -	\$ 1,500,000
Project agreements	<u>13,089,856</u>	<u>19,132,093</u>
	<u>\$ 13,089,856</u>	<u>\$ 20,632,093</u>

Regulatory Assets and Liabilities

Sunflower has recorded assets and liabilities to reflect the impact of rate regulation. See Note 3 for further discussion.

Other Long-Term Liabilities

Other long-term liabilities consist of accrued postretirement benefit obligations, measured at each fiscal year-end, and asset retirement obligations for the estimated costs for legally required removal of certain assets. In 2024 and 2023, asset retirement obligation accretion was \$165,029 and \$297,793, respectively, and changes in estimates were \$0 and \$0, respectively.

	<u>2024</u>	<u>2023</u>
Executive pension benefits	\$ 2,883,848	\$ 1,669,268
Postretirement benefits	10,958,439	13,397,830
Asset retirement obligation	<u>10,276,228</u>	<u>10,111,200</u>
	<u>\$ 24,118,515</u>	<u>\$ 25,178,298</u>

Postretirement Plan

Sunflower allows eligible retirees to purchase medical insurance from the plan in which Sunflower participates. The premium payments are calculated on an average of both active and retiree participants. Sunflower will incur additional costs as the premium payments of active participants paid by Sunflower will increase due to the retirees' participation in the plan. Additionally, Sunflower allows eligible retirees to purchase \$20,000 of term life insurance available over the lifetime of the retiree, through the Company's term life insurance plan. These premiums are paid by the retired employee at the group term rates, not the full age-adjusted premium costs for the coverage. For retirees to be eligible for these benefits, the participant must pay the premium cost associated with the coverage.

The Company records annual amounts relating to its postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, turnover rates, and healthcare cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income (loss) and amortized to net periodic cost over future periods using the corridor method. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefits. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

The Company recognizes the unfunded status of the postretirement plan as a liability in other liabilities on the accompanying combined balance sheets, and changes in that unfunded status in the year in which the changes occur through other comprehensive income to the extent those changes are not included in the net periodic cost.

Pension Plans

All Sunflower employees are covered by a defined benefit pension plan that is funded through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security (RS) Plan. The RS Plan is a defined-benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan number is 333.

A unique characteristic of a multiemployer plan compared to a single-employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

During 2017, Sunflower adopted the Executive Benefit Restoration Plan (EBR Plan), which provides eligible participants with additional pension benefits. Eligible participants are a select group of management or highly compensated employees whose compensation or pension benefits are limited by Internal Revenue Code Sections 415 and 401(a)(17) and would receive reduced pension benefits that would otherwise be received under the RS Plan. These obligations represent a liability to Sunflower. Sunflower retains the right, subject to existing agreements, to change or eliminate these benefits.

The Company records annual amounts relating to the EBR Plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, and compensation rate increases. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income (loss) and amortized to net periodic cost over future periods using the corridor method. The net periodic costs are recognized as employees render the services necessary to earn the EBR benefits. The Company believes that the assumptions utilized in recording its obligations under its plan are reasonable based on its experience and market conditions.

The Company recognizes the unfunded status of the EBR Plan as a liability in other liabilities on the accompanying combined balance sheets and changes in that unfunded status in the year in which the changes occur through other comprehensive income to the extent those changes are not included in the net periodic cost.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from members and customers, of which Sunflower has an unconditional right to receive. Sunflower provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. No allowance was recorded at December 31, 2024 or 2023.

Revenue and Fuel Expense Recognition

Sunflower recognizes revenue when obligations under the terms of a contract with a customer are satisfied and control of its goods or services is transferred to its customers. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or services.

Sunflower Electric Power Corporation and Subsidiaries
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Sunflower's revenues are derived primarily from power sales. Contractual arrangements for member and nonmember power sales consist of a single performance obligation, as the promise to transfer electricity is not separately identifiable from other promises in the contracts, including transportation, and, therefore, is not distinct. Progress toward completion of the performance obligation is measured using the output method based on meter readings. The Company bills customers monthly in the month following the delivery of the electric power. Accounts receivable from members and nonmembers include revenue under contracts with customers of \$22.0 million and \$21.9 million as of December 31, 2024 and 2023, respectively.

Transmission service revenue results from others' use of the utility's transmission system to transmit electricity in connection with the Company's participation in SPP. SPP is subject to Federal Energy Regulatory Commission (FERC) regulation. The Company records revenue based upon the regulatory-approved tariff and the volume delivered or transmitted, which corresponds to the amount that it has a right to invoice.

The following table presents Sunflower's revenue from contracts with customers and other revenue for the years ended December 31:

	Member Sales	Nonmember Power Sales	Other Operating Revenue	Total
2024				
Revenue from contracts with customers under Topic 606				
Power sales	\$ 196,375,703	\$ 18,123,305	\$ -	\$ 214,499,008
Transmission service revenue	60,104,358	-	31,841,761	91,946,119
Other electric sales	-	-	3,383,919	3,383,919
Other	-	-	261,083	261,083
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	<u>\$ 256,480,061</u>	<u>\$ 18,123,305</u>	<u>\$ 35,486,763</u>	<u>\$ 310,090,129</u>
2023				
Revenue from contracts with customers under Topic 606				
Power sales	\$ 189,574,007	\$ 14,692,102	\$ -	\$ 204,266,109
Transmission service revenue	59,038,336	-	28,131,471	87,169,807
Other electric sales	-	-	5,141,154	5,141,154
Other	-	-	3,132,994	3,132,994
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	<u>\$ 248,612,343</u>	<u>\$ 14,692,102</u>	<u>\$ 36,405,619</u>	<u>\$ 299,710,064</u>

Other operating revenue primarily represents amounts billed to and collected by SPP for transmission services based upon a tariff designed to recover the Company's transmission service costs.

Sunflower Electric Power Corporation and Subsidiaries
Notes to Combined Financial Statements
December 31, 2024 and 2023

Note 2. Utility Plant

Utility plant balances by major class of assets are as follows at December 31:

	<u>2024</u>	<u>2023</u>
Steam production plant	\$ 641,095,154	\$ 623,501,500
Other production plant	174,190,094	173,827,850
Transmission plant	613,580,957	600,745,007
Distribution plant	850,271	850,271
General plant	129,857,632	125,890,457
Acquisition cost	9,426,875	9,426,875
ROU assets – operating leases	2,046,223	1,140,301
ROU assets – finance leases	9,024,774	10,090,462
	<u>1,580,071,980</u>	<u>1,545,472,723</u>
Less accumulated depreciation and amortization	(858,769,290)	(830,058,783)
Completed construction not classified	1,469,455	531,563
	<u>722,772,145</u>	<u>715,945,503</u>
Land held for future use	3,193,843	3,193,843
Construction work in progress	39,923,287	26,886,132
	<u>765,889,275</u>	<u>746,025,478</u>
Total utility plant, net	<u>\$ 765,889,275</u>	<u>\$ 746,025,478</u>

The acquisition cost relates to the cost paid to acquire utility plant in 2007. The cost is being depreciated over a 30-year life and recovered in electric rates.

Note 3. Regulatory Assets and Liabilities

Under the provisions of ASC Topic 980, Sunflower defers certain costs and revenue for recovery through rates in future periods. The accompanying combined financial statements, therefore, include the effects of rate regulation.

The following table details the regulatory assets and liabilities as of December 31:

	<u>2024</u>	<u>2023</u>
Regulatory assets		
Asset retirement obligations	\$ 9,385,782	\$ 9,200,539
Major maintenance	-	160,114
Transmission formula rate recovery	29,365,797	22,101,467
Other	-	788,046
Less current portion	<u>(12,653,492)</u>	<u>(18,193,295)</u>
Long-term regulatory assets	<u>\$ 26,098,087</u>	<u>\$ 14,056,871</u>
Regulatory liabilities		
Unearned revenue	\$ 11,694,091	\$ 15,196,641
Less current portion	<u>(4,800,131)</u>	<u>(9,733,875)</u>
Long-term regulatory liabilities	<u>\$ 6,893,960</u>	<u>\$ 5,462,766</u>

Regulatory Assets

Asset retirement obligations represent the estimated recoverable costs for legally required removal obligations. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows and is recorded in other long-term liabilities on the accompanying combined balance sheets. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life.

In 2012, the Kansas Corporation Commission (KCC) granted the authority to accumulate Clifton 1 generation unit outage expenses as a regulatory asset and amortize those expenses through 2024. Amortization of these costs began upon completion of the outage project in September 2012.

In 2024, Sunflower recorded additional transmission formula regulatory assets of \$15.6 million. Amounts for SPP transmission-related revenue and expenses are based on true-ups in estimated versus actual costs. In June 2025, Sunflower will file the formula rate with adjustments for 2024 actual costs with the Federal Energy Regulatory Commission (FERC). Final determination of the true-up will be determined by FERC.

In 2023, Sunflower recorded additional transmission formula regulatory assets of \$12.0 million. Amounts for SPP transmission-related revenue and expenses are based on true-ups in estimated versus actual costs. In June 2024, Sunflower filed the formula rate with adjustments for 2023 actual costs of \$12.9 million with the FERC; final approval of the true-up has not been reached by FERC. Final determination of the true-up will be determined by FERC.

Total transmission formula regulatory assets will be reduced by \$12.7 million in 2025 and \$15.4 million in 2026.

Regulatory Liabilities

Sunflower adopted a formula rate for recovery of transmission costs. The tariff used to bill customers in 2024 for transmission services was calculated using estimated costs in the formula rate. This tariff provision, approved by FERC, requires the estimated costs of providing transmission service to be adjusted to the actual costs annually. In 2024, Sunflower identified amounts collected on an estimated basis from SPP were \$6.5 million more than actual costs. Revenue in 2024 was decreased, and a regulatory liability of \$6.5 million was recorded for the over-collection.

In June 2025, Sunflower will file the formula rate with adjustments for actual costs with FERC. Final determination of the amount to be refunded will be determined by FERC.

In 2023, a regulatory liability of \$4.6 million was recorded. These amounts for SPP transmission-related revenue and expenses are based on true-ups in estimated versus actual costs. In June 2024, Sunflower filed the formula rate for 2023 actual costs, and the regulatory liability increased to \$4.9 million.

Total transmission formula regulatory liabilities of \$11.7 million will be reduced by \$4.8 million and \$6.4 million in 2025 and 2026, respectively.

In 2020, the Sunflower board of directors approved a regulatory liability for funds previously received (Deferred Credits) net of funds paid (Deferred Charges) for participation in the development of the Holcomb Station. The regulatory liability was amortized and was included in other operating revenue on the accompanying combined statements of operations – comprehensive income over a period of 40 months through January 2024.

As allowed in Sunflower's Margin Stability Rider to its tariff rates, the Sunflower board of directors approved a regulatory liability for certain 2023 projected margins expected to exceed budgeted margins. The customers received their refunds in 2024. This reduction is included in Member sales and Nonmember power sales on the combined statements of operations – comprehensive income for 2023.

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Note 4. Long-Term Debt

Outstanding Notes Payable

The outstanding note balances are as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Secured "A-2" Notes, interest at 5.376%, due in quarterly principal and interest installments through 2033	\$ 29,046,046	\$ 31,493,775
Unsecured "B" Notes, bearing no stated interest rate, due in quarterly installments through 2027, effective interest rate of 5.30%	1,628,925	2,222,770
NRUCFC Loan Capital Term Certificate (LCTC) Notes, interest at 5.376%, due in quarterly principal and interest installments through 2033	4,150,679	4,500,460
NRUCFC Loan, interest at 3.60%, due in quarterly principal and interest installments through 2046	62,333,333	65,166,667
NRUCFC Loan, interest at 5.53%, due in quarterly principal and interest installments through 2044	74,062,500	-
National Cooperative Services Corporation (NCSC) Advance, bearing interest of 2.60% through January 1, 2037, principal and interest due quarterly through January 2037	18,213,694	19,460,752
NCSC Advance bearing interest of 2.4% through January 1, 2037, principal and interest due quarterly through January 2037	18,213,274	19,477,609
NCSC Advance, bearing interest of 4.75% through January 1, 2037, principal and interest due quarterly through January 2037	19,219,232	20,350,956
NCSC Advance, bearing interest of 7.22% through April 1, 2030, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through January 2037	16,953,496	17,788,173
NCSC Advance, bearing interest of 7.22% through April 1, 2030, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through January 2037	744,355	781,002
NCSC Advance, bearing interest of 7.22% through April 1, 2030, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through January 2037	2,388,480	2,506,073
NCSC Advance, bearing interest of 7.22% through April 1, 2030, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through January 2037	336,698	353,273
NCSC Advance, bearing interest of 5.00% through January 1, 2027, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through October 2031	6,270,551	6,494,644
NCSC Advance, bearing interest of 3.99%, principal and interest due quarterly through October 2044	33,613,445	35,294,118
NCSC Advance, bearing interest of 3.62%, principal and interest due quarterly through April 2047	56,722,689	59,243,697

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	<u>2024</u>	<u>2023</u>
Private Placement 2013A Notes, bearing interest of 3.93% through December 31, 2042, with principal due annually each December and interest due semiannually June and December	\$ 87,000,004	\$ 91,833,337
Private Placement 2013B Notes, bearing interest of 4.13% through June 30, 2043, with principal due annually each June and interest due semiannually June and December	<u>19,000,000</u>	<u>20,000,000</u>
	449,897,401	396,967,306
Less current maturities of long-term obligations	<u>(25,272,054)</u>	<u>(21,132,405)</u>
Long-term obligations, less current maturities	<u>\$ 424,625,347</u>	<u>\$ 375,834,901</u>
Unamortized debt issuance costs		
NCSC Advances for debt maturing through 2037	\$ 338,585	\$ 366,694
NCSC Advances for debt maturing through 2044	109,895	115,391
Private Placement debt maturing through 2043	<u>1,206,881</u>	<u>1,273,930</u>
	<u>\$ 1,655,361</u>	<u>\$ 1,756,015</u>

Required as part of NRUCFC loan policy, LCTC Notes were issued equal to 14.29% of the Secured "A-2" Notes. The proceeds from these notes were used solely to purchase NRUCFC capital term certificates. The equity term certificates are reflected as capital term certificates of the NRUCFC on Sunflower's combined balance sheets. NRUCFC repays the capital term certificates to Sunflower as Sunflower's outstanding Secured "A-2" Notes and LCTC Notes are repaid. Quarterly payments on the LCTC Notes, like the original borrowing, are equivalent to 14.29% of the quarterly payments made on the Secured "A-2" Notes. Substantially all of Sunflower's assets are pledged as collateral for long-term debt.

Financial covenants require Sunflower must achieve a Margins for Interest (MFI) of at least 1.10 times interest charges for the prior fiscal year or for a period of 12 consecutive months during the prior 18-month period. Sunflower must also maintain an annual Equity to Total Capitalization ratio of no less than 20%. As of December 31, 2024 and 2023, Sunflower was in compliance with these financial covenants.

Scheduled and anticipated maturities of the long-term debt are as follows on December 31, 2024:

Year ending December 31,	
2025	\$ 25,272,054
2026	25,682,217
2027	25,761,741
2028	25,835,726
2029	26,275,063
Thereafter	<u>321,070,600</u>
	<u>\$ 449,897,401</u>

As part of a tax benefit transfer transaction entered into in the early 1980s, Sunflower was required to maintain a letter of credit for the benefit of the tax lessor in the unlikely event that Sunflower's actions might give rise to the potential loss of benefits sold. Sunflower obtained a letter of credit agreement with CoBank to satisfy this requirement. This letter of credit is set to expire on October 8, 2025.

Sunflower currently maintains a \$150 million unsecured facility administered by NRUCFC for purposes of managing seasonal fluctuations in cash flow and to issue various letters of credit necessary in the normal operations of the Company. Draws on the line of credit were charged at an interest rate based upon the respective Secured Overnight

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Funding Rate (SOFR) plus 120 basis points. The interest rate on draws was 5.57% and 6.56% as of December 31, 2024 and 2023, respectively. Cash borrowings outstanding on the unsecured facility totaled \$100 million and \$85 million as of December 31, 2024 and 2023, respectively. The line of credit expires on March 21, 2028.

As of December 31, 2024, Sunflower had outstanding letters of credit to SPP for \$6.0 million, Kansas Department of Health and Environment for \$2.5 million, and Kansas Gas Service for \$0.5 million, leaving \$41.0 million available under the facility. These securities were issued in the ordinary course of business. Sunflower is current with all purchases and, accordingly, no draw was or has been made on those letters of credit.

On June 20, 2024, Sunflower entered into an additional \$35 million line of credit with NRUCFC. Draws on the line of credit would be charged at an interest rate based upon the respective published daily rate by NRUCFC at the time of the draw. Sunflower had not yet drawn on the additional line of credit as of December 31, 2024. The line of credit is set to expire on March 20, 2025.

Note 5. Income Taxes

Sunflower is a taxable cooperative. For the years ended December 31, 2024 and 2023, Sunflower reported net operating losses for taxable activity. Income taxes generally apply to Sunflower to the extent that income or losses are allocated to nonpatron activity. During 2024 and 2023, Sunflower incurred no current or deferred income tax expense.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below at December 31:

	<u>2024</u>	<u>2023</u>
Deferred tax assets		
Property and equipment, principally due to safe harbor leasing transactions	\$ 697,336	\$ 1,517,212
Debt, principally due to differences in effective interest rates	109,081	148,677
Accrued vacation and other	2,918,179	2,703,760
Net operating loss carryforwards	69,846,501	65,413,323
	<u>73,571,097</u>	<u>69,782,972</u>
Less valuation allowance	<u>(63,818,439)</u>	<u>(60,847,762)</u>
Deferred tax assets, less allowance	<u>9,752,658</u>	<u>8,935,210</u>
Deferred tax liabilities		
Property and equipment, principally due to differences in depreciation	5,703,547	5,360,879
Notes payable to unsecured Sunflower creditors	110,223	150,786
Other	3,938,888	3,423,545
	<u>9,752,658</u>	<u>8,935,210</u>
Total gross deferred tax liabilities	<u>9,752,658</u>	<u>8,935,210</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2024, Sunflower has \$115 million of federal net operating loss carryforwards for regular tax purposes that, if not utilized, begin to expire from 2026 through 2038 and operating loss carryforwards generated after 2018 of \$137 million that do not expire. Management believes that it is more likely than not that the net deferred tax assets will not be utilized in excess of its deferred tax liabilities; accordingly, it has provided a valuation allowance to reduce the net deferred tax assets to zero.

There are no unrecognized tax benefits to be accrued or disclosed and, thus, no interest and penalties to accrue thereon.

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Note 6. Leases

Sunflower is obligated under various leases for transmission plant that are accounted for as finance leases. At December 31, 2024 and 2023, the net amount of plant and equipment under finance leases was \$9.0 million and \$10.1 million, respectively.

Payments incurred for finance leases amounted to \$1.6 million and \$2.1 million for the years ended December 31, 2024 and 2023, respectively. Interest costs associated with finance leases amounted to \$0.8 million and \$0.9 million for the years ended December 31, 2024 and 2023, respectively. Amortization of leased assets in association with finance leases amounted to \$1.1 million and \$1.5 million for the years ended December 31, 2024 and 2023, respectively.

Sunflower has operating leases for the use of various buildings.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease, including any period of free rent. Total expense associated with operating leases was \$0.2 million and \$0.1 million for the years ended December 31, 2024 and 2023, respectively.

Future minimum lease payments under noncancelable operating leases and finance leases are as follows as of December 31, 2024:

	<u>Finance</u>	<u>Operating</u>
2025	\$ 1,632,839	\$ 256,523
2026	1,632,839	222,403
2027	1,632,839	163,521
2028	1,632,839	160,407
2029	1,632,839	157,351
Thereafter	<u>5,879,848</u>	<u>205,475</u>
	14,044,043	
Less amount representing interest	<u>4,456,301</u>	<u>\$ 1,165,680</u>
Present value of minimum lease payments	9,587,742	
Less current portion	<u>883,080</u>	
Long-term obligations under finance leases	<u>\$ 8,704,662</u>	
Operating leases		
Weighted-average remaining lease term (years)	6.01	
Weighted-average discount rate	5%	

Note 7. Pension Plans

Defined Benefit Pension Plan

Sunflower's contributions to the NRECA RS Plan in 2024 and 2023 represented less than 5% of the total contributions made to the plan by all participating employers. Sunflower made contributions to the plan for the years ended December 31, 2024 and 2023 of \$17.2 million and \$16.9 million, respectively. There have been no significant changes that affect the comparability of 2024 and 2023 contributions.

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For the RS Plan, a “zone status” determination is not required and, therefore, not determined under the *Pension Protection Act of 2006* (PPA). In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was more than 80% funded at January 1, 2024 and 2023, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Executive Pension Benefit Restoration

During 2017, Sunflower adopted the EBR Plan, which provides eligible participants with additional pension benefits. Eligible participants are a select group of management or highly compensated employees whose compensation or pension benefits are limited by Internal Revenue Code Sections 415 and 401(a)(17) and would receive reduced pension benefits that would otherwise be received under the RS Plan. The benefit payable for an eligible participant under the EBR Plan is the amount of the pension limitation. Sunflower will incur additional pension costs of eligible participants qualifying in the plan. This obligation represents a liability to Sunflower. Sunflower retains the right, subject to existing agreements, to change or eliminate these benefits.

The Company recognizes the obligation as a liability on its combined balance sheets within other long-term liabilities, as there are no plan assets. Actuarial gains and losses are generally amortized subject to the corridor method, over the average remaining service life of the Company’s eligible participants. The Company measures its benefit obligations as of December 31 of each year. Plan amendment changes include adoption of the plan and eligible participant additions.

The following table sets forth the plan’s benefit obligations recognized in the accompanying combined balance sheets and related benefit cost at December 31:

	Executive Pension Benefits	
	2024	2023
Change in accumulated benefit obligation		
Accumulated benefit obligation, beginning of year	\$ 2,135,171	\$ 1,460,432
Service cost	245,655	69,721
Interest cost	133,062	95,288
Settlements	-	-
Actuarial (gain) loss	369,960	509,730
Accumulated benefit obligation, end of year	<u>\$ 2,883,848</u>	<u>\$ 2,135,171</u>
Funded status		
Accumulated benefit obligation	<u>\$ (2,883,848)</u>	<u>\$ (2,135,171)</u>
Net liability recognized	<u>\$ (2,883,848)</u>	<u>\$ (2,135,171)</u>
Net periodic benefit cost		
Service cost	\$ 245,655	\$ 69,721
Interest cost	133,062	95,288
Amortization of transition obligation	-	-
Amortization of prior service cost	126,471	126,474
Amortization of loss (gain)	<u>(42,756)</u>	<u>(183,028)</u>
Total net periodic benefit cost	<u>\$ 462,432</u>	<u>\$ 108,455</u>
Amounts recognized in the combined balance sheets consist of		
Other long-term liabilities	\$ 2,883,848	\$ 2,135,171
Accumulated other comprehensive income	\$ 395,183	\$ 681,428

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An actuarial loss of \$0.4 million was incurred during 2024, decreasing the accumulated other comprehensive income. An actuarial loss of \$0.5 million was incurred during 2023, decreasing the accumulated other comprehensive income. The net overall actuarial loss was largely the result of a decrease in the discount rate that increased the net present value of the benefit obligation.

The prior service cost (credit) for the postretirement plan that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year is \$0.1 million in 2024 and \$0.1 million in 2023. No net actuarial (income) loss from the postretirement plan will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost.

	<u>2024</u>	<u>2023</u>
Discount rate – obligation	5.07%	5.27%
Discount rate – cost	5.70%	5.07%

For measurement purposes, annual rates of increase in salary costs of 4% and 3% were assumed for 2024 and 2023, respectively. A 4% rate was assumed for all years thereafter.

No benefits were paid in 2024 and 2023.

Amounts recognized in accumulated other comprehensive income not yet recognized as components of net periodic cost consist of:

	<u>2024</u>	<u>2023</u>
Unrecognized net actuarial loss	\$ (704,210)	\$ (1,116,926)
Unrecognized prior service cost	<u>309,027</u>	<u>435,498</u>
Total	<u>\$ (395,183)</u>	<u>\$ (681,428)</u>

The components on net periodic benefit cost other than the service cost component were \$0.2 million and \$0.1 million for the years ended December 31, 2024 and 2023, respectively, and are included in the line item Administrative and general in the consolidated statements of operations – comprehensive income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	<u>2024</u>	<u>2023</u>
Amounts arising during the period		
Net (gain) loss	\$ (412,716)	\$ (692,758)
Unrecognized prior service cost	<u>126,471</u>	<u>126,474</u>
Total	<u>\$ (286,245)</u>	<u>\$ (566,284)</u>

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The benefits expected to be paid from the postretirement benefit plan are as follows:

Year ending December 31,	
2025	\$ 708,495
2026	152,518
2027	-
2028	-
2029	-
Five years ending 2034	<u>5,994,962</u>
	<u>\$ 6,855,975</u>

The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2024 and include estimated future employee service.

Note 8. Postretirement Benefit Obligation

Sunflower allows eligible retirees to purchase medical insurance from the employee welfare benefits plan in which Sunflower participates. For retirees to participate in coverage, the retiree must pay group plan premiums. Sunflower pays a portion of current employees' premiums and is reimbursed by retirees for the plan premiums. The plan premiums are calculated considering experience of active and retiree participants. Since retiree costs are expected to be higher than the group, Sunflower will incur additional costs for the premium payments of active participants due to the retirees' participation in the plan. This obligation represents a liability to Sunflower. Sunflower retains the right, subject to existing agreements, to change or eliminate these benefits.

Sunflower also has an obligation to provide various health insurance benefits to former retirees of Mid-Kansas Electric Company, Inc. Retirees may elect health insurance benefits upon payment of the required premiums. There are two classes of retirees covered in this health insurance program. The first class is composed of individuals and spouses who receive health insurance benefits that have a varying period and direct subsidy based on a former plan in which they participated. The period can range from five years to a lifetime, and the direct subsidies can range from 5% to 100%. Subsidies not at 100% reached zero in 2018. The second class of retirees under this program receives their benefit based upon a prior class action lawsuit against a predecessor company. Sunflower now pays 100% of the actual health and life insurance costs for the second class of retirees.

The Company recognizes the obligation as a liability on its combined balance sheets within other long-term liabilities as there are no plan assets. Actuarial gains and losses are generally amortized subject to the corridor method over the average remaining service life of the Company's active employees.

The Company measures its benefit obligations as of December 31 of each year. The benefit obligation is the actuarial present value of all benefits rendered prior to the valuation date based on the projected cost method. The following table sets forth the plan's benefit obligations recognized in the accompanying combined balance sheets and related benefit cost at December 31:

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	Postretirement Benefits	
	2024	2023
Change in accumulated benefit obligation		
Accumulated benefit obligation, beginning of year	\$ 13,397,830	\$ 16,893,542
Service cost	681,593	739,643
Interest cost	668,516	871,686
Actuarial (gain) loss	(3,100,620)	(4,718,219)
Net benefits paid	<u>(304,185)</u>	<u>(388,822)</u>
Accumulated benefit obligation, end of year	<u>\$ 11,343,134</u>	<u>\$ 13,397,830</u>
Funded status		
Accumulated benefit obligation	<u>\$ (11,343,134)</u>	<u>\$ (13,397,830)</u>
Net liability recognized	<u>\$ (11,343,134)</u>	<u>\$ (13,397,830)</u>
Net periodic benefit cost		
Service cost	\$ 681,593	\$ 739,643
Interest cost	668,516	871,686
Recognized net actuarial loss	<u>(298,675)</u>	<u>-</u>
Total net periodic benefit cost	<u>\$ 1,051,434</u>	<u>\$ 1,611,329</u>
Amounts recognized in the combined balance sheets consist of		
Accrued liabilities – other	\$ 384,695	\$ 465,903
Other long-term liabilities	\$ 10,958,439	\$ 12,931,927
Accumulated other comprehensive income	\$ 8,747,303	\$ 5,945,358

An actuarial gain of \$3.1 million and \$4.7 million occurred during 2024 and 2023, respectively, increasing the accumulated other comprehensive income. The net overall decrease to the actuarial gain from 2023 was largely a result of an increase in the discount rate that increased the net present value of the benefit obligation.

The net actuarial (income) loss and prior service cost (credit) for the postretirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$0.5 million and \$0.3 million, respectively.

Amounts recognized in accumulated other comprehensive income not yet recognized as components of net periodic cost consist of:

	2024	2023
Unrecognized net actuarial gain	<u>\$ (8,747,303)</u>	<u>\$ (5,945,358)</u>

The components of net periodic benefit cost other than the service cost component were \$0.4 million and \$0.9 million for the years ended December 31, 2024 and 2023, respectively, and are included in the line item Administrative and general in the consolidated statements of operations – comprehensive income.

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Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	<u>2024</u>	<u>2023</u>
Amounts arising during the period		
Net (gain)	\$ (3,100,620)	\$ (4,718,219)
Amounts reclassified as components of net periodic benefit cost of the period		
Net gain	<u>298,675</u>	<u>-</u>
Total	<u>\$ (2,801,945)</u>	<u>\$ (4,718,219)</u>

Weighted-average assumptions used to determine benefit obligations and cost were as follows for 2024 and 2023:

	<u>Postretirement Benefits</u>	
	<u>2024</u>	<u>2023</u>
Discount rate – obligation	5.55%	4.83%
Discount rate – cost	4.83%	5.02%
Healthcare cost trend rate – pre-Medicare	6.00%–4.50%	6.00%–4.50%
Healthcare cost trend rate – post-Medicare	6.00%–4.50%	6.00%–4.50%

For measurement purposes at December 31, 2024, a 6.0% annual rate of increase in the retiree per capita cost of covered healthcare benefits was assumed for 2025. The rate was assumed to decrease gradually to 4.50% for 2035 and remain at that level thereafter. If the annual rate increased (decreased) by one percentage point, the effect on the accumulated postretirement benefit obligation would be \$2.2 million and \$(1.7 million), respectively.

The following table summarizes benefits paid during 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Gross benefits paid	\$ 1,166,255	\$ 1,272,573
Retiree contributions	<u>(862,070)</u>	<u>(883,751)</u>
Net benefits paid	<u>\$ 304,185</u>	<u>\$ 388,822</u>

The benefits expected to be paid, net of retiree contributions, from the postretirement benefit plan are as follows:

Year ending December 31,	
2025	\$ 395,000
2026	434,000
2027	391,000
2028	418,000
2029	397,000
Five years ending 2034	<u>2,349,000</u>
	<u>\$ 4,384,000</u>

The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2024 and include estimated future employee service.

Note 9. Commitments and Contingencies

Sunflower has entered into various multiyear contracts with third parties to acquire and transport coal for Holcomb Station. Under these contracts, the Company estimates it will pay \$12.3 million in 2025, \$8.4 million in 2026, and \$4.2 million in 2027.

Sunflower has commitments to provide power to its member cooperatives through 2062. Likewise, the member cooperatives are committed to purchase all their power requirements from Sunflower through the same period. Sunflower is also party to a number of other electricity contracts that expire in various future years.

Sunflower has a commitment to purchase the outputs from three wind farms. Sunflower does not have fixed-cost obligations and pays only for the energy produced at contracted prices. Sunflower purchased wind power at a cost of \$18.7 million and \$18.8 million in 2024 and 2023, respectively.

Sunflower is a defendant in other litigation matters and a party to various claims arising from its normal activities. In management's opinion, based on advice from legal counsel, these actions will not result in a material adverse effect on the combined financial position, results of operations, or liquidity of Sunflower.

Note 10. Subsequent Events

Subsequent events have been evaluated through March 27, 2025, which is the date the combined financial statements were available to be issued. On March 13, 2025, Sunflower extended the termination date of the \$35 million line of credit with NRUCFC from March 20, 2025 to June 20, 2025. Aside from the above, the Company has determined that there are no other items to disclose.

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